

The logo for ULTRA, featuring the word in a white, sans-serif font with a period at the end. The background is a dark blue and green digital grid with glowing lines and data points.

ULTRA.

Strategy & Transformation Delivering Ahead of Expectations

2021 Interim results & shareholder presentation

Innovating today for a safer tomorrow

Disclaimer

ULTRA

This presentation has been prepared by Ultra Electronics Holdings plc (“**Ultra**”) in connection with the announcement of its interim results for the six months ended 2 July 2021, which was published by Ultra on 19 July 2021. By accepting these presentation slides, and attending this presentation, you agree to the conditions set out below.

Disclaimer

J.P. Morgan Securities plc, which conducts its UK investment banking business as J.P. Morgan Cazenove (“**J.P. Morgan Cazenove**”), is authorised in the United Kingdom by the Prudential Regulation Authority (the “**PRA**”) and regulated in the United Kingdom by the PRA and the Financial Conduct Authority. J.P. Morgan Cazenove is acting as financial adviser exclusively for Ultra and no one else in connection with the matters set out in this announcement and will not regard any other person as its client in relation to the matters in this announcement and will not be responsible to anyone other than Ultra for providing the protections afforded to clients of J.P. Morgan Cazenove or its affiliates, nor for providing advice in relation to any matter referred to herein.

Numis Securities Limited (“**Numis**”), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as Corporate Broker exclusively for Ultra and no one else in connection with the matters set out in this announcement and will not regard any other person as its client in relation to the matters in this announcement and will not be responsible to anyone other than Ultra for providing the protections afforded to clients of Numis, nor for providing advice in relation to any matter referred to herein.

Forward looking statements

This document contains certain statements that are or may be forward-looking with respect to the financial condition, results or operations and business of Ultra and its subsidiaries (the “**Group**”). These statements are sometimes, but not always, identified by the words ‘may’, ‘anticipates’, ‘believes’, ‘expects’ or ‘estimates’. Such forward-looking statements are made by Ultra in good faith based on the information available at the time of this announcement; however, by their nature forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. A number of factors exist that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to: (i) changes to the current outlook for the world market for defence, security, transport and energy systems; (ii) changes in tax laws and regulations; (iii) the risks associated with the introduction of new products and services; (iv) significant global disturbances such as terrorism or prolonged healthcare concerns; (v) the termination or delay of key contracts; (vi) long-term fluctuations in exchange rates; (vii) regulatory and shareholder approvals; (viii) unanticipated liabilities; and (ix) actions of competitors. Subject to the Listing Rules of the Financial Conduct Authority, Ultra assumes no responsibility to update any of the forward-looking statements herein.

No obligation to update

The statements contained in these presentation slides are made as at the date of this presentation, unless some other time is specified in relation to them, and delivery of this presentation shall not give rise to any implication that there has been no change in the facts set out in these presentation slides since such date. Ultra assumes no obligation to update or correct the information contained in these presentation slides, whether as a result of new information, future events or otherwise, except to the extent required by law or regulation.

No profit forecasts

No statement in these presentation slides constitutes, or should be construed, as a profit forecast for the purposes of Rule 28 of the City Code for any period, and no statement in these presentation slides should be interpreted, or construed, to mean that earnings for Ultra or earnings per Ultra share, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings for Ultra or per Ultra share.

Other

This presentation 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.

The statements contained in these presentation slides are not to be construed as legal, business, financial or tax advice, nor is not intended to, and does not, constitute or form part of any offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities whether pursuant to this presentation or otherwise.

Certain financial data has been rounded. As a result of this rounding, the totals of data presented in this presentation may vary slightly from the actual arithmetic totals of such data.

Quantified financial benefits statements

Except as expressly stated, nothing in this presentation constitutes a quantified financial benefits statement for the purposes of Rule 28 of the City Code. The statements which are labelled as containing a quantified financial benefits statement relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, any targets, actions or outcomes referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. Further details are set out in Schedule 2 to this presentation.

Website publication

In accordance with Rule 26.1 of the City Code, a copy of this presentation will be available (subject to certain restrictions relating to persons resident in restricted jurisdictions) at www.ultra.group by no later than 12 noon (London time) on the business day following the date of publication. The content of any website referred to in this announcement is not incorporated into and does not form part of this announcement.

Ultra's strategy and transformation ahead of expectations...

ULTRA



Strong H1 & good momentum



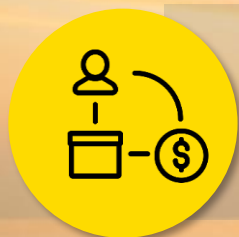
An agile player in growing markets



Sustainable technology advantage



Well positioned to deliver above market growth



Robust business model



Transformation delivering & accelerating

...delivering for all stakeholders

Strong operational & strategic progress...

ULTRA

**Strong H1 performance
& good momentum**

Record order book &
very strong order
cover

Improved operating
margin & excellent
cash conversion

Growing ROIC, strong
balance sheet and
increased interim
dividend

**Strategy &
transformation
delivering**

Benefiting from
focus and agility in
robust markets

Technology
investment &
collaboration driving
pipeline

Greater
transformation
benefits, delivering
for all stakeholders

...with much more to come



1 Strong H1 & momentum

Silhouettes of several soldiers walking across a field at dusk or dawn, carrying gear and backpacks.

H1 2021 highlights

ULTRA

£'m	H1 2021	H1 2020*	Organic Growth ⁽³⁾
Order book ⁽⁸⁾	1,270.2	1,111.4	+14.3%
Order cover ⁽⁷⁾	95%	93%	
Revenue	404.5	386.4	+4.7%
Operating profit ⁽¹⁾	62.2	49.6	+25.4%
Operating margin ⁽¹⁾	15.4%	12.8%	
	H1 2021	H1 2020	Growth
Profit before tax ⁽²⁾	56.5	47.9	+18.0%
Earnings per share (p) ⁽²⁾	65.2	54.7	+19.2%
Cash conversion	96%	98%	
ROIC ⁽⁴⁾	21.3%	17.5%	
Statutory Profit before tax	46.2	29.8	+55.0%

Order book significantly ahead of last year

Revenue growth robust despite Q1 pandemic related operational inefficiencies in Maritime SBU

Better than expected margin performance

...on track for another year of strong progress

* Comparative period presented at constant currency translation and adjusted for disposals to reflect the comparable period of ownership.
1,2,3,7,8 see schedule 1.

£'m	H1 2021	H1 2020*	Organic Growth ⁽³⁾
Order book	641.6	563.5	+13.9%
Revenue	183.1	171.8	+6.6%
Operating profit ⁽¹⁾	26.9	24.7	+8.9%
Operating margin ⁽¹⁾	14.7%	14.4%	

Good order book growth with Next Generation Surface Ship Radar, NIXIE Sonar Systems and Sonobuoy orders

...well positioned for continued growth

* Comparative period presented at constant currency translation and adjusted for disposals to reflect the comparable period of ownership.

^{1,3} see schedule 1.

£'m	H1 2021	H1 2020*	Organic Growth ⁽³⁾
Order book	319.1	214.2	+49.0%
Revenue	116.0	106.3	+9.1%
Operating profit ⁽¹⁾	19.0	11.0	+72.7%
Operating margin ⁽¹⁾	16.4%	10.3%	

Driven by increase in year-on-year demand for tactical radio equipment

Execution improvements in Cyber and Specialist RF business units

H1 mix was particularly strong, and some R&D and transformation investment slipped into the second half

...strong performance with significant further potential

* Comparative period presented at constant currency translation and adjusted for disposals to reflect the comparable period of ownership.

^{1,3} see schedule 1.

Critical Detection & Control Businesses

(PCS, Forensic Technology & Energy)

£'m	H1 2021	H1 2020*	Organic Growth ⁽³⁾
Order book	309.5	333.7	-7.3%
Revenue	105.4	108.3	-2.7%
Operating profit ⁽¹⁾	16.3	13.9	+17.3%
Operating margin ⁽¹⁾	15.5%	12.8%	

50% increase in Forensic Technology order book, strong military aerospace orders

Forensic Technology revenue up 22%, modest PCS revenue decline despite 60% decline in commercial air traffic**

Improved operating margins due to good cost control, transformation & operational efficiency initiatives

Strategic wins & operational improvement offsetting commercial aerospace weakness

* Comparative period presented at constant currency translation and adjusted for disposals to reflect the comparable period of ownership.

^{1,3} see schedule 1.

**ICAO Aviation

Operating cash flow

£'m	H1 2021	H1 2020
Underlying operating profit⁽¹⁾	62.2	53.4
Depreciation and amortisation	12.1	11.8
EBITDA	74.3	65.2
Lease payments (IFRS 16)	(4.4)	(5.4)
Working capital and provisions	6.1	7.5
Capital expenditure*	(13.6)	(9.9)
Pension contributions	(5.6)	(5.6)
Other flows	3.0	0.6
Underlying operating cash flow⁽⁵⁾	59.8	52.4
Operating cash conversion⁽⁶⁾	96%	98%

Working capital turns increasing from x8.5 to x12.3

Good working capital management, strong advanced payments and lower than originally expected capital expenditure

...excellent cash conversion

*Includes capitalised internal R&D

¹⁵⁶ see schedule 1.

Strong liquidity & balance sheet

ULTRA

	H1 2021	H1 2020
Free cash flow**	£49.5m	£46.1m
Net debt*	£105m	£176m
Net debt to EBITDA*	0.65x	1.20x
Committed facility headroom available	£270m	£259m
IAS 19 UK pension deficit	£39.6m	£69.9m†
Interim dividend	16.2p	15.4p

Free cash flow improved by £3.4m
Net debt excluding leases reduced to £29m
Leverage for covenant purposes is x0.19

£41m of remaining pension payments under current schedule of contributions

Interim dividend increased by 5.2%

...capacity for further investment *and* progressive dividend

*net debt including IFRS 16 lease liabilities and pension liabilities.

** the free cash flow definition was amended to deduct the principal payments on leases, the H1 2020 comparative has been restated. † December 2020

A value creative approach to deploying capital

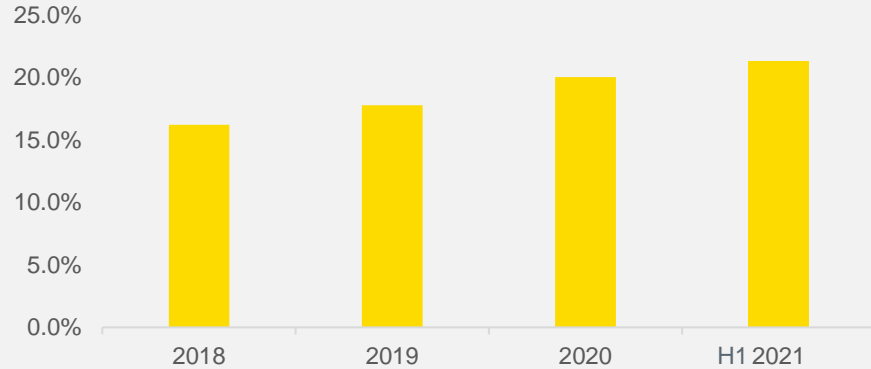
ULTRA



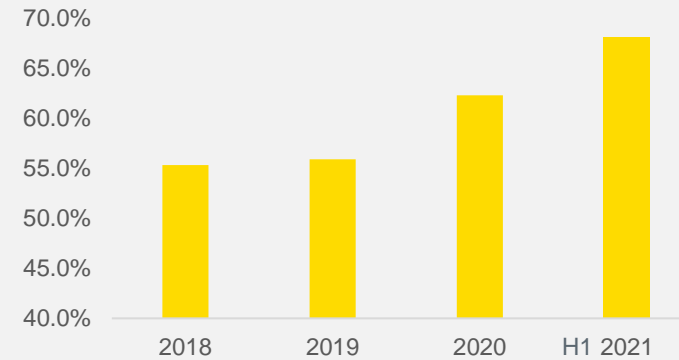
...disciplined approach to M&A

Asset light, low capital intensity with progressive returns

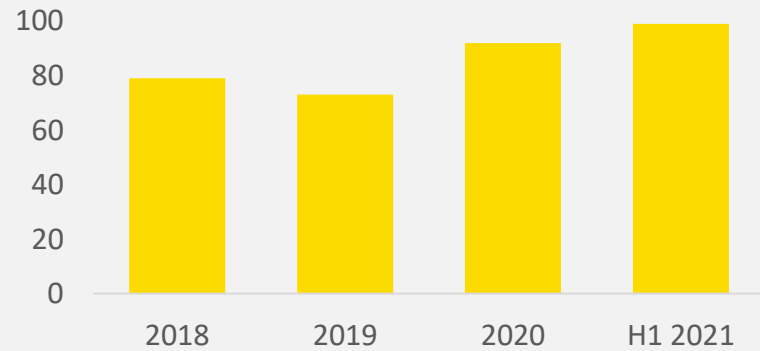
Return on Invested Capital (incl. Goodwill and acquired intangibles)



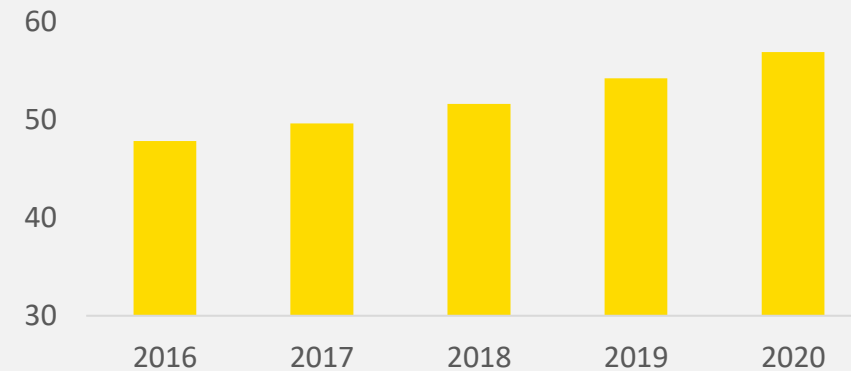
Return on Operating Invested Capital (excl. Goodwill & acquired intangibles)



Cash conversion (%)



Total dividend (p)



...delivering for our stakeholders

What you should expect from ONE Ultra in 2021

ULTRA

	2021
Order book	Strong order book growth vs 2020.
Revenue	Improving year on year revenue growth driven by Maritime and Intelligence & Communications. Critical Detection & Control expected to show flat revenue growth for the year
Transformation investment	Execution efficiency reducing costs £9 - £11m. Benefits ahead of previous expectations.
Internal R&D	Between 3.8% -4.0% of group revenue
Return on Invested Capital⁽⁴⁾	More than 20%
Operating cash flow	Between 85 – 95% cash conversion
Tax rate	Around 18%, down from 19% in 2020. Cash tax rate less than 10%.

...delivering for our stakeholders

2

Benefiting from agility in
robust markets



Benefiting from agility...

Proven agility - responding to changing markets & customer needs

'Order & Off-order' book growth examples:

Surface search radar	2018	\$0m	
	2021		c.\$42m
Passive torpedo countermeasures	2018	\$0m	
	2021		c.\$97m
Cloud based ballistics data correlation	2018	\$0m	
	2021		c.\$24m

Engaging directly with customers to design solutions

- Ultra works with customers to define future need specifications (e.g. Australian SEA5000)
- c.40% of workforce are in engineering (including c.265 software engineers)
- Direct defence sales to the US DoD and UK MoD accounted for 36% of Group revenue

Ultra technology solutions deployed on **300+ programmes**

serving five-eyes governments, primes & critical infrastructure providers



Australian Government
Department of Defence

NORTHROP GRUMMAN



Raytheon Technologies



BAE SYSTEMS

LOCKHEED MARTIN

GENERAL DYNAMICS

BOEING

...a nimble, technology-rich, innovative solutions provider

Operating in robust markets

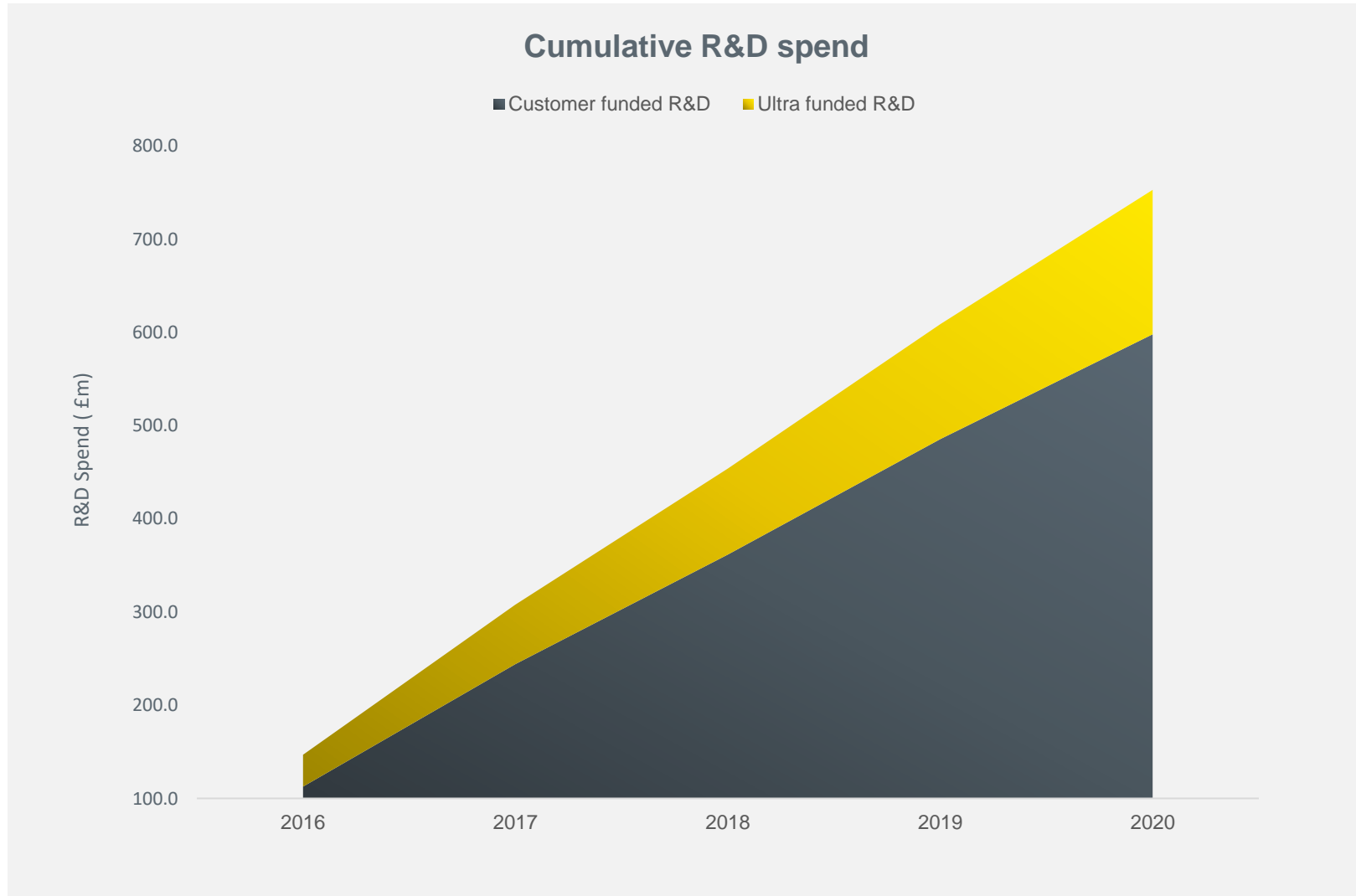
SBU	5-year market CAGR	Commentary
Maritime	2-4% p.a.	<p>Substantial recapitalization to counter near-peer adversaries and heightened threat perception</p> <p>Increased connectivity, interoperability, interchangeability</p> <p>Expanding unmanned capability and SWaP</p>
Intelligence & Communications	3-5% p.a	<p>Increasing focus on intelligent networking and AI/ML applications for intelligence processing</p> <p>Facilitation of multi-domain cognitive decision making based on sensor input from all military services (JADC2) and beyond</p> <p>Heightened awareness of cyber threats driving increased investment in security infrastructure</p>
Critical Detection & Control	2-4% p.a	<p>Robust military aircraft demand environment, with slow recovery in commercial markets</p> <p>Increasing adoption of forensic gun-crime analytics</p> <p>Importance of nuclear as part of sustainable/renewable power generation</p>

...good underlying growth

3 Technology investment & collaboration driving pipeline expansion

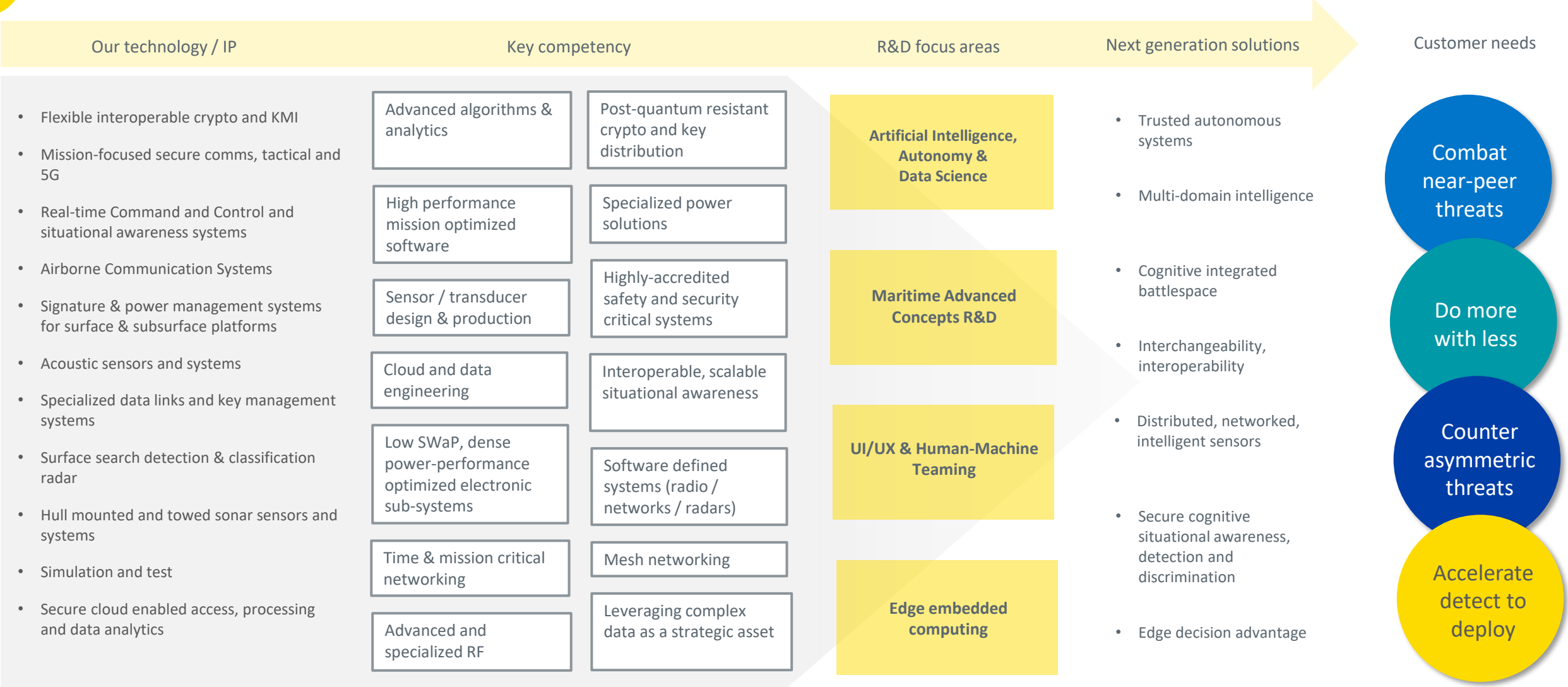


Sustainable technology advantage...



Technology uniquely positioned...

ULTRA



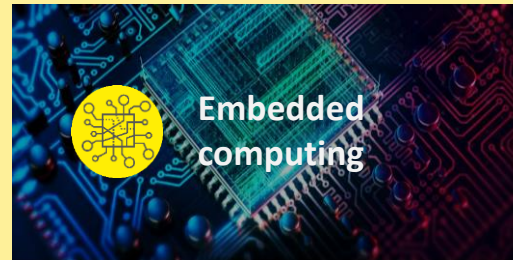
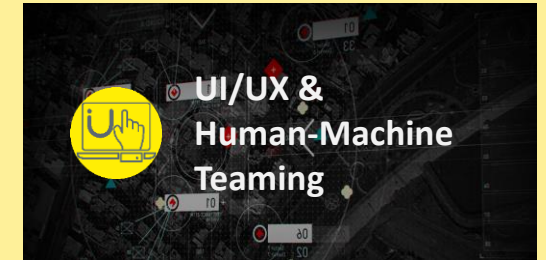
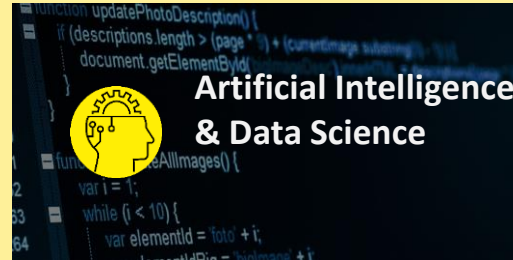
...addressing customer's future priorities and more effectively

Additional growth accelerators...



- A centre of subject matter excellence
- A developer and incubator of modular capability
- Engagement with and funding from advanced research customers
- An accelerator of cross-SBU innovation and multi mission solutions

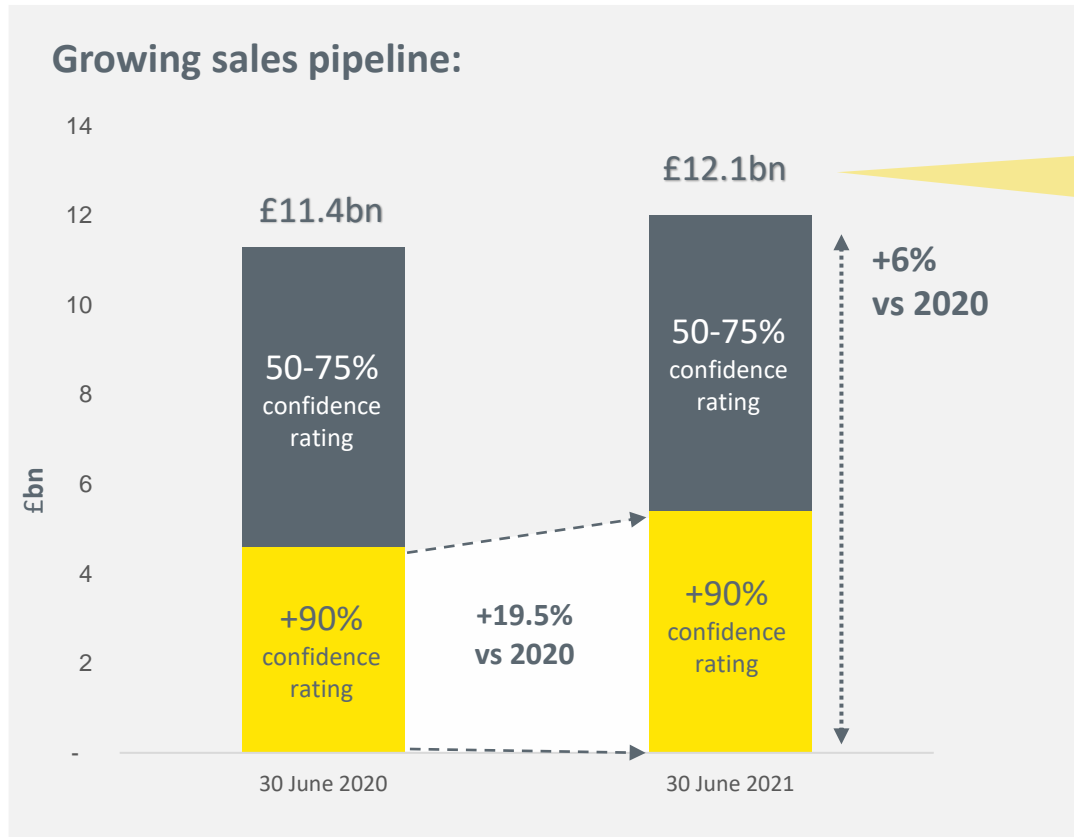
Ultra Labs focus areas:



ULTRA SOFTWARE FACTORY – an internal virtual, flexible software capability delivering reliable, secure and efficient software engineering at optimised cost

...to further enhance our ability to meet customer needs

Technology driving strong and growing sales funnel...



Growing pipeline of £12.1bn as at 30 June 2021

+90% confidence rating growing by 19.5% vs 2020

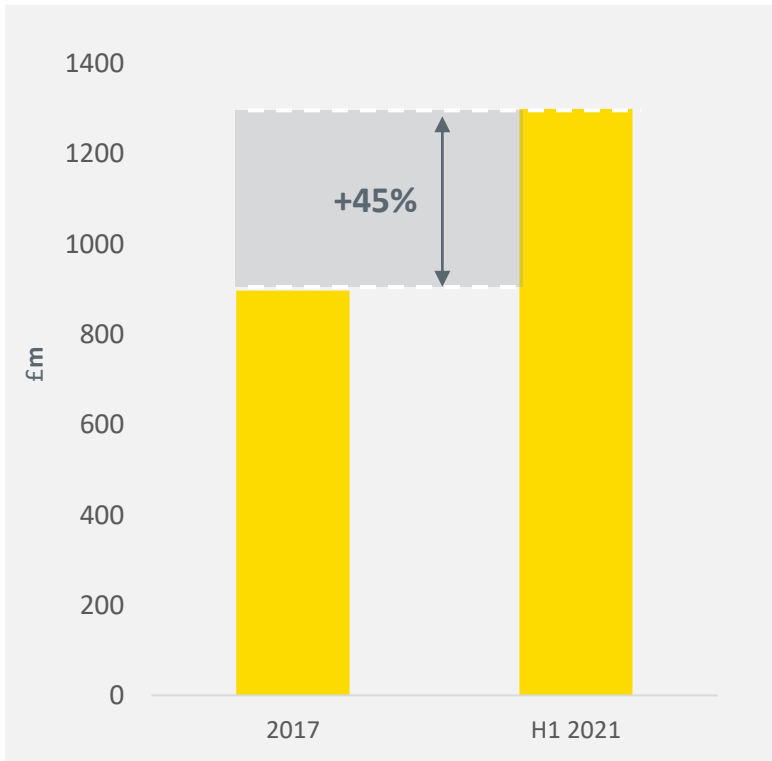
Sales pipeline:

New awards we anticipate bidding on and opportunities within programmes we are currently delivering on.

...with customer engagement driving greater conversion confidence

Leading to strong order and off order book development...

£1.3bn H1 2021 order book:



Order book:
Firm contracted orders we have from existing contracts and programmes

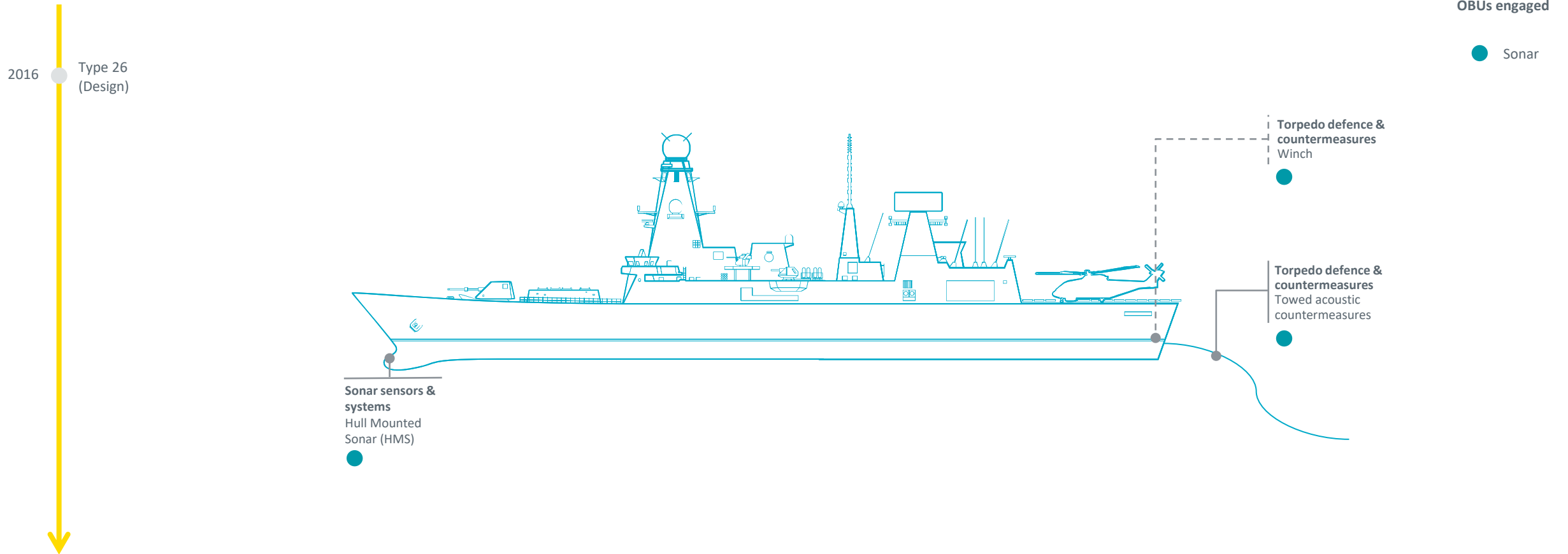
'Off-Order' book:
Internal measure of the expected call off and exercise of options within existing contracts and programmes

'Off-order book' well over £2bn



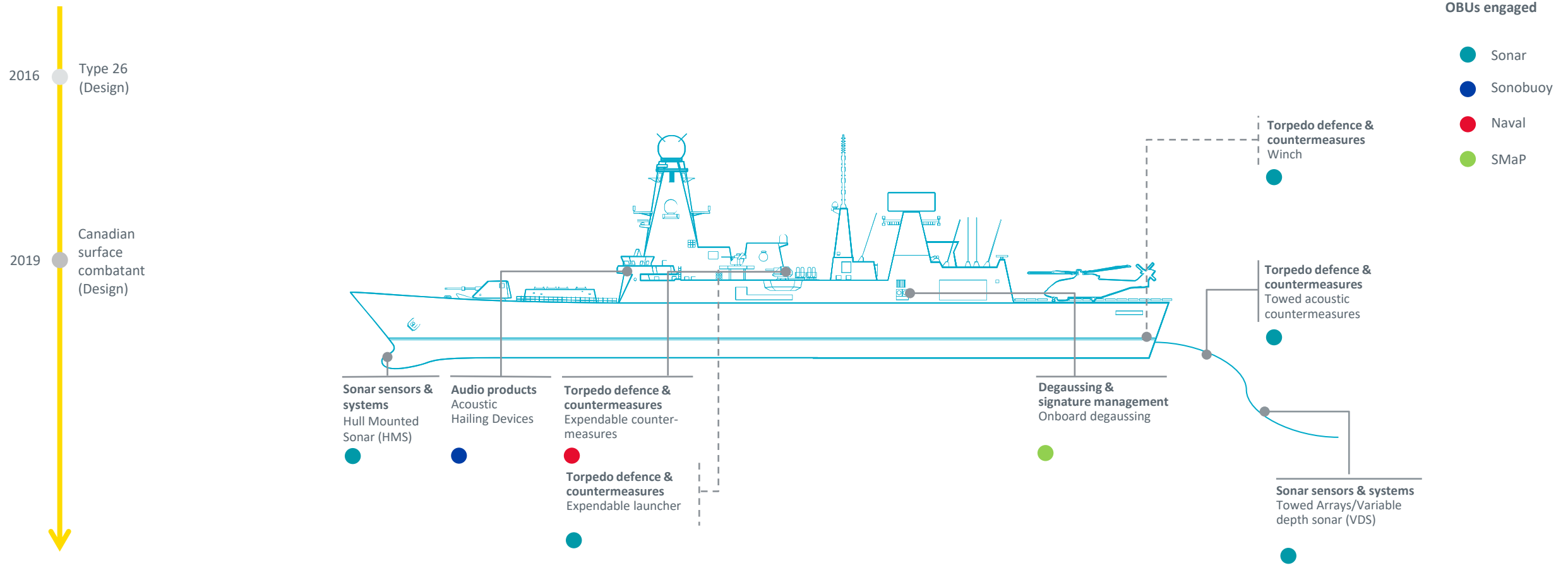
...greater visibility on future growth

ONE Ultra facilitated collaboration increases opportunity...



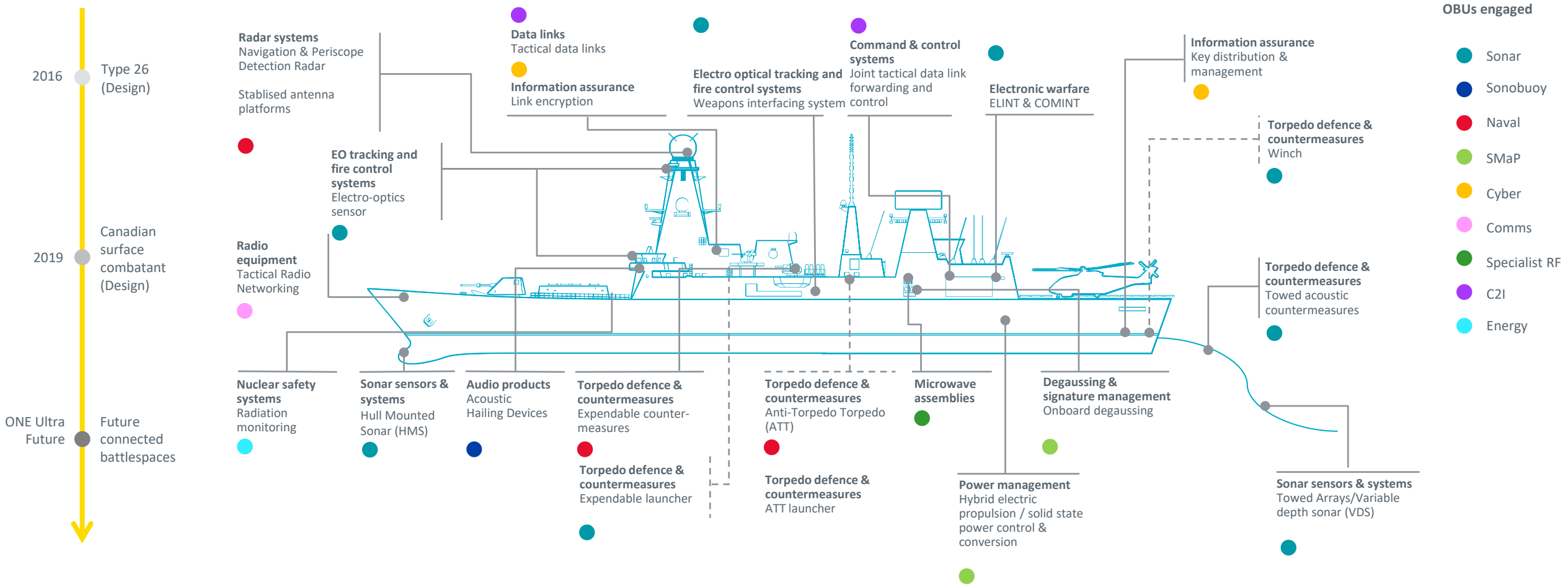
... building on local product expertise...

... to become a multi- OBU, integrated, sub-systems provider...



...with expanded capability...

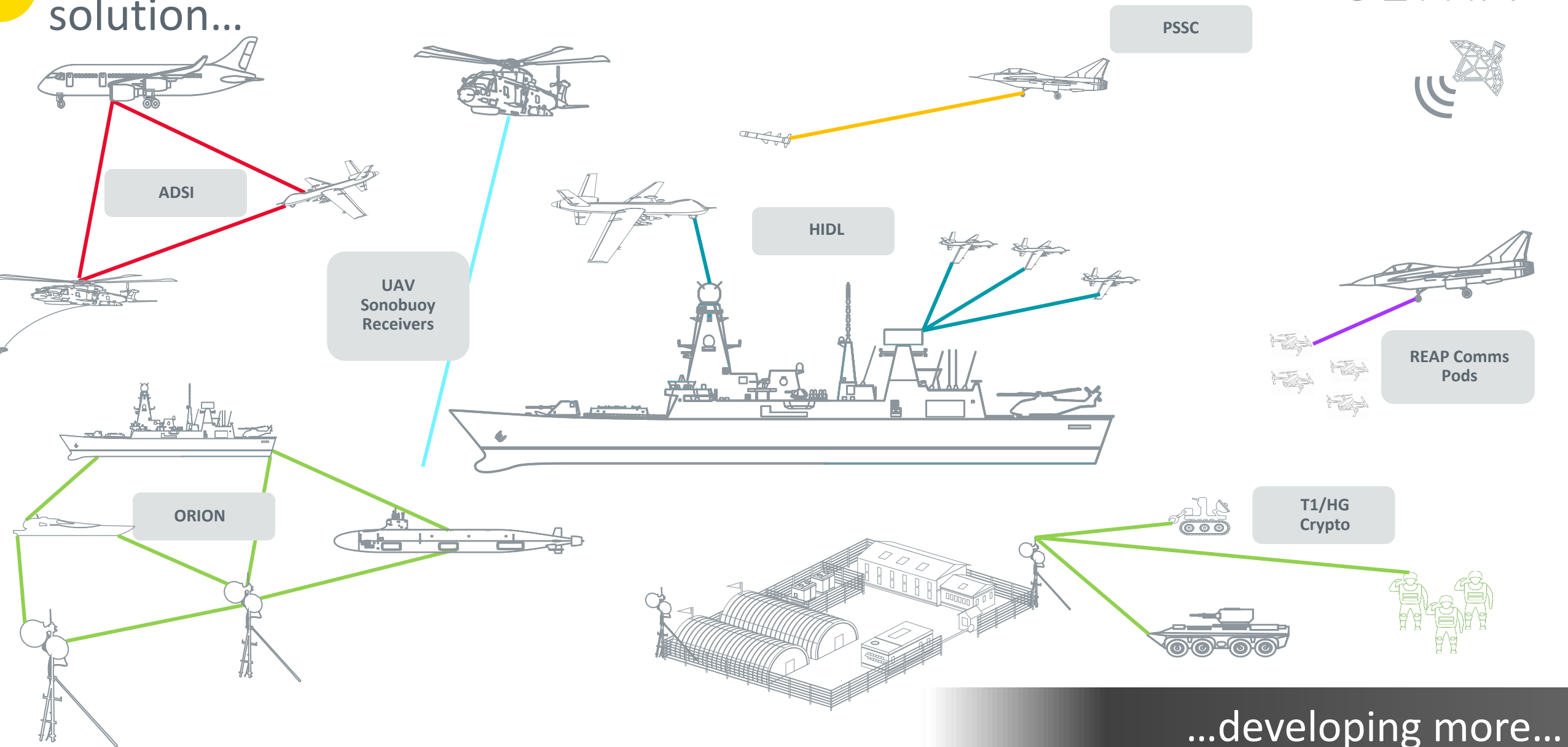
...to a multi-subsystems provider...



...with potential for greater content on more platforms

We have significant mission, platform and cross domain solution...

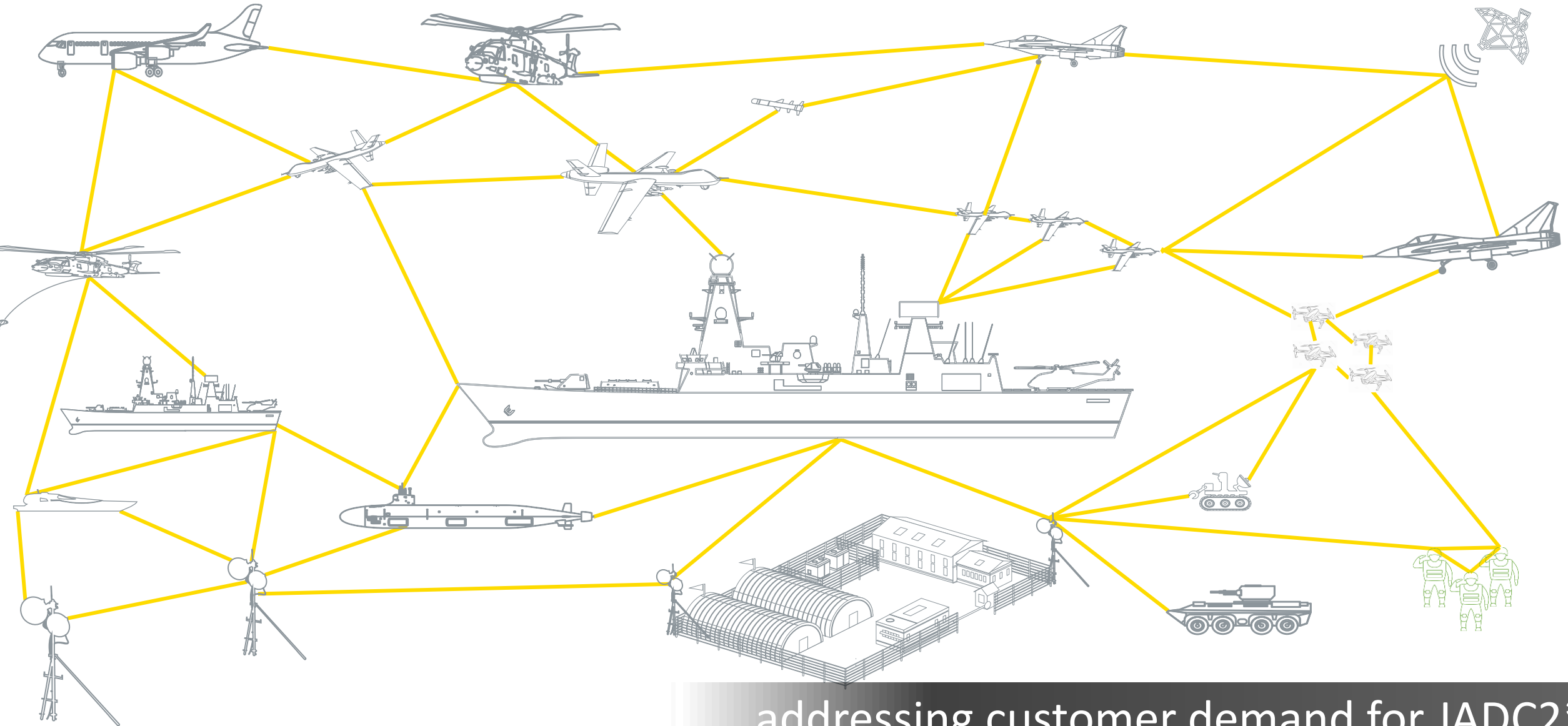
ULTRA



...developing more...

...to support greater connectivity, integration and cognition...

ULTRA



...addressing customer demand for JADC2*

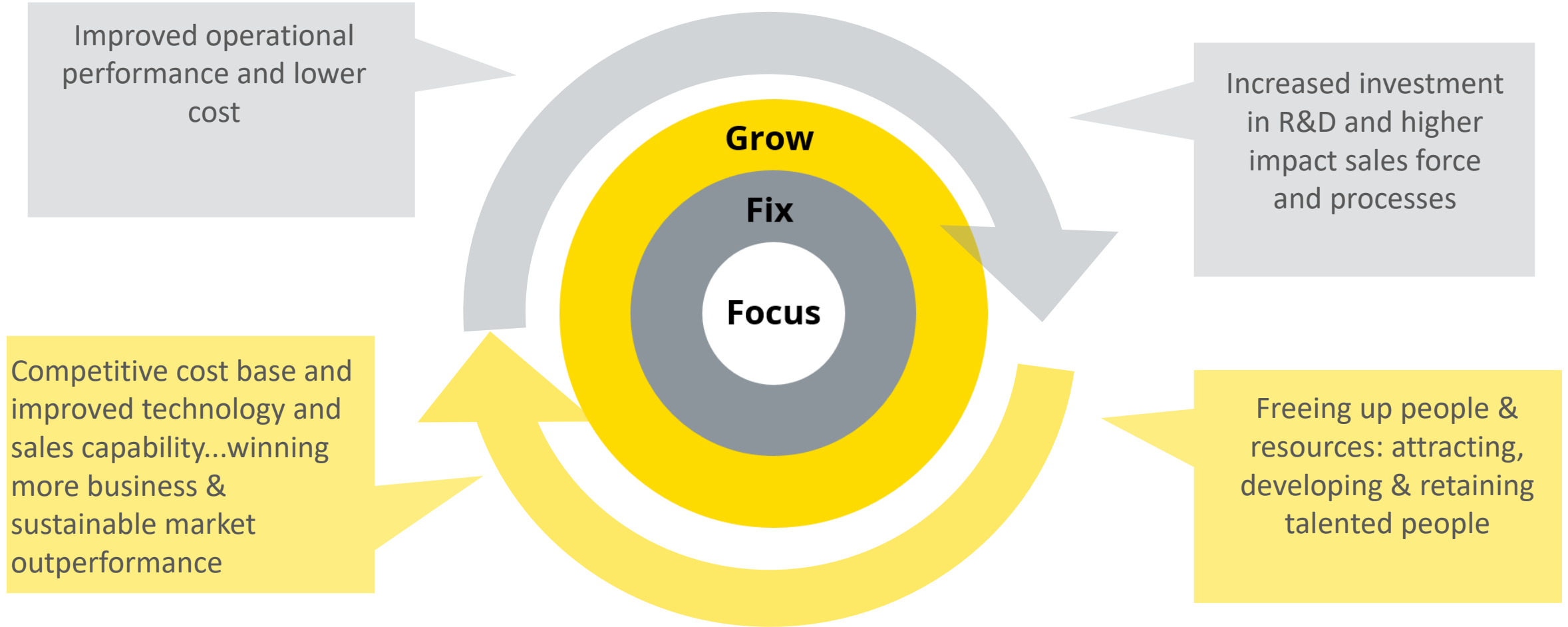
* JADC2: Joint All-Domain Command and Control



4

Greater transformation benefits,
delivering for all stakeholders

Our Focus; Fix; Grow transformation...



... growth & value creation underpinned by transformation benefits

Excellent progress in H1...

Site Excellence

- Completed consolidation of two US sites
- PCS move consolidation of two sites to one progressing very well
- UK Cyber site – new facility chosen
- Forensic Technology moving site in H2



Operating Model

- New IT, HR and Procurement operating model
- Ultra strategy process used to improve PCS and Forensic Technology strategic plans
- Organizational alignment through “Objective and Key Results” process



Technology Enablement

- Launch of UltraLabs
- New Group-wide Engineering excellence program launched



Procurement

- Six Global Category Managers appointed
- New supplier code of conduct to be launched in H2



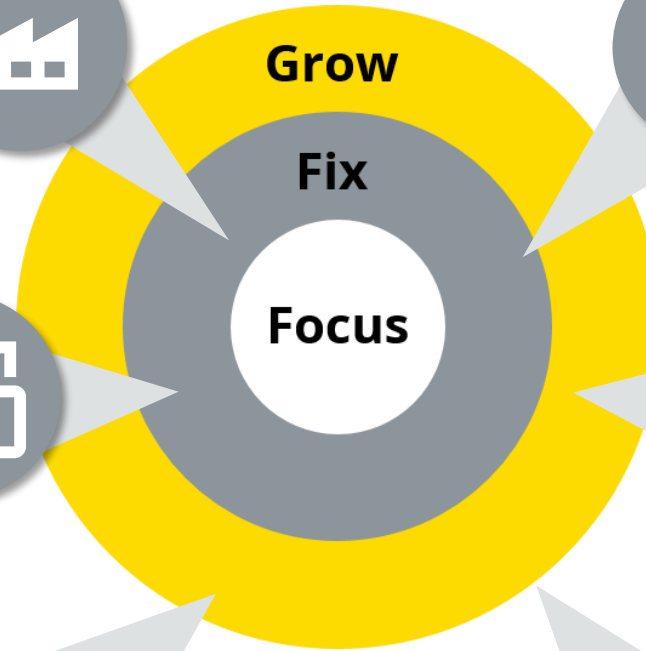
ONE Ultra Culture

- Ultra Continuous Improvement Team have a very positive impact
- Manager fundamental training programme
- New Diversity, Equality & Inclusion targets and benchmarks



Operational & Functional Excellence

- ONE Ultra sales and bid processes implemented
- New Chart of Accounts and OneStream Finance System now live
- New HRIS system also now live

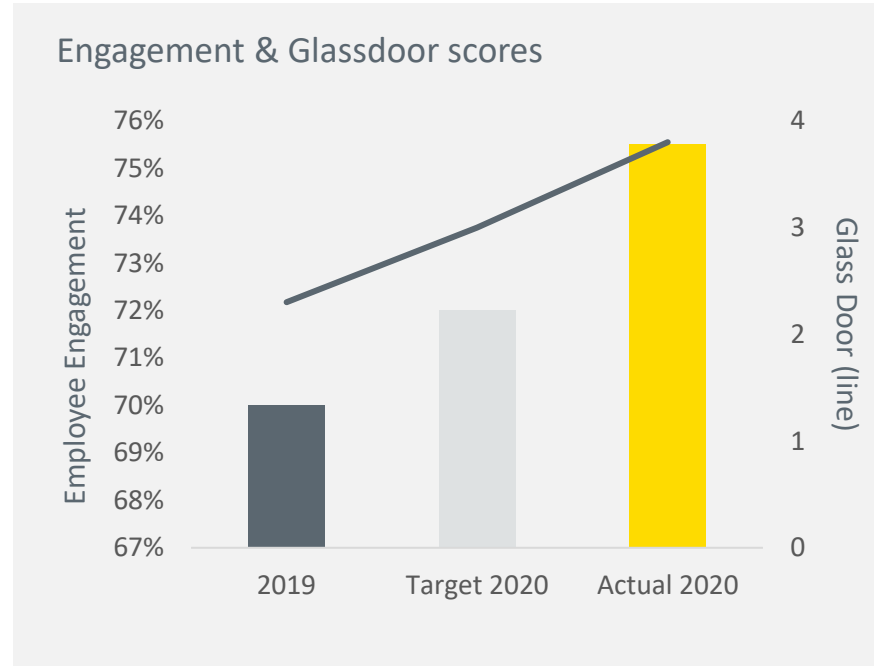


... driven by our exceptional people

Embracing and driving cultural change ...



One organisation, with a common purpose and shared values



Engagement scores better than target



Employee feedback significantly improved

...identifying bottoms up transformation opportunity

Increasing annual transformation benefits to £57m by 2024+

Net Transformation benefits compared to 2020 base year £m⁺

Net Benefits (in-year)*	2021	2022	2023	2024
Cost savings	5	18	31	42
Cost efficiencies and operating leverage	1	2	4	5
Gross profit improvement	(1)	3	8	13
EBITA Total	5	23	43	61

P&L cost (in-year)	2021	2022	2023	2024
Depreciation	(1)	(3)	(3)	(4)
Opex one-off costs	(11)	(12)	(8)	-
Total	(12)	(15)	(11)	(4)

One-off cash cost	2021	2022	2023	2024
Capex	(8)	(9)	(4)	-
Opex	(12)	(13)	(7)	(1)
Total	(20)	(22)	(11)	(1)

Benefits utilized to drive:

1. R&D investment
2. Cost competitiveness
3. Margin Improvement

Expected improvement in working capital management of £14m based on the position as at 31 December 2020

...more potential, better payback

Supporting ESG, which is at the heart of ONE Ultra

Ultra's core purpose is to support a safer tomorrow:

- Protect societies from invasion and loss of freedom;
- Preserve democracy, tolerance and peace;
- Create, sustain and protect critical infrastructures;
- Create and systems that support societies and protect culture;
- Secure space and protect national borders for people and places to evolve; and
- Protect society by finding and prosecuting perpetrators of gun crime.



For more information, read our 2020 Sustainability report

Supporting our people

STEM Engagement
Forces Charter
Alignment to ISO 45001 H&S management
Health & Well-being, Diversity Equity & Inclusion
Alignment to ISO 26000 Social responsibility

Protecting our planet

Global alignment to ISO 14001 Environmental Management
Development of Energy Management System
10% reduction target for GHG emissions in 2021
Single use plastic policy & target reduction by 20% in 2021

Giving back

Up to two days per employee for community initiatives
Matched fund for local charitable activities and sponsorship

...delivering value for all stakeholders

ULTRA.

5

Demonstrating Ultra's potential



Demonstrating Ultra's potential...

ULTRA



Strong H1 & good momentum



An agile player in growing markets



Sustainable technology advantage



Well positioned to deliver above market growth



Robust business model



Transformation delivering & accelerating

...strong growth and mid teens margin aspiration

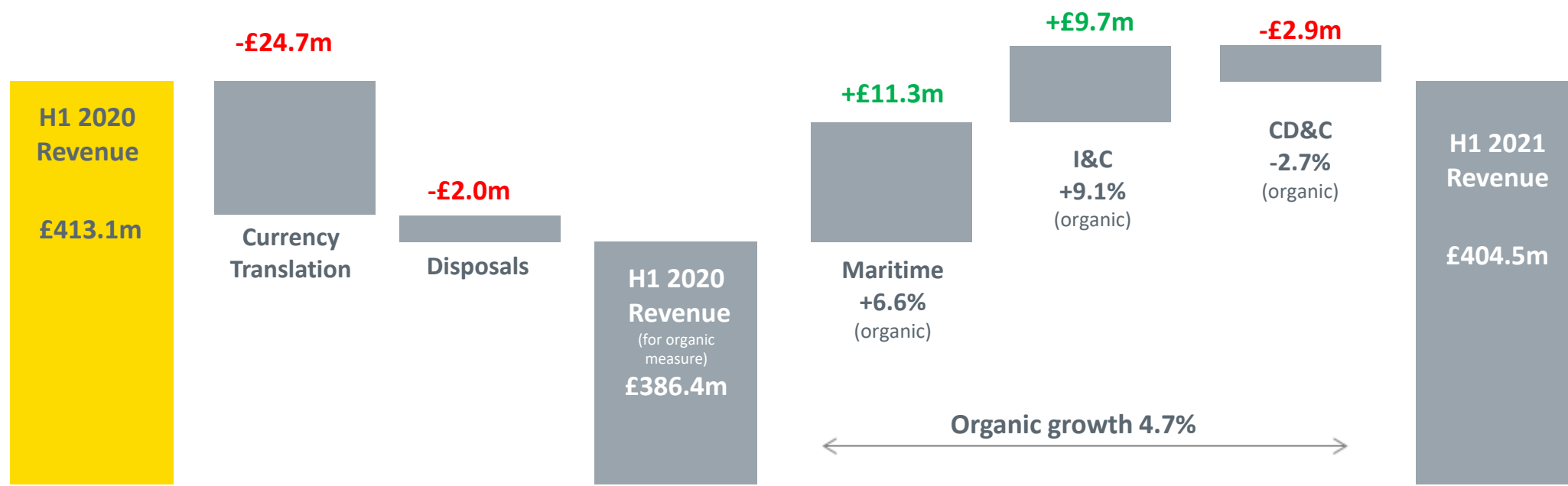
ULTRA.

Questions?

6 Appendices



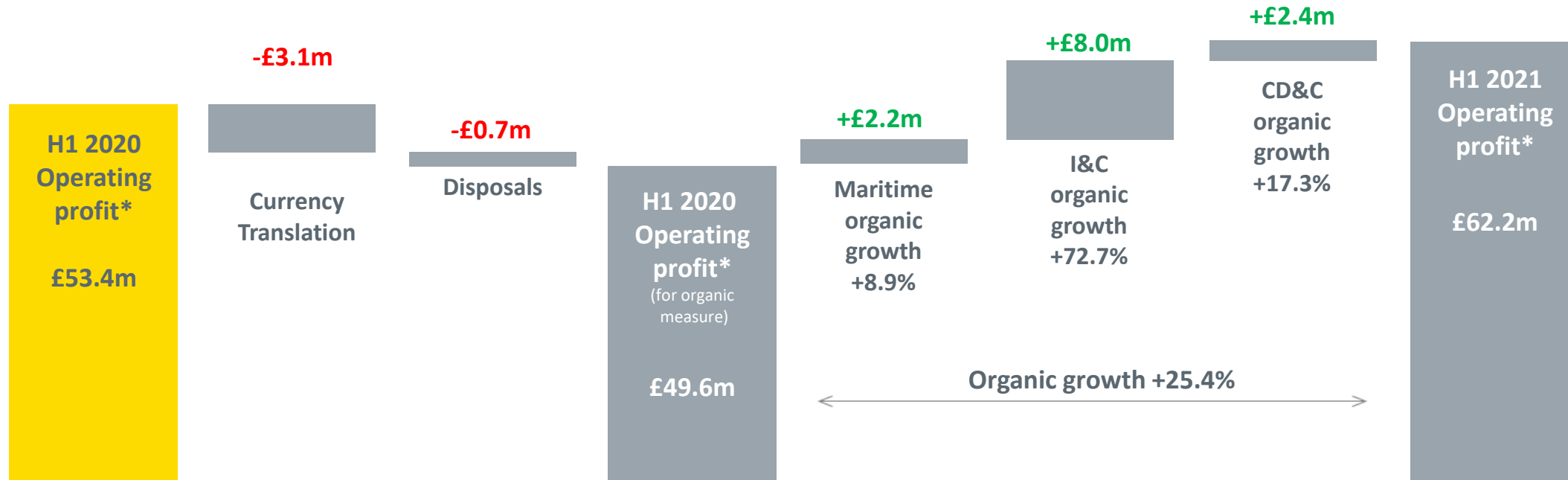
Fourth consecutive year of organic revenue growth



Outperforming our markets

...despite Covid-19

Strong profit growth



...driven by our I&C businesses

Our strategic business units



Maritime

(45% of Group revenue)

A strategic partner in the maritime defence domain, primarily across the five-eyes* nations

Our Operating Business Units:

- + Sonobuoy Systems
- + Sonar Systems
- + Naval Systems & Sensors
- + Signature Management & Power



Intelligence & Communications

(29% of Group revenue)

Delivering information advantage to the war fighter through the intelligent application of technology

Our Operating Business Units:

- + Command, Control & Intelligence
- + Tactical Communications
- + Advanced Cyber Security
- + Specialized Radio-Frequency System



Critical Detection & Control

(26% of Group revenue)

Developing and delivering control systems, data analytics and sensors to solve complex problems for customers

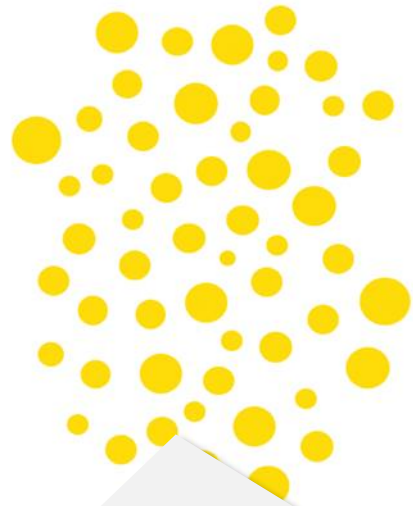
Our Operating Business Units:

- + Precision Control Systems
- + Forensic technologies
- + Energy and industrial sensors and systems

*An intelligence alliance comprising Australia, Canada, New Zealand, the United Kingdom and the United States.

Our Focus; Fix; Grow transformation to become ONE Ultra: ULTRA.

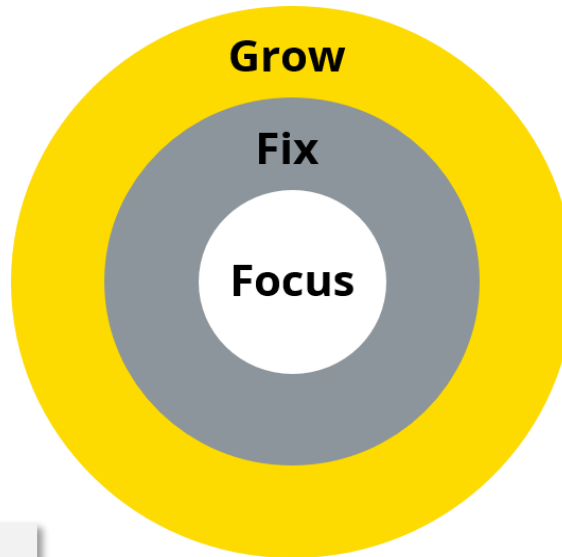
Historical state



An aggregation of SME's,
with limited integration

- Confused/ no strategy
- Internally and externally difficult to work with, inwardly focused
- Tactical and short term
- Maturing technology/capability, limited/uncoordinated investment
- Inconsistent processes / poor execution /poor decision-making/weak delivery

Change agenda



Future state



One organisation, with a common purpose and shared values

- Focused, consistent strategy
- Aligned, collaborating, sharing for best stakeholder outcomes
- Strategic, relevant, innovative problem solvers, targeted relevant investment
- Process and improvement focussed, cost efficient
- Agile, turbo-charged, quality decision making
- Rigorous execution and delivery


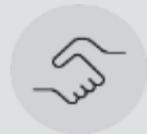




ONE Ultra will deliver an organisation with...

ULTRA

A Common Purpose

Innovating
today for a
safer tomorrow.

Shared Values

-  Agile
-  Sharing
-  Performing
-  Innovating
-  Rewarding
-  Empowering

An over-arching Vision

To make Ultra
A leading partner
delivering outstanding
solutions to customers'
most complex problems in
defence, security, critical
detection & control.

We defined exceptional outcomes & set 2024 targets

ULTRA

Create a dynamic, inclusive and inspiring work environment that attracts, develops and retains the best diverse talent pool

Partner with customers, delivering innovative solutions that create “win-win” outcomes for all parties

Develop group-wide partners with like-minded values that provide best-value solutions, technical innovation and support mutual success, fairness and respect

Conduct business in an ethical, safe and sustainable way, acting as a positive force and making an active contribution to our communities

Deliver outstanding through-cycle value for shareholders, through effective execution of Ultra’s strategy

Top quartile engagement

Voluntary turnover <10%

75% critical roles filled internally

Diverse leadership

100% succession plans

#1 or #2 in strategic markets

Top quartile NPS

OTD: 100% production, 99% development

20% orders from new Ultra tech - with positive ROI

Full compliance with Ultra standards

Full compliance with supplier terms

No unmitigated sole source supply risk

Total supplier cost reduced

In top half of ESG indices

Meet / exceed impact reduction targets

Zero lost time H&S

>1% of Group operating profit to community/charity

Growth ahead of market

Efficiency benefits

Sustainable cash return on invested capital

employees

customers

suppliers

communities

investors

Statutory PBT increased by 55.0%

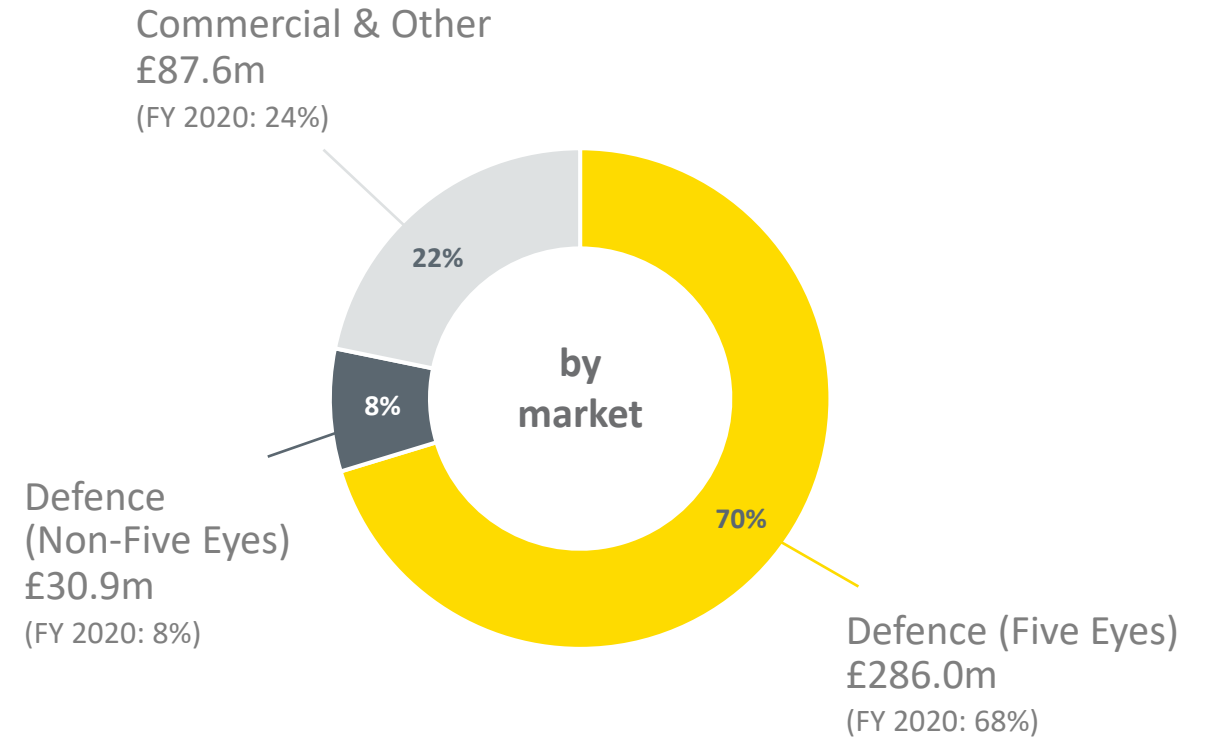
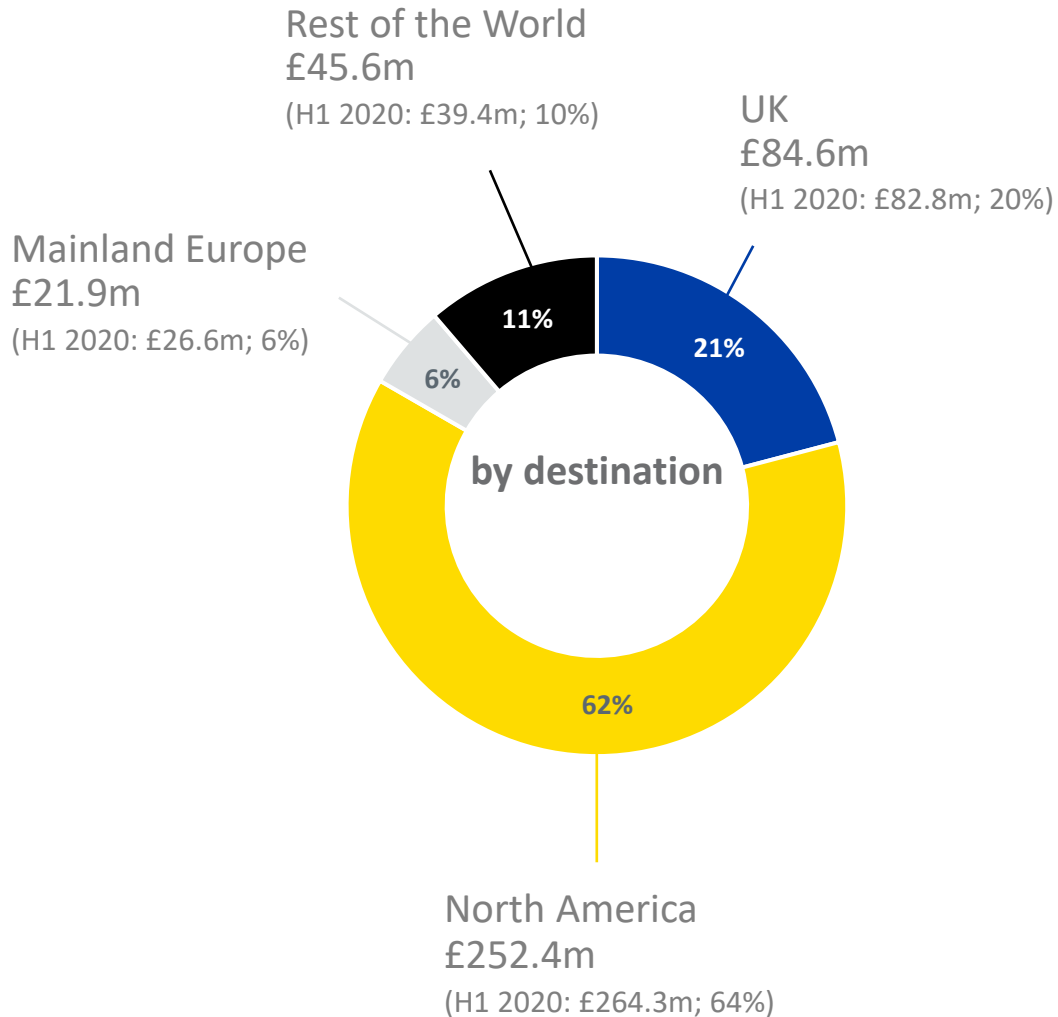
£'m	H1 2021	H1 2020
Underlying profit before tax⁽³⁾	56.5	47.9
Loss on derivatives mark to market	(2.2)	(10.0)
Amortisation of acquired intangibles	(4.9)	(6.6)
Acquisition and disposal related costs	(0.1)	(0.8)
Loss on disposal and held for sale	(2.4)	-
Significant legal charges and expenses	(0.7)	(0.7)
Statutory profit before tax	46.2	29.8

Reduction in amortisation due to historical acquired assets becoming fully amortised

...helped by lower amortisation

³ see Schedule 1.

H1 2021 revenue breakdown



Balance sheet

£'m	2 July 21	30 June 20	31 Dec 20
Intangible assets	441.0	479.1	445.2
Property, plant and equipment	63.4	67.3	66.6
Leased assets	31.0	40.0	33.6
Other non-current assets	25.4	24.3	28.6
Non-current assets	560.8	610.7	574.0
Inventories	104.2	110.0	103.6
Trade and other receivables < 1 year	200.2	210.2	188.4
Trade and other payables < 1 year	(221.6)	(225.9)	(199.3)
Current working capital	82.8	94.3	92.7
Net current tax assets	0.7	11.9	2.9
Net debt*	(64.7)	(107.4)	(85.8)
Provisions	(20.8)	(22.2)	(24.6)
Retirement benefit obligations	(40.3)	(68.7)	(73.1)
Other assets/liabilities	(20.7)	(33.4)	(21.4)
Net assets	497.8	485.2	464.7

Shares in Issue	June 2021	June 2020	Dec 2020
End of period	71.2m	71.0m	71.1m
Weighted average	71.2m	71.0m	71.0m

* net debt includes IFRS 16 lease liabilities.

Foreign exchange

- Translational FX: **A 1 cent movement in the USD exchange rate is a £4.2m impact on full year revenue and £0.6m impact on profit.**
- c. 53% (H1 2020: 52%) of Group revenue is in US\$ businesses.
- c. 12% (H1 2020: 14%) of Group revenue is US\$ revenue from UK businesses.

Future hedge rates

	US\$:£	% covered
2022	1.34	85%
2023	1.36	50%
2024	1.40	20%

- (1) Underlying operating profit and margin are before amortisation of intangibles arising on acquisition, acquisition and disposal related costs, and significant legal charges and expenses.
- (2) Underlying profit before tax and earnings per share are before amortisation of intangibles arising on acquisition, fair value movements on derivatives, acquisition and disposal related costs, gain or loss on disposal, and significant legal charges and expenses.
- (3) Organic movements are the change in revenue, operating profit and order book at constant currency translation when compared to the prior period results and adjusted for acquisitions or disposals to reflect the comparable period of ownership.
- (4) ROIC is calculated as underlying operating profit for the twelve months preceding the period end expressed as a percentage of invested capital (average of opening and closing balance sheets). Invested capital is defined as net assets of the Group, excluding net debt and lease liability, pension obligations, tax and derivatives.
- (5) Underlying operating cash flow is cash generated by operations, after principal payments on leases, net expenditure on property, plant and equipment, outflows for capitalised product development and other intangibles, and adding back the operating cash impacts arising from M&A, disposals & closures, and significant legal charges & expenses.
- (6) Operating cash conversion is underlying operating cash flow as a percentage of underlying operating profit.
- (7) Order cover is the ratio of H1 revenue plus the 2 July 2021 closing order book, due for execution in 2021, vs consensus revenue for 2021. All at constant currencies.
- (8) Order book is the value of partially satisfied and unsatisfied performance obligations from contractually committed customer orders.

The comparative period has been presented at constant currency translation and adjusted for disposals to reflect the comparable period of ownership

Schedule 2: Quantified Financial Benefits Statement

The statements which are labelled by way of footnote as including a quantified financial benefits statement in slide 33 of this presentation include quantified financial benefits statements for the purposes of Rule 28 of the City Code which have been reported on (as set out in the penultimate section of this Schedule 2) in accordance with the requirements of the City Code in the following form (the “**Quantified Financial Benefits Statement**”):

- Our Focus; Fix; Grow transformation formally launched in January 2020. We are now demonstrating the improvement potential of this transformation programme and anticipate greater benefits delivered more quickly.
- Cost savings: Cost saving benefits relate to reduction in costs currently in the business, which are expected to be delivered from our transformation workstreams; predominantly procurement, functional excellence and operating model redesign. Our site excellence and functional transformations are already well underway and delivering cost reduction.
- Cost efficiencies and operating leverage: Functional excellence is expected to generate significant benefits driven by cost efficiencies and improved operating leverage as we are able to grow the business without a proportional increase in indirect operating costs.
- Gross profit improvement: Transformation of our engineering capabilities and capacity, through process improvement and standardisation, enabling the business to grow without a proportional increase in direct operating costs.
- The one-off cash costs required to implement the transformation programme include both opex and capex costs related to site moves, process development and systems as well as investment in change and transformation management.
- The expected in-year EBITA impact of the transformation programme and one-off costs of implementation are set out in the table below. The in-year benefits in 2024 are considered to be representative of the recurring benefits.

Schedule 2: Quantified Financial Benefits Statement

Net transformation benefits compared to 2020 base year £m

Net Benefits (in-year)*	2021	2022	2023	2024
Cost savings	5	18	31	42
Cost efficiencies and operating leverage	1	2	4	5
Gross profit improvement	(1)	3	8	13
EBITA Total	5	23	43	61

P&L cost (in-year)	2021	2022	2023	2024
Depreciation	(1)	(3)	(3)	(4)
Opex one-off costs	(11)	(12)	(8)	-
Total	(12)	(15)	(11)	(4)

One-off cash cost	2021	2022	2023	2024
Capex	(8)	(9)	(4)	-
Opex	(12)	(13)	(7)	(1)
Total	(20)	(22)	(11)	(1)

- The above expected recurring benefits are anticipated to deliver cash benefits, with potential slight timing differences.
- In addition to cash flow generated by the expected recurring benefits, we anticipate that over the period of the transformation programme we will generate a total cash release through improvement in working capital management of £14m based on the position as at 31 December 2020.
- In addition to the benefits above, as we deliver our transformation, we have increased confidence in delivering above core market growth and are increasingly confident in our revenue growth.
- A significant portion of the expected benefits will be reinvested in R&D to further underpin our confidence in revenue growth as customers see the benefits of the enhanced technologies.

*Net of recurring costs and contractual benefit sharing

Schedule 2: Quantified Financial Benefits Statement

Bases of belief, assumptions and sources

The following approach and sources have been utilised in developing the Quantified Financial Benefits Statement:

- The transformation programme commenced in 2020 and comprises separately identified projects and programmes that are monitored by a central Transformation Management Office (TMO). Each project that forms part of the transformation programme undergoes a business case approval process prior to being implemented and is supported by a Steering Committee which reports into the Executive Committee, which then provides monthly updates on progress to the Board.
- Where possible, the expected benefits have been calculated on a bottom-up basis using both data and knowledge from the relevant business units. However, in circumstances where data has been limited, estimates and assumptions have been made by management to aid the development of individual benefits and costs.
- Cost bases used as the basis for the quantification exercise are based on management information for the financial year ended 31 December 2020. Where data is forward-looking, the company strategic plan has been used, which itself was compiled on a bottom-up basis by each business unit, reviewed by the Executive Committee and adopted by the Board.
- The statement assumes no significant changes in macro-economic conditions.
- Depreciation has been calculated in line with the company's accounting policy.
- The exchange rate used to convert between USD and GBP is 1.335.
- Where management has considered it appropriate, allowance has been made for wage inflation factors.
- A stretch case of benefits has also been prepared, alongside several potential unquantified upsides.
- Ongoing costs and dis-benefits of delivery have been taken into account.
- Benefits achieved up to 30 June 2021 have been taken into consideration as part of reviewing the expected benefits and, where appropriate, are reflected in the interim results.
- One off costs incurred in 2020 and up to 30 June 2021 have been taken into consideration as part of reviewing the expected benefits. These have been separately disclosed in the annual and interim results, respectively.

Schedule 2: Quantified Financial Benefits Statement

ULTRA

Reports

As required by Rule 28.1(a)(i) of the City Code, KPMG LLP (“**KPMG**”), as reporting accountants to Ultra, has provided a report stating that, in its opinion, the Quantified Financial Benefits Statement has been properly compiled on the basis stated.

J.P. Morgan Cazenove, as financial adviser to Ultra, has provided a report for the purposes of Rule 28.1(a)(ii) of the City Code stating that, in its opinion and subject to the terms of the report, the Quantified Financial Benefits Statement has been prepared with due care and consideration.

Copies of these reports are included in Parts B and C of the Appendix to the Interim Results Announcement for the six months ended 2 July 2021 which was published by Ultra on 19 July 2021, a copy of which is available at www.ultra.group.

Notes

The assessment and quantification of the potential cost savings and efficiency gains of the transformation programme undertaken by Ultra relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the potential cost savings, efficiency gains and/or other expected benefits may not be achieved, or may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated.

Due to the scale of Ultra, there may be additional changes to its operations as a result of the transformation programme. As a result, and given the fact that the changes relate to the future, the resulting cost savings may be materially greater or less than those estimated.

No statement which forms part of the Quantified Financial Benefits Statement or of this presentation generally should be construed as a profit forecast or interpreted to mean Ultra’s earnings in the first full financial year following the completion of the transformation programme, or in any subsequent period, would necessarily match or be greater than or be less than those of Ultra for the relevant preceding financial period or any other period.