

5 August 2010

COBHAM

The most important thing we build is trust



AVIONICS AND SURVEILLANCE DIVISION
End to End avionics and covert surveillance solutions



DEFENCE SYSTEMS DIVISION
Critical technologies for network-centric operations



MISSION SYSTEMS DIVISION
Life Support and Mission Equipment for Land, Marine and Air



AVIATION SERVICES DIVISION
Operates, modifies and maintains more than 150 fixed and rotary wing aircraft around the world

2010 Interim Results



www.defencematters.co.uk



Agenda



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- Introduction
Andy Stevens
Chief Executive Officer
 - Financial Results
Warren Tucker
Chief Financial Officer
 - Business Review
Andy Stevens
 - Q&A

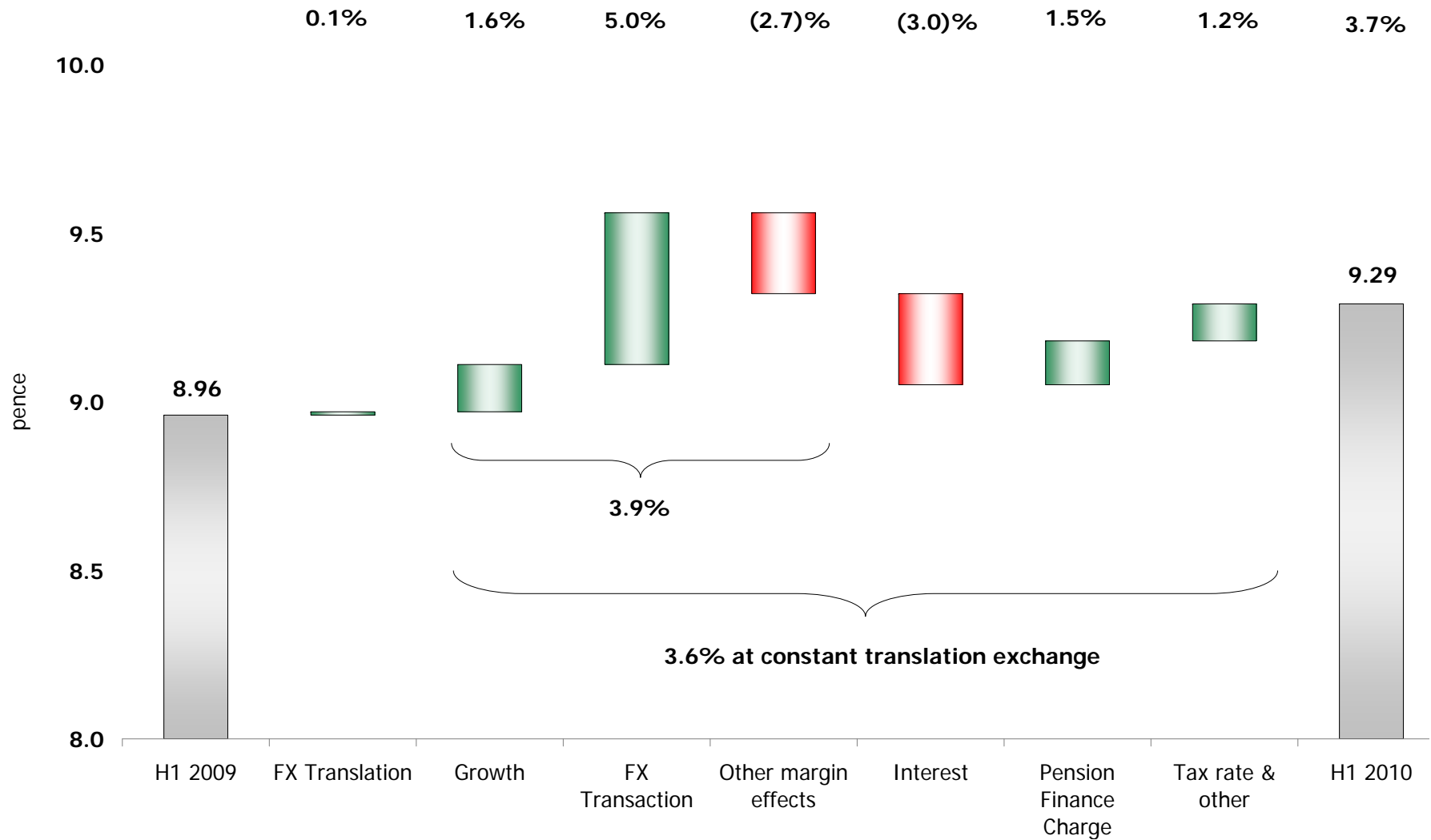
Summary Profit and Loss Account



Full Year 2009 £m		H1 2009 £m	H1 2010 £m	Growth
1,880.4	Revenue	952.1	963.4	1.2%
337.0	Trading Profit	161.7	167.2	3.4%
17.9%	Margin	17.0%	17.4%	0.4pts
295.3	Profit before Taxation	141.2	144.6	2.4%
18.80p	Underlying Earnings Per Share	8.96p	9.29p	3.7%
5.3%	PV Spend %	5.4%	4.7%	(0.7)pts

Order book £2.5bn – order intake up 5% in technology divisions

Earnings Per Share Growth



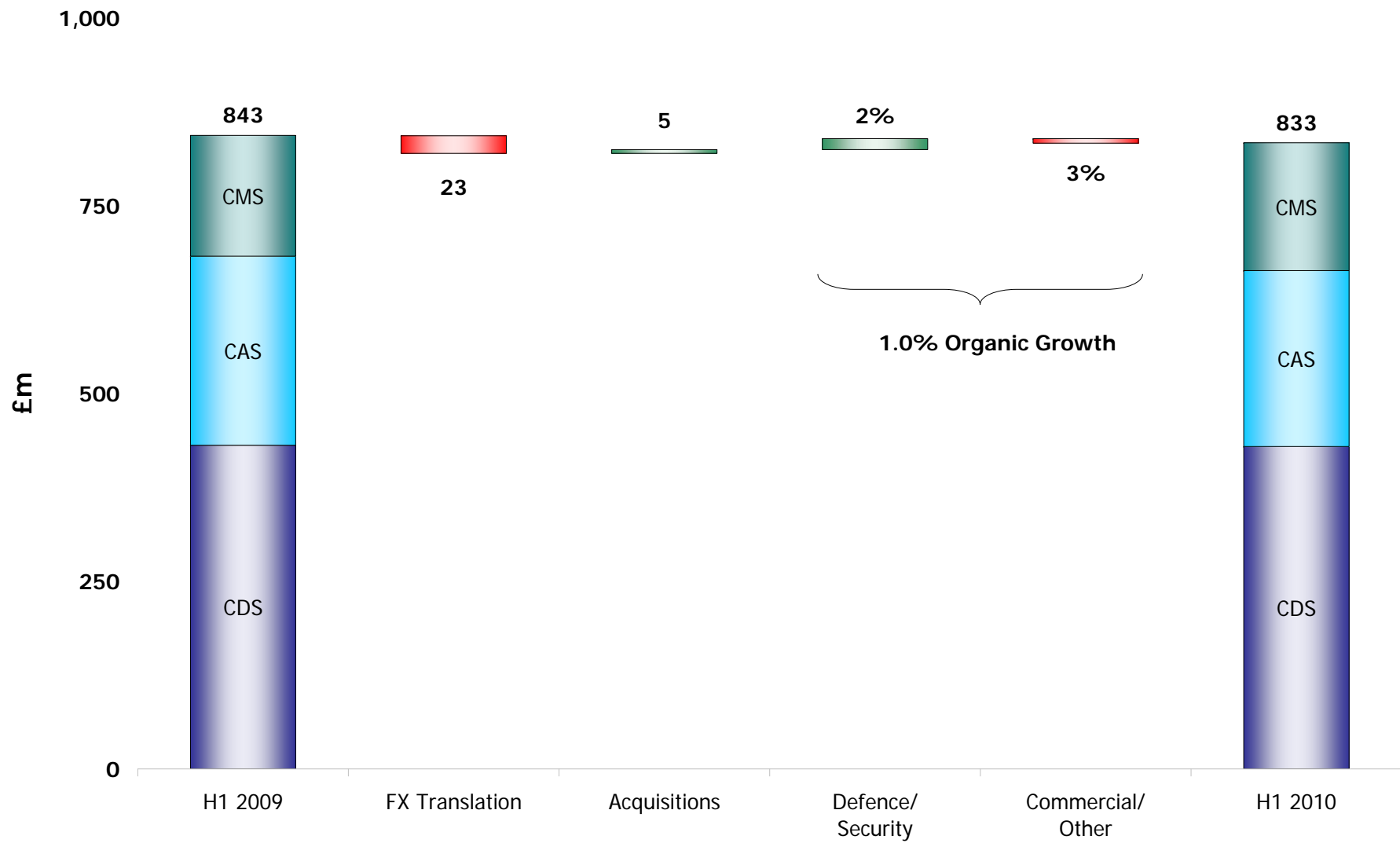
Cash Flow and Dividend



Full Year 2009 £m		H1 2009 £m	H1 2010 £m	Growth
330.9	Trading Profit (ex. JV)	159.2	164.7	3.5%
293.2	Operating Cash Flow	139.1	135.1	(2.9%)
88.6%	Operating Cash conversion	87.4%	82.0%	(5.4)pts
213.6	Free Cash Flow from Business	95.1	102.7	8.0%
228.7	Decrease in Net Debt	199.8	39.3	
5.45p	Dividend per Share	1.48p	1.628p	10.0%

Net Debt £373.3m, Net Debt:EBITDA 0.9x

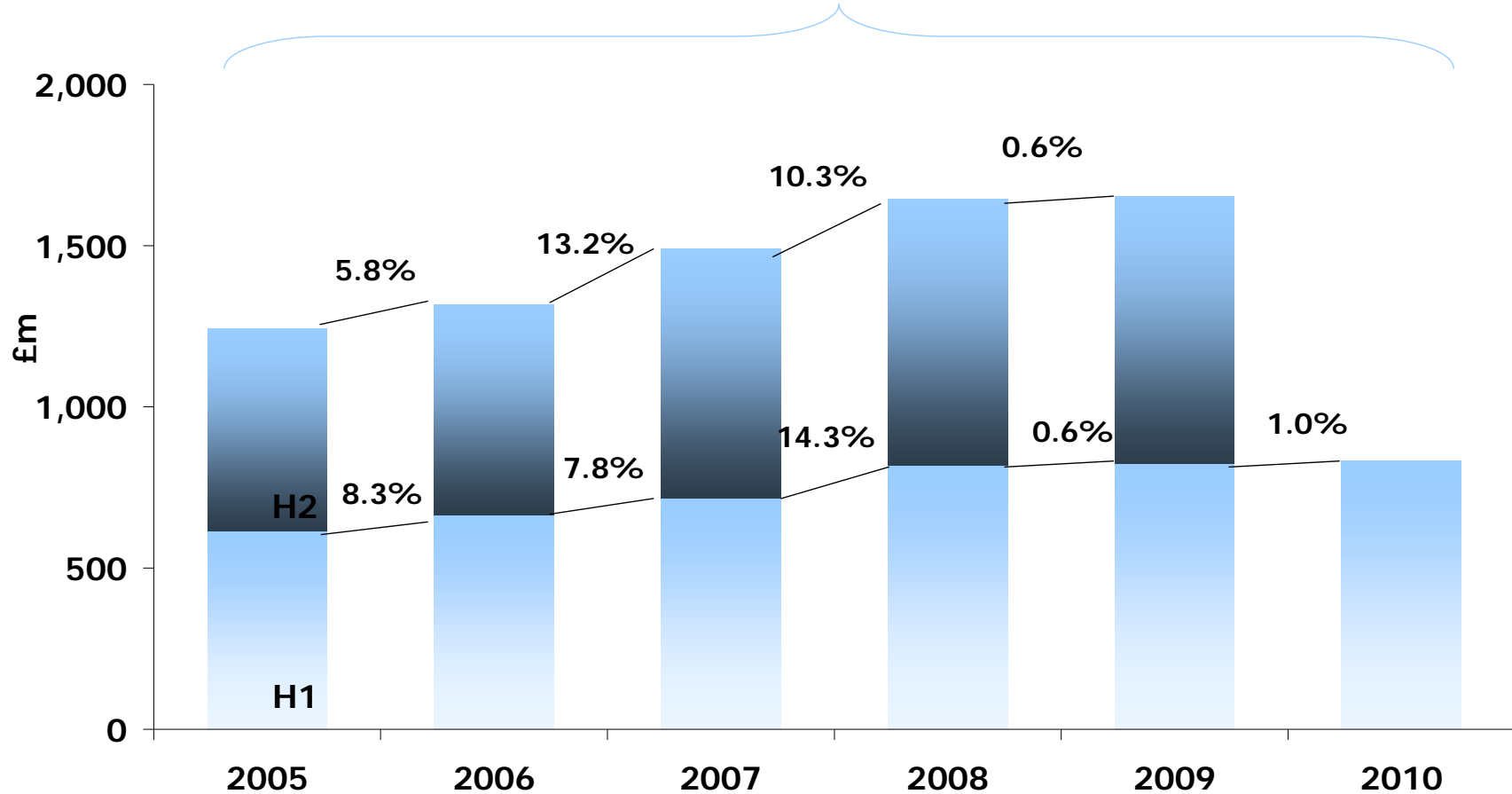
Technology Divisions' Revenue Growth



Technology Divisions' Organic Revenue Growth Cycle Over the Medium Term



4 Year Full Year CAGR 7.4%, 5 Year Half Year CAGR 6.3%

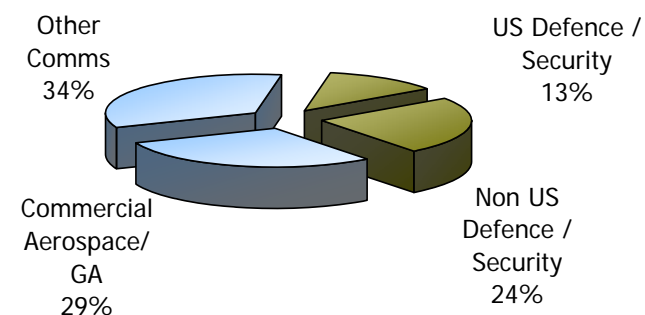


Excludes FX, Acquisitions and Disposals. Prior year are proforma numbers for illustration purposes

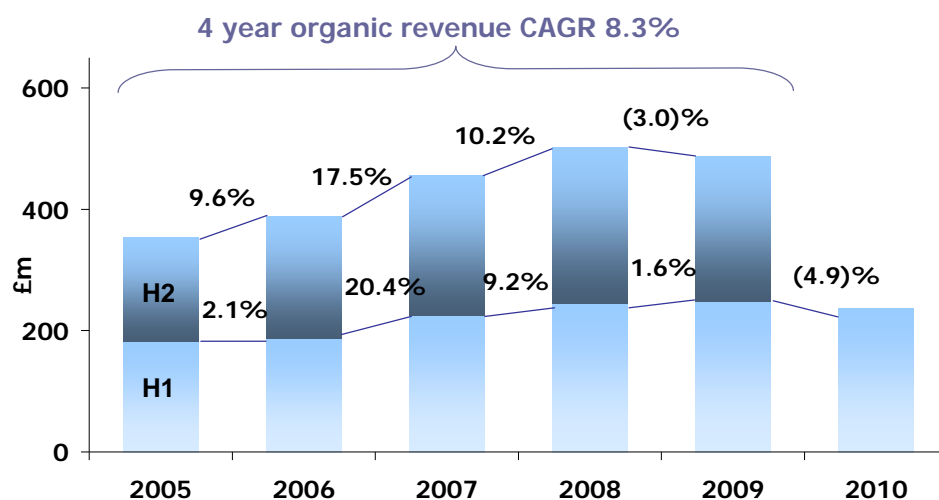
Cobham Avionics and Surveillance



	2009 H1	Acq Mix / Translation FX	Organic Growth	2010 H1
Revenue £m	254.8	(5.2)	(12.6)	237.0
Trading Profit £m	42.5			38.5
Margin	16.7%	0.2pts	(0.7)pts	16.2%



**37% revenue defence/security
35% US revenue**



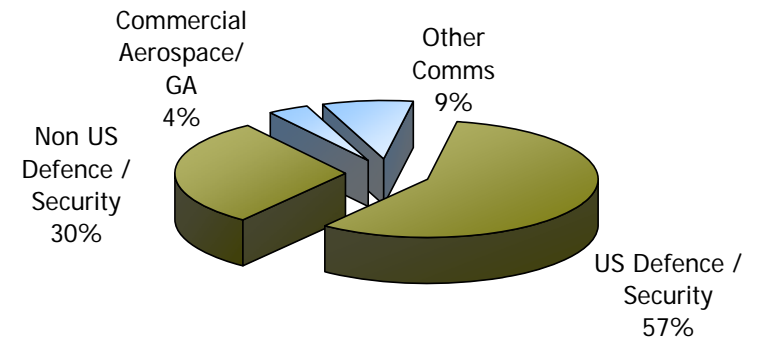
Excludes FX, Acquisitions and Disposals. Prior year are proforma numbers for illustration purposes

- Continued demand for surveillance equipment but uneven orders and revenue in H1
- Strong sales of the Minehound IED detector
- New SATCOM products and market opportunities with some signs of market improvement
- Small aircraft and helicopter markets remain fragile – unlikely to improve significantly in 2010

Cobham Mission Systems

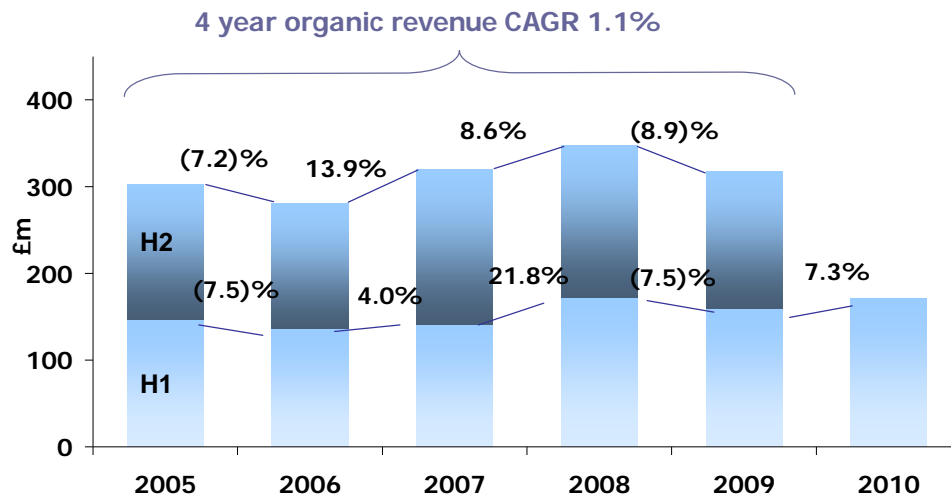


	2009 H1	Acq Mix / Translation FX	Organic Growth	2010 H1
Revenue £m	162.7	(3.4)	12.0	171.3
Trading Profit £m	27.0			29.1
Margin	16.6%	-	0.4pts	17.0%



**87% revenue defence/security
 67% US revenue**

- Successful delivery of next generation air refuelling pods – good order backlog
- Increasing deliveries of Eurofighter weapons carriage and release products
- Orders and revenue from 2009 Air Warrior cooling systems IDDO

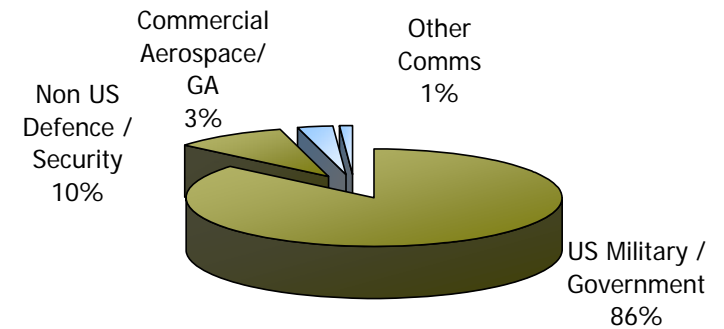


Excludes FX, Acquisitions and Disposals. Prior year are proforma numbers for illustration purposes

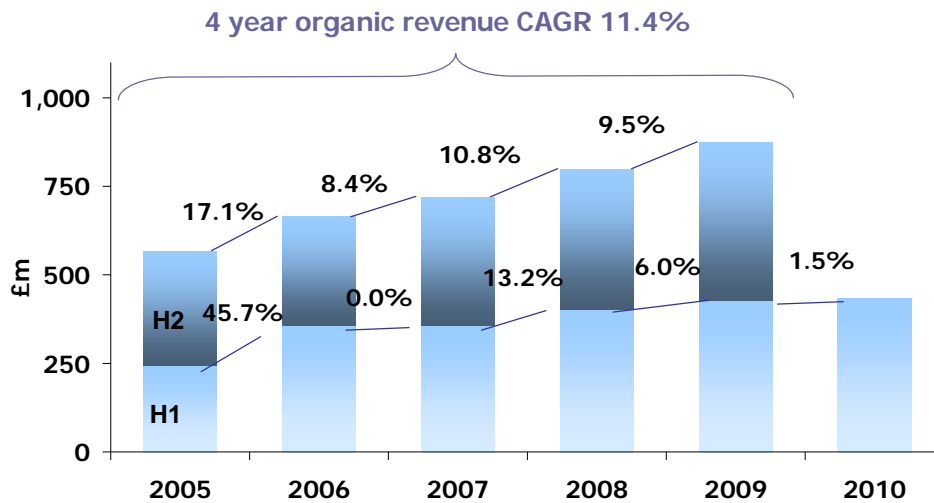
Cobham Defence Systems



	2009 H1	Acq Mix / Translation FX	Organic Growth	2010 H1
Revenue £m	436.6	(9.2)	6.4	433.8
Trading Profit £m	74.9			79.9
Margin	17.2%	0.3pts	0.9pts	18.4%



96% revenue defence/security
89% US revenue

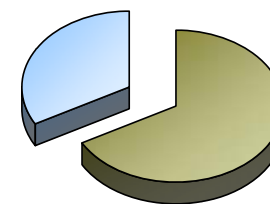


- Growth held back by delays in award of some contracts
- First Missile Defence Agency IDIQ awards under MIDAESS – Cobham successful
- Good performance from microwave, composites and tactical communications in H1 – C4ISR a priority market for customers

Excludes FX, Acquisitions and Disposals. Prior year are proforma numbers for illustration purposes

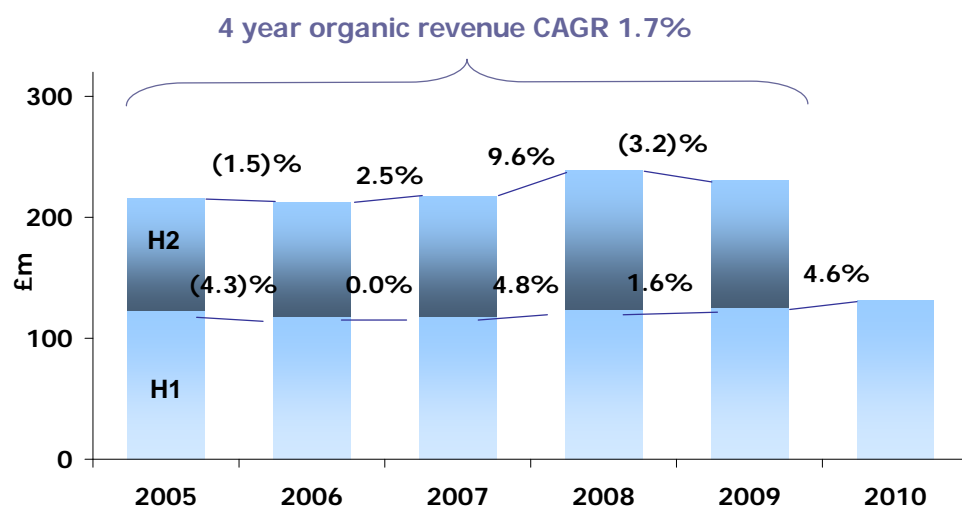
	2009 H1	Acq Mix / Translation FX	Organic Growth	2010 H1
Revenue £m	111.4	14.8	5.1	131.3
Trading Profit £m	15.3			15.7
Margin	13.7%	(0.3)pts	(1.4)pts	12.0%

Commercial Aerospace/ GA
33%



Non US defence/ Security
67%

**67% revenue defence/security
27% UK revenue, 65% Australia**



- Good growth in Australia from government Sentinel contract
- Australian regional services benefiting from improving economy – further opportunities for growth
- More uncertain outlook in UK – potential for broader participation in MFTS

Excludes FX, Acquisitions and Disposals. Prior year are proforma numbers for illustration purposes

-
- Trend in orders and revenue is positive
 - Robust margin control in H1; resilient earnings
 - Strong operating cash conversion; £103m of Free Cashflow
 - Business efficiency opportunities underpin 2010 and beyond
 - Continued 10% increase in dividend

Agenda



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- Introduction

Andy Stevens

Chief Executive Officer

- Financial Results

Warren Tucker

Chief Financial Officer

- Business Review

Andy Stevens

- Q&A

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- **The comprehensive business review considered:**
 - Our markets
 - Our operational delivery

 - **We asked ourselves how:**
 - Further synergies and cost efficiencies can be extracted
 - Future integration and standardisation savings should be invested
 - To refine our portfolio towards the areas where we have the greatest competitive advantage and opportunities for growth
 - What the appropriate focus is for acquisitions

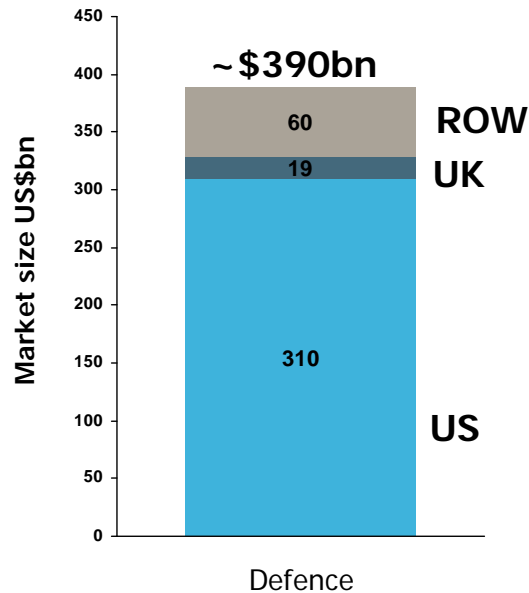
 - **It delivered the following five strategic priorities**

- 1 Focus on Defence, Security & Commercial markets**
 - Maintain an appropriately focused portfolio on the defence, security and commercial markets, such that we can add value and manage risk across the portfolio
- 2 Sell technically differentiated products & services**
 - Sell technically differentiated products and services that meet customer's needs in markets that have attractive characteristics, and in which we can maintain a sustainable competitive advantage
 - Continue to provide core Tier 3 capabilities and selectively offer Tier 2 to meet customer needs
- 3 Build sustainable scale positions**
 - Develop and maintain top 3 positions in our markets
 - Build or maintain scale positions in these markets to ensure we have the necessary scale to support investment, maintain market leadership and deliver long term business growth
- 4 Deliver operational excellence**
 - Achieve Excellence In Delivery for our customers, capturing cost synergies through simplifying and standardising processes, integrating operations and building operational capabilities
 - Attract, develop and retain superior talent and manage it across the business
- 5 Actively manage the portfolio**
 - Actively manage the portfolio, exiting businesses that do not fit with our strategy
 - Acquire businesses that build scale, allow us to exploit our existing capabilities in adjacent segments or deliver distinctive technologies or capabilities to accelerate our organic growth

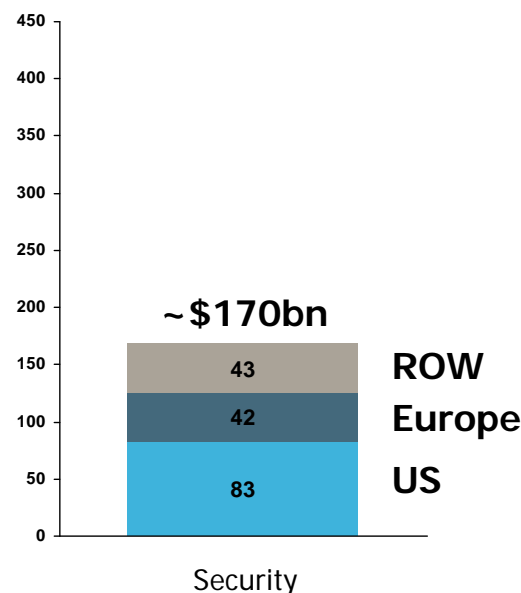
1. Focus on Defence, Security and Commercial Markets



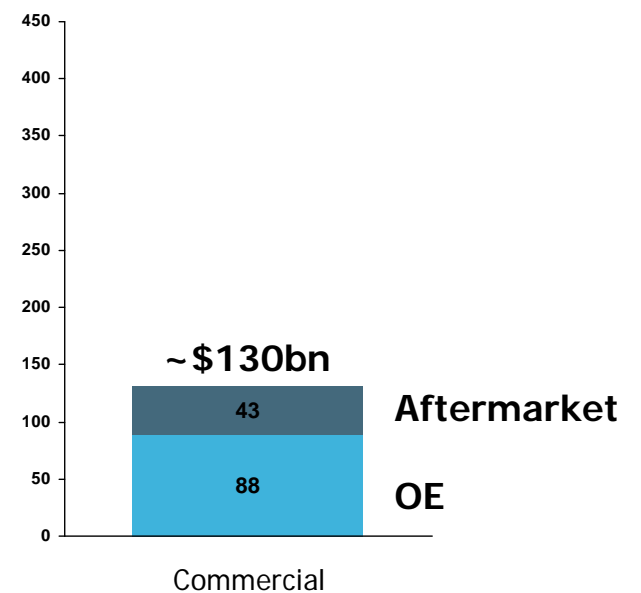
Growth outlook: ~2% CAGR
Variation by programme (e.g., JSF)



Growth outlook: ~7% CAGR
Variation by country & sub-segment



Growth outlook: ~4% CAGR
Variation by platform (e.g., 787)



Sources:

- i. U.S. DoD budget data: comprised of FY2005-FY2011 Department of Defense budget plans
- ii. International spending figures: Stockholm International Peace Research Institute (SIPRI), World Monetary Fund

Sources:

- i. U.S. Government : 2011 U.S. Office Of Management And Budget Report – Analytical Perspectives, Budget Of The U.S. Government
- ii. Third Party Research: Homeland Security Research Corporation, Society General via Cross Asset Research, Morgan Keagan, Frost and Sullivan, International Biometric Group
- iii. Publically available information from company annual reports: L-1 identity solutions, Smiths Detection

Sources:

- i. OEM platform sales revenue: (Boeing, Airbus, Embraer)
- ii. Third party research: Ascend, Aerostrategy, Forecast International
- iii. Multiple News Agencies: (used to track up to date delivery orders in CSP database)

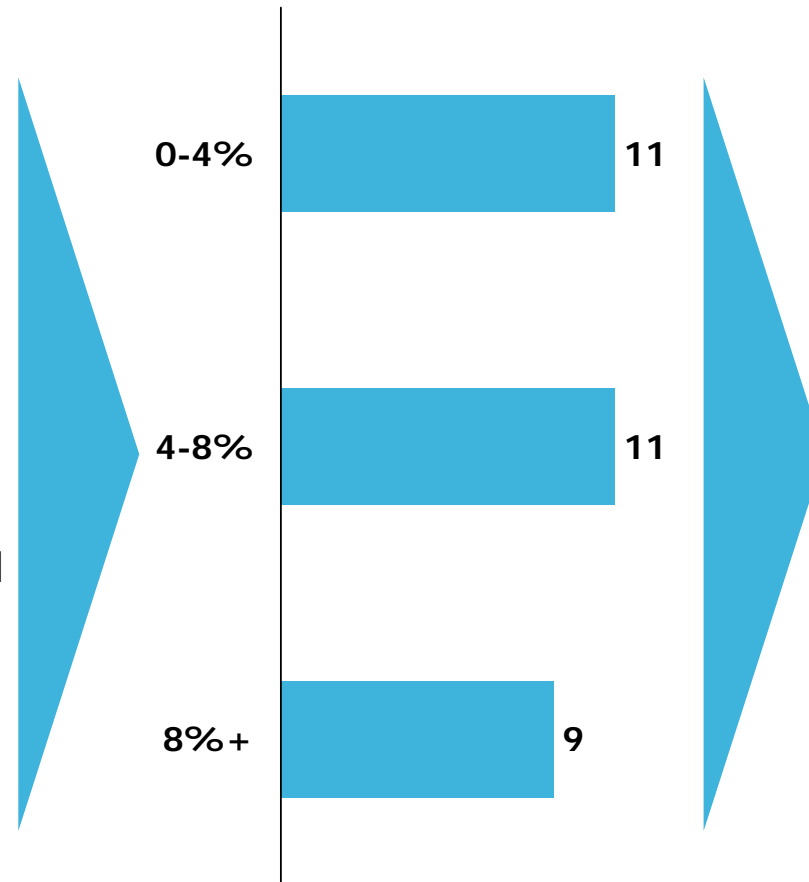
Defence, Security & Commercial markets are growing 2-7% overall over the next 5 years

Market Growth Rates For Our Technology Businesses Over The Next 5 Years



Growth rates of our 31 major market segments

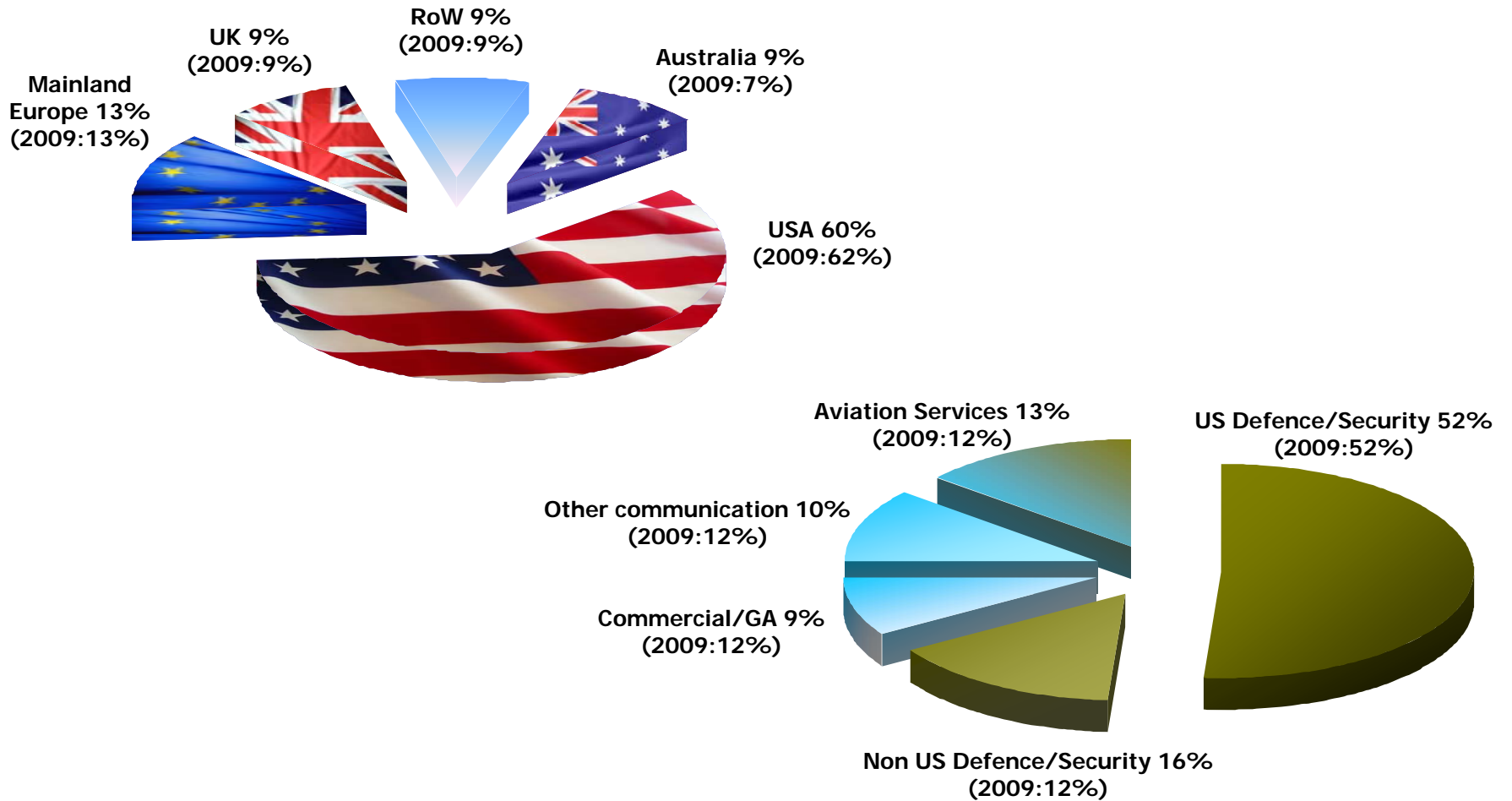
- 10 Strategic Business Units in our technology businesses with 31 major market segments (e.g., land satcom, air refuelling equipment)
- We have assessed growth by segment for the next 5 years based on internal and external market research



- There is some market volatility
- Long term prospects remain good
- Improving programme positions
 - Predator/ Reaper
 - F-35
 - Aegis combat system

We remain positioned in faster growing markets

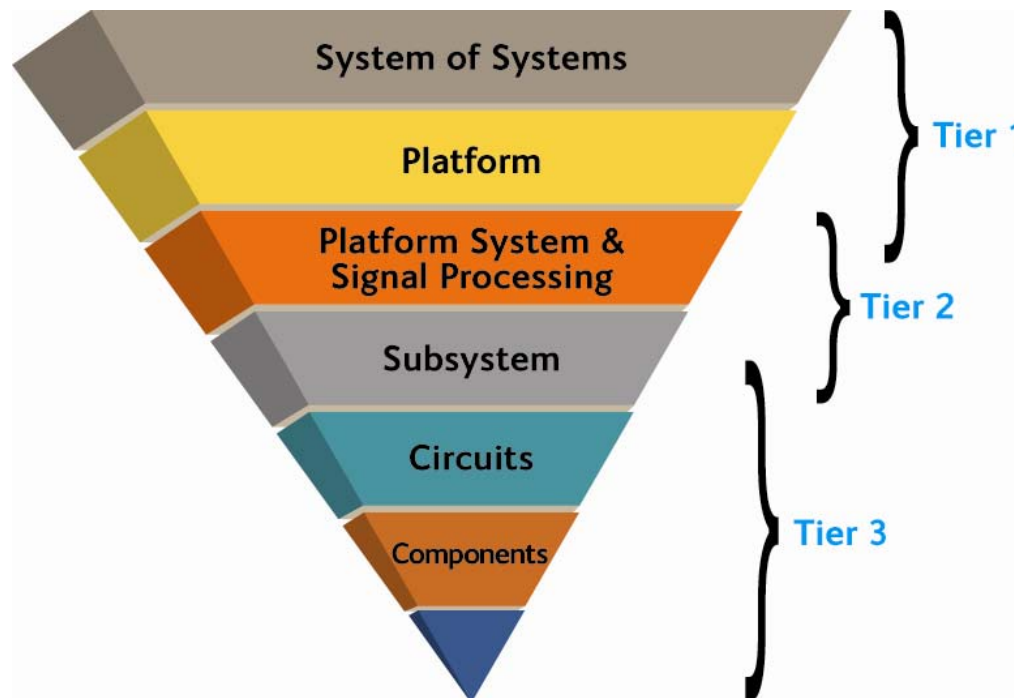
Revenue Analysis



60% revenue from the USA - 77% from defence/security markets

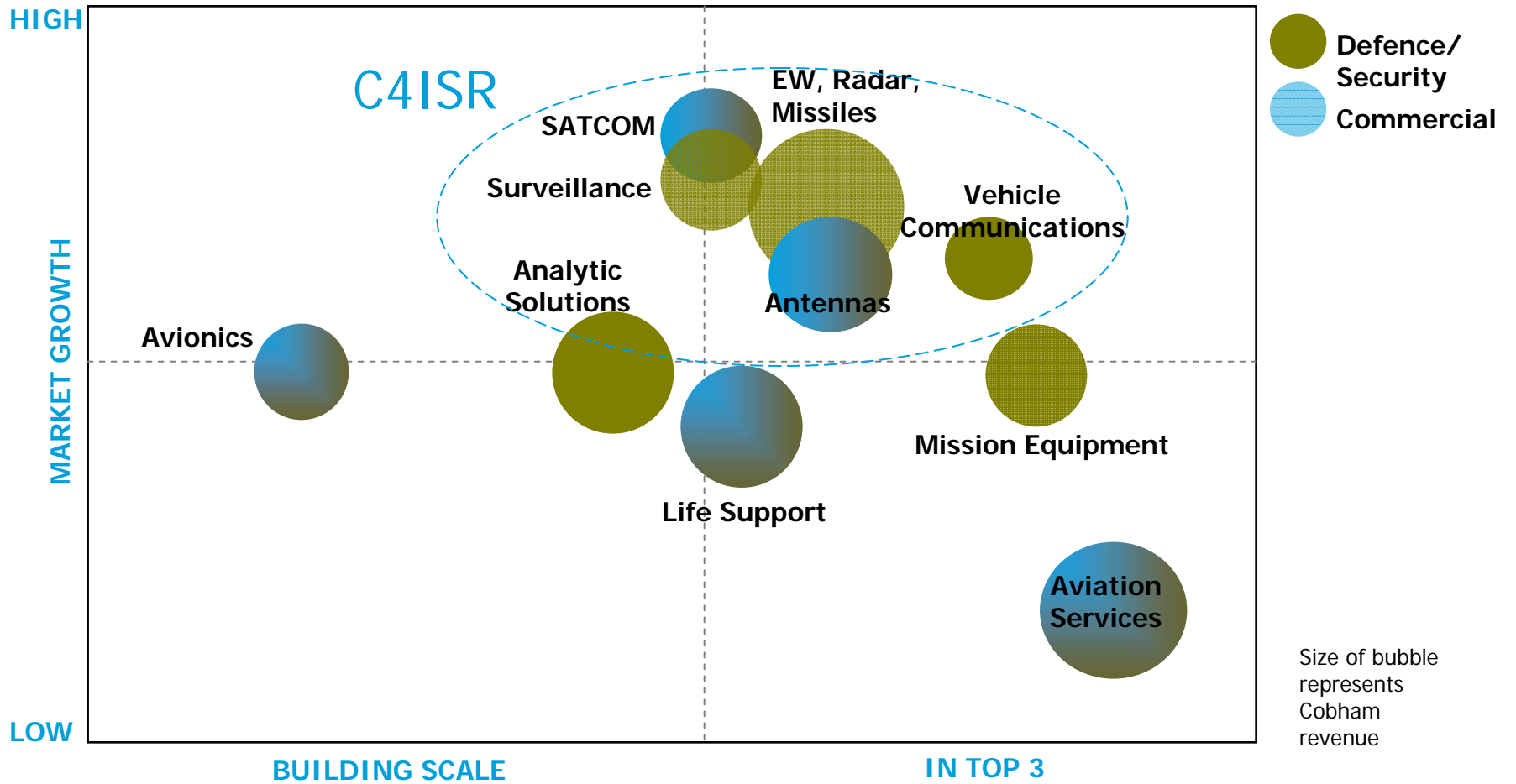
2. Sell Technically Differentiated Products & Services

- Investment in PV is fundamental to the Group's strategy
- Our investment will match market opportunities
- It is customer driven and focused on bringing new or improved products to market



Will continue with our core Tier 3 capabilities and selectively offer Tier 2

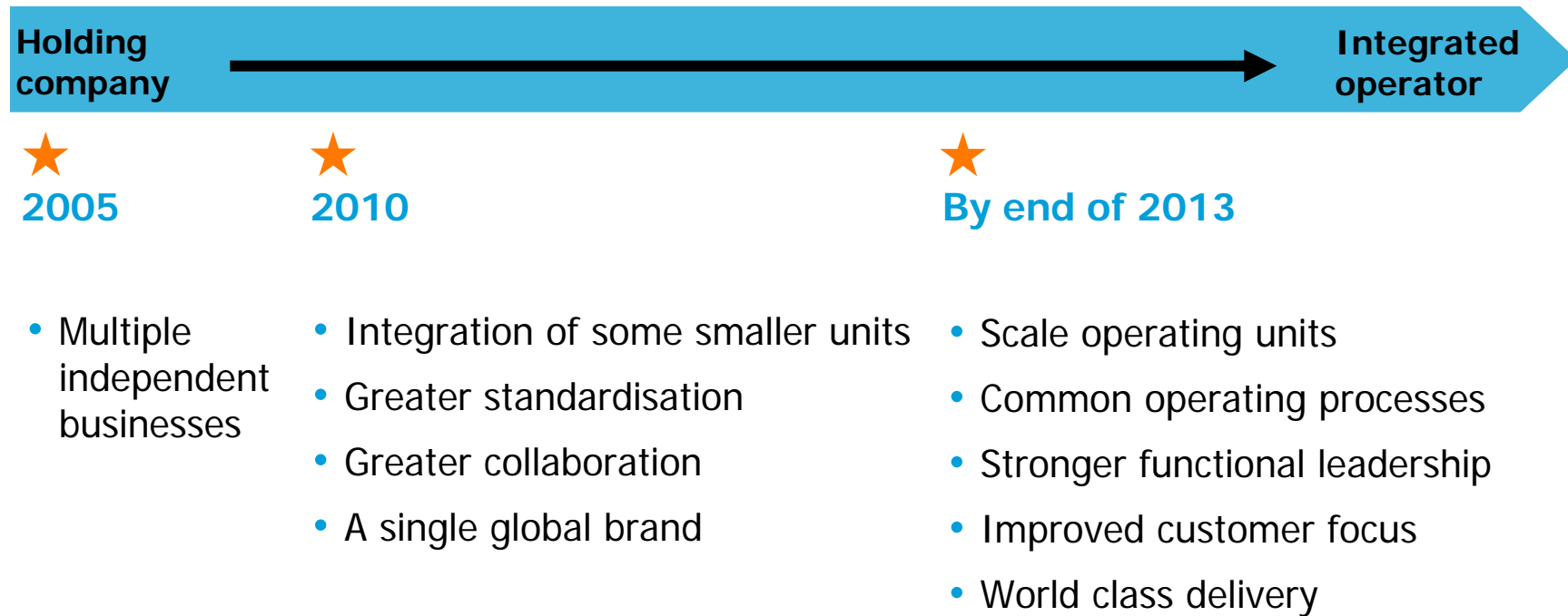
3. Build Sustainable Scale Positions



We are looking to build scale in our markets

4. Deliver Operational Excellence

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**We Have Been Steadily Integrating And Developing The Organisation Since 2005
Next chapter of evolution is about Excellence in Delivery**

A Implementing a Standard Operating Framework (SOF)

- SOF covers all the standard processes, tools and practices we will use
- We piloted a new lean production system
- It has confirmed the potential for a 25-30% increase in production capacity

B Integration of facilities

- We have completed a number of integration projects
- We are extending that effort to the next tranche of sites
- Projects to date have delivered savings of 5-10% of sales
- The SOF will provide a standard approach to integrating acquisitions

This will free up more time for our people to focus on their customers, technology & talent

A Implementing a Standard Operating Framework (SOF)

COBHAM

Key Performance Indicator	% Change Since 2009	Total Expected Change From 2009 Baseline
Capacity increase	11%	25%
Manufacturing lead time reduction	30%	50%
Overhaul lead time reduction	32%	60%
Inventory turns increase	20%	40%
Floor space reduction	30%	35%

We Have Successfully Piloted Our SOF - Production System Improvements achieved on an already mature product line – highlighting further potential

B Integration Of Facilities

COBHAM

- We Will Establish A Set Of Principal Manufacturing Sites each will
 - Be at least £100m turnover to achieve the appropriate scale
 - Apply a Standard Operating Framework for the production system
 - Have the same standard organisational structure
 - Use the same instance of Enterprise Resource Planning (ERP) system
 - Deliver excellent operational performance

We Will Establish A Set Of Principal Manufacturing Sites

Indicative Programme Benefits And Costs For Excellence In Delivery



- Step improvement in delivery performance to our customers
- Approximately two year payback from one-off costs of some £130-£150m
- Efficiency savings will be deployed to
 - Increase PV/technology
 - Improve infrastructure
 - Give customers better value for money
 - Enhance profitability
- £35m of costs in H2 will fund early stages of the programme, with estimated efficiencies of £10m underpinning 2010

5. Actively Manage The Portfolio



Acquisitions

We are actively pursuing acquisitions that:

1. Have attractive technology and market positions
2. Deliver attractive growth and investment returns
3. Deliver synergies with our portfolio and accelerate our strategy

Divestments

We will exit areas over time where:

1. We cannot build a number 1, 2 or 3 position organically or through acquisition
2. We cannot deliver attractive growth and returns
3. Technical differentiation becomes less important
4. We cannot deliver synergies with the rest of our portfolio

Identified a small number of businesses and product lines that we will eventually divest

-
- Resilient first half results with underlying EPS growth of 4%
 - Expect organic growth to increase in the second half
 - Some market uncertainties remain
 - Strategy review completed
 - Focus on defence, security and commercial markets
 - Sell technically differentiated products and services
 - Build sustainable scalable positions
 - Deliver operational excellence
 - Actively manage the portfolio

Our strategy positions us well for further growth

-
- IR calendar
 - Key Performance Indicators
 - Ship set values
 - US DoD Investment Spending
 - Shareholder returns
 - Cash flow summary
 - Revenue & profit
 - Technology divisions' revenue & trading profit growth
 - Foreign exchange transaction exposure
 - US\$/£ translation exchange rates
 - Reconciliation of IFRS to Underlying Result
 - Definitions & glossary
 - Cautionary statement

IR Calendar



	2010				2011											
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Announcements			▲ 3 Interim Management Statement				▲ 3 Preliminary Results		▲ 6 AGM & Interim Management Statement			▲ 4 Interim Results			▲ 3 Interim Management Statement	
Investor Days			▲ 30 London Investor Seminar (TBC)													

Key Performance Indicators



Full Year 2009 £m		H1 2006 £m	H1 2007 £m	H1 2008 £m	H1 2009 £m	H1 2010 £m
0.6%	Technology Divisions Organic Revenue Growth	8.3%	7.8%	14.3%	0.6%	1.0%
12.5%	Earnings Per Share Growth (constant translation)	9.9%	15.3%	19.2%	18.7%	3.6%
88.6%	Operating Cash Conversion	71.1%	75.1%	116.3%	87.4%	82.0%
5.3%	PV Spend % *	4.7%	5.0%	5.3%	5.4%	4.7%

	Defence/Security	↑ 2%
	Commercial	↓ 3%
		→ 1.0%

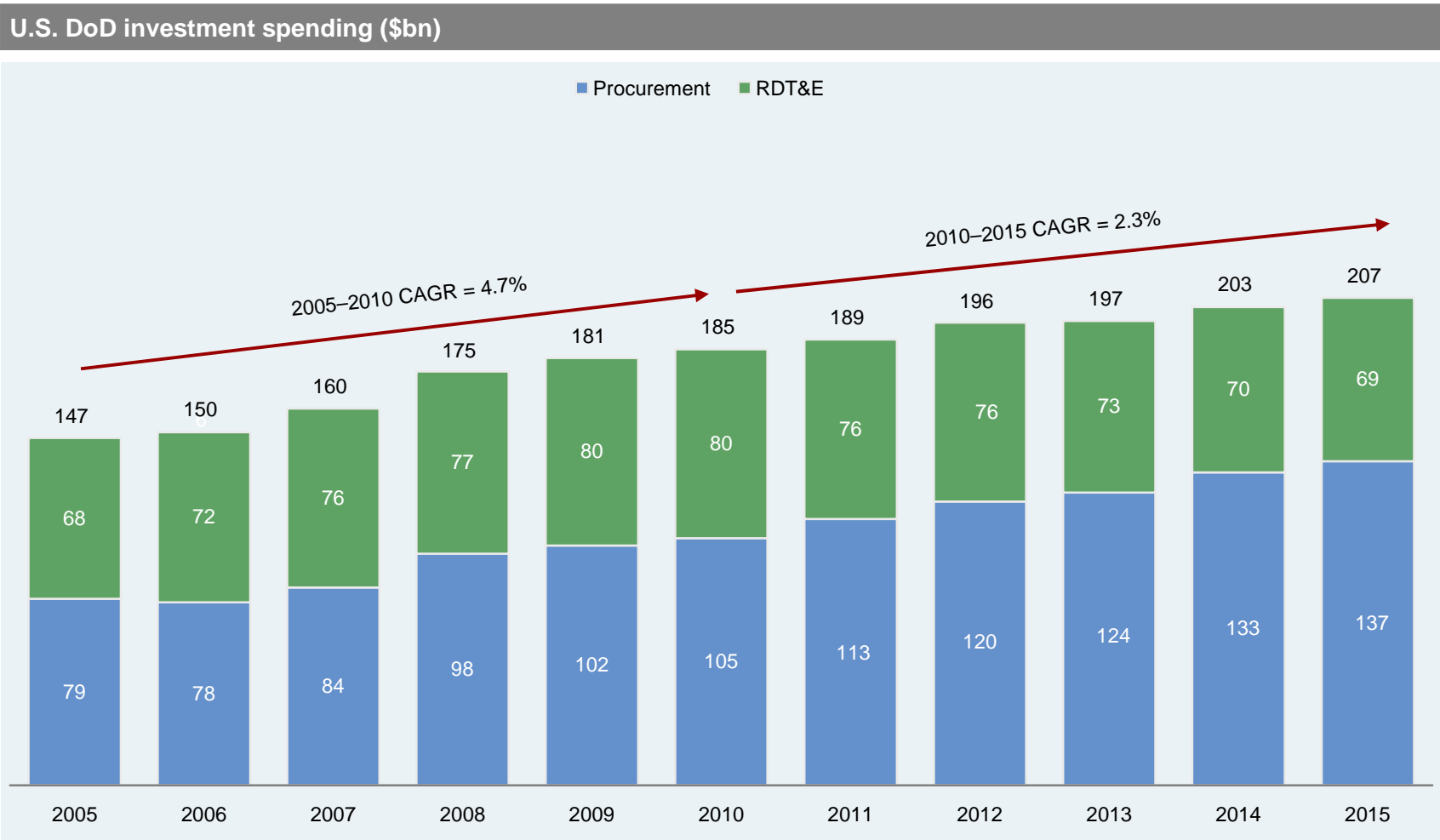
PV has been restated on a proforma basis for the impact of Cobham Analytic Solutions

Ship Set Values



Programme / Platform		2010	2012	2014	Ship Set Values US\$
Military Fast Jets / Trainers	F16	X	X	X	\$800k - \$1,100k
	F/A 18 E/F/G	X	X	X	\$800k - \$4,500k
	F22	X	X	X	\$1,400k
	F35	X	X	X	\$1,200k
	Eurofighter Typhoon	X	X	X	\$1,500k
	Hawk	X	X	X	\$600k
	T50	X	X	X	\$220k
	Gripen	X	X	X	\$160k - \$500k
	A330	X	X	X	\$3,000k
	C17	X	X	X	\$600k
	C130 / KC130	X	X	X	\$600k - \$4,000k
	ASTOR Sentinel R	X	X	X	\$1,200k
	B2	X	X	X	\$1,400k
UAV / Missiles	Predator/Reaper	X	X	X	\$500k
	AMRAAM	X	X	X	\$220k
	AARGM	X	X	X	\$140k
	Global Hawk	X	X	X	\$2,300k
Rotary	EH101	X	X	X	\$180k
	Apache	X	X	X	\$550k
	CH 53K	X	X	X	\$400k
	V22	X	X	X	\$1,000k
Commercial	A380	X	X	X	\$220k
	B787	X	X	X	\$150k
Naval	EDG 1000	X	X	X	\$2,600k
	Aegis DPYIDV	X	X	X	\$2,400k

US DoD Investment Spending \$Bn



Source: Department of Defense; National Defense Budget Estimates for FY 2011 ("Green Book")
 Note: All years exclude supplementals
 Note: Figures represent discretionary outlays expressed in current prices

Source: JP Morgan

Shareholder Returns



Full Year 2009		H1 2009	H1 2010	Growth
27.8%	Underlying Tax Rate	28.0%	26.5%	
Earnings Per Share				
18.80p	Underlying	8.96p	9.29p	3.7%
16.26p	Basic	9.29p	6.55p	
16.17p	Diluted	9.25p	6.50p	
5.45p	Dividend Per Share	1.48p	1.628p	10.0%
18.70p	Free Cash Flow Per Share	8.33p	8.93p	7.2%

Cash Flow Summary



Full Year 2009 £m		H1 2009 £m	H1 2010 £m
330.9	Trading Profit (excluding joint ventures)	159.2	164.7
47.8	Depreciation and other movements	22.8	27.8
(8.2)	Decrease/(Increase) in working capital and provisions	(11.8)	(29.6)
(77.3)	Net Capital expenditure	(31.1)	(27.8)
293.2	Operating cash flow	139.1	135.1
(31.2)	Taxation paid	(17.4)	(14.9)
5.2	Dividends received from JVs	3.0	2.8
(53.6)	Interest and Other	(29.6)	(20.3)
213.6	Free cash flow	95.1	102.7
(58.3)	Dividends paid	-	-
(32.2)	Acquisition payments less disposal proceeds and other related costs	(9.9)	(9.4)
105.6	Movements in funding and exchange movements	114.6	(54.0)
228.7	Decrease/(increase) in net debt	199.8	39.3
412.6	Net Debt	441.5	373.3
1.0	Net Debt : EBITDA	1.2	0.9

Revenue and Profit



£m	Revenue			Trading Profit		
	H1 2009	H1 2010	Growth	H1 2009	H1 2010	Growth
Technology Divisions	842.5	832.6	(1.2)%	144.4	147.7	2.3%
<i>Margin</i>				<i>17.1%</i>	<i>17.7%</i>	
Cobham Aviation Services	111.4	131.3	17.9%	15.3	15.7	2.6%
<i>Margin</i>				<i>13.7%</i>	<i>12.0%</i>	
Operating Divisions	951.7	963.3	1.2%	159.7	163.4	2.3%
Head Office and Other businesses	0.4	0.1		2.0	3.8	
Cobham Group	952.1	963.4	1.2%	161.7	167.2	3.4%
<i>Margin</i>				<i>17.0%</i>	<i>17.4%</i>	

Intercompany eliminations not shown

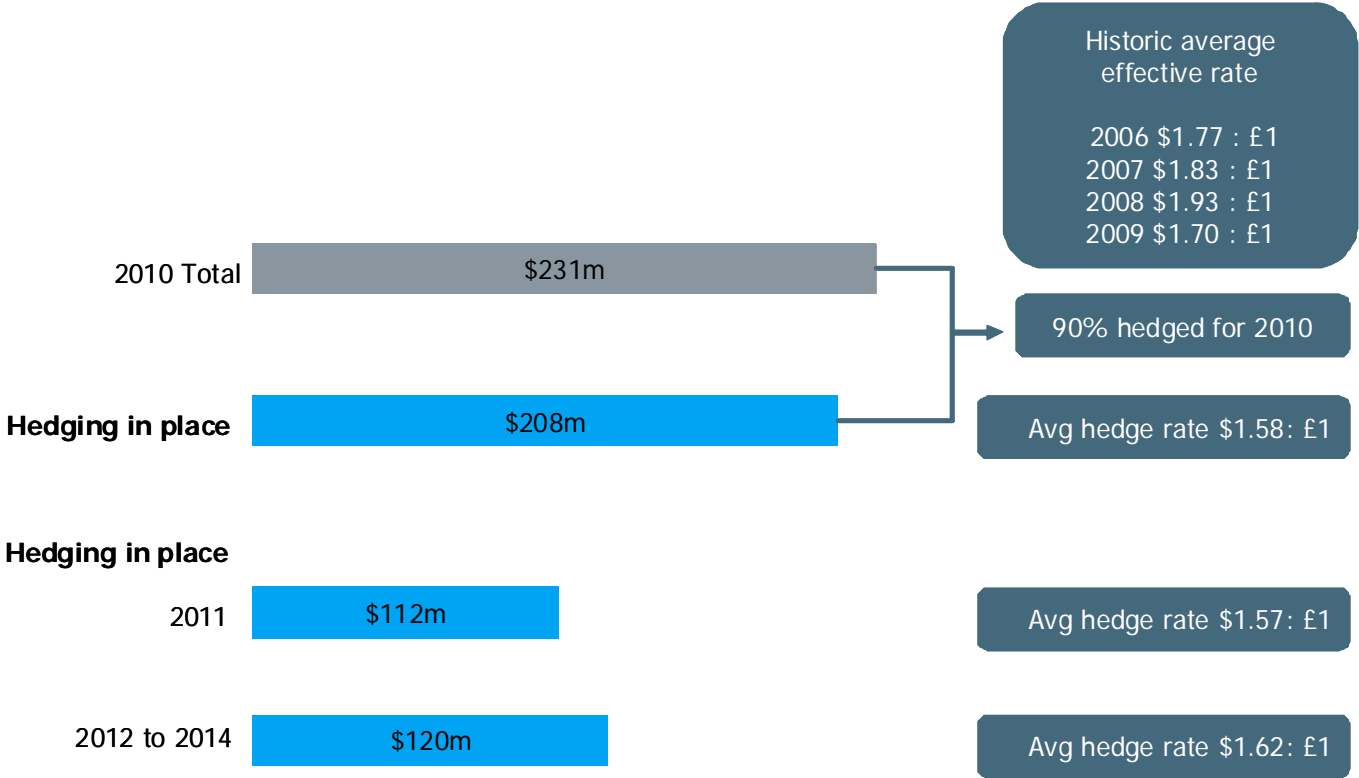
Technology Divisions' Revenue and Trading Profit



£m	Revenue			Trading Profit	
	H1 2009	H1 2010	Organic Growth	H1 2009	H1 2010
Cobham Avionics and Surveillance	254.8	237.0	(4.9)%	42.5	38.5
<i>Margin</i>				<i>16.7%</i>	<i>16.2%</i>
Cobham Defence Systems	436.6	433.8	1.5%	74.9	79.9
<i>Margin</i>				<i>17.2%</i>	<i>18.4%</i>
Cobham Mission Systems	162.7	171.3	7.3%	27.0	29.1
<i>Margin</i>				<i>16.6%</i>	<i>17.0%</i>
Technology Divisions	842.5	832.6	1.0%	144.4	147.7
<i>Margin</i>				<i>17.1%</i>	<i>17.7%</i>

Intercompany eliminations not shown

Foreign Exchange Transaction Exposure



Dollar/Euro exposure predominantly hedged for 2010 with \$34m @ 1.40, 2011 \$30m @ 1.39, 2012 \$18m @ 1.35

US\$/£ Translation Exchange Rates



	2009			2010
	Full Year	Opening	Half Year	Half Year
Income Statement (average rate)	1.56		1.50	1.53
Balance Sheet (closing rate)	1.61	1.44	1.63	1.50

£0.7m PBT translation impact for every 1 cent movement

Reconciliation of IFRS to Underlying Result



Full Year 2009 £m		H1 2009 £m	H1 2010 £m
286.6	Operating profit	160.1	119.9
7.7	Portfolio restructuring	1.7	(1.1)
(42.9)	Unrealised losses/(gains) on revaluation of currency instruments	(46.7)	14.7
78.7	Amortisation of intangible assets arising on acquisition	43.4	32.7
6.9	Acquisition related adjustments	3.2	1.0
337.0	Trading profit	161.7	167.2
(41.7)	Net finance (expense)/income	(20.5)	(22.6)
295.3	Underlying profit before taxation	141.2	144.6

Underlying	To assist with the understanding of earnings trends, the Group has included within its published statements trading profit and underlying earnings results. Trading profit and underlying earnings have been defined to exclude the impacts of certain transaction related adjustments, portfolio restructuring costs, the mark-to-market of currency instruments not realised in the period and impairments of goodwill. Transaction related adjustments excluded from trading profit and underlying earnings include the amortisation of intangible assets recognised on acquisition, such as customer relationships, technology and software and the like, legal and professional fees relating to acquisition and disposal activity, unless otherwise treated as costs of disposal, the writing off of the pre-acquisition profit element of inventory written up on acquisition and costs charged post acquisition, which relate to purchasing the shares of acquired companies. Portfolio restructuring costs comprise exceptional profits arising on business divestments, completed in prior years, which have funded exceptional costs associated with the restructuring of the Group's business and site integrations. Both the divestments and the integration activity originate from the Group's strategy announcement in September 2005.
Underlying Tax Rate	The underlying tax rate is based on underlying profit before tax, excluding the share of post tax income from joint ventures.
Free Cash Flow	Free cash flow is cash generated by the business before movements in funding and FX, acquisitions and disposals and dividends to shareholders
Free Cash Flow per share	Defined as free cash flow/average number of shares in issue
Operating Cash Flow	Operating cash flow is defined as cash generated from operations, per the consolidated cash flow statement, adjusted for cash flows from the purchase or disposal of fixed assets. Operating cash conversion is defined as operating cash flow as a percentage of trading profit, excluding profit from joint ventures.
Organic revenue growth	Organic revenue growth is defined as revenue growth stated at constant translation exchange, excluding the incremental effect of acquisitions and disposals.
PV Investment	Company funded R&D expenditure as a percentage of technology division revenues
Technology divisions	Cobham's technology divisions comprise Cobham Avionics and Surveillance, Cobham Defence Systems and Cobham Mission Systems

AARGM	Advanced Anti-Radiation Guided Missile
Acq	Acquisition
AGM	Annual General Meeting
AMRAAM	Advanced Medium-Range Air-to-Air Missile
ASTOR	Airborne Stand-Off Radar
C4ISR	Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance
CAGR	Compound Annual Growth Rate
CAS	Cobham Avionics and Surveillance
CAvS	Cobham Aviation Services
CDS	Cobham Defence Systems
CMS	Cobham Mission Systems
DoD	Department of Defense
EBITDA	Earnings Before Interest Tax Depreciation and Amortisation
EPS	Earnings Per Share
ERP	Enterprise Resource Planning
EW	Electronic Warfare
FX	Foreign Exchange
GA	General Aviation
IDDDQ	Indefinite Delivery Definite Quantity
IDIQ	Indefinite Delivery Indefinite Quantity
IED	Improvised Explosive Device
IFRS	International Financial Reporting Standards
JSF	Joint Strike Fighter
JV	Joint Venture
MIDAESS	Missile Defence Agency Engineering and Support Services
MFTS	Military Flying Training Services
OCI	Organisational Conflict of Interest
OE	Original Equipment
PBT	Profit Before Tax
PV	Private Venture (Company funded R&D)
R&D	Research & Development
RDT&E	Research, Development, Test and Evaluation
RoW	Rest of World
SATCOM	Satellite Communication
SOF	Standard Operating Framework
UAV	Unmanned Aerial Vehicle
WnAN	Wireless network After Next

Cautionary Statement



For the purposes of the following disclaimers, references to this “document” shall be deemed to include references to the presenters’ speeches, the question and answer session and any other related verbal or written communications.

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