COBHAM

INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2013

8 August 2013

Underlying[1] results	**2013**	2012[2]	Change
Order intake	**£976m**	£768m	+27%
Revenue	**£864m**	£843m	+2%
Trading Margin	**17.8%**	18.7%	-0.9%pts
Profit before Tax	**£137m**	£141m	-3%
Earnings per share (EPS)	**10.3p**	10.6p	-3%
Operating cash conversion[3]	**84%**	89%	-5%pts

Statutory results	**2013**	2012[2]	Change
Revenue	**£864m**	£843m	+2%
Profit before Tax	**£51m**	£89m	-43%
EPS	**4.5p**	7.2p	-38%
Interim dividend per share	**2.64p**	2.40p	+10%

- Results consistent with guidance and good progress on strategic objectives
- Order book increased to £2.5bn (31 December 2012: £2.4bn), benefitting from strong order intake in Aviation Services
- Group revenue increased 2%. Organic revenue[4] declined 3%, in line with expectations, with strong growth in commercial markets more than offset by defence/security
- Underlying profit before tax down 3%, with positive contributions from acquisitions, offset by US defence/security weakness and prior period beacon divestments
- Further progress towards more balanced portfolio, with commercial markets now 36% of Group revenue, and Axell Wireless Limited and FBH acquisitions bringing further complementary capabilities
- Incremental savings from Excellence in Delivery programme accelerated, now expected to be £19m in the full year, with reinvestment to drive organic growth
- Interim dividend up 10% to 2.64p, continuing the Group's long standing, progressive dividend policy

Bob Murphy, Cobham Chief Executive Officer, said:

"We have delivered results consistent with our full year guidance, in a US defence/security market that continues to be challenging, and we have taken further important steps in the first half towards achieving our strategic objectives.

"We anticipate that we will continue to perform in line with our previous full year guidance for 2013. While the outlook for US Government spending remains highly uncertain, on the basis of current market trends, there is the potential to deliver modest organic growth in 2014. We anticipate mid-single digit organic growth thereafter."

ENQUIRIES

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INTERIM RESULTS PRESENTATION INCLUDING LIVE WEBCAST AND DIAL-IN DETAILS

There will be an interim results presentation at 9.30am UK time on Thursday, 8 August 2013, with a live webcast available on the Cobham website (www.cobhaminvestors.com). The webcast will be made available on the website for subsequent viewing. There will also be a dial-in facility available which can be accessed in the UK and internationally on +44 (0)20 3003 2666, confirmation code Cobham and in the US/Canada on +1 646 843 4608, confirmation code Cobham.

The following notes apply throughout these interim results:

1. *To assist with the understanding of earnings trends, the Group has included within its published statements trading profit and underlying earnings results. Trading profit has been defined as operating profit from continuing operations excluding the impacts of certain M&A related costs and business restructuring costs as detailed below. Also excluded are changes in the marking to market of non-hedge accounted derivative financial instruments and items deemed by the Directors to be of an exceptional nature. Underlying earnings are defined as trading profit less net underlying finance costs, which excludes the unwinding of acquisition related discounting, and after deducting taxation and non-controlling interests.*

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

   Business restructuring comprises exceptional costs or profits associated with the Excellence in Delivery programme.

   A reconciliation of operating profit and profit before taxation to the respective underlying numbers is shown on page 12.

2. *Numbers for the six months ended 30 June 2012 are restated due to the impact of adopting IAS 19 (revised). For further details see note 1 on page 26.*

3. *Operating cash flow is defined as cash generated from operations after cash flows from the purchase or disposal of property, plant, equipment and intangible assets. Operating cash conversion is defined as operating cash flow as a percentage of trading profit, excluding profit from joint ventures. Free cash flow is operating cash flow after net interest, taxation, dividends received from joint ventures and the cash cost of business restructuring.*

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

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

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

6. *A Group-wide brand charge of up to 1% is charged to the Divisions from Head Office.*

OVERVIEW OF THE HALF YEAR

The Group has delivered results consistent with its full year guidance, in a US defence/security market that continues to be challenging, and has taken important steps in the first half towards achieving its stated strategic objectives.

At the period end, the Group's order book was £2.5bn (31 December 2012: £2.4bn) with strong order intake in the period, including a number of multi-year orders for the Aviation Services business, with a Group book-to-bill ratio of 1.13 times. Excluding the Group's longer cycle businesses, book-to-bill was solid at 0.96 times.

Group revenue increased 2% to £864m (2012: £843m), primarily due to the favourable net impact of acquisitions and divestments. Overall, organic revenue fell by 3% as a result of a decline in defence/security markets. However, commercial organic revenue grew by 8%, including a strong contribution from the Aviation Services business in Australia and increasing revenue from antennas and other products for commercial aircraft. US defence/security organic revenue was down 7%, with weakness in certain short cycle land markets. Organic revenue in the non-US defence/security market was down 9%, almost entirely due to recognition in the prior period of a revenue milestone on the UK Future Strategic Tanker Aircraft (FSTA) programme. Excluding this revenue milestone, non-US defence/security revenue was broadly flat on the prior period.

The underlying Group trading margin decreased, as anticipated, to 17.8% (2012: 18.7%). This was principally due to lower US defence/security volumes, changing product portfolio mix and increased technology and other investments being made, which offset the impact of Excellence in Delivery (EiD) efficiency benefits. The Group trading margin in organic operations fell just 30bps.

EiD, which is the Group's programme to re-engineer and streamline operations, continues to generate positive momentum and deliver its targeted operational and customer benefits. As a result of the Group accelerating its integration activity, it now expects to achieve £19m (previously £17m) of year-on-year efficiency savings during 2013, bringing total annualised benefits to £67m since the programme began in 2010. Reinvestment of EiD savings in the Group is underway to support the drive for organic revenue growth.

Private venture (PV[5] or company funded R&D – research and development) investment in the Group's core businesses increased to £42m (2012: £33m), representing 6.1% (2012: 5.0%) of core revenue, with investment increasingly targeted towards higher growth markets. Total R&D investment, including customer funded projects, was £85m (2012: £66m), including significant development work undertaken on aerial refuelling programmes.

Key management capabilities have been strengthened with the appointment of three new Executive Vice Presidents in the critical areas of business development and technology, life cycle and programme management, and corporate strategy and mergers and acquisitions. The Group has continued to increase its overall investment in enhancing skills and capabilities.

Cobham has continued to make progress towards its strategic objective of bringing more balance to its portfolio. It completed the acquisition of Axell Wireless Limited (Axell), a leading global provider of distributed antenna systems wireless solutions for buildings and critical infrastructure applications, for up to £85m in cash, including contingent consideration. After the period end, the Group also acquired full ownership of FBH, the 50% owned helicopter services joint venture, for a cash consideration of £74m. This has further strengthened its exposure to attractive non-US defence/security markets.

Underlying EPS fell by 3%, at constant translation exchange rates, to 10.3p (2012: 10.6p), consistent with the Group's trading performance.

The operating cash flow conversion rate was satisfactory at 84% (2012: 89%). The Group generated £65m of free cash flow after EiD payments and remains conservatively geared at the period end, at 1.2 times net debt/EBITDA, after £82m of net acquisition investment.

MARKETS

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

Revenue	**Group H1 2013**	**Organic Growth**	Group H1 2012	Organic Growth
US defence/security	**38%**	**-7%**	42%	-1%
Non-US defence/security	**26%**	**-9%***	28%	8%*
Commercial	**36%**	**8%**	30%	1%

* Non-US defence/security for the first half of 2012 includes a revenue milestone on the FSTA programme, on the aircraft's introduction to service with the Royal Air Force.

The Group has continued to make further progress in strengthening its exposure to commercial markets. On 10 May 2013 the Group announced that the acquisition of Axell had been completed. Axell predominantly operates in commercial and public safety communication markets and is complementary to a number of the Group's existing communications businesses, further building on the Group's capabilities following the acquisition of the Thrane & Thrane SATCOM business in 2012.

US defence/security market

The US defence/security market environment remains highly uncertain, with no congressional agreement reached to avoid sequestration, which was mandated in the 2011 Budget Control Act (BCA). Notwithstanding this, the 2014 presidential budget request has been set at a level which ignores the budget cuts set out in the BCA. This lack of progress in agreeing a budget, together with a lack of visibility in confirming strategic and programme priorities, increases the potential for some short term demand volatility. The Group continues to believe that, notwithstanding these uncertainties, ongoing fiscal constraints mean that the US defence/security market is likely to continue its current cyclical down-turn in any case.

Nevertheless, the Group remains well positioned in this market with a range of differentiated technologies and good positions on key platforms, which will provide significant growth opportunities as and when US market conditions improve and which also provide export opportunities. Many of the Group's capabilities are in likely areas of current priority, such as the KC-46 tanker aircraft, the F-35 Joint Strike Fighter, the AEGIS Ballistic Missile Defence system and the Standard Missile. During the period, the Group increased its ship set on AEGIS, with the latest variant of the Standard Missile also incorporating more Cobham content. Cobham's capabilities also position it as a key subsystem and component supplier on upgrade programmes, which are an efficient means of keeping critical capabilities current, including communications, radar and electronic warfare, on platforms already in service.

Non-US defence/security market

Demand from non-US defence/security markets remains relatively robust. Significant opportunities exist for the Group in faster growth geographies including Asia, the Middle East and South America, although European markets are expected to remain weaker.

Cobham has good ship set positions on a range of platforms in the non-US defence/security market, including the Airbus A330 Multi Role Tanker Transport (MRTT), the Embraer KC-390 tanker and the Eurofighter Typhoon aircraft. In addition, the Group has been expanding its presence around the world to support and grow direct sales of its capabilities to international customers. A network of sales offices has been developed over time, including in Asia, the Middle East and South America to increase focus on faster growth markets and these also support development of further opportunities in commercial markets.

Aviation Services has continued to win long term contracts for critical services, adding significantly to its order book during the period. Most notably, the UK Ministry of Defence (MoD) extended its contract to provide electronic warfare training for the Royal Navy and Royal Air Force through to 2019, for an anticipated value of some £200m, building on a 25 year partnership for essential readiness training. This market sector is expected to continue to benefit from a trend towards increased outsourcing and the Group is well positioned in this market going forward.

Commercial markets

Cobham uses its differentiated technology and know-how to continue strengthening its presence in a number of attractive commercial markets. These include specialist aviation services in Australia, marine (principally the satellite communication (SATCOM) market), together with other aerospace and land/industrial markets. Cobham has strong technology positions in large transport aircraft, helicopters, regional and smaller aircraft and land/industrial markets.

Demand across Cobham's commercial markets is driven by the desire for greater fuel efficiency and improved operational effectiveness by increasing demand for new and improved communication products and by an increasing focus on safety. Demand is also driven by activity in the oil and gas and natural resources industries, notably in the Australian aviation and marine SATCOM markets.

During the period Cobham made further progress in expanding its commercial aviation services business, being awarded an AUS$150m scope extension to its current contract with QantasLink, with an increase to the number of Boeing 717 aircraft operated by Cobham from 13 to 18 through to 2018. Additional flying activity is expected to commence in the fourth quarter of 2013.

STRATEGY

The Group's strategy is to leverage its innovative technology, know-how and understanding of customer needs to build and maintain leading positions in the second and third tiers of the global defence/security and commercial aerospace, marine and land/industrial markets, underpinned by sector leading customer delivery and operational performance. This enables it to generate sustainable top and bottom line growth, relative to the markets in which it operates, while consistently generating good free cash flow, thereby creating shareholder value.

The Group has continued to make good progress during the period across its strategic objectives of investing in management capabilities, in technology, in operational excellence and in acquisitions.

Investment in Management Capabilities

Key management capabilities have been strengthened with the appointment of three new Executive Vice Presidents in the critical areas of business development and technology, lifecycle and programme management, and corporate strategy and mergers and acquisitions.

The Group has continued to increase investment in the period to achieve its objective of enhancing skills and capabilities in the business. It has done considerable work on developing its strategic workforce planning process, which closely links staffing and skills requirements to the business planning process, so that appropriate skills are in place within the business. The Group has been reinvigorating its approach to training and development and is deploying an integrated talent management programme, including an enhanced plan for high potential employees, accredited management standards training and online learning. In addition, it is expanding its graduate recruitment programme and increasing the number of apprentices in the business.

Technology Investment

In line with the Group's previously announced plans to increase its investment in technology in 2013, PV investment in the Group's core businesses increased to £42m (2012: £33m), representing 6.1% (2012: 5.0%) of core revenue. Total R&D investment, including customer funded projects, was £85m (2012: £66m) including significant development work undertaken on aerial refuelling programmes.

During the period the Group increased its technology investment in a number of areas, with focus on attractive commercial markets such as SATCOM, antennas and aerospace communications, in line with its strategy. In addition, it increased its investment in selected, critical defence/security technologies and it continued to leverage its defence/security technology into other markets through PV investment. During the period, Cobham has released its latest internet protocol based, high definition encoding technology, Nano Tx, for application in both surveillance and broadcast markets. This product establishes bi-directional connectivity in the extended frequencies sought by broadcasters, from any broadband connection. The product complements Cobham's light weight and rapid set-up MediaMesh product.

Within SATCOM, the integration of Thrane & Thrane continues to progress well, with the product base now combined, a future technology development plan now completed and a number of major development programmes under way. There is ongoing major investment in high-performance antenna systems ahead of the launch of the future high speed Ka band system, or Global Xpress, with customer demand for these products driven by Inmarsat's plans for global satellite coverage by the end of 2014. In addition to significant work on Global Xpress related products, the SATCOM business units are investing in the development of a new family of systems designed for future, data-connected transport aircraft, a next generation, high data rate SATCOM terminal for the land market and new safety based products for the marine market.

Operational Excellence

The Group's programme to re-engineer and streamline operations, EiD, continues to generate positive momentum and deliver targeted operational and customer benefits. The programme consists of three components: the implementation of a standard operating framework across a set of principal manufacturing sites or principal locations; the rationalisation and integration of manufacturing sites and the implementation of a standard Enterprise Resource Planning (ERP) system.

Implementation of the production standard operating framework has now been completed in all the principal locations as planned with the supply chain and engineering frameworks expected to be completed by the year end, as anticipated. Following the June 2012 Thrane & Thrane acquisition, plans are being put in place for the implementation of the standard operating framework in the principal location in Copenhagen. Encouragingly, significant improvements continue to be delivered in the principal locations across a range of operational and customer related metrics including on time delivery, quality and productivity.

The ERP implementation remains on schedule with the system build completed and system testing and user acceptance phase now underway. This activity is expected to continue until the first quarter of 2014 and will be followed by the first pilot deployment of the ERP system into the Orchard Park, New York principal location. Implementation of the ERP system will help consolidate the operating and customer benefits from the standard operating framework activity.

The Group is working on its previously announced plan for the additional streamlining of operations to reduce its fixed cost base, so as to remain competitive through the US defence/security down cycle. This year to date, the Group has now commenced rationalisation at 10 sites, bringing to 26 the total number of sites subject to rationalisation since 2010. The majority of the additional savings in 2013 are being reinvested in the business to help generate incremental organic revenue.

The Group has accelerated its integration and downsizing activity and now expects to achieve £19m (previously £17m) of year-on-year efficiency savings during 2013, bringing total annualised benefits to £67m since the programme began in 2010, slightly ahead of the original plan. Cobham continues to expect that by the end of 2016, EiD will be delivering some £100m of annualised benefits with expected costs over the life of the programme remaining at £191m. EiD costs in the first half of the year were £26m, with costs in the year now expected to be £56m (previously £50m), consistent with the acceleration of the integrations.

Capital Allocation and Mergers and Acquisitions

After making appropriate investment in the business for organic growth, Cobham's capital allocation priority remains to continue its long standing progressive dividend policy. After dividend payments, it will use the significant amount of cash generated and its strong balance sheet, to reinforce its technology and market positions through the acquisition of businesses with differentiated technology and know-how. Cobham's strategic objective continues to be to bring more balance to its portfolio and to create value for its shareholders through the disciplined application of its financial criteria.

Consistent with this, in May 2013, Cobham completed the acquisition of Axell for up to £85m in cash on a debt and cash free basis including contingent consideration. The business is a leading global provider of distributed antenna systems and wireless solutions for buildings and critical infrastructure applications for public safety and cellular markets, with growth driven by rapidly increasing demand for indoor mobile data traffic and more stringent public safety regulations. Axell brings technology that is complementary to Cobham's existing Antenna Systems and Tactical Communications and Surveillance businesses.

In July 2013, Cobham acquired full ownership of its 50% owned FBH helicopter services joint venture for a cash consideration of £74m, together with the assumption of the joint venture partner's share of net debt in the business. This acquisition has strengthened Cobham's presence in an attractive market and is highly complementary to the Group's existing fixed wing business, enabling it to offer customers the convenience of a transport solution that includes both types of aircraft. The acquisition further strengthens Cobham's exposure to attractive non-US defence/security markets, with the potential to expand its customer base in government related and other growth markets over time.

BOARD CHANGES

As previously announced, Warren Tucker, Chief Financial Officer, stood down from the Board on 1 May 2013, and was succeeded by Simon Nicholls, previously Group Finance Director at Senior plc.

Marcus Beresford, Non-executive and Senior Independent Director, stood down from the Board at the conclusion of the 25 April 2013 Annual General Meeting, with Michael Wareing assuming the role of Senior Independent Director. Jonathan Flint, Chief Executive of Oxford Instruments plc, joined the Board as a Non-executive Director on 1 May.

Simon and Jonathan have wide ranging skills and experience and a track record of success, and the Board warmly welcomes them to Cobham.

FINANCIAL RESULTS

Orders

At the period end, the Group's order book was £2.5bn (31 December 2012: £2.4bn), including £1.3bn (31 December 2012: £1.1bn) for the Aviation Services business. The Group order book reflected strong order intake in the period, which was £976m (2012: £768m), resulting in a book to bill ratio of 1.13 times.

Order intake in the period included a number of multi-year orders for the Aviation Services business, including in Australia a AUS$150m four year contract from Qantas and a AUS$85m, five year contract extension from Ok Tedi Mining Limited, in Papua New Guinea. A £165m order from the UK MoD was received in May, extending the Group's contract for air support services for the Royal Air Force and the Royal Navy for a further five years, through to 2019.

Excluding the longer cycle, contract related Aviation Services and major programme driven Mission Equipment businesses, book-to-bill was solid at 0.96 times. There was lower order intake in some of the US defence/security businesses, which declined as anticipated, with some additional weakness seen in certain shorter cycle, land focused businesses.

Summary of Underlying Results

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

£m	**Half Year 2013**	Half Year 2012 (restated)[2]
Revenue	**864**	843
Trading profit	**154**	157
Margin	*17.8%*	*18.7%*
Underlying Net Finance Expense	**(17)**	(16)
Underlying Profit Before Tax	**137**	141
Underlying Tax	**(27)**	(27)
Underlying Tax Rate	***20.0%***	*20.0%*
Underlying Profit After Tax	**110**	114
Weighted Average Number of Shares (millions)	***1,068***	*1,076*
Underlying EPS (pence)	**10.3**	10.6

A reconciliation of underlying profit to statutory profit numbers is set out on page 12.

Revenue

Total Group revenue increased 2% to £864m (2012: £843m), primarily due to the acquisition of Thrane & Thrane in June 2012 and a favourable US dollar translation exchange rate. This was partly offset by the divestment of the non-core emergency locator beacon businesses in July 2012.

Overall, organic revenue fell by 3%. Organic revenue in the Group's commercial markets grew strongly by 8%, with a continuing strong contribution from the Aviation Services business in Australia and increasing revenue from antennas and other products for commercial aircraft. US defence/security organic revenue was down by 7% with weakness in certain short cycle land markets, including Tactical Communications and Surveillance. Organic revenue in the non-US defence/security market was down 9%, almost entirely due to recognition in the prior period of a revenue milestone on the UK FSTA programme. Excluding this revenue milestone, non-US defence/security revenue was broadly flat on the prior period.

Changes to Group revenue in the period were as follows:

Analysis of Group Revenue

H1 2012	**FX Translation**	**Acquisitions/Disposals**	**Organic Growth**	**H1 2013**
£843m	**+£11m**	**+£32m**	**-£22m**	**£864m**

Average H1 2013 US$/£ exchange rate = $1.55/£1. Average H1 2012 US$/£ exchange rate = $1.58/£1.

Trading Profit

Group trading profit in the first half was £154m (2012: £157m). This included the additional partial period contribution from the 2012 acquisition of Thrane & Thrane and from the May 2013 acquisition of Axell, which was partially offset by the divestment of the non-core emergency locator beacon businesses in July 2012.

The underlying Group trading margin decreased, as anticipated, to 17.8% (2012: 18.7%). This was principally due to lower US defence/security volumes, changing portfolio product mix and increased technology and other investments being made, which offset the impact of EiD efficiency benefits. The Group trading margin in organic operations fell just 30bps.

Underlying Net Finance Expense and Underlying Profit Before Tax

The underlying net finance expense was £17m (2012: £16m). The net interest expense on cash and debt holdings was £15m (2012: £14m), with the slight increase resulting from higher average levels of net debt and adverse foreign exchange movements. As anticipated, there was a non-cash net finance charge from pension schemes of £2m (2012: £2m).

The Group's underlying profit before taxation was £137m (2012: £141m).

Taxation

The Group's underlying tax rate is unchanged at 20.0% (2012: 20.0%), from an underlying tax charge of £27m (2012: £27m). The rate is calculated by taking the underlying tax charge and dividing it by the underlying profit before tax of £134m (2012: £137m), excluding its £3m (2012: £4m) share of post-tax results of joint ventures.

Earnings per Share (EPS)

Underlying EPS fell by 3%, at constant translation exchange rates, to 10.3p (2012: 10.6p) consistent with the Group's trading profit performance.

In addition to the above, basic EPS was 4.5p (2012: 7.2p). The period-on-period reduction was driven by a combination of higher non-underlying business restructuring costs and adverse movements in non-cash items including non-hedge accounted derivative financial instruments and higher amortisation of intangible assets. These were partly offset by lower M&A related adjustments.

A full reconciliation of the profit before tax items used in the calculation of underlying EPS is set out on page 12.

Retirement Obligations

The Group operates a number of defined benefit schemes, the most significant being the Cobham Pension Plan (CPP). At the period end, the estimated shortfall for accounting purposes between the value of the defined benefit schemes' assets and the present value of the future liabilities had decreased since the year end to £49m before deferred tax (31 December 2012: £73m). The decrease is due to stronger investment valuations and an increased discount rate on liabilities, as a result of higher corporate bond yields.

On 1 July 2013 the liabilities relating to past service of CPP pensioners were subject to a buy-in arrangement whereby the CPP transferred assets in exchange for an insurance policy. This policy has eliminated the Group's exposure to interest, inflation and longevity risks associated with liabilities amounting to £242m. Following the de-risking activity also carried out in 2011 on other, smaller Group schemes, 43% of total defined benefit pension liabilities are now covered by insurance policies.

Cash Flow and Net Debt

Operating cash flow, which is stated after net capital expenditure but before net interest and tax payments, was £127m (2012: £136m). The operating cash flow conversion rate (operating cash flow as a proportion of trading profit) was a satisfactory 84% (2012: 89%), before the Group's share of post-tax results of joint ventures. The decline compared to the previous period was in part attributable to an increase in working capital outflows, including a controlled inventory build at a small number of locations, ahead of planned integrations, and a partial unwind of a strong creditor position achieved at the end of 2012.

The Group generated £65m (2012: £76m) of free cash flow. This is stated after £24m (2012: £18m) of EiD payments, net interest payments of £14m (2012: £13m), tax payments of £28m (2012: £33m) and the receipt of dividends from joint ventures.

In addition, Cobham paid its final dividend for 2012 of £68m and invested a net £82m in acquisitions, primarily relating to Axell and the previously announced £24m investment in the FSTA consortium.

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

£m	**Half Year 2013**	Half Year 2012 (restated)[2]
Trading profit (excluding joint ventures)	**151**	153
Depreciation and amortisation	**30**	30
Pension contributions in excess of service & admin. costs	**(8)**	(7)
Increase in working capital	**(21)**	(17)
Net capital expenditure	**(23)**	(23)
Other items	**(2)**	-
Operating cash flow	**127**	136
Operating cash/trading profit (excl. joint ventures)	***84%***	*89%*
Net interest paid	**(14)**	(13)
Taxation paid	**(28)**	(33)
Dividends received from joint ventures	**4**	4
Free cash flow before restructuring costs	**89**	94
Restructuring costs - EiD	**(24)**	(18)
Free cash flow	**65**	76
Dividends paid	**(68)**	(67)
Acquisition payments less divestment proceeds, other related costs and loans to JVs	**(82)**	(314)
Net settlement of treasury shares	**1**	3
Exchange movements	**(40)**	(1)
Increase in net debt	**(124)**	(303)

At the period end, net debt which comprises short term cash balances and fixed term borrowings, increased to £484m (31 December 2012: £360m). Included within this increase were exchange movements of £40m, as it is the Group's policy to hold a significant proportion of its borrowings in foreign currency, principally US dollars, as a natural hedge against assets and earnings denominated in those currencies.

At the period end, the Group was conservatively geared at 1.2 times net debt/EBITDA.

Dividends

The Board has approved an interim dividend of 2.64p (2012: 2.40p), an increase of 10%, in line with the Group's long standing, progressive dividend policy. The shares will be traded ex-dividend on 9 October 2013 and the interim dividend will be paid on 8 November 2013 to shareholders on the register at 11 October 2013.

RECONCILIATION OF UNDERLYING PROFIT

£m	**Half Year 2013**	Half Year 2012 (restated) [2]
Trading profit is calculated as follows:		
Operating profit before joint ventures	**65**	101
Share of post-tax results of joint ventures and associates	**3**	4
Operating profit	**68**	105
Adjusted to exclude:		
Business restructuring - Excellence in Delivery	**26**	16
Movements in non-hedge accounted derivative financial instruments	**16**	(4)
Amortisation of intangible assets arising on business combinations	**41**	30
M&A related adjustments	**3**	10
Trading profit	**154**	157
Underlying profit before tax is calculated as follows:		
Profit before taxation	**51**	89
Adjusted to exclude:		
Business restructuring – Excellence in Delivery	**26**	16
Movements in non-hedge accounted derivative financial instruments	**16**	(4)
Amortisation of intangible assets arising on business combinations	**41**	30
M&A related adjustments	**3**	10
Business divestments and similar income	**(1)**	(1)
Unwinding of acquisition related discounting	**1**	1
Underlying profit before taxation	**137**	141
Taxation charge on underlying profit	**(27)**	(27)
Underlying profit after taxation	**110**	114
Underlying EPS (pence)	**10.3**	10.6

DIVISIONAL REVIEW

Group Operating Summary

£m	Revenue Half Year 2013	Revenue Half Year 2012	Trading Profit Half Year 2013[6]	Trading Profit Half Year 2012[6] (restated)[2]
Cobham Aerospace and Security	**363**	306	**68**	65
Margin			***18.6%***	*21.2%*
Cobham Defence Systems	**154**	159	**24**	26
Margin			***15.5%***	*16.1%*
Cobham Mission Systems	**168**	191	**32**	37
Margin			***19.1%***	*19.5%*
Cobham Aviation Services	**171**	164	**22**	19
Margin			***13.0%***	*11.6%*
Head Office and Eliminations	**(3)**	(3)	**6**	6
Core Businesses	**853**	817	**152**	153
Margin			***17.8%***	*18.8%*
Non-core Businesses	**11**	26	**2**	4
Margin			***17.4%***	*15.8%*
Cobham Group	**864**	843	**154**	157
Margin			***17.8%***	*18.7%*

Cobham Aerospace and Security

£m	**Half Year 2013**	Half Year 2012 Constant FX	Half Year 2012 Reported	**Change Constant FX**
Revenue	**363**	311	306	**16.7%**
Margin	**18.6%**	21.1%	21.2%	**(2.5)%pts**

Total revenue increased £57m primarily due to the combined impact of the acquisition of Thrane & Thrane in June 2012, a smaller contribution from the Axell acquisition, some benefit from a favourable US dollar exchange rate and modest organic revenue growth of 0.5%. There was good organic revenue growth of 8% in commercial markets, in particular in the aerospace sector from antennas, radio and audio products and in SATCOM operations. The organic growth in commercial markets was largely offset by lower US defence/security revenue, particularly for certain short cycle land related products, including Tactical Communications and Surveillance. There was modest organic revenue growth from non-US defence/security markets.

The revenue profile in this Division included the following:

- Supply of commercial antennas into Far Eastern markets, with significant orders from several new customers in the region. This is expected to continue as demand increases for on-board cockpit safety services for commercial aircraft;
- Audio and Radio Management systems for commercial transport customers and also for the modernisation of military helicopters and transport aircraft for a number of export customers;
- Sales of SATCOM equipment for commercial and business aviation aircraft platforms and deliveries of maritime VHF and MF/HF radio equipment for retrofit projects and fishery vessels, in response to operational and safety requirements;
- Increasing demand for slip rings used on off-shore wind turbines, together with first qualification as a supplier to GE Wind Energy in the period, with initial orders expected;
- Declining US surveillance revenue being partly offset by growing revenue in Asia Pacific and South America, including for wireless transmission links for large scale sporting events.

The margin in this Division decreased to 18.6% (2012: 21.2%) principally due to lower US defence/security volumes, the impact of acquisitions and increased technology and other investment in the Division, offsetting the impact of EiD efficiencies.

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

- Development of new high-performance antenna systems for Global Xpress, Inmarsat's future high-speed Ka-band SATCOM system, including a programme to upgrade maritime Ku-band VSAT SATCOM antennas;
- A contract from Piaggio Aero Industries to design and manufacture major composite aero structures for its new multirole patrol aircraft. These include ailerons, fixed trailing edges, outboard wing flaps, horizontal stabilisers, elevators, flap track fairings, main landing gear doors and aerodynamic fairings;
- Launch of the new High Data Rate Inmarsat BGAN terminal, EXPLORER 710, for the land market. First deliveries of the terminal are expected towards the end of 2013;
- Contracts have been received to supply waveguides in support of the first three ship sets for the US AEGIS ballistic missile defence Spy-Radar, with further contracts expected in 2013;
- A competitively won five year indefinite delivery, indefinite quantity contract with US Special Operations Command to supply seven types of UHF SATCOM antennas for special operations forces.

Cobham Defence Systems

£m	Half Year 2013	Half Year 2012 Constant FX	Half Year 2012 Reported	Change Constant FX
Revenue	**154**	162	159	**(5.1)%**
Margin	**15.5%**	16.0%	16.1%	**(0.5)%pts**

Revenue performance in the Defence Systems Division was relatively robust, with total revenue down £5m, even though the Division is almost entirely exposed to the US defence/security market. Excluding the impact of favourable translation exchange rates, organic revenue declined by 5%, principally due to delays in the placement of awards for certain land related programmes.

Despite the underlying organic revenue decline, the Division remains well positioned in this market on a number of key programmes, with growth achieved in the period in the following areas:

- Full rate production underway on two flight sets for the Wideband Global Satellite programme, increased from the prior period. Full rate production will continue through 2014;
- Increasing shipments of packaged monolithic microwave integrated circuit subsystems, supporting next generation active electronically scanned array radar programmes. Growth is expected to continue into 2014;
- Steady revenue growth from F-35 Joint Strike Fighter aircraft radar and electronic warfare microelectronic products, following the latest low rate initial production releases;
- Increasing shipments of microelectronic assemblies for proprietary electronic intelligence programmes, with a strong backlog supporting continuation of revenue through to 2015.

The margin declined to 15.5% (2012: 16.1%), in part due to the adverse overall impact of underlying volume declines and increased technology and other investment in the Division, offsetting the impact of EiD efficiencies.

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

- Award of the Integrated Defensive Electronic Counter Measures (IDECM) ALQ-214 V4 radio frequency countermeasures system full rate production 10 contract to ITT Exelis. Cobham is anticipating further IDECM orders as a significant supplier of several microelectronic assemblies on this significant upgrade of the US Navy's F-18 aircraft;
- Award of Lot 27 of the AIM-120 Advanced Medium Range Air-to-Air Missile to Raytheon, with Cobham as a significant supplier of microelectronic assemblies;
- Award of several microelectronic assembly development wins for a variety of missile data link requirements.

Cobham Mission Systems

£m	Half Year 2013	Half Year 2012 Constant FX	Half Year 2012 Reported	Change Constant FX
Revenue	**168**	193	191	**(12.8)%**
Margin	**19.1%**	19.5%	19.5%	**(0.4)%pts**

Total revenue in the Mission Systems Division fell by £23m, with an organic decline of 13%. Organic revenue reduced due to the recognition in the prior period of a revenue milestone on the FSTA programme, on the aircraft's introduction to service with the Royal Air Force. In addition, there was lower revenue from weapons carriage and release products in the US and from some land related programmes.

The overall revenue profile in the Division included the positive impact of the following:

- Engineering work on aerial refuelling development programmes, including the US KC-46 and Brazilian KC-390 tankers, reflecting steady progress;
- Aftermarket business associated with new aerial refuelling programmes;
- Demand for US tactical aircraft On-Board Oxygen Generating Systems, which has remained strong with additional international sales for the Pilatus PC-7 turbo trainer aircraft, with orders also secured for the Korea Aerospace Industries FA-50 supersonic trainer aircraft;
- Shipments of Hawk trainer aircraft weapons carriage and release products, supported by a strong order book.

The margin was only slightly lower at 19.1% (2012: 19.5%), with the Division continuing to benefit from EiD savings.

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

- Strong, future opportunities for exports of the A330 MRTT aircraft, for which Cobham provides the wing pod and centre line aerial refuelling equipment;
- Significant cryocooling contract awards for missile defence, precision guided munitions components, infrared electro optic targeting and countermeasures programmes, reinforced by receipt of the Raytheon Missile Systems 2012 Four Star Excellence Award;
- Successful completion of Phase 2 of the UK Autonomous System Technology Related Airborne Evaluation and Testing (ASTRAEA) R&D programme, with UK industry partners. Cobham's ASTRAEA focus has been on autonomous aerial refuelling technologies, a future growth market that is expected to be significant. Discussions are ongoing about the next phase of the programme, including airborne tests.

Cobham Aviation Services

£m	Half Year 2013	Half Year 2012 Constant FX	Half Year 2012 Reported	Change Constant FX
Revenue	**171**	164	164	**4.0%**
Margin including Joint Ventures	**13.0%**	11.7%	11.6%	**1.3%pts**
Margin excluding Joint Ventures	**11.1%**	9.4%	9.3%	**1.7%pts**

Total revenue (which excludes joint ventures) increased by £7m or 4% organic growth, which was driven by Australian commercial and government operations, partly offset by the UK, as FSTA conversion work ended in the period.

Notable areas of growth included:

- A contract expansion agreed with Qantas to introduce, operate and support five additional Boeing 717s, taking the total fleet to 18. Entry into service of the additional aircraft is planned to occur between November 2013 and June 2014;
- A service expansion and extension was signed with Ok Tedi Mining Limited in Papua New Guinea. This five year extension will increase the operating fleet from two to three aircraft including an aircraft upgrade, with entry into service around the year end;
- Contract amendments were signed with Northrop Grumman to provide increased maintenance support at RAF Waddington, through to the end of 2013, on the Sentry E-3D airborne early warning aircraft.

The margin including joint ventures of 13.0% (2012: 11.6%) benefitted from increased activity in Australian operations. The margin also benefitted in part from the lower margin FSTA conversion work being completed in the period, with the prior period additionally including redundancy costs unrelated to EiD.

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

- The UK MoD 020 electronic warfare (EW) training contract was extended through to the end of 2019, providing training for service personnel on operating platforms including the Eurofighter Typhoon and Type 45 Destroyer. The extension involves the introduction of a Diamond DA 42 aircraft and enhanced EW capabilities for the fleet of 14 specially modified Falcon business jets;
- With the UK contract secure, there is increased focus on exporting EW capability. The service is already supplied to NATO and, while the majority of 020 flying is undertaken in UK airspace, Cobham also supports UK MoD detachments to North America, the Middle East and Asia, presenting opportunities to showcase this capability;
- A further 12 month extension was secured with Australian Customs and Border Protection Command, to continue operating two F406 surveillance aircraft until June 2014;

- In July 2013, Cobham acquired full ownership of the FBH helicopter services joint venture, strengthening Cobham's presence in an attractive market, which is also highly complementary to the Group's existing fixed wing business.

Non-core Businesses

The Group's remaining non-core business is its small avionics business. Despite organic growth in this business, non-core results were lower with revenue of £11m (2012: £26m) and trading profit of £2m (2012: £4m) in the period due to the divestment of the non-core emergency locator beacon businesses in July 2012.

OUTLOOK

The Group has delivered results consistent with its full year guidance, in a US defence/security market that continues to be challenging, and has taken further important steps in the first half towards achieving its strategic objectives.

The outlook for the US defence/security market remains highly uncertain. The Group continues to expect a period of declining US Government budgets, consistent with previous down cycles, and anticipates that its US defence/security revenue will decline by mid-to-high single digits in 2013. By contrast, growth prospects in its commercial markets continue to be strong and, with the Group's broad geographical spread, it also has access to faster growth defence/security markets in the rest of the world. In line with its previous guidance, organic growth in its commercial markets is expected to partially offset the decrease in defence/security revenue in 2013, with Group revenue declining organically by low-to-mid single digits in 2013. Operating margins are expected to be slightly lower than in 2012.

Cobham has made significant progress in bringing more balance to its portfolio with the acquisition of Axell during the period, followed by taking full ownership of its FBH joint venture in July, strengthening its exposure to non-US defence/security markets. These acquisitions bring differentiated and complementary capabilities and know-how and help reinforce the Group's positions in attractive markets.

In addition, the EiD programme continues to generate positive momentum, delivering targeted operational and customer benefits. Reinvestment of savings is underway across a number of areas to drive incremental organic growth and gain market share. These include increasing investment in PV, in programme management, in enhancing other skills and capabilities in the business and in business development. Accordingly, the Group anticipates it will continue to perform in line with its previous full year guidance for 2013 and, on the basis of current market trends, there is the potential to deliver modest organic growth in 2014. It is anticipated that there will be mid-single digit organic growth thereafter.

Cobham continues to benefit from a highly cash generative business model and a strong balance sheet. These enable it to maintain its long standing policy of a 10% progressive annual dividend increase. It will also invest in carefully selected acquisitions, with disciplined application of its financial criteria to bring more balance between its defence/security and commercial businesses, promoting long term growth through the cycles.

- E n d s -

Forward Looking Statements

Nothing in this press release should be construed as a profit forecast or be interpreted to mean that the future earnings per share of Cobham will necessarily be greater or less than, the earnings per share for completed financial periods.

This document contains 'forward-looking statements' with respect to the financial condition, results of operations and business of Cobham and to certain of Cobham's plans and objectives with respect to these items. Forward-looking statements are sometimes but not always identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'should', 'expects', 'believes', 'intends', 'plans', 'targets', 'goal', or 'estimates'. By their very nature, forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or will occur in the future.

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

All written or verbal forward-looking statements, made in this document or made subsequently, which are attributable to Cobham or any other member of the Group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. Cobham does not intend to update these forward-looking statements.

Consolidated Income Statement (unaudited)

For the half year ended 30 June 2013

£m	Note	**Half year to 30.6.13**	Half year to 30.6.12 (as restated)	Year to 31.12.12 (as restated)
Revenue	2	**863.9**	843.3	1,749.4
Cost of sales		**(592.6)**	(570.4)	(1,173.3)
Gross profit		**271.3**	272.9	576.1
Selling and distribution costs		**(42.5)**	(39.5)	(81.1)
Administrative expenses		**(164.2)**	(131.9)	(267.8)
Share of post-tax results of joint ventures and associates		**3.2**	4.3	7.4
Operating profit		**67.8**	105.8	234.6
Finance income	3	**2.7**	4.3	6.8
Finance costs	3	**(20.8)**	(21.7)	(40.3)
Business divestments and similar income	13	**1.2**	0.9	2.9
Profit before taxation		**50.9**	89.3	204.0
Taxation		**(2.4)**	(11.5)	(32.2)
Profit after taxation for the period		**48.5**	77.8	171.8
Attributable to:				
Owners of the parent		**48.4**	77.8	171.7
Non-controlling interests		**0.1**	-	0.1
		48.5	77.8	171.8
Earnings per Ordinary Share	5			
Basic		**4.53p**	7.24p	15.98p
Diluted		**4.51p**	7.21p	15.93p

COBHAM

Consolidated Statement of Comprehensive Income (unaudited)

For the half year ended 30 June 2013

£m	Note	Half year to 30.6.13	Half year to 30.6.12 (as restated)	Year to 31.12.12 (as restated)
Profit after taxation for the period		**48.5**	77.8	171.8
Items that will not be reclassified subsequently to profit or loss				
Actuarial gain/(loss) on pensions	10	**18.6**	(11.9)	(13.7)
Actuarial loss on other retirement obligations		**-**	-	(0.5)
Tax effects		**(4.2)**	2.2	2.0
		14.4	(9.7)	(12.2)
Items that may subsequently be reclassified to profit or loss				
Net translation differences on investments in overseas subsidiaries		**24.4**	(11.3)	(24.0)
Reclassification of cash flow hedge fair values		**3.5**	3.4	7.2
Movements in hedge accounted derivative financial instruments		**0.2**	(2.4)	(3.1)
Tax effects		**(0.8)**	(2.4)	(3.2)
		27.3	(12.7)	(23.1)
Other comprehensive income/(expense) for the period		**41.7**	(22.4)	(35.3)
Total comprehensive income for the period		**90.2**	55.4	136.5
Attributable to:				
Owners of the parent		**90.1**	55.4	136.4
Non-controlling interests		**0.1**	-	0.1
		90.2	55.4	136.5

Trading profit is calculated as follows (see note 6):

£m	Half year to 30.6.13	Half year to 30.6.12 (as restated)	Year to 31.12.12 (as restated)
Operating profit	**67.8**	105.8	234.6
Adjusted to exclude:			
Business restructuring - Excellence in Delivery	**25.8**	15.8	37.9
Movements in non-hedge accounted derivative financial instruments	**16.1**	(4.4)	(11.1)
Amortisation of intangible assets arising on business combinations	**40.8**	30.0	68.9
M&A related adjustments	**3.5**	10.2	1.7
Trading profit	**154.0**	157.4	332.0

Consolidated Balance Sheet (unaudited)

As at 30 June 2013

£m	Note	As at 30.6.13	As at 30.6.12	As at 31.12.12
Assets				
Non-current assets				
Intangible assets		**1,198.9**	1,144.3	1,102.1
Property, plant and equipment	7	**296.1**	314.6	304.8
Investment properties		**10.9**	11.0	10.7
Investments in joint ventures and associates		**15.5**	15.6	15.8
Trade and other receivables		**61.8**	59.7	47.1
Other financial assets		**6.1**	-	-
Deferred tax		**9.0**	14.4	9.8
Derivative financial instruments		**0.8**	3.2	3.4
		1,599.1	1,562.8	1,493.7
Current assets				
Inventories		**338.1**	317.9	306.4
Trade and other receivables		**294.7**	309.5	281.0
Current tax receivables		**5.2**	2.6	7.5
Derivative financial instruments		**1.6**	1.9	3.7
Cash and cash equivalents		**208.4**	207.4	264.2
Assets classified as held for sale	9	**14.5**	71.8	15.1
		862.5	911.1	877.9
Liabilities				
Current liabilities				
Borrowings		**(404.0)**	(394.3)	(307.3)
Trade and other payables		**(372.3)**	(370.2)	(349.9)
Provisions		**(35.2)**	(31.4)	(36.3)
Current tax liabilities		**(99.8)**	(104.8)	(119.2)
Derivative financial instruments		**(11.1)**	(11.9)	(6.6)
Liabilities classified as held for sale	9	**(3.1)**	(9.6)	(3.2)
		(925.5)	(922.2)	(822.5)
Non-current liabilities				
Borrowings		**(288.7)**	(348.7)	(316.8)
Trade and other payables		**(39.5)**	(40.4)	(39.1)
Provisions		**(10.9)**	(9.3)	(10.9)
Deferred tax		**(55.9)**	(46.2)	(44.2)
Derivative financial instruments		**(13.9)**	(14.3)	(10.3)
Retirement benefit obligations	10	**(48.7)**	(77.8)	(73.4)
		(457.6)	(536.7)	(494.7)
Net assets		**1,078.5**	1,015.0	1,054.4
Equity				
Share capital		**28.9**	28.9	28.9
Share premium account		**126.6**	126.6	126.6
Other reserves		**89.1**	70.1	64.2
Retained earnings		**833.2**	788.9	834.1
Total equity attributable to owners of the parent		**1,077.8**	1,014.5	1,053.8
Non-controlling interests in equity		**0.7**	0.5	0.6
Total equity		**1,078.5**	1,015.0	1,054.4
Net debt		**(484.3)**	(535.6)	(359.9)

Consolidated Statement of Changes in Equity (unaudited)

For the half year ended 30 June 2013

£m	Share capital	Share premium account	Other reserves	Retained earnings	Total share-holders' equity	Non-controlling interests in equity	Total equity
Total equity at 1 January 2013	**28.9**	**126.6**	**64.2**	**834.1**	**1,053.8**	**0.6**	**1,054.4**
Profit for the period	**-**	**-**	**-**	**48.4**	**48.4**	**0.1**	**48.5**
Items that will not be reclassified subsequently to profit or loss	**-**	**-**	**-**	**14.4**	**14.4**	**-**	**14.4**
Items that may subsequently be reclassified to profit or loss	**-**	**-**	**27.3**	**-**	**27.3**	**-**	**27.3**
Total comprehensive income for the period	**-**	**-**	**27.3**	**62.8**	**90.1**	**0.1**	**90.2**
Net settlement of treasury shares	**-**	**-**	**-**	**1.2**	**1.2**	**-**	**1.2**
Dividends (note 4)	**-**	**-**	**-**	**(68.5)**	**(68.5)**	**-**	**(68.5)**
Share-based payments	**-**	**-**	**(2.0)**	**-**	**(2.0)**	**-**	**(2.0)**
Release of hedge reserve	**-**	**-**	**1.2**	**-**	**1.2**	**-**	**1.2**
Transfers of other reserves to retained earnings	-	-	**(3.6)**	**3.6**	-	-	-
Tax effects	**-**	**-**	**2.0**	**-**	**2.0**	**-**	**2.0**
Total equity at 30 June 2013	**28.9**	**126.6**	**89.1**	**833.2**	**1,077.8**	**0.7**	**1,078.5**

£m	Share capital	Share premium account	Other reserves	Retained earnings	Total share-holders' equity	Non-controlling interests in equity	Total equity
Total equity at 1 January 2012	28.9	126.6	83.8	779.3	1,018.6	0.5	1,019.1
Profit for the year (as restated)	-	-	-	171.7	171.7	0.1	171.8
Items that will not be reclassified subsequently to profit or loss (as restated)	-	-	-	(12.2)	(12.2)	-	(12.2)
Items that may subsequently be reclassified to profit or loss	-	-	(23.1)	-	(23.1)	-	(23.1)
Total comprehensive income for the year	-	-	(23.1)	159.5	136.4	0.1	136.5
Net purchase of treasury shares	-	-	-	(18.7)	(18.7)	-	(18.7)
Dividends (note 4)	-	-	-	(92.5)	(92.5)	-	(92.5)
Share-based payments	-	-	6.8	-	6.8	-	6.8
Dividend equivalents paid on vesting of PSP and BCP awards	-	-	(0.1)	-	(0.1)	-	(0.1)
Release of hedge reserve	-	-	2.8	-	2.8	-	2.8
Transfers of other reserves to retained earnings	-	-	(6.5)	6.5	-	-	-
Tax effects	-	-	0.5	-	0.5	-	0.5
Total equity at 31 December 2012	28.9	126.6	64.2	834.1	1,053.8	0.6	1,054.4

£m	Share capital	Share premium account	Other reserves	Retained earnings	Total share-holders' equity	Non-controlling interests in equity	Total equity
Total equity at 1 January 2012	28.9	126.6	83.8	779.3	1,018.6	0.5	1,019.1
Profit for the period (as restated)	-	-	-	77.8	77.8	-	77.8
Items that will not be reclassified subsequently to profit or loss (as restated)	-	-	-	(9.7)	(9.7)	-	(9.7)
Items that may subsequently be reclassified to profit or loss	-	-	(12.7)	-	(12.7)	-	(12.7)
Total comprehensive income for the period	-	-	(12.7)	68.1	55.4	-	55.4
Net settlement of treasury shares	-	-	-	2.7	2.7	-	2.7
Dividends (note 4)	-	-	-	(66.7)	(66.7)	-	(66.7)
Share-based payments	-	-	3.3	-	3.3	-	3.3
Dividend equivalents paid on vesting of PSP and BCP awards	-	-	(0.1)	-	(0.1)	-	(0.1)
Release of hedge reserve	-	-	1.4	-	1.4	-	1.4
Transfers of other reserves to retained earnings	-	-	(5.5)	5.5	-	-	-
Tax effects	-	-	(0.1)	-	(0.1)	-	(0.1)
Total equity at 30 June 2012	28.9	126.6	70.1	788.9	1,014.5	0.5	1,015.0

Consolidated Cash Flow Statement

For the half year ended 30 June 2013

£m	Note	**Half year to 30.6.13**	Half year to 30.6.12	Year to 31.12.12
Operating profit (as restated for comparative periods)		**67.8**	105.8	234.6
Share of post-tax profits of joint ventures and associates		**(3.2)**	(4.3)	(7.4)
Depreciation and amortisation		**71.6**	59.8	129.2
(Profit)/loss on sale of property, plant and equipment		**(0.7)**	0.4	0.6
M&A related adjustments		**2.5**	2.6	(4.7)
Movements in non-hedge accounted derivative financial instruments		**16.1**	(4.4)	(11.1)
Pension contributions in excess of service cost and administration cost (as restated for comparative periods)		**(7.7)**	(6.9)	(14.3)
Share-based payments		**(2.0)**	3.3	6.8
Increase in inventories		**(9.3)**	(7.7)	(3.6)
Decrease/(increase) in trade and other receivables		**3.0**	(0.2)	34.4
Decrease in trade and other payables		**(12.2)**	(11.2)	(1.0)
Decrease in provisions		**(0.8)**	(4.2)	(1.4)
Tax paid		**(27.9)**	(32.8)	(45.2)
Interest paid		**(17.1)**	(18.0)	(35.3)
Interest received		**2.8**	4.6	6.6
Net cash from operating activities		**82.9**	86.8	288.2
Cash flows from investing activities				
Dividends received from joint ventures		**3.7**	4.5	7.5
Purchase of property, plant and equipment		**(25.7)**	(22.3)	(48.2)
Purchase of intangible assets		**(3.2)**	(0.3)	(13.8)
Capitalised expenditure on intangible assets		**-**	(0.1)	(1.4)
Proceeds on disposal of property, plant and equipment		**6.3**	0.1	1.0
Investment in other financial assets		**(6.1)**	-	-
Loans to joint ventures net of repayments		**2.1**	(39.0)	(36.9)
Investment in loan notes	14	**(18.3)**	-	-
Acquisition of subsidiaries net of cash or overdraft acquired	12	**(60.1)**	(274.1)	(282.7)
Deferred and contingent consideration paid		**-**	(1.9)	(3.0)
Proceeds from vesting of warrants in acquired business		**-**	8.4	8.4
Proceeds of business divestments		**1.5**	-	43.9
Proceeds on disposal of assets previously held for sale		**-**	-	3.5
Net cash used in investing activities		**(99.8)**	(324.7)	(321.7)
Cash flows from financing activities				
Dividends paid	4	**(68.5)**	(66.7)	(92.5)
Purchase of treasury shares		**(10.1)**	(3.1)	(26.3)
Proceeds on allocation of treasury shares		**11.3**	5.8	7.5
New borrowings		**26.6**	122.5	184.5
Repayment of borrowings		**(3.5)**	(6.2)	(113.1)
Net cash (used in)/from financing activities		**(44.2)**	52.3	(39.9)
Exchange movements		**(4.7)**	(5.0)	(8.3)
Net decrease in cash and cash equivalents		**(65.8)**	(190.6)	(81.7)
Cash and cash equivalents at start of period		**250.2**	331.9	331.9
Cash and cash equivalents at end of period		**184.4**	141.3	250.2

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

Notes to the Interim Financial Information

For the half year ended 30 June 2013

1. Basis of preparation

This unaudited condensed interim financial information for the half year ended 30 June 2013 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority, and with IAS 34, Interim Financial Reporting, as adopted by the European Union (EU). It comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes ("the interim financial report"). This information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRS as adopted by the EU.

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

This interim financial report and the comparative figures for the year ended 31 December 2012 do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. Full accounts for that year have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

This interim financial report was approved by the Board of Directors and approved for issue on 7 August 2013. 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

Other than as stated below, the accounting policies applied are consistent with those published in the financial statements for the year ended 31 December 2012 and are expected to be applied for the year ended 31 December 2013. In the interim periods, taxes on income are accrued using the tax rate that is expected to be applicable to the total earnings for the period.

A number of new standards, amendments to standards and interpretations which have been endorsed by the EU have been adopted with effect from 1 January 2013 and have impacted the accounting policies or presentation as follows:

Amendment to IAS 19 Employee Benefits
This amendment changed the basis of calculating the expected return on assets held in pension schemes from an expected market yield basis to a high quality corporate bond yield basis. The amendment is required to be applied retrospectively by the transitional provisions included within IAS 19 (revised). Administrative costs relating to pension schemes are now charged to administrative expenses within the Consolidated Income Statement as incurred rather than netted against expected return on pension scheme assets. Expected return on pension scheme assets

and interest on pension scheme liabilities are now replaced with interest on net retirement benefit obligations, charged at the discount rate. Actuarial losses, accounted for within Other Comprehensive Income, are restated accordingly. These adjustments are tax effected. The retirement benefit obligation recorded in the Consolidated Balance Sheet is unchanged. The change in profit after taxation impacts on Earnings per Share and underlying measures. The Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and various notes to the financial statements are also impacted.

The impacts can be summarised as follows:

£m	As reported	Adjustment	As restated	As reported	Adjustment	As restated
	Year to 31.12.12			**Half year to 30.6.12**		
Consolidated Income Statement						
Administrative expenses	(266.7)	(1.1)	**(267.8)**	(131.3)	(0.6)	**(131.9)**
Operating profit	235.7	(1.1)	**234.6**	106.4	(0.6)	**105.8**
Finance income - adjustment for expected return on pension scheme assets	33.4	(26.6)	**6.8**	17.4	(13.1)	**4.3**
Finance costs - adjustment for interest on pension scheme liabilities	(66.0)	25.7	**(40.3)**	(34.5)	12.8	**(21.7)**
Profit before taxation	206.0	(2.0)	**204.0**	90.2	(0.9)	**89.3**
Taxation	(32.6)	0.4	**(32.2)**	(11.7)	0.2	**(11.5)**
Profit after taxation	173.4	(1.6)	**171.8**	78.5	(0.7)	**77.8**
Profit attributable to owners of the parent	173.3	(1.6)	**171.7**	78.5	(0.7)	**77.8**
Earnings per Ordinary Share						
Basic	16.13p	(0.15p)	**15.98p**	7.30p	(0.06p)	**7.24p**
Diluted	16.08p	(0.15p)	**15.93p**	7.27p	(0.06p)	**7.21p**
Consolidated Statement of Comprehensive Income						
Profit after taxation	173.4	(1.6)	**171.8**	78.5	(0.7)	**77.8**
Actuarial loss on pensions	(15.7)	2.0	**(13.7)**	(12.8)	0.9	**(11.9)**
Tax effects	(0.8)	(0.4)	**(1.2)**	-	(0.2)	**(0.2)**
Total comprehensive income	136.5	-	**136.5**	55.4	-	**55.4**
Underlying measures						
Trading profit (adjustment allocated to Head Office in segment information)	333.1	(1.1)	**332.0**	158.0	(0.6)	**157.4**
Net underlying finance costs	(30.9)	(0.9)	**(31.8)**	(15.8)	(0.3)	**(16.1)**
Underlying profit before taxation	302.2	(2.0)	**300.2**	142.2	(0.9)	**141.3**
Taxation charge on underlying profit	(58.9)	0.4	**(58.5)**	(27.6)	0.2	**(27.4)**
Underlying profit after tax attributable to owners of the parent	243.2	(1.6)	**241.6**	114.6	(0.7)	**113.9**
Underlying EPS	22.63p	(0.15p)	**22.48p**	10.65p	(0.06p)	**10.59p**
Consolidated Cash Flow Statement						
Operating profit	235.7	(1.1)	**234.6**	106.4	(0.6)	**105.8**
Pension contributions in excess of service cost and administration cost	(15.4)	1.1	**(14.3)**	(7.5)	0.6	**(6.9)**
Net cash from operating activities	288.2	-	**288.2**	86.8	-	**86.8**

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IFRS 13 Fair Value Measurement
The adoption of this standard requires some amendments to disclosures but will not affect the fair value measurements used. Additional disclosures have been provided in note 11.

Amendment to IAS 1 Financial Statement Presentation
The amendment to IAS 1 requires items within other comprehensive income to be presented based on whether they can, or cannot, be subsequently reclassified to profit or loss.

The following new standards, amendments to standards and interpretations have also been endorsed by the EU and adopted with effect from 1 January 2013; however no changes to previously published accounting policies or other adjustments were required on their adoption:

- Amendment to IAS 12 Deferred tax: Recovery of Underlying Assets
- Amendment to IFRS 7 Financial Instruments: Disclosures – offsetting Financial Assets and Financial Liabilities
- Amendment to IFRS 1 First time adoption – Government loans
- Annual Improvements 2011
- IFRIC 20 Stripping Costs in the Production Phase on a Surface Mine

Underlying measures

In addition to the information required by IFRS, and to assist with the understanding of earnings trends, the Group has included within its published statements non-GAAP measures including trading profit and underlying earnings results.

Trading profit has been defined as operating profit from continuing operations excluding the impacts of certain M&A related costs and business restructuring costs as detailed below. Also excluded are changes in the marking to market of non-hedge accounted derivative financial instruments, impairments of intangible assets and items deemed by the Directors to be of an exceptional nature. Underlying earnings are defined as trading profit less net underlying finance costs, which excludes the unwinding of acquisition related discounting, and after deducting taxation and non-controlling interests.

M&A related costs excluded from trading profit and underlying earnings include the amortisation of intangible assets recognised on acquisition and the writing off of the pre-acquisition profit element of inventory written up on acquisition. M&A related costs also include other direct costs associated with business combinations, adjustments to contingent consideration related to previously acquired businesses and direct costs arising from terminated divestments.

Business restructuring costs comprise exceptional items associated with the restructuring of the Group's portfolio. It also includes the costs of re-engineering operations as part of Excellence in Delivery including the costs of integrating sites into principal locations and the additional streamlining under the two year extension of the EiD programme to the end of 2015.

All underlying measures include the revenue and operational results of both continuing and those operations being sold until the point of sale.

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

Operating segments

The chief operating decision making body for the Group has been identified as the Board. It reviews the Group's internal reporting in order to assess performance and allocate resources. The internal reporting structure forms the basis of the Group's segmental reporting and the segments are disclosed in note 2. All operating segments meet the definition of reportable segments. Details of the composition and purpose of the Board can be found on pages 37 and 38 of the 2012 Annual Report and Accounts.

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

2. Segment information

The Group reports four segments whose revenue and results are reported to the Board. Non-core businesses are those which were identified for divestment in 2011.

£m	**Half year to 30.6.13**	Half year to 30.6.12	Year to 31.12.12
Revenue			
Aerospace and Security	**363.3**	306.2	697.3
Defence Systems	**153.7**	159.1	322.9
Mission Systems	**168.4**	190.9	372.6
Aviation Services	**170.5**	164.0	326.6
Head office, other activities and elimination of inter-segment items	**(2.9)**	(3.4)	(6.5)
Core Group	**853.0**	816.8	1,712.9
Non-core businesses	**10.9**	26.5	36.5
Total Group revenue	**863.9**	843.3	1,749.4
Profit before taxation			
Aerospace and Security	**67.5**	65.0	149.1
Defence Systems	**23.8**	25.6	44.9
Mission Systems	**32.1**	37.3	81.3
Aviation Services	**22.2**	19.1	38.0
Head office, other activities and elimination of inter-segment items (as restated for comparative periods)	**6.5**	6.2	13.8
Core Group trading profit (as restated for comparative periods)	**152.1**	153.2	327.1
Non-core businesses	**1.9**	4.2	4.9
Total Group trading profit (as restated for comparative periods)	**154.0**	157.4	332.0
Business restructuring - Excellence in Delivery	**(25.8)**	(15.8)	(37.9)
Movements in non-hedge accounted derivative financial instruments	**(16.1)**	4.4	11.1
Amortisation of intangible assets arising on business combinations	**(40.8)**	(30.0)	(68.9)
M&A related adjustments	**(3.5)**	(10.2)	(1.7)
Net finance costs (as restated for comparative periods)	**(18.1)**	(17.4)	(33.5)
Business divestments and similar income	**1.2**	0.9	2.9
Profit before taxation (as restated for comparative periods)	**50.9**	89.3	204.0

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3. Finance income and costs

£m	**Half year to 30.6.13**	Half year to 30.6.12 (as restated)	Year to 31.12.12 (as restated)
Finance income:			
Bank interest	**1.8**	2.9	4.0
Other finance income	**0.9**	1.4	2.8
Total finance income	**2.7**	4.3	6.8
Finance costs:			
Interest on bank overdrafts, loans and senior notes	**(16.4)**	(16.9)	(32.1)
Interest on net pension scheme liabilities	**(1.6)**	(1.6)	(2.9)
Other finance expense	**(2.8)**	(3.2)	(5.3)
Total finance costs	**(20.8)**	(21.7)	(40.3)
Net finance costs excluding pension schemes	**(16.5)**	(15.8)	(30.6)
Net finance cost on pension schemes	**(1.6)**	(1.6)	(2.9)
Net finance costs	**(18.1)**	(17.4)	(33.5)

4. Dividends

The following dividends on Ordinary Shares were authorised and paid during the period:

£m	**Half year to 30.6.13**	Half year to 30.6.12	Year to 31.12.12
Final dividend of 6.4 pence per share for 2012 (2011: 6.2 pence)	**68.5**	66.7	66.7
Interim dividend of 2.4 pence per share for 2012	**-**	-	25.8
	68.5	66.7	92.5

The final dividend for 2012 was approved at the AGM held on 25 April 2013 and paid to shareholders on 31 May 2013.

In addition to the above, an interim dividend of 2.64 pence per share (2012: 2.4 pence per share) in respect of the financial year ended 31 December 2013 was approved by the Board on 7 August 2013. This has not been included as a liability in these financial statements. This will absorb an estimated £28.2m of shareholders' funds and will be paid on 8 November 2013 to shareholders who are on the register of members as at 11 October 2013.

5. Earnings per Ordinary Share (EPS)

		Half year to 30.6.13	Half year to 30.6.12 (as restated)	Year to 31.12.12 (as restated)
Basic EPS				
Earnings attributable to owners of the parent	£m	**48.4**	77.8	171.7
Weighted average number of shares	million	**1,068.3**	1,076.0	1,074.7
Basic EPS	pence	**4.53**	7.24	15.98
Diluted EPS				
Earnings attributable to owners of the parent	£m	**48.4**	77.8	171.7
Weighted average number of shares	million	**1,068.3**	1,076.0	1,074.7
Effect of dilutive securities:				
Options		**2.4**	2.1	2.3
Long-term incentive plans		**1.3**	1.0	0.7
Diluted number of shares	million	**1,072.0**	1,079.1	1,077.7
Diluted EPS	pence	**4.51**	7.21	15.93

No new shares were issued during the period to 30 June 2013.

At 30 June 2013, 85,134,912 (31 December 2012: 87,699,405) Ordinary Shares were held in Treasury, including 9,183,188 (31 December 2012: 11,747,681) shares held in the Cobham Employee Benefit Trust. Shares have been purchased by the Cobham Employee Benefit Trust during the period in connection with the Group's share incentive schemes, and transferred from the Trust to employees upon exercise of vested awards.

6. Underlying measures

£m		**Half year to 30.6.13**	Half year to 30.6.12 (as restated)	Year to 31.12.12 (as restated)
Operating profit		**67.8**	105.8	234.6
Business restructuring - Excellence in Delivery		**25.8**	15.8	37.9
Movements in non-hedge accounted derivative financial instruments:				
On contracts open at the end of the period		**15.1**	(2.2)	(6.9)
On contracts closed during the period		**1.0**	(2.2)	(4.2)
Amortisation of intangible assets arising on business combinations		**40.8**	30.0	68.9
M&A related adjustments		**3.5**	10.2	1.7
Trading profit		**154.0**	157.4	332.0
Underlying net finance costs		**(17.1)**	(16.1)	(31.8)
Underlying profit before taxation		**136.9**	141.3	300.2
Taxation charge on underlying profit		**(26.7)**	(27.4)	(58.5)
Non-controlling interests		**(0.1)**	-	(0.1)
Underlying profit after taxation attributable to owners of the parent		**110.1**	113.9	241.6
Underlying EPS	pence	**10.31**	10.59	22.48

Underlying administrative expenses, which exclude business restructuring, movements in non-hedge accounted derivative financial instruments, amortisation of intangible assets arising on business combinations and other M&A related adjustments, amounted to:

£m	**Half year to 30.6.13**	Half year to 30.6.12 (as restated)	Year to 31.12.12 (as restated)
Underlying administrative expenses	**78.0**	79.2	170.4
% of revenue	**9.0%**	9.4%	9.7%

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

£m	**Half year to 30.6.13**	Half year to 30.6.12	Year to 31.12.12
Net cash from operating activities per cash flow statement	**82.9**	86.8	288.2
Dividends received from joint ventures	**3.7**	4.5	7.5
Purchase of property, plant and equipment	**(25.7)**	(22.3)	(48.2)
Purchase of intangible assets	**(3.2)**	(0.3)	(13.8)
Capitalised expenditure on intangible assets	**-**	(0.1)	(1.4)
Proceeds on disposal of property, plant and equipment	**6.3**	0.1	1.0
M&A related adjustments	**0.7**	7.4	7.8
Free cash flow	**64.7**	76.1	241.1
Free cash flow before Excellence in Delivery restructuring costs	**88.5**	94.0	272.9

7.Property, plant and equipment

£m	**Half year to 30.6.13**	Half year to 30.6.12	Year to 31.12.12
Carrying amount at start of period	**304.8**	318.6	318.6
Additions	**26.0**	21.7	47.6
Acquired with business combinations	**0.9**	6.4	6.4
Disposal of undertakings	**-**	-	(1.6)
Disposals	**(8.3)**	(0.5)	(2.6)
Depreciation	**(28.4)**	(27.3)	(55.2)
Reclassifications	**(0.5)**	(1.9)	-
Foreign exchange adjustments	**1.6**	(2.4)	(8.4)
Carrying amount at end of period	**296.1**	314.6	304.8

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

£m	**As at 30.6.13**	As at 30.6.12	As at 31.12.12
Commitments at end of period	**8.3**	15.2	17.2

8. Net debt

Analysis of net debt

£m	**As at 30.6.13**	As at 30.6.12	As at 31.12.12
Borrowings - current liabilities	**(404.0)**	(394.3)	(307.3)
Borrowings - non-current liabilities	**(288.7)**	(348.7)	(316.8)
Cash and cash equivalents per balance sheet	**208.4**	207.4	264.2
	(484.3)	(535.6)	(359.9)

Reconciliation of net cash flow to movement in net debt

£m	**Half year to 30.6.13**	Half year to 30.6.12	Year to 31.12.12
Net debt at start of period	**(359.9)**	(232.5)	(232.5)
Decrease in cash and cash equivalents per cash flow statement, before exchange movements	**(61.1)**	(185.6)	(73.4)
New borrowings	**(26.6)**	(122.5)	(184.5)
Repayment of borrowings	**3.5**	6.2	113.1
Exchange movements	**(40.2)**	(1.2)	17.4
Net debt at end of period	**(484.3)**	(535.6)	(359.9)

9. Non-current assets and disposal groups held for sale

£m	**As at 30.6.13**	As at 30.6.12	As at 31.12.12
Intangible assets	**1.2**	38.9	1.1
Property, plant and equipment	**3.5**	4.9	3.1
Inventories	**6.2**	17.6	6.1
Trade and other receivables	**3.6**	10.4	4.8
Total assets classified as held for sale	**14.5**	71.8	15.1
Trade and other payables	**(2.4)**	(5.2)	(2.5)
Tax and other liabilities	**(0.7)**	(4.4)	(0.7)
Total liabilities associated with assets classified as held for sale	**(3.1)**	(9.6)	(3.2)
Total net assets of disposal groups and non-current assets held for sale	**11.4**	62.2	11.9

Non-current assets and disposal groups held for sale at 30 June 2013 includes the remaining Commercial Systems business yet to be sold. This business has been treated as non-core for segmental reporting as shown in note 2.

10. Retirement benefit obligations

£m	**Half year to 30.6.13**	Half year to 30.6.12	Year to 31.12.12
Net liability at start of period	**(73.4)**	(71.2)	(71.2)
Amount recognised in the income statement (as restated for comparative periods)	**(4.6)**	(4.5)	(8.6)
Contributions paid by employer	**10.7**	9.8	20.0
Actuarial gains/(losses) recognised in Consolidated Statement of Comprehensive Income (as restated for comparative periods)	**18.6**	(11.9)	(13.7)
Exchange differences	**-**	-	0.1
Net liability at end of period	**(48.7)**	(77.8)	(73.4)

The estimated shortfall between the value of defined benefit pension scheme assets and the present value of future liabilities at 30 June 2013 has decreased by £24.7m since 31 December 2012, excluding the deferred tax credit associated with such a shortfall.

On 1 July 2013 the liabilities relating to past service of pensioners of the Cobham Pension Plan (CPP) were subject to a buy-in arrangement. Under the terms of this arrangement, the CPP transferred assets to an insurance company in return for a qualifying insurance policy which provides an income stream to the Plan equivalent to the Plan's obligations to pensioners covered by the arrangement. This eliminated the Group's exposure to the interest, inflation and longevity risks associated with these liabilities. The liabilities covered by this buy-in amount to approximately £242m and 43% of total pension liabilities are now covered by insurance policies. This buy-in will have the impact of increasing the net deficit recognised under IAS 19 by £39m, being the difference between the assets transferred and the liabilities subject to the buy-in, which will generate an actuarial loss in the second half of the year.

11.Fair values

Fair values of financial assets and liabilities

The fair values of financial assets and liabilities which are held at fair value are measured on a recurring basis and are classified in accordance with the fair value hierarchy as described in IFRS 13 as follows:

£m	**Level 1**	**Level 2**	**Level 3**
Financial assets			
Derivative contracts (not hedge accounted)	**-**	**2.4**	**-**
Financial liabilities			
Contingent consideration	**-**	**-**	**(41.2)**
Derivative contracts (designated as hedging instruments)	**-**	**(4.6)**	**-**
Derivative contracts (not hedge accounted)	**-**	**(20.4)**	**-**
	-	**(22.6)**	**(41.2)**

The fair values of derivative financial instruments are classified as level 2 in the fair value measurement hierarchy as they have been determined by the use of valuation techniques, primarily discounted cash flows, based on assumptions that are supported by observable market prices or rates.

Contingent consideration includes amounts which may become payable in connection with a number of acquisitions completed in the last 3 years, based upon future operating results of the businesses acquired. The fair value is determined based on the estimated payment, discounted to present value. The estimated payment is calculated using the income approach, considering different scenarios of the relevant profit measure (commonly EBITDA). This measurement is considered to be a level 3 measurement because it includes the use of the entities own data and unobservable inputs such as the anticipated rate of annual revenue growth, profit margins and discount rates. The estimated fair value would increase with an increase in annual revenue growth rates and profit margin and a lower discount rate. Management consider that changing the unobservable inputs to reflect other reasonably possible alternative assumptions would not result in a significant change in the estimated fair value.

Reconciliation of movements in recurring level 3 fair value measurements:

£m	**Half year to 30.6.13**
Fair value at start of period	**16.8**
Acquisitions	**22.1**
Unrealised change in fair value - included in finance costs	**1.0**
Foreign exchange adjustments	**1.3**
Fair value at end of period	**41.2**

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 also held at amortised cost which equates to fair value except for the Group's fixed rate senior notes. At 30 June 2013 the fair value of those notes was £279.2m (31 December 2012: £272.2m) compared to their book value of £236.6m (31 December 2012: £220.9m).

Fair values of non-financial assets and liabilities

Non-financial assets and liabilities measured at fair value on a non-recurring basis include net assets held for sale of £11.4m (note 9). These are 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 fair value hierarchy.

Other fair value measurements are used by the Group in measuring pension scheme assets at fair value as shown in note 10, and in assessing the assets and liabilities acquired in a business combination as detailed in note 12.

There have been no changes to the valuation techniques used during the period. The group's policy is to recognise transfers in and transfers out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer, although there have been no such transfers during the current or comparative periods.

12.Business combinations

The purchase of the entire share capital of Axell Wireless Limited was completed on 9 May 2013. On a debt and cash free basis, total consideration was £85m including conditional cash consideration of up to £25m payable during 2014 and 2015, contingent on future performance.

Axell is a leading global provider of Distributed Antenna Systems (DAS) and wireless solutions for the public safety and cellular markets, with a specific focus on communication systems for buildings and critical infrastructure applications. Axell brings technology that is complementary to the Group's existing Antenna Systems and Tactical Communications and Surveillance businesses and its acquisition is in line with the Group's strategic objectives.

The company has approximately 250 employees worldwide and is headquartered in Chesham, UK. It is reported through the Antenna Systems Strategic Business Unit, within the Aerospace and Security Division.

Due to the timing of the acquisition, the accounting for this business combination is provisional and subject to potential adjustment.

The cost of the acquisition is as follows:

£m	
Cash	**54.8**
Contingent consideration	**22.1**
	76.9

Contingent consideration has been provided at fair value at the maximum payable under the agreement and has been discounted.

The fair values of the net assets acquired are summarised as follows:

£m	
Non-current assets	**48.0**
Current assets	**22.3**
Current liabilities	**(16.1)**
Non-current liabilities	**(10.9)**
Net assets acquired	**43.3**
Goodwill	**33.6**
Total consideration	**76.9**

All intangible assets were recognised at their respective fair values. The residual excess of the total cost over the fair value of the net assets acquired is recognised as goodwill in the financial statements. Goodwill represents the premium paid in anticipation of future economic benefits from assets that are not capable of being separately identified and separately recognised, such as the value of the workforce. Goodwill is not anticipated to be deductible for tax purposes.

Acquired receivables are included in current assets in the table above at a total fair value of £6.5m and relate to trade and other receivables which are considered to be recoverable in full.

The revenue included in the Group result for the period relating to this acquisition is £6.9m and operating profit is £0.7m. Profit after tax includes a loss of £3.4m relating to this acquisition, taking into account the impact of amortisation of intangible assets and writing off the pre-acquisition profit element of inventory written up on acquisition.

If this acquisition had taken effect on 1 January 2013, it is estimated that Group total revenues for the half year ended 30 June 2013 would have been £876.6m and profit after tax £48.9m. This information is not necessarily indicative of the results had the operations been acquired at the start of the period, nor of future results of the combined operations.

The cash flow resulting from the business combination, net of cash acquired, is £60.1m.

13. Business divestments and similar income

£m	**Half year to 30.6.13**	Half year to 30.6.12	Year to 31.12.12
Net profit/(loss) on business divestments before tax	**-**	(0.1)	7.8
Additional profit on divestment of M/A-COM Technology Solutions Inc	**-**	-	4.1
Additional profit on other divestments in prior years	**1.2**	-	3.3
Revaluation gain arising on equity interests in Thrane & Thrane	**-**	1.0	1.0
Adjustments to businesses held for sale	**-**	-	(13.3)
	1.2	0.9	2.9

14. Contingent and other liabilities

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

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. The Group has previously identified one, more significant, potential contractual breach dating back some years. The contract was in respect of goods provided into a geographic market which represents only a small amount of revenue for the Group. The circumstances surrounding this remain under review and the outcome still cannot be estimated. Resolution may take some time. No further information is disclosed as it could be prejudicial.

Commitments were disclosed in the financial statements for the year ended 31 December 2012 to invest £6m in equity share capital and to provide additional funding of £18m in the form of redeemable loan notes in connection with the FSTA project. These commitments were satisfied in March 2013.

15. Related party transactions

Transactions between Cobham plc and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Dividends received from joint ventures and movements in loans provided to joint ventures FB Leasing Limited and FB Heliservices Limited are as shown in the Consolidated Cash Flow Statement.

There were no other transactions with related parties which had a material effect on the financial position or performance of the Company during the periods covered by this Interim Financial Report.

16. Events after the balance sheet date

On 15 July 2013 it was announced that an agreement was reached to acquire the 50% shareholding that the Group did not already own in FB Heliservices Limited, FB Leasing Limited and FBS Limited (together 'FBH'), from its long standing joint venture partner, Bristow Helicopters Limited ('Bristow'). The transaction comprises cash consideration of £74m payable on completion, together with the assumption of Bristow's share of FBH's net debt. FBH specialises in defence helicopter training in the UK and elsewhere, including a contract with the Ministry of Defence to train helicopter crews for all branches of the armed forces, as well as the provision of search and rescue, logistics and emergency medical services for government clients globally.

On 1 July 2013 the liabilities relating to past service of pensioners of the Cobham Pension Plan (CPP) were subject to a buy-in arrangement. Further details can be found in note 10.

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 in the 2012 Annual Report and Accounts on page 15 remain valid and relate to: deterioration in the macro-economic environment adversely impacting our markets; shortage of appropriate skills due to inability to attract, recruit and retain the best talent; contract risk and execution; exposure in long term contracts with respect to inflation, currency and commodity pricing fluctuations; failure to comply with laws, regulations and restrictions. The Group's risk management process is detailed on page 14 of the 2012 Annual Report and Accounts.

Statement of Directors' Responsibilities

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

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

The Directors of Cobham plc are listed on page 35 of the 2012 Annual Report and Accounts. Since the year end, the following changes have been made:

- W Tucker resigned from the Board on 1 May 2013.
- S Nicholls was appointed to the Board on 1 May 2013.
- M Beresford stood down from the Board with effect from 25 April 2013.
- J Flint was appointed as a non-executive director on 1 May 2013.

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

On behalf of the Board

R Murphy
Chief Executive Officer

S Nicholls
Chief Financial Officer

7 August 2013

Independent review report to Cobham plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim report for the six months ended 30 June 2013, which 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 related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in producing this report, 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.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London
7 August 2013

Notes:
(a) The maintenance and integrity of the Cobham plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

-Ends-