press release

Embargoed until 0700 7 August 2017

Ultra Electronics Holdings plc
("Ultra" or "the Group")

Interim Results for the six months to 30 June 2017

FINANCIAL HIGHLIGHTS

	Six months to 30 June 2017	Six months to 1 July 2016	**Change**
Revenue	**£366.4m**	£366.6m	**-0.1%**
Underlying operating profit*(1)	**£57.6m**	£57.7m	**-0.2%**
Underlying profit before tax*(2)	**£52.3m**	£52.4m	**-0.2%**
IFRS profit before tax	**£30.9m**	£32.6m	**-5.2%**
Underlying earnings per share(2)	**58.3p**	58.1p	**+0.3%**
Interim dividend per share	**14.6p**	14.2p	**+2.8%**

- Half year results in line with management expectations
- Cash conversion at 53%: remain on track for full year performance of around 80%
- Net debt to EBITDA of 1.78x (H1 2016: 2.29x)
- Operating margin in line with prior period, at 15.7%
- Organic growth in order intake of 1.5% with book to bill of 1.07
- Conditional Merger Agreement to acquire Sparton Corp signed in early July

Rakesh Sharma, Chief Executive, commented:
"As previously indicated, 2017 will be more heavily weighted to the second half than normal and this is reflected in these interim results. Market conditions remain largely unchanged since our preliminary announcement in March. The US Federal budget was not approved until May and this, together with the recent UK General Election, has affected the progress of some contract awards. Nevertheless, following the strong order intake in the final part of the period, which has continued through July, we are pleased with our current order position.

Ultra enters the second half of the year with an order cover of 82% (2016: 84%). We anticipate the momentum in contract awards to continue as the year progresses. Furthermore, some additional export opportunities, such as the recently announced Indian defence systems contract, are edging closer to being secured. Our S3 initiative continues to drive efficiencies and investment in a further three ERP systems is to be implemented in 2017/18. The through-cycle cash conversion guidance is unchanged at above 85%. Based on the same £/US$ assumptions made in March ($1.30), the Board remains confident of making further progress in 2017 and our expectations for the full year remain unchanged."

(1) before Oman contract termination related costs, amortisation of intangibles arising on acquisitions, impairment charges, the S3 programme and adjustments to contingent consideration net of acquisition and disposal related costs. IFRS operating profit was £25.4m (2016: £38.8m). See Note 4 for reconciliation.

(2) before Oman contract termination related costs, amortisation of intangibles arising on acquisitions, impairment charges, the S3 programme, fair value movements on derivatives, unwinding of discount on provisions, defined benefit pension curtailment gain and interest charges and adjustments to contingent consideration net of acquisition and disposal related costs and, in the case of underlying earnings per share, before related taxation. Basic EPS 37.6p (2016: 38.4p). See Note 10 for reconciliation.

INTERIM MANAGEMENT REPORT
FINANCIAL RESULTS

	Six months to 30 June 2017 £m	Six months to 1 July 2016 £m	Growth
Order book			
- Aerospace & Infrastructure	255.8	255.4	+0.2%
- Communications & Security	234.5	218.8	+7.2%
- Maritime & Land	317.5	311.5	+1.9%
Total order book	**807.8**	**785.7**	**+2.8%**
Revenue			
- Aerospace & Infrastructure	96.0	93.0	+3.2%
- Communications & Security	109.8	119.8	-8.3%
- Maritime & Land	160.6	153.8	+4.4%
Total revenue	**366.4**	**366.6**	**-0.1%**
Organic underlying revenue movement			**-6.7%**
Underlying operating profit*			
- Aerospace & Infrastructure	16.1	15.2	+5.9%
- Communications & Security	13.0	15.8	-17.7%
- Maritime & Land	28.5	26.7	+6.7%
Total underlying operating profit*	**57.6**	**57.7**	**-0.2%**
Organic underlying operating profit movement			**-5.4%**
Underlying operating margin*			
- Aerospace & Infrastructure	16.8%	16.3%	
- Communications & Security	11.8%	13.2%	
- Maritime & Land	17.7%	17.4%	
Total underlying operating margin*	**15.7%**	**15.7%**	**-**
Finance charges*	(5.3)	(5.3)	
Underlying operating profit before tax	**52.3**	**52.4**	
Underlying operating cash flow*	30.5	38.5	-20.8%
Operating cash conversion*	53%	67%	
Net debt/EBITDA*	1.78	2.29	
Net debt* at period-end	260.4	325.4	
Bank interest cover*	10.9x	10.9x	
Underlying earnings per share*	58.3p	58.1p	+0.3%

**** see notes below:***

underlying operating profit *before Oman contract termination related costs, amortisation of intangibles arising on acquisition, impairment charges, the S3 programme and adjustments to contingent consideration net of acquisition & disposal related costs.*
organic growth *(of revenue or profit) is the annual rate of increase in revenue or profit that was achieved, assuming that acquisitions made during the prior year were only included for the same proportion of the current year at constant currencies.*
underlying operating margin *is the underlying operating profit as a percentage of revenue.*
finance charges *exclude fair value movements on derivatives, defined benefit pension interest charges and discount on provisions.*
underlying profit before tax *before Oman contract termination related costs, amortisation of intangibles arising on acquisition, impairment charges, the S3 programme, fair value movements on derivatives, unwinding of discount on provisions, defined benefit pension curtailment gain & interest charges and adjustments to contingent consideration net of acquisition & disposal related costs. IFRS profit before tax was £30.9m (2016: £32.6m).*
underlying tax *is the tax charge on underlying profit before tax. The underlying tax rate is underlying tax expressed as a percentage of underlying profit before tax.*
underlying operating cash flow *is cash generated by operations and dividends from associates, less net capital expenditure, acquisition & disposal related payments, S3 programme payments, Oman performance bond payment, R&D and LTIP share purchases.*
operating cash conversion *is underlying operating cash flow as a percentage of underlying operating profit.*
EBITDA *is the underlying operating profit for the rolling 12 months ended 30 June, before depreciation charges and before amortisation arising on internally generated intangible assets and on other, non-acquisition, intangible assets. The figure is adjusted to remove the EBITDA generated by businesses up to the date of their disposal.*
net debt *comprises loans and overdrafts less cash and cash equivalents.*
bank interest cover *is the ratio of underlying operating profit to finance costs associated with borrowings.*

The order book increased 2.8% to £807.8m (2016: £785.7m) and also showed an improvement from the 31 December 2016 position of £799.3m. The order book increase compared to June 2016, included 1.8% organic growth and a foreign exchange benefit of 1.0%. Compared to the order book at the end of December 2016, overall growth of 1.1% included organic growth of 3.9% offset by a foreign exchange reduction of 2.8%.

Order intake increased 7.4% to £390.3m and was particularly strong in the last two months of the half year, resulting in a pleasing book to bill ratio for the period of 1.07 (2016: 1.0). Foreign exchange accounted for 8.7% of the increase; disposals reduced growth by 2.8% and underlying order intake increased by 1.5%. Order book cover for the remainder of 2017 remains broadly the same as last year at 82% (2016: 84%).

Revenue in the period was £366.4m (2016: £366.6m). The disposal of the ID business in August 2016 impacted revenue by 2.7%. Revenue decreased organically by 6.7% due to the delay in the award of a number of contracts and the higher level of engineering activity compared to the prior year. These factors were offset by exchange rate movements which improved revenue by 9.3%.

Underlying operating profit* was £57.6m (2016: £57.7m). Profit decreased organically by 5.4% principally due to the expected lower margin engineering revenue and there was a 2.8% impact on profit from the disposal of the ID business. Foreign exchange, arising from translating overseas subsidiaries' results, contributed 8.0%. The resulting underlying operating margin* was 15.7% (2016: 15.7%).

Underlying profit before tax* was £52.3m (2016: £52.4m), after net financing charges* of £5.3m (2016: £5.3m).

The Group's underlying tax* rate in the period was 21.5% (2016: 22.0%) and the increase in underlying earnings per share was 0.3% to 58.3p (2016: 58.1p).

Reported (IFRS) profit before tax was £30.9m (2016: £32.6m) and reflected the combined effects of the elements detailed below:

All £m	**2017 H1**	2016 H1
Underlying profit before tax	**52.3**	52.4
Amortisation of intangibles arising on acquisition	(14.7)	(15.3)
Net interest charge on defined benefit pensions	(1.4)	(1.7)
Profit/(loss) on fair value movements on derivatives	12.1	(14.5)
Acquisition and disposal related adjustments	(10.4)	(0.8)
Ithra termination related costs	(2.4)	-
Unwinding of discount on provisions	-	(0.2)
S3 programme	(3.0)	(2.8)
Pension scheme curtailment gain	-	15.5
Impairment charges	(1.6)	-
Reported profit before tax	**30.9**	32.6

Operating cash conversion* in the period was 53% (2016: 67%) with operating cash flow* of £30.5m (2016: £38.5m). At the end of the period Ultra had net debt* of £260.4m (1 July 2016: £325.4m).

The Group's S3 programme remains on track. S3 savings of £5.6m (2016: £2.3m) were realised in the period whilst costs on the programme increased to £3.0m (2016: £2.8m). £1.3m of these costs (2016: £1.1m) related to setting up our GBS capabilities in Rochester, New York and Wimborne, Dorset.

* see notes on page 2

The Group's balance sheet remains strong, with net debt/EBITDA* ratio of 1.78x and net interest payable on borrowings covered around 11 times by underlying operating profit*. Subsequent to the period end a share placing was undertaken to part-fund the Sparton acquisition. This raised net proceeds of £133.9m.

Acquisition and disposal related costs include Sparton Corp acquisition expenses over the six month period and 3 Phoenix staff retention payments which were put in place at the time of acquisition of that business. There was a £2.4m charge for legal fees relating to the Ithra contract and a £1.6m charge for impairment of an intangible asset.

The proposed interim dividend is 14.6p, an increase of 2.8%, with the interim dividend being covered 4.0 times (2016: 4.1 times) by underlying earnings per share. The dividend will be paid on 21 September 2017 to shareholders on the register at 1 September 2017.

INVESTMENT

Total R&D in the period was £76.6m (2016: £68.6m) of which company funded investment was 4.5% of revenue at £16.6m (2016: £15.5m). Of this, £0.6m of investment was capitalised on specific long-term programmes. The Group's three divisions are at different stages of the investment cycle and this is reflected in the total figure. Depending on the type of engineering contracts awarded, some require Ultra to fund the development phase while others attract customer funding and this will vary as our Divisions progress through the investment cycle. While the Group has a good level of engineering projects, a number of these in the immediate future will be customer funded and therefore it is expected that company funded R&D as a percentage of revenue, will decrease by the end of 2017.

On 7 July 2017, Ultra announced that it had entered into a conditional merger agreement to acquire Sparton Corporation ("Sparton"), its 50/50 partner in the long-standing ERAPSCO joint venture, which develops, manufactures and supports all current US sonobuoys supplied to the US DoD. The proposed acquisition values Sparton's total equity at approximately $234.8m (£180.6m) and as part of the acquisition, Ultra will repay Sparton's debt at completion. The Group also completed a placing of new ordinary shares representing approximately 9.9% of Ultra's existing issued share capital to raise net proceeds of £133.9m to part fund the acquisition. Completion of the deal to acquire Sparton is expected by 1 January 2018.

OPERATIONAL REVIEW

Aerospace & Infrastructure

Revenue in Aerospace & Infrastructure increased by 3.2% to £96.0m (2016: £93.0m) and underlying operating profit increased by 5.9% to £16.1m (2016: £15.2m). The order book was unchanged at £255.8m (2016: £255.4m).

Aerospace & Infrastructure revenues benefitted from the increased activity on a number of land vehicle programmes as well as foreign exchange. The continued improvement in the operational performance at our contract manufacturing business, part of NCS, improved the profitability of this division.

This division benefited most from the currency translational impacts arising from the continued weakening of sterling against the US dollar, resulting in a divisional margin of 16.8% (2016: 16.3%).

Highlights of activities in the period that will contribute to the division's future performance include:

- Delivery of the first NuScale reactor module protection suite with US regulatory approval. The suite is worth £60m to the Group over the life of the programme.

- Ultra has won the supply of the HiPPAG stores management solution for the Saab Gripen NG aircraft. This is the first time a dual purpose HiPPAG system has been fielded, capable of providing stores ejection and seeker head cooling from the same unit. First production contracts are expected towards the end of 2017 at £7m.
- Boeing has awarded Ultra a contract to supply the first HiPPAG system for sonobuoy ejection in New Zealand.
- The FAA approved the certification plan for the innovative WheelTug system, for which Ultra is providing the electronic control. This programme is potentially worth £70m.

Communications & Security

Revenues in Communications & Security division decreased to £109.8m (2016: £119.8m) and underlying operating profit reduced to £13.0m (2016: £15.8m). When excluding the ID business, revenues in the division were flat year on year at £109.8m and underlying operating profit reduced by 8.5% to £13.0m (2016: £14.2m). The order book at the end of the period increased by 7.2% to £234.5m (2016: £218.8m).

This division had a greater level of development programmes in the period when compared to 2016, which lowered revenues and margins in the period. The division was also impacted by the Continuing Resolution which moved revenues out of the first half. The ECU RP programme largely concluded in 2016, which had improved margins in the prior period. The divisional margin was 11.8% (2016: 13.2%).

Encouragingly, strong order intake across the division, notably at CIS, resulted in a 7.2% improvement in the order book.

Highlights of activities in the period that will contribute to the division's future performance include:

- Ultra has won a contract for the Singapore EW programme initially valued at £8m with discussions underway for potential future opportunities.
- The receipt of multiple orders worth $11.6m for integrated ballistics equipment and systems expanding the Group's geographic range of customers.
- An initial order received worth $1.5m for ARA-63 Carrier Landing System contract with production and delivery to commence in H2 2017.
- Ultra has won an $18m integrated security system contract.

Maritime & Land

Revenue in Maritime & Land increased by 4.4% to £160.6m (2016: £153.8m). The division's underlying operating profit increased by 6.7% to £28.5m (2016: £26.7m). The order book increased by 1.9% to £317.5m (2016: £311.5m).

Increased demand for both US domestic and international sonobuoys continued over the six month period. Elsewhere in the division, revenues were impacted by the Continuing Resolution and the end of the Fatahillah ship refurbishment contract in 2016.

Margins improved to 17.7% (2016: 17.4%) due to the release of risk reserves as an international sonar programme came to an end.

Highlights of activities in the period that will contribute to the division's future performance include:

- Ultra received a FY17 order of $36m to supply SSQ-53G sonobuoys to US Navy ASW platforms. In addition, orders of $15.9m were received for sonobuoys to international customers.
- A $10m order to provide submarine launched torpedo countermeasures to the UK Royal Navy.

- A £6m initial order to commence design development and qualification of the RN Dreadnought SSBN Electric Cruise Propulsion system.
- Ultra delivered UltraLynx soldier systems to the US Army for evaluation within the Nett Warrior programme through an initial contract of $1m. In addition, Ultra successfully participated in a major UK warfighting exercise with its UltraLynx system to support the future UK dismounted soldier systems programme.

MARKET ENVIRONMENT

Aerospace (18% of 2017 H1 Group revenue) – In the large civil aircraft market, Airbus and Boeing have combined order backlogs of more than 12,000 aircraft and as these orders are executed Ultra will see further revenue growth. This, along with the continuing increase in passenger demand will help support future growth. The regional aircraft market has a number of new entrants including the MRJ from Mitsubishi Aircraft Corporation on which Ultra has a significant shipset value. Military aircraft will be dominated by the F-35 JSF programme and by medium size military transports where the Group is already established on these programmes. The military rotorcraft market is less buoyant has been in decline, however the recently announced five-year production contract awarded to Sikorsky to build Black Hawk helicopters for US Army is welcome. There are also opportunities for Ultra especially for the new Health Usage Monitoring System product line.

Infrastructure (4% of 2017 H1 Group revenue) – Passenger demand continues to drive growth within the aviation industry creating significant opportunities for more airport integrated systems and data management driving wider infrastructure demand. The UK rail improvement programme is now primarily AC with DC opportunities focused around specific regional sectors. As the infrastructure sector embraces a digital transformation, traditional offerings are becoming increasingly commoditised with value being generated from rapid innovation and smart technology.

Nuclear (7% of 2017 H1 Group revenue) – As the first generation of nuclear power plants in the western world reach the end of their operational lives, demand for reactor upgrades, life extensions and support is increasing. Funding challenges continue for new-builds with new construction programmes now dominated by China and increasingly India. Ultra's specialist sensors are qualified for most major global reactor designs and Ultra's partnership with Nuscale on Small Modular Reactor (SMR) development continues to open up new international interest. Increased global terror threats have increased the market potential for Ultra's radiation monitoring suite of products.

Communications (16% of 2017 H1 Group revenue) – Globally the communications market is subject to radical technology development and Ultra is well placed with the provision of broadband communications (radios, satcom), data links, telemetry and information assurance; all of which are increasingly required. In the UK and US, defence encryption programmes are balancing high-security against more commercial solutions at lower security levels. Tactical communications and data link demand is evident in a number of national programmes but funding and timing remain problematic. Light, mobile, high-bandwidth, low power, software-defined radios offering IP-solutions and comprehensive tactical data link systems remain attractive. Ultra's ability to work closely with customers to provide the most resilient systems that helps defeat the cyber threat to data and infrastructure that is increasing at both Government and commercial levels.

C2ISR (19% of 2017 H1 Group revenue) – Increased global threat levels are driving demand for ISTAR, particularly systems suitable for unmanned platforms. There is a significant interest in border surveillance for long and remote land and maritime borders as well as for the protection of fixed critical infrastructures and utilities. Command & Control (C2) solutions must securely interface with an exponentially increasing amount of sensors and communication systems to compete effectively.

Underwater Warfare (26% of 2017 H1 Group revenue) – The growing undersea threat environment, particularly from Russia, China, North Korea, and Iran, is driving increased investment by allied navies in advanced Anti-Submarine Warfare (ASW) capabilities. New frigate procurement programmes in the US, Canada, UK, and Australia are underway and include extensive sonar requirements. In addition, the airborne ASW market continues to expand as the Poseidon P-8 maritime patrol aircraft is being adopted by more nations driving increases in international sonobuoy acquisition. Furthermore, other nations are looking to upgrade their current ASW assets or add an ASW capability to an existing platform.

Maritime (8% of 2017 H1 Group revenue) – Long-term submarine programmes in the US and UK provide the Group with a robust revenue platform. However ship programmes with these core customers are more vulnerable to funding pressures. Replacement frigate programmes in Australia and Canada as well as export through Spanish and Turkish shipyards provide opportunities for growth. Small ship refits and capability upgrades in overseas markets complement our more established markets in the US and UK.

Land (2% of 2017 H1 Group revenue) – Funding issues continue in the land sector as Army budgets have reduced post Iraq and Afghanistan conflicts. Nevertheless technology is being used to improve the fighting ability of infantry vehicles and dismounted soldiers. Ultra is heavily involved in the definition of electronic architecture for armoured vehicles and has been selected as a member of the consortium of companies considered for development of the Next Generation Combat Vehicle-Prototype (NGCV-P), which will be tested by the US Army in 2023-2024. The NGCV family is planned to replace Bradley vehicles and Abrams tanks. The increase in connectivity in the battlefield is being extended to the electronic soldier and Ultra is involved in this development with its soldier-worn electrical power and data architecture capabilities.

RISKS AND UNCERTAINTIES

A number of potential risks and uncertainties exist which could have a material impact on the Group's performance in 2017 and beyond and which could cause actual results to differ materially from expected and historical levels. The Directors consider that the principal risks and uncertainties identified in the Group's Annual Report for 2016 remain valid. An explanation of those risks, and the robust business strategies that Ultra uses to manage and mitigate them, can be found in the annual report which is available for download at www.ultra-electronics.com/investors/annual-reports.aspx . In addition, certain risks relating to the acquisition of Sparton Corp were identified in the Group's announcement of the acquisition issued on 7 July 2017, which is available for download at https://www.ultra-electronics.com/investors/press-0717.aspx.

In the defence sector, which contributes around 66% of Ultra's revenue, there is continuing pressure on US and UK defence budgets. In the US, there is concern over the timing and feasibility of the proposed US DoD budget, which exceeds the Budget Control Act. This could lead to a more prolonged Continuing Resolution into FY18. It is anticipated that this will increase the time taken to agree and allocate funding to programmes and hence for it to flow down into contract action. Nevertheless, the overall size of defence budgets worldwide, relative to the Group's revenue, provides sufficient headroom to support Ultra's growth potential.

There is a risk of programme delays or cancellations but this has always been a feature of the Group's markets.

Movements in foreign currency exchange rates result in both transaction and translation effects on the Group's results. Ultra's projected net transaction exposure is mitigated by the use of forward hedging contracts. By their nature, currency translation risks cannot be mitigated.

Risks are identified, collated, assessed and managed at the most appropriate level of the business (Board, Executive or Business level). Risks are reviewed regularly to ensure judgments and assumptions are unchanged, that appropriate mitigations are in place and that emerging risks are captured. Key risks identified by the Board include:

- Managing organic and acquisitive growth
- Delivering major change programmes
- Attracting, developing and retaining the right people and preserving Ultra's culture
- Protection of intellectual property and information security
- Effectiveness of supply chain
- Legislation and regulation compliance
- Maintaining governance and internal control
- Health, safety and the environment
- Pension management

CONFIRMATION OF GOING CONCERN

The Directors have considered the guidance issued by the Financial Reporting Council and hereby confirm that the Group continues to adopt the 'going concern' basis in preparing its accounts.

The Board has made appropriate enquiries to support this view, looking forward for a period of at least twelve months. Salient points taken into consideration were:

- the Group's long-term record of delivering high quality profits
- the adequacy of Ultra's financing facilities
- Ultra's positions in growth sectors of its markets
- the long-term nature of Ultra's markets and contracts
- the Group's minimal exposure to trading denominated in the Euro
- the risks as discussed above

PERFORMANCE & PROSPECTS

As previously indicated, 2017 will be more heavily weighted to the second half than normal and this is reflected in these interim results. Market conditions remain largely unchanged since our preliminary announcement in March. The US Federal budget was not approved until May and this, together with the recent UK General Election, has affected the progress of some contract awards. Nevertheless, following the strong order intake in the final part of the period, which has continued through July, we are pleased with our current order position.

Ultra enters the second half of the year with an order cover of 82% (2016: 84%). We anticipate the momentum in contract awards to continue as the year progresses. Furthermore, some additional export opportunities, such as the recently announced Indian defence systems contract, are edging closer to being secured. Our S3 initiative continues to drive efficiencies and investment in a further three ERP systems is to be implemented in 2017/18. The through-cycle cash conversion guidance is unchanged at above 85%. Based on the same £/US$ assumptions made in March ($1.30), the Board remains confident of making further progress in 2017 and our expectations for the full year remain unchanged.

- End –

Enquiries:

Ultra Electronics Holdings plc
Rakesh Sharma, Chief Executive 020 8813 4307

Amitabh Sharma, Group Finance Director

Susan McErlain, Corporate Affairs Director 07836 522 722

MHP Communications
James White 020 3128 8756

www.ultra-electronics.com
020 8813 4321

NATURE OF ANNOUNCEMENT

This Interim Management Report ("IMR") has been prepared solely to provide additional information to enable shareholders to assess Ultra's strategies and the potential for those strategies to be fulfilled. It should not be relied upon by any other party or for any other purpose.

This IMR contains certain forward-looking statements. Such statements are made by the Directors in good faith based on the information available to them at the time of their approval of this report, and they should be treated with caution due to the inherent uncertainties underlying such forward-looking information.

This IMR has been prepared for the Group as a whole and therefore gives greatest emphasis to those matters which are significant to Ultra when viewed as a complete entity.

Further information about Ultra:

Ultra Electronics is an internationally successful defence, security, transport and energy company with a long track record of development and growth. The Ultra Group manages a portfolio of specialist capabilities generating innovative solutions to customer needs. Ultra applies electronic and software technologies in demanding and critical environments ranging from military applications, through safety-critical devices in aircraft, to nuclear controls and sensor measurement. These capabilities have seen the Ultra Group's highly-differentiated products contributing to a large number of platforms and programmes.

Ultra has world-leading positions in many of its specialist capabilities and, as an independent, non-threatening partner, is able to support all of the main prime contractors in its sectors. As a result of such positioning, Ultra's systems, equipment or services are often mission or safety-critical to the successful operation of the platform to which they contribute. In turn, this mission-criticality secures Ultra's positions for the long-term which underpins the superior financial performance of the Ultra Group.

Ultra offers support to its customers through the design, delivery and support phases of a programme. Ultra businesses have a high degree of operational autonomy where the local management teams are empowered to devise and implement competitive strategies that reflect their expertise in their specific niches. The Ultra Group has a small head office and executive team that provide to the individual businesses the same agile, responsive support that they provide to customers, as well as formulating Ultra's overarching, corporate strategy.

Across the Ultra Group's three divisions, Ultra operates in the following eight market segments:

- *Aerospace*
- *Land*
- *Communications*
- *Maritime*
- *C2ISR*
- *Nuclear*
- *Infrastructure*
- *Underwater Warfare*

Ultra Electronics Holdings plc
Condensed Group highlights
for the half-year ended 30 June 2017

	Six months to 30 June 2017 £'000	Six months to 1 July 2016 £'000	Year to 31 December 2016 £'000
Revenue	**366,392**	366,612	785,764
Underlying operating profit	**57,633**	57,668	131,134
Operating profit	**25,427**	38,843	89,725
Underlying profit before tax	**52,355**	52,398	120,059
Profit before tax	**30,940**	32,552	67,621
Underlying earnings per share (pence)*	**58.3**	58.1	134.6
Basic earnings per share (pence)*	**37.6**	38.4	82.8
Dividend per share (pence)	**14.6**	14.2	47.8

* On 7 July 2017 a total of 7,047,168 ordinary shares of 5 pence were placed representing 9.9% of Ultra's issued ordinary share capital prior to the placing. In accordance with IAS 33, earnings per share has not been restated to reflect this post balance sheet event.

Ultra Electronics Holdings plc
Condensed Consolidated Income Statement
for the half-year ended 30 June 2017

	Note	**Six months to 30 June 2017 £'000**	Six months to 1 July 2016 £'000	Year to 31 December 2016 £'000
Revenue	3	**366,392**	366,612	785,764
Cost of sales		**(261,070)**	(257,296)	(536,561)
Gross profit		**105,322**	109,316	249,203
Other operating income		**834**	1,461	1,770
Distribution costs		**(471)**	(510)	(1,081)
Administrative expenses		**(65,908)**	(64,199)	(144,893)
Other operating expenses		**(7,246)**	(4,448)	(8,777)
Impairment charges		**(1,645)**	-	-
S3 programme		**(3,021)**	(2,777)	(6,497)
Oman contract termination costs	5	**(2,438)**	-	-
Operating Profit	3	**25,427**	38,843	89,725
Loss on disposals (net)	19	**-**	-	(4,076)
Retirement benefit scheme curtailment gain	20	**-**	15,500	15,500
Investment revenue	6	**12,288**	87	197
Finance costs	7	**(6,775)**	(21,878)	(33,725)
Profit before tax		**30,940**	32,552	67,621
Tax	8	**(4,440)**	(5,590)	(9,363)
Profit for the period		**26,500**	26,962	58,258
Attributable to:				
Owners of the Company		**26,517**	26,692	58,260
Non-controlling interests		**(17)**	-	(2)
Earnings per ordinary share (pence)*				
Basic	10	**37.6**	38.4	82.8
Diluted	10	**37.5**	38.3	82.8

All results are derived from continuing operations.

* On 7 July 2017 a total of 7,047,168 ordinary shares of 5 pence were placed representing 9.9% of Ultra's issued ordinary share capital prior to the placing. In accordance with IAS 33, earnings per share has not been restated to reflect this post balance sheet event.

Ultra Electronics Holdings plc
Condensed Consolidated Statement of Comprehensive Income
for the half-year ended 30 June 2017

	Six months to 30 June 2017 £'000	Six months to 1 July 2016 £'000	Year to 31 December 2016 £'000
Profit for the period	**26,500**	26,962	58,258
Items that will not be reclassified to profit or loss:			
Actuarial loss on defined benefit pension schemes	**-**	-	(49,343)
Tax relating to items that will not be reclassified	**-**	-	9,973
Total items that will not be reclassified to profit or loss	**-**	-	(39,370)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	**(14,491)**	64,787	99,349
Reclassification of exchange differences on disposals	**-**	-	(1,895)
Transfer from profit and loss on cash flow hedge	**57**	255	-
Loss on cash flow hedge	**(79)**	(1,267)	-
Gain/(loss) on loans used in net investment hedges	**12,385**	(25,600)	(43,078)
Tax relating to items that may be reclassified	**-**	-	43
Total items that may be reclassified to profit or loss	**(2,128)**	38,175	54,419
Other comprehensive (expense)/income for the period	**(2,128)**	38,175	15,049
Total comprehensive income for the period	**24,372**	65,137	73,307
Attributable to:			
Owners of the Company	**24,389**	65,137	73,309
Non-controlling interests	**(17)**	-	(2)

Ultra Electronics Holdings plc
Condensed Consolidated Balance Sheet
as at 30 June 2017

	Note	**At 30 June 2017 £'000**	At 1 July 2016 £'000	At 31 December 2016 £'000
Non-current assets				
Goodwill		**403,173**	403,239	415,593
Other intangible assets		**159,517**	195,366	173,637
Property, plant and equipment	11	**62,337**	68,418	66,195
Deferred tax assets		**19,603**	5,600	21,377
Derivative financial instruments	18	**375**	68	3
Trade and other receivables	12	**12,945**	15,987	16,352
		657,950	688,678	693,157
Current assets				
Inventories		**82,686**	89,996	78,177
Trade and other receivables	12	**222,991**	197,944	215,731
Tax assets		**6,731**	-	9,444
Cash and cash equivalents		**80,392**	39,780	74,625
Derivative financial instruments	18	**194**	234	251
Assets classified as held for sale		**-**	9,930	-
		392,994	337,884	378,228
Total assets	3	**1,050,944**	1,026,562	1,071,385
Current liabilities				
Trade and other payables	13	**(189,275)**	(175,847)	(193,243)
Tax liabilities		**-**	(555)	(7,339)
Derivative financial instruments	18	**(6,258)**	(9,789)	(12,507)
Liabilities classified as held for sale		**-**	(2,161)	-
Short-term provisions	14	**(9,419)**	(16,429)	(16,633)
		(204,952)	(204,781)	(229,722)
Non-current liabilities				
Retirement benefit obligations		**(109,852)**	(66,849)	(113,177)
Other payables	13	**(9,768)**	(7,734)	(9,972)
Deferred tax liabilities		**(6,284)**	(6,153)	(6,555)
Derivative financial instruments	18	**(5,691)**	(10,568)	(11,594)
Borrowings		**(340,753)**	(365,167)	(331,325)
Long-term provisions	14	**(5,828)**	(5,381)	(5,469)
		(478,176)	(461,852)	(478,092)
Total liabilities	3	**(683,128)**	(666,633)	(707,814)
Net assets		**367,816**	359,929	363,571
Equity				
Share capital	15	**3,533**	3,516	3,523
Share premium account		**67,416**	61,501	64,020
Own shares		**(2,581)**	(2,581)	(2,581)
Hedging reserve		**(56,623)**	(52,520)	(68,986)
Translation reserve		**125,001**	106,825	139,492
Retained earnings		**231,018**	243,188	228,034
Equity attributable to owners of the company		**367,764**	359,929	363,502
Non-controlling interest		**52**	-	69
Total equity		**367,816**	359,929	363,571

Ultra Electronics Holdings plc
Condensed Consolidated Cash Flow Statement
for the half-year ended 30 June 2017

	Note	**Six months to 30 June 2017 £'000**	Six months to 1 July 2016 £'000	Year to 31 December 2016 £'000
Net cash inflow from operating activities	16	**9,541**	22,197	92,834
Investing activities				
Interest received		**114**	87	197
Dividends received from former equity accounted investments		**3,111**	-	-
Purchase of property, plant and equipment		**(3,582)**	(1,998)	(4,645)
Proceeds from disposal of property, plant and equipment		**20**	91	293
Expenditure on product development and other intangibles		**(1,782)**	(949)	(2,728)
Disposal of subsidiary undertakings		**-**	-	22,040
Acquisition of subsidiary undertakings		**-**	(5,067)	(5,199)
Net cash (used in)/from investing activities		**(2,119)**	(7,836)	9,958
Financing activities				
Issue of share capital		**3,406**	451	2,976
Dividends paid		**(23,647)**	(22,631)	(32,583)
Repayments of borrowings		**(43,000)**	(75,000)	(114,419)
Proceeds from borrowings		**64,351**	72,632	60,000
Minority investment		**-**	-	2,000
Net cash from/(used in) financing activities		**1,110**	(24,548)	(82,026)
Net increase/(decrease) in cash and cash equivalents		**8,532**	(10,187)	20,766
Cash and cash equivalents at beginning of period		**74,625**	45,474	45,474
Effect of foreign exchange rate changes		**(2,765)**	4,493	8,385
Cash and cash equivalents at end of period		**80,392**	39,780	74,625

Ultra Electronics Holdings plc
Condensed Consolidated Statement of Changes in Equity
for the half-year ended 30 June 2017

Equity attributable to equity holders of the parent

	Share capital £'000	Share premium account £'000	Reserve for own shares £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 January 2017	**3,523**	**64,020**	**(2,581)**	**(68,986)**	**139,492**	**228,034**	**69**	**363,571**
Profit for the period	-	-	-	-	-	26,517	(17)	26,500
Other comprehensive income for the period	-	-	-	12,363	(14,491)	-	-	(2,128)
Total comprehensive income for the period	**-**	**-**	**-**	**12,363**	**(14,491)**	**26,517**	**(17)**	**24,372**
Equity-settled employee share schemes	10	3,396	-	-	-	114	-	3,520
Dividend to shareholders	-	-	-	-	-	(23,647)	-	(23,647)
Balance at 30 June 2017	**3,533**	**67,416**	**(2,581)**	**(56,623)**	**125,001**	**231,018**	**52**	**367,816**

Ultra Electronics Holdings plc
Condensed Consolidated Statement of Changes in Equity
for the half-year ended 1 July 2016

Equity attributable to equity holders of the parent

	Share capital £'000	Share premium account £'000	Reserve for own shares £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 January 2016	3,514	61,052	(2,581)	(25,908)	42,038	238,728	-	316,843
Profit for the period	-	-	-	-	-	26,962	-	26,962
Other comprehensive income for the period	-	-	-	(26,612)	64,787	-	-	38,175
Total comprehensive income for the period	-	-	-	(26,612)	64,787	26,962	-	65,137
Equity-settled employee share schemes	2	449	-	-	-	129	-	580
Dividend to shareholders	-	-	-	-	-	(22,631)	-	(22,631)
Balance at 1 July 2016	3,516	61,501	(2,581)	(52,520)	106,825	243,188	-	359,929

Ultra Electronics Holdings plc
Condensed Consolidated Statement of Changes in Equity
for the year ended 31 December 2016

Equity attributable to equity holders of the parent

	Share capital £'000	Share premium account £'000	Reserve for own shares £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Non-Controlling Interest £'000	Total equity £'000
Balance at 1 January 2016	3,514	61,052	(2,581)	(25,908)	42,038	238,728	-	316,843
Profit for the period	-	-	-	-	-	58,260	(2)	58,258
Other comprehensive income for the period	-	-	-	(43,078)	97,454	(39,327)	-	15,049
Total comprehensive income for the period	-	-	-	(43,078)	97,454	18,933	(2)	73,307
Non-controlling interest's investment made in subsidiary	-	-	-	-	-	1,929	71	2,000
Equity-settled employee share schemes	9	2,968	-	-	-	984	-	3,961
Dividend to shareholders	-	-	-	-	-	(32,583)	-	(32,583)
Tax on share-based payment transactions	-	-	-	-	-	43	-	43
Balance at 31 December 2016	3,523	64,020	(2,581)	(68,986)	139,492	228,034	69	363,571

1. General information

The information for the year ended 31 December 2016 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

These interim financial statements, which were approved by the Board of Directors on 7 August 2017, have not been audited or reviewed by the Auditor.

2. Accounting policies

The annual financial statements of Ultra Electronics Holdings plc are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The condensed consolidated financial statements included in this half-yearly financial report have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements. The following Standards and interpretations were adopted as at 1 January 2017:

- IAS 12 Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses

A number of new standards and amendments to existing standards have been issued but are not yet effective and, in the case of IFRS 16 - Leases, are not yet endorsed by the EU. IFRS 15 Revenue from contracts with customers – is effective from 1 January 2018. A detailed project has been undertaken to determine the impact of IFRS 15 had it been applied in 2016. The project has assessed revenue and contract terms from across all the Group's business units and contracting types. There is no impact to the timing of the Group's cash flows nor the timing of revenue recognition on the majority of the Group's contracts. The most significant changes relative to current accounting treatments arise in the following areas:

(i) the accounting for multiple elements of long term contracts approved at different times, for example contracts involving product design, followed by subsequent production orders,
(ii) allocation of the contract price to performance obligations for long term contracts containing multiple deliverables,
(iii) the accounting for certain transactions currently treated as long term contracts that may need to be treated as sales of goods; and
(iv) the accounting for certain licences that are determined to provide separately identifiable benefit to the customer.

Long term contract revenue: it is expected that revenue for the substantial majority of contracts that are currently recognised using contract accounting will continue to be accounted for over the life of the contract, however the method by which performance obligations are determined may change on certain contracts including identification of material rights. A small number of contracts may no longer qualify to be contract accounted and revenue will instead be recorded at the point at which control of the goods transfers to the customer.

Revenue from sale of goods: the timing of revenue recognised on the substantial majority of such contracts is not expected to be significantly affected by IFRS 15 with revenue continuing to be recognised as control of goods is passed to the customer.

The process of implementation is complex as many of the Group's businesses will need to revise current processes and systems used for monitoring contract phases and performance to collect the required information, even if this does not give rise to a material change in revenue or profit recognised. The Group will continue to analyse and assess the potential impact until the transition date, and provide any further update as necessary.

3. Segment information

	Six months to 30 June 2017			Six months to 1 July 2016		
	External revenue £'000	**Internal revenue £'000**	**Total £'000**	External revenue £'000	Internal revenue £'000	Total £'000
Revenue						
Aerospace & Infrastructure	**95,978**	**5,218**	**101,196**	93,018	4,062	97,080
Communications & Security	**109,827**	**3,107**	**112,934**	119,797	742	120,539
Maritime & Land	**160,587**	**7,312**	**167,899**	153,797	11,860	165,657
Eliminations	**-**	**(15,637)**	**(15,637)**	-	(16,664)	(16,664)
Consolidated revenue	**366,392**	**-**	**366,392**	366,612	-	366,612

	Aerospace & Infrastructure £'000	**Communications & Security £'000**	**Maritime & Land £'000**	**Six months to 30 June 2017 Total £'000**
Underlying operating profit	**16,089**	**12,995**	**28,549**	**57,633**
Amortisation of intangibles arising on acquisition	**(795)**	**(10,427)**	**(3,511)**	**(14,733)**
S3 programme	**(454)**	**(1,617)**	**(950)**	**(3,021)**
Oman contract termination costs	**(2,438)**	**-**	**-**	**(2,438)**
Adjustments to contingent consideration net of acquisition & disposal related costs	**(70)**	**(356)**	**(9,943)**	**(10,369)**
Impairment charges	**-**	**(1,645)**	**-**	**(1,645)**
Operating profit	**12,332**	**(1,050)**	**14,145**	**25,427**
Investment revenue				**12,288**
Finance costs				**(6,775)**
Profit before tax				**30,940**
Tax				**(4,440)**
Profit after tax				**26,500**

	Aerospace & Infrastructure £'000	Communications & Security £'000	Maritime & Land £'000	Six months to 1 July 2016 Total £'000
Underlying operating profit	15,158	15,812	26,698	57,668
Amortisation of intangibles arising on acquisition	(806)	(13,008)	(1,460)	(15,274)
S3 programme	(1,735)	(649)	(393)	(2,777)
Adjustments to contingent consideration net of acquisition & disposal related costs	(17)	(744)	(13)	(774)
Operating profit	12,600	1,411	24,832	38,843
Retirement benefit scheme curtailment gain				15,500
Investment revenue				87
Finance costs				(21,878)
Profit before tax				32,552
Tax				(5,590)
Profit after tax				26,962

3. Segment information (continued)

	Aerospace & Infrastructure £'000	Communications & Security £'000	Maritime & Land £'000	Year to 31 December 2016 Total £'000
Underlying operating profit	32,378	39,703	59,053	131,134
Amortisation of intangibles arising on acquisition	(1,604)	(26,964)	(4,087)	(32,655)
Adjustments to contingent consideration net of acquisition & disposal related costs	(337)	(1,457)	(463)	(2,257)
S3 programme	(2,594)	(2,406)	(1,497)	(6,497)
Operating profit/(loss)	27,843	8,876	53,006	89,725
Loss on disposals (net)				(4,076)
Retirement benefit scheme curtailment gain				15,500
Investment revenue				197
Finance costs				(33,725)
Profit before tax				67,621
Tax				(9,363)
Profit after tax				58,258

	At 30 June 2017 £'000	At 1 July 2016 £'000	At 31 December 2016 £'000
Total assets by segment			
Aerospace & Infrastructure	**232,209**	234,507	233,110
Communications & Security	**450,966**	481,819	463,713
Maritime & Land	**260,474**	264,554	268,862
	943,649	980,880	965,685
Unallocated	**107,295**	45,682	105,700
Total assets	**1,050,944**	1,026,562	1,071,385

Unallocated assets represent current and deferred tax assets, derivatives at fair value and cash and cash equivalents.

	At 30 June 2017 £'000	At 1 July 2016 £'000	At 31 December 2016 £'000
Total liabilities by segment			
Aerospace & Infrastructure	**48,011**	53,480	55,751
Communications & Security	**76,034**	72,182	71,832
Maritime & Land	**96,214**	86,431	104,042
	220,259	212,093	231,625
Unallocated	**462,869**	454,540	476,189
Total liabilities	**683,128**	666,633	707,814

Unallocated liabilities represent derivatives at fair value, current and deferred tax liabilities, retirement benefit obligations, bank loans and loan notes.

	Six months to 30 June 2017 £'000	Six months to 1 July 2016 £'000	Year to 31 December 2016 £'000
Revenue by geographical destination			
United Kingdom	**80,222**	89,038	185,135
Continental Europe	**32,606**	31,003	82,818
Canada	**10,332**	13,168	18,617
USA	**185,113**	186,609	391,754
Rest of World	**58,119**	46,794	107,440
	366,392	366,612	785,764

4. Additional performance measures

To present the underlying profitability of the Group on a consistent basis year-on-year, additional performance indicators have been used. These are calculated as follows:

	Six months to 30 June 2017 £'000	Six months to 1 July 2016 £'000	Year to 31 December 2016 £'000
Operating profit	**25,427**	38,843	89,725
Amortisation of intangibles arising on acquisition	**14,733**	15,274	32,655
Impairment charges	**1,645**	-	-
Adjustments to contingent consideration net of acquisition and disposal related costs	**10,369**	774	2,257
Oman contract termination related costs	**2,438**	-	-
S3 programme	**3,021**	2,777	6,497
Underlying operating profit	**57,633**	57,668	131,134
Profit before tax	**30,940**	32,552	67,621
Amortisation of intangibles arising on acquisition	**14,733**	15,274	32,655
Impairment charges	**1,645**	-	-
Adjustments to contingent consideration net of acquisition and disposal related costs	**10,369**	774	2,257
Unwinding of discount on provisions	**-**	272	367
(Profit)/loss on fair value movements on derivatives	**(12,174)**	14,497	19,103
Net interest charge on defined benefit pensions	**1,383**	1,752	2,983
Oman contract termination related costs	**2,438**	-	-
S3 programme	**3,021**	2,777	6,497
Loss on disposals (net)	**-**	-	4,076
Retirement benefit scheme curtailment gain	**-**	(15,500)	(15,500)
Underlying profit before tax	**52,355**	52,398	120,059
Cash generated by operations (see note 16)	**21,955**	30,743	112,002
Purchase of property, plant and equipment	**(3,582)**	(1,998)	(4,645)
Proceeds on disposal of property, plant and equipment	**20**	91	293
Expenditure on product development and other intangibles	**(1,782)**	(949)	(2,728)
Dividend from former equity accounted investment	**3,111**	-	-
Oman performance bond	**-**	8,230	8,230
S3 programme	**3,682**	2,135	5,613
Acquisition and disposal related payments	**7,070**	270	1,669
Underlying operating cash flow	**30,474**	38,522	120,434

The above analysis of the Group's operating results, earnings per share and cash flows, is presented to provide readers with additional performance indicators that are prepared on a non-statutory basis. This presentation is regularly reviewed by management to identify items that are unusual and other items relevant to an understanding of the Group's performance and long-term trends with reference to their materiality and nature. This additional information is not uniformly defined by all Companies and may not be comparable with similarly titled measures and disclosures by other organisations. The non-statutory disclosures should not be viewed in isolation or as an alternative to the equivalent statutory measure. See note 21 for further details.

5. Oman contract termination costs

In 2015, 'Ithra' ("Ultra Electronics in collaboration with Oman Investment Corporation LLC"), the legal entity established with the sole purpose of delivering the Oman Airport IT contract, was placed into voluntary liquidation. A liquidator was appointed and is pursuing claims against the customer on behalf of the interested parties. In 2017 £2.4m of legal costs associated with the Oman Airport IT contract termination were charged to the income statement.

6. Investment revenue

	Six months to 30 June 2017 £'000	Six months to 1 July 2016 £'000	Year to 31 December 2016 £'000
Bank interest	**114**	87	197
Fair value movement on derivatives	**12,174**	-	-
	12,288	87	197

7. Finance costs

	Six months to 30 June 2017 £'000	Six months to 1 July 2016 £'000	Year to 31 December 2016 £'000
Amortisation of finance costs of debt	**417**	418	848
Interest payable on bank loans, overdrafts and other loans	**4,975**	4,939	10,424
Total borrowing costs	**5,392**	5,357	11,272
Retirement benefit scheme finance cost	**1,383**	1,752	2,983
Unwinding of discount on provisions	**-**	272	367
Fair value movement on derivatives	**-**	14,497	19,103
	6,775	21,878	33,725

8. Tax

	Six months to 30 June 2017 £'000	Six months to 1 July 2016 £'000	Year to 31 December 2016 £'000
Current tax			
United Kingdom	**1,358**	2,778	3,701
Overseas	**1,580**	3,236	11,205
	2,938	6,014	14,906
Deferred tax			
United Kingdom	**140**	(105)	1,413
Overseas	**1,362**	(319)	(6,956)
	1,502	(424)	(5,543)
Total tax charge	**4,440**	5,590	9,363

The main rate of UK corporation tax was 19% at 1 April 2017.

9. Ordinary dividends

	Six months to 30 June 2017 £'000	Six months to 1 July 2016 £'000
Final dividend for the year ended 31 December 2016 of 33.6p (2015: 32.3p) per share	**23,647**	22,631
Proposed interim dividend for the year ended 31 December 2017 of 14.6p (2016: 14.2p) per share*	**10,282**	9,951

The interim 2017 dividend of 14.6p pence per share will be paid on 21 September 2017 to shareholders on the register at 1 September 2017. It was approved by the Board after 30 June 2017 and has not been included as a liability at 30 June 2017.

*On 7 July 2017 a total of 7,047,168 ordinary shares of 5 pence were placed representing 9.9% of Ultra's issued ordinary share capital prior to the placing. This post balance sheet event increases the proposed interim dividend based on shares in issue at 30 June 2017 of £10,282,000 stated above, to £11,311,000.

10. Earnings per share

	Six months to 30 June 2017	Six months to 1 July 2016	Year to 31 December 2016
	Pence	Pence	Pence
From continuing operations			
Basic underlying (see below)	**58.3**	58.1	134.6
Diluted underlying (see below)	**58.2**	58.1	134.5
Basic	**37.6**	38.4	82.8
Diluted	**37.5**	38.3	82.8

The calculation of the basic, underlying and diluted earnings per share is based on the following data:

	Six months To 30 June 2017 £'000	Six months To 1 July 2016 £'000	Year to 31 December 2016 £'000
Earnings			
Earnings for the purposes of earnings per share being profit for the period	**26,517**	26,962	58,260
Underlying earnings			
Profit for the period	**26,517**	26,962	58,260
(Profit)/loss on fair value movements on derivatives (net of tax)	**(9,831)**	11,597	16,008
Amortisation of intangibles arising on acquisition (net of tax)	**9,799**	10,370	22,419
Unwinding of discount on provisions	**-**	218	367
Acquisition and disposal related costs net of contingent consideration (net of tax)	**7,569**	774	2,100
Net interest charge on defined benefit pensions (net of tax)	**1,148**	1,437	2,386
Retirement benefit scheme curtailment gain (net of tax)	**-**	(12,710)	(12,400)
Oman contract termination related costs (net of tax)	**2,438**	-	-
Impairment charges (net of tax)	**1,020**	-	-
S3 programme (net of tax)	**2,439**	2,222	5,503
Disposals (net of tax)	**-**	-	48
Earnings for the purposes of underlying earnings per share	**41,099**	40,870	94,691

10. Earnings per share (continued)

The weighted average number of shares is given below:

	Six months to 30 June 2017	Six months to 1 July 2016	Year to 31 December 2016
Number of shares used for basic earnings per share	**70,513,316**	70,300,621	70,330,384
Effect of dilutive potential ordinary shares – share options	**152,775**	66,653	73,320
Number of shares used for fully diluted earnings per share	**70,666,091**	70,367,274	70,403,704

	Six months to 30 June 2017 £'000	Six months to 1 July 2016 £'000	Year to 31 December 2016 £'000
Underlying profit before tax	**52,355**	52,398	120,059
Taxation charge on underlying profit	**(11,256)**	(11,528)	(25,368)
Underlying profit after tax attributable to equity shareholders	**41,099**	40,870	94,691
Tax rate applied for the purposes of underlying earnings per share	**21.5%**	22.0%	21.1%

On 7 July 2017 a total of 7,047,168 ordinary shares of 5 pence were placed representing 9.9% of Ultra's issued ordinary share capital prior to the placing. In accordance with IAS 33, earnings per share has not been restated to reflect this post balance sheet event.

11. Property, plant and equipment

During the period, the Group spent £3.6m on the acquisition of property, plant and equipment. The Group did not make any significant disposals during the period.

12. Trade and other receivables

Non-current	**At 30 June 2017 £'000**	At 1 July 2016 £'000	At 31 December 2016 £'000
Amounts receivable from contract customers	**12,945**	15,987	16,352
	12,945	15,987	16,352

Current	**At 30 June 2017 £'000**	At 1 July 2016 £'000	At 31 December 2016 £'000
Trade receivables	**91,949**	83,439	98,977
Provisions against receivables	**(1,236)**	(1,181)	(1,307)
Net trade receivables	**90,713**	82,258	97,670
Amounts receivable from contract customers	**109,969**	83,947	95,919
Prepayments and other receivables	**22,309**	31,739	22,142
	222,991	197,944	215,731

13. Trade and other payables

	At 30 June 2017 £'000	At 1 July 2016 £'000	At 31 December 2016 £'000
Amounts included in current liabilities:			
Trade payables	**73,626**	59,541	68,341
Amounts due to contract customers	**50,426**	54,325	46,310
Other payables	**65,223**	61,981	78,592
	189,275	175,847	193,243
Amounts included in non-current liabilities:			
Amounts due to contract customers	**2,975**	918	6,146
Other payables	**6,793**	6,816	3,826
	9,768	7,734	9,972

14. Provisions

	Warranties £'000	Contract related provisions £'000	Other £'000	Total £'000
At 1 July 2016	3,678	7,580	10,552	21,810
At 31 December 2016	4,444	6,739	10,919	22,102
At 30 June 2017	**4,058**	**1,065**	**10,124**	**15,247**
Included in current liabilities	1,669	376	7,374	9,419
Included in non-current liabilities	2,389	689	2,750	5,828
	4,058	**1,065**	**10,124**	**15,247**

Warranty provisions are based on an assessment of future claims with reference to past experience. Such costs are generally incurred within two years after delivery. Contract related provisions will be utilised over the period as stated in the contract to which the specific provision relates. Other provisions include contingent consideration and dilapidation costs. Dilapidations will be payable at the end of the contracted life which is up to fifteen years. Contingent consideration is payable when earnings targets are met.

15. Share capital

195,770 shares, with a nominal value of £9,789 have been allotted in the first six months of 2017 under the terms of the Group's various share option schemes. The aggregate consideration received by the Company was £3,406,000.

On 7 July 2017 a total of 7,047,168 ordinary shares of 5 pence were placed representing 9.9% of Ultra's issued ordinary share capital prior to the placing. Net proceeds received were £133.9m.

16. Cash flow information

	Six months to 30 June 2017 £'000	Six months to 1 July 2016 £'000	Year to 31 December 2016 £'000
Operating profit	**25,427**	38,843	89,725
Adjustments for:			
Depreciation of property, plant and equipment	**5,159**	5,735	11,499
Amortisation of intangible assets	**16,433**	17,115	38,034
Impairment charges	**1,645**	-	-
Cost of equity-settled employee share schemes	**114**	129	984
Adjustment for pension funding	**(4,708)**	(4,222)	(8,468)
Loss on disposal of property, plant and equipment	**267**	34	291
Decrease in provisions	**(4,973)**	(7,370)	(8,975)
Operating cash flow before movements in working capital	**39,364**	50,264	123,090
(Increase)/decrease in inventories	**(6,058)**	(2,346)	8,295
(Increase)/decrease in receivables	**(11,624)**	11,387	(339)
Increase/(decrease) in payables	**273**	(28,562)	(19,044)
Cash generated by operations	**21,955**	30,743	112,002
Income taxes paid	**(7,439)**	(3,428)	(9,012)
Interest paid	**(4,975)**	(5,118)	(10,156)
Net cash inflow from operating activities	**9,541**	22,197	92,834

Reconciliation of net movement in cash and cash equivalents to movement in net debt

	Six months to 30 June 2017 £'000	Six months to 1 July 2016 £'000	Year to 31 December 2016 £'000
Net increase/(decrease) in cash and cash equivalents	**8,532**	(10,187)	20,766
Cash (inflow)/outflow from (increase)/decrease in debt and finance leasing	**(21,351)**	2,368	54,419
Change in net debt arising from cash flows	**(12,819)**	(7,819)	75,185
Amortisation of finance costs of debt	**(417)**	(418)	(848)
Translation differences	**9,575**	(21,578)	(35,465)
Movement in net debt in the period	**(3,661)**	(29,815)	38,872
Net debt at start of period	**(256,700)**	(295,572)	(295,572)
Net debt at end of period	**(260,361)**	(325,387)	(256,700)

Net debt comprised the following:

	At 30 June 2017 £'000	At 1 July 2016 £'000	At 31 December 2016 £'000
Cash and cash equivalents	**80,392**	39,780	74,625
Borrowings	**(340,753)**	(365,167)	(331,325)
	(260,361)	(325,387)	(256,700)

17. Going concern

The Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing these condensed consolidated half year financial statements.

18. Financial Instruments

Exposure to currency risks arises in the normal course of the Group's business. Derivative financial instruments are used to hedge exposure to all significant fluctuations in foreign exchange rates. All of the Group's financial instruments have been assessed as Level 2 and comprise foreign exchange forward contracts.

The directors consider that the carrying amount of all financial assets and liabilities approximates to their fair value.

Fair value measurements as at 30 June 2017 are set out in the table below. These forward exchange contracts have been fair valued using forward exchange rates that are quoted in an active market.

	At 30 June 2017 £'000	At 1 July 2016 £'000	At 31 December 2016 £'000
Financial assets:			
Derivatives used for hedging	**569**	302	254
Financial liabilities:			
Derivatives used for hedging	**(11,949)**	(20,357)	(24,101)

19. Disposals

In 2016 the Communications & Security division disposed of its ID business and its remaining Legal Intercept assets, from the former SOTECH business. After disposals of intangible fixed assets and allocation of goodwill, the accounting loss on disposal in 2016 was £4.1m. Further proceeds could be received over the following two years based on agreed targets; any such proceeds will be accounted for in the year of receipt.

	2016 £'000
Cash proceeds received	22,040
Intangible assets and allocated goodwill disposed of	(21,992)
Other net assets disposed of	(6,019)
Release from translation reserve	1,895
Net loss on disposal	(4,076)

20. Retirement benefits

The UK defined benefit scheme closed to future benefit accrual from 5 April 2016 following a consultation process with members. A one-off curtailment gain of £15,500,000 was credited to the income statement in 2016. As set out in notes 4 & 21, this one-off curtailment gain was treated as a non-underlying item.

21. Other matters

Seasonality

The Group's financial results have not historically been subject to significant seasonal trends.

Related party transactions

There were no significant related party transactions, other than the remuneration of key management personnel during the period.

21. Other matters (continued)

Post balance sheet events

On 7 July 2017, Ultra announced that it had entered into a conditional merger agreement to acquire Sparton Corporation ("Sparton"), its 50/50 partner in the long-standing ERAPSCO joint venture, which develops, manufactures and supports all US sonobuoys supplied to the US DoD. The proposed acquisition values Sparton's total equity at approximately $234.8m (£180.6m) and as part of the acquisition, Ultra will repay Sparton's debt at completion. Completion of the deal is expected by 1 January 2018. The Group also announced a placing of new ordinary shares; on 7 July 2017 a total of 7,047,168 ordinary shares of 5 pence were placed representing 9.9% of Ultra's issued ordinary share capital prior to the placing. Net proceeds received were £133.9m.

Non-statutory performance measures

In the analysis of the Group's operating results, earnings per share and cash flows, information is presented to provide readers with additional performance indicators that are prepared on a non-statutory basis. This presentation is regularly reviewed by management to identify items that are unusual and other items relevant to an understanding of the Group's performance and long-term trends with reference to their materiality and nature.
This additional information is not uniformly defined by all Companies and may not be comparable with similarly titled measures and disclosures by other organisations. The non-statutory disclosures should not be viewed in isolation or as an alternative to the equivalent statutory measure. Information for separate presentation is considered as follows:

- Contract losses arising in the ordinary course of trading are not separately presented, however losses (and subsequent reversals) are separately disclosed in situations of a material dispute which are expected to lead to arbitration or legal proceedings.
- One-off curtailment gain arising on closure of defined benefit pension scheme.
- Material costs or reversals arising from a significant restructuring of the Group's operations, such as the S3 programme, are presented separately.
- Disposals of entities or investments in associates or joint ventures, or impairments of related assets are presented separately.
- The amortisation of intangible assets arising on acquisitions and impairment of goodwill or intangible assets are presented separately.
- Other matters arising due to the Group's acquisitions such as adjustments to contingent consideration, payment of retention bonuses, acquisition and disposal costs and fair value adjustments for acquired inventory made in accordance with IFRS 13 are separately disclosed in aggregate.
- Furthermore, IAS 37 requires the Group to discount provisions using a pre-tax discount rate that reflects the current assessment of the time value of money and the risks specific to the liability, this discount unwind is presented separately when the provision relates to acquisition contingent consideration.
- Derivative instruments used to manage the Group's foreign exchange exposures are 'fair valued' in accordance with IAS 39. This creates volatility in the valuation of the outstanding instruments as exchange rates move over time. This has minimal impact on profit over the full term of the instruments, but can cause significant volatility on particular balance sheet dates, consequently the gain or loss is presented separately.
- The defined benefit pension net interest charge arising in accordance with IAS 19 is presented separately.
- The Group is cash-generative and reinvests funds to support the continuing growth of the business. It seeks to use an accurate and appropriate measure of the funds generated internally while sustaining this growth. For this, the Group uses operating cash flow, rather than cash generated by operations, as its preferred indicator of cash generated and available to cover non-operating expenses such as tax and interest payments. Management believes that using cash generated by operations, with the exclusion of net expenditure on property, plant and equipment and outflows for capitalised product development and other intangibles, would result in an under-reporting of the true cash cost of sustaining a growing business.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

(a) these condensed financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting";
(b) this half year report includes a fair review of the information required by Disclosure and Transparency Rule (DTR) 4.2.7R (indication of important events during the period and description of principal risks and uncertainties for the remainder of the financial year); and
(c) this half year report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Rakesh Sharma
Chief Executive
7 August 2017

Amitabh Sharma
Group Finance Director