THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

For Immediate Release 19 July 2021

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

Interim Results for the six months ended 2 July 2021

Strategy and transformation delivering ahead of expectations

Simon Pryce, Chief Executive, commented:
"We are today publishing our interim results early to provide shareholders with details of our stronger than anticipated first half performance and excellent strategic progress.

As flagged in our 5 July trading update, demand in our core defence & critical detection markets have remained robust. This together with our focused strategy and technology investment is driving expansion in our £12bn sales pipeline[(8)], and further growth in our order book which, at £1.3bn, is a record for Ultra.

We delivered good underlying revenue growth in the period and operational performance was strong, despite the mainly Covid-19 driven operational inefficiencies in Maritime which have now been broadly resolved. Our Focus; Fix; Grow transformation programme is already delivering ahead of plan and we are now more confident in our improvement potential with a better payback than originally anticipated. This should allow us to accelerate top-line growth and gain market share through additional investment in research & development, improved operational delivery and by further optimising our cost base.

Our strong first half demonstrates the benefits of Ultra's strategic re-positioning as an agile player in growing markets, with a strong technology base focused on addressing customers' future needs. Our operating and financial performance already reflects improved execution from our transformation programme and supports our aspiration to continue to drive above market growth and margin expansion over time.

We are increasingly confident about Ultra's future prospects and our ability to deliver excellent and sustainable value for all of our stakeholders."

Highlights:

Strong H1 performance and good momentum
- Record order book and very strong order cover
- Improved operating margin and excellent cash conversion
- Growing ROIC, increased interim dividend and strong balance sheet

Strategy and transformation delivering
- Benefiting from agility in robust markets with good visibility for the future
- Technology investment and collaboration driving pipeline expansion
- Greater than expected annual transformation benefits of £57m by 2024, enabling above market growth and supporting our aspiration to deliver margin expansion over time[(7)]

H1 2021 Group Performance:

£m	**6 months to 2 July 2021**	6 months to 30 June 2020	Change % Reported	Organic[2]
Order book	**1,270.2**	1,173.2	+8.3	+14.3
Revenue	**404.5**	413.1	-2.1	+4.7
Underlying[1]				
Operating profit	**62.2**	53.4	+16.5	+25.4
Profit before tax	**56.5**	47.9	+18.0	
EPS (p)	**65.2**	54.7	+19.2	
Statutory				
Operating profit	**56.5**	45.3	+24.7	
Profit before tax	**46.2**	29.8	+55.0	
EPS (p)	**52.9**	34.2	+54.7	
Interim dividend per share (p)	**16.2**	15.4	+5.2	
Net debt to EBITDA[3]	**x0.65**	x1.20		
Cash Conversion[1]	**96%**	98%		
ROIC[4]	**21.3%**	17.5%		

Webcast:

Ultra will host a live webinar with Q&A to analysts and investors on 19 July at 11.30am GMT. The webinar will be broadcast via the following link: https://bit.ly/ULE_H1_2021

We recommend analysts/investors register before the webinar. Those who have not used GoToWebinar before, can download GotoWebinar before the event, via this link: https://support.goto.com/webinar/help/download-now-g2w010002

Alternatively, conference call details are: 0044 203-769 6819. Conference Code: 592967

A recording of the presentation and results materials will be available on Ultra's website later today.

Notes:

(1) Underlying profit, cash flow and earnings per share (EPS) are used to measure the trading performance of the Group as set out in notes 4 and 10. Underlying operating margin is the underlying operating profit as a percentage of revenue. Operating cash conversion is underlying operating cash flow as a percentage of underlying operating profit.

(2) Organic movements are the change in revenue, profit and order book at constant currency translation when compared to the prior year results as adjusted for any acquisitions or disposals to reflect the comparable period of ownership.

(3) Net debt to EBITDA: EBITDA is the underlying operating profit for the year, before depreciation charges and before amortisation arising on non-acquired intangible assets. Net debt in this metric comprises borrowings less cash and cash equivalents, and including pension obligations and lease liabilities. On a covenant basis, the net debt to EBITDA ratio is 0.19x (2020: x0.46); net debt excludes pension obligations and lease liabilities, and EBITDA is adjusted to remove the EBITDA generated by businesses up to the date of their disposal.

(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) "Five-eyes" nations include Australia, Canada, New Zealand, UK and USA

(6) C2I is Command, Control & Intelligence. C3I is Command, Control, Communication and Intelligence including Cyber

(7) This statement includes a quantified financial benefit statement which has been reported on for the purposes of the City Code (see Appendix).

(8) Sales pipeline is defined as new awards which we anticipate bidding on and the opportunities within the programmes we are currently delivering on.

(9) 'Off-order' book measures our expected call off and exercise of options within existing contracts and programmes not included in our order book

Other terms used throughout this announcement are defined in note 24.

Enquiries

Ultra Electronics Holdings plc	
Simon Pryce, Chief Executive	+44 (0) 20 8813 4307
Jos Sclater, Chief Financial Officer	
Gabriella Colley, Director Investor Relations	+44 (0) 7891 206 239 Investor.relations@ultra-electronics.com
Financial adviser: J.P. Morgan Cazenove	+44 (0) 20 7742 4000
Robert Constant / James Robinson / Richard Perelman	
Corporate Broker: Numis Securities	+44 (0)20 7260 1000
Garry Levin / George Price	
Financial PR adviser: Engine MHP	+44 (0) 20 3128 8570
Tim Rowntree / Pete Lambie	+44 (0) 771 003 2657 Ultra@mhpc.com

About Ultra:

Ultra provides application-engineered solutions in the key elements of mission critical and intelligent systems. Through innovative problem solving, using sustainable capabilities, and evolving technologies, we deliver outstanding solutions to our customers' most complex problems in defence, security, critical detection and control environments.

www.ultra.group

PERFORMANCE UPDATE

Strong H1 performance and good momentum

Defence spending in our core 'five-eyes'[(5)] markets remained robust and Ultra continued to outperform, with an order book of £1.3bn (H1 2020: £1.2bn) representing 14.3% organic order book growth and we enter H2 2021 with 95% order cover (H1 2020: 93%).

The order book growth has been driven by strong order intake on existing programmes including:

- ORION radio orders worth $52.7m of orders from the US Marines, $28.5m order from the US Navy and a total of $41m of orders for the US Army; and
- A £31m UK MoD Sonobuoy order;

Important new programme and contract wins also contributed to the record order book including:

- New development contracts on the Canadian Surface Combatant, a programme of material future significance for Ultra;
- A $24m Forensic Technology contract covering multiple states in Brazil, and very strong order intake from existing customers renewing or extending service contracts; and
- A development award valued at $14.5m on the Next Generation Surface Search Radar programme.

Revenue declined overall by 2.1% but grew organically by 4.7% in the first half of 2021, which was a strong performance particularly given the mainly Covid-19 driven operational inefficiencies and supply chain disruption experienced in Q1 2021, which are now broadly resolved. Our Maritime business unit was most impacted but still grew organically by 6.6% with good growth in MK54 torpedo arrays, US Sonobuoy orders and continued orders of torpedo defence systems for the Indian Navy. Intelligence & Communications delivered a very strong performance with 9.1% organic growth, driven by a circa 50% increase in year-on-year demand across the US DoD for tactical radio equipment. Growth in Maritime and Intelligence & Communications was partly offset by a 2.7% organic decrease in revenue from our Critical Detection & Control SBU. This was much better than originally anticipated and was driven by the strong performance in Forensic Technology partly offsetting the impact of significant Covid-19 related disruption in commercial aerospace.

Group statutory operating profit increased by 24.7% to £56.5m and underlying operating profit increased organically by 25.4% to £62.2m (H1 2020: £53.4m) and overall by 16.5% reflecting FX headwinds. Underlying operating margins improved to 15.4%. As a result, underlying EPS increased 19.2% to 65.2p per share.

This strong performance was as a result of:

- Earlier than expected benefits from the Focus; Fix; Grow transformation, including the results of the continuous improvement, HR & Finance Excellence initiatives, in addition to anticipated benefits from our on-going site consolidation programme;
- An extremely strong performance from Intelligence & Communications, in particular in the Communications business unit, and an improved performance from Cyber and Specialist RF;
- Continuing lower indirect costs due to Covid-19 driven changes in ways of working, which we expect to partially reverse in the second half; and
- Lower than planned increase in internal research & development ('R&D') investment, driven by more value-disciplined oversight and greater demand for engineering resource in support of operational improvement and growth.

Ultra's Focus; Fix; Grow transformation programme is delivering ahead of plan, both in pace of delivery and the extent of the projected financial benefits, with strong momentum across the business and more longer-term opportunities than originally envisaged. Therefore, as expected, transformation investments increased to £4.3m (H1 2020: £3.4m).

Underlying cash conversion was very strong at 96%, helped by a large early payment which will un-wind in H2 2021. Adjusting for this timing issue, underlying cash conversion was still better than anticipated at 72% (H1 2020: 98%). This reflects better than anticipated advanced payments on new contracts and continued improvement in working capital turns. Capital expenditure was also marginally lower than originally expected at £13.6m (H1 2020: £9.9m) due to timing of our investment in ERP and site investment in our new Halifax facility, both of which are now expected to be H2 weighted.

Ultra's long-term ROIC for existing businesses is over 20% and, in H1 2021, we delivered 21.3% (H1 2020: 17.5%). Excluding the impact of goodwill and acquired intangibles, ROIC was 68.1% in H1 2021.

STRATEGIC UPDATE

Our strong H1 2021 performance is evidence of Ultra's potential as we begin to deliver excellent and sustainable value for all of our stakeholders. Below are some of the key reasons why the Board remains excited about Ultra's future prospects:

1. Benefiting from agility in robust markets

Demonstrating agility as a nimble, technology-led, innovative solutions provider
Ultra's solutions are deployed on over 300 major programs. Direct defence sales to the US DoD and UK MoD accounted for 36% of Group revenue. We engage directly with our customers to design mission-led solutions and, in many cases, help write specifications for their future needs. The Australian SEA5000 programme is a great example of where we are a key part of designing the future solutions required across a broad range of sub-systems to best serve the customer mission. Circa 40% of our workforce are engineers, including circa 265 of whom are software engineers, demonstrating the depth and breadth of capability and relevance of the talent in the Ultra team.

Ultra is differentiated by our unique technology solutions and embedded intellectual property. We are continually advancing our technologies ahead of future missions so that we are always ready to solve our customer's emerging problems. Each year we invest circa 4-5% of our group sales in research & development.

Our agility as a technology driven solutions provider is also demonstrated by our ability to respond rapidly to changing market and customer needs and growing market share as a result. For example, in 2018, we were working on developing a surface search radar solution which has since converted to c.$42m in 'off-order'[9] book at the end of June 2021. Similarly, in 2018 we only had a position in active torpedo countermeasures, but in response to a customer problem and building on our underwater acoustics and data processing expertise, we currently have a passive torpedo countermeasures 'off-order' book of c.$97m. Finally, in our Forensic Technology business, we have responded to customers connectivity and access needs by developing a cloud based ballistics data correlation engine which we now have an off-order book of c.$24m for.

Operating in robust markets, well positioned for continued above market growth
Ultra operates in large, well-funded, robust markets. Over the next five years, we expect growth of 2-5% in our markets in Maritime, Intelligence & Communications and Critical Detection & Control.

Within Maritime, the recapitalisation of the fleet continues in response to heightened near-peer threat perceptions, with anti-submarine warfare capabilities in particular focus. Further, as five-eyes navies start the journey towards unmanned systems, our expertise in power management, interoperability, connectivity and size, weight & power (SWaP) will create further growth opportunities.

In Intelligence & Communications, increasing focus on intelligent networking and AI/ML applications for intelligence processing, and a drive for multi-domain cognitive decision making based on sensor input from all military services, as evidenced by the JADC2 programme in the US, are supportive of our ability to outgrow our market.

Finally, in Critical Detection & Control, robust demand for military aircraft and a post-pandemic recovery in commercial aerospace supports good growth, with enhanced focus on critical data and power management driving above-market growth in PCS. Increasing adoption of forensic gun-crime analytics and the trend towards alternative power also support solid growth for both Forensic Technology and Nuclear Energy respectively.

2. Technology investment and collaboration driving pipeline expansion

Increasing investment and optimization of R&D
Over the last 5 years, Ultra has invested more than £750m through customer and internally-funded R&D to enhance Ultra's sustainable technology advantage. As we continue to drive and deliver transformation, we are freeing up capacity to support increased investment in R&D to accelerate top-line growth, improve our cost competitiveness and enhance our margin.

Advanced technology base is driving order book and pipeline growth
The increasingly rapid pace of emerging technology and associated threat presents a great challenge to our customers. We define these challenges across four main areas:

- Combatting near-peer threats - modern nation state adversaries hold increasingly advanced cross-domain capabilities
- Doing more with less - customers are prioritising solutions that are not only effective, but efficient, sustainable and economical
- Countering asymmetric threats - the threats we face are increasingly diverse in their source, methods and targets, and
- Accelerating detect to deploy - rapidly emerging threats require rapid action to outpace adversaries

Ultra's bedrock of engineering core technology and Intellectual Property, supported by ongoing investments in emergent and convergent technologies, uniquely positions us to solve these most critical customer challenges. Our continued strategic engagement with our customers also allows us to understand, anticipate and invest in solutions that meet their future needs. These include an increasing shift towards cognitive integrated battlespaces, trusted autonomous systems, intelligent anti-submarine warfare, cognitive networking & situational awareness and solutions that deliver improved information advantage for soldiers.

Additional growth accelerators
We are also seeing opportunities to invest in growth accelerators that will improve agility and innovation culture, and drive greater technology alignment. For example, in 2020 we created Ultra Labs to:

- Act as a centre of subject matter capability applicable across the Group;
- Develop, incubate and deploy modular technologies across Ultra's offerings;
- Engage with and get funding from advanced research customers such as DARPA ('The Defense Advanced Research Projects Agency'); and
- To identify and accelerate multi-mission solutions that utilise capabilities from across the Group.

Ultra Labs research is focused on a number of foundational technologies that will enable our future mission-focused solutions. These technologies are applicable across multiple missions, domains and business units, with modular design and deployment a key consideration in our research on:

- Artificial intelligence & data science
- User interface / user experience (UI/UX) and human machine teaming
- Edge embedded computing
- Advanced maritime concepts

Ultra Labs is also improving the efficiency of our solution development with concepts such as the Ultra Software Factory, which is in late-stage planning and is scheduled to be launched later this year. This will create a virtual, specialist and flexible software capability for deployment across the Group in support of our future growth - delivering reliable, secure and efficient software engineering at optimised cost for both Ultra and our customers.

These are just some of the examples of technology accelerators we are currently investing in to increase our differentiation and enhance our technology relevance to support accelerated growth above our markets over the long term.

Technology driving a strong and growing sales funnel, order book and 'off-order' book

As a result of our focused strategy our total sales pipeline[8] has grown significantly to £12bn (2020: £11.4bn) based on all identified opportunities which we anticipate bidding on and we have a >50% confidence of winning over the next 9 years. We are also seeing significant growth in our expected win rate with those opportunities with a probability percentage win of over 90% increasing by nearly 20% over the last year.

Ultra's Group order book (contractually committed customer orders) has grown over 60% in the past five years and now stands at £1.3bn at H1 2021 (H1 2020: £1.2bn). We also look at our "off-order book" position which is now over £2bn[9].

This is clear evidence that our strategy is working and gives us confidence in Ultra's ability to continue to deliver strong future above market growth.

ONE Ultra facilitated collaboration creating expanded opportunity

The greater focus and collaboration across the Group is already driving accelerated top line growth. Through more effective combination of our unique capabilities to meet customers' emerging needs, and expanding our position on programmes and platforms Ultra is achieving greater content and integration of capabilities into sub-systems and systems. A good example is the evolution of our offering and content on the UK's Type 26 frigate and its subsequent variants. Building on our local product expertise, we supplied the hull-mounted sonar on the original UK Royal Navy design. Through accessing capability from across four different Ultra business units, this has developed into the provision of a full Anti-Submarine Warfare system capability on the Canadian variant, known as the Canadian Surface Combatant, with the potential to further expand our offering on future variants such as SEA 5000, leading to great sub-systems content on more platforms. This is just one example of how the ONE Ultra approach and our unique technology suite is driving our sales pipeline with increased potential content on a wider range of attractive platforms.

It isn't just within our Strategic Business Unit's that such expansion opportunities exist. Customer priorities continue to drive the need for an intelligent data fabric to share intelligence, surveillance and reconnaissance data, transmitting across many communications networks to enable faster decision making. By combining modular, scalable ONE Ultra technology platforms, including ADSI, ORION, REAP comms pods, interoperable crypto and others, Ultra will enable operators to make better decisions. Data collection from numerous sensors across multiple domains can be processed by artificial intelligence to gain operational insights, before sophisticated human-machine teaming recommends courses of action. Ultra's sub-system, connectivity, cognition and cross domain expertise make us an ideal partner in addressing joint all domain command and control requirements.

3. Greater transformation benefits, delivering for all stakeholders

Growth and value creation underpinned by transformation benefits

Our Focus; Fix; Grow transformation is making excellent progress, with many programmes now well into their execution phase and two major projects entering into the realisation phase during the half. As the programme has matured, we are increasingly certain of its ability to deliver major benefits to Ultra. The transformation will improve operating performance and efficiency, reduce programme cost overruns and lower costs. This provides us with the financial resources to further strengthen our technology capability. In addition, by improving engineering efficiency we can deliver more revenue from our valuable engineering resource and our success will help to attract and retain talented people. Lastly, we expect our increasingly competitive cost base and improved technology and sales capability to drive further sustainable growth and value creation.

Excellent ONE Ultra progress in H1 2021

In H1 2021 we incurred opex costs of £4.3m (H1 2020: £3.4m) and net benefits after recurring costs (before one-off costs) of £3.3m. Some of our key achievements so far this year include:

Operating Model

Our new operating structure was successfully launched on 1 January 2021 to align our core capabilities to our customer needs. Execution has been improved and efforts aligned through our new "Objective and Key Results" process, which ensures organisational alignment and clarity of priorities, as well as enhancing performance management. We have also used the new Ultra strategy process to enhance the strategic ambition of our PCS and Forensic Technology businesses, resulting in greater focus, significantly improved opportunity, and clarity around strategic and operational actions. We are already seeing the benefits, particularly in Forensic Technology.

In HR we created centres of expertise for reward, talent management, talent acquisition and diversity & inclusion, as well as providing specialist transactional HR services and processes in a more efficient way. We also launched our new IT operating model to help drive improve IT capability and speed of delivery.

Site Excellence

We completed the consolidation of our site in Rochester NY into Fort Wayne, Indiana and consolidated our Wake Forest North Carolina site into Washington and Boston facilities. We made excellent progress consolidating our two UK PCS sites into Cheltenham, where the building work is well progressed to enable the site to absorb the additional production. This will significantly enhance revenue per square foot. We also selected a new UK site for our Cyber business and our Forensic Technology is moving to much improved facilities in H2 2021; both these projects will enhance talent retention and attraction and support further growth.

Operational and Functional Excellence

We have completed and rolled out our new ONE Ultra sales and bid processes with a comprehensive training programme and common CRM process and system to be implemented. In Finance Excellence, the new chart of accounts and financial consolidation system went live on time and below budget, and is already significantly enhancing data quality and insight, as well as improving efficiency. Our new HRIS system went live on time and to budget. In line with this, we moved to one set of global HR processes, which is already enabling us to use data analytics to find additional opportunities for efficiency and talent development. In our Finance Process Excellence project, the project is well ahead of schedule and is already delivering savings which are ahead of our expectations.

Procurement

We appointed six Global Category Managers to help deliver planned savings across our key areas of spend. A ONE Ultra category management framework has been created, to enable efficiency, effectiveness and shared learning across Group.

ONE Ultra Culture

Our ASPIRE values are now firmly embedded, supported by a new values awards programme. We continue to invest in the development of our leaders through our 'STAR' leadership programmes, our senior and high potential women employees through our 'Strategies for Success' programmes and our managers with the launch of our 'Manager Fundamentals' programmes.

We have accelerated the Diversity, Equity & Inclusion (DE&I) pillar of our HR strategy by putting in place a dedicated lead for this agenda who has driven the definition of the Ultra DE&I Strategy. Core to this has been the establishment of a 'Uniquely Ultra' group of 100 volunteers across the organisation with additional work being undertaken in establishing an external benchmark and target for our DE&I work and delivering unconscious bias and neuro-diversity training for our manager population.

In addition, a new Ultra Continuous Improvement Group has been launched and is rolling out our Ultra Way approach to continuous improvement. This is delivering immediate savings: there have been 17 Ultra Way Sprints completed during H1 with an estimated c.£102,000 in benefits realised to date.

Technology Enablement
Ultra Labs was launched in H1, our advanced concepts and emerging technologies group. We also started development of a new Group-wide engineering excellence innovation management system.

£57m of annual transformation benefits expected by 2024[7]
The delivery of our Focus; Fix; Grow transformation is ahead of plan, which gives us confidence in the benefits case.

The table below sets out the expected in-year EBITA impact of the transformation programme and one-off costs of implementation. The in-year benefits in 2024 are considered to be representative of the recurring benefits. The benefits have been categorised as follows:

- 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, systems as well as investment in change and transformation management.

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)**

*Net of recurring costs and contractual benefit sharing

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.

As we deliver our transformation, we have increased confidence in delivering above core market growth and are increasingly confident in our revenue growth.

Utilising our transformation benefits
Ultra generates high returns on capital and has supportive end markets. The transformation will support continued growth by creating capacity to invest more into R&D, we well as freeing up talent to support further growth. It will also support growth by making us more competitive on future bids and by creating a higher impact sales capability. In addition, we expect the transformation to enhance margins and enable us to achieve our previously stated aspiration of mid-teens margins.

Environmental Social & Governance ('ESG') is core to ONE Ultra – delivering value for all stakeholders
At Ultra we partner with our customers, applying technology and innovation, to allow them to solve mission-critical problems that protect the societies in which we live and make the world a safer place. This is why we exist – to innovate today for a safer tomorrow. In consultation with our stakeholder groups, we defined what extraordinary performance looks like and created key performance indicators with specific targets that we use to manage our business and ensure delivery. Our performance management and oversight processes monitor progress against these actions to ensure delivery against all our annual and longer-term stakeholder objectives. We believe that sustainability is key for all our stakeholders and is therefore core to what we are seeking to deliver. To highlight and better communicate the importance in our decision making of the impact on our workplace and the environment, we developed our 'A Positive Force' sustainability plan. This focuses on three critical areas:

- Supporting our people - increasing investment in our people, improving employee engagement, reducing voluntary turnover and improving diversity, equity and inclusion.
- Protecting our planet – meeting or exceeding GHG emission targets, reducing single use plastic and global alignment to Environmental Management systems.
- Giving back to our local communities - group charitable funding, employee community days and supporting our armed Forces communities.

BUSINESS REVIEW

Maritime (45% of Group revenue)

A partner in the maritime defence domain, focusing on mission-centric equipment and systems primarily across the "five-eyes"[(5)] nations. We specialise in maritime sonar, radar, acoustic expendables, signature management and power systems.

£m	**2021 H1** as stated	**2020 H1** as stated	[(2)]**2020 H1** for organic measure	Growth %	Organic[(2)] growth %
Order book	641.6	605.8	563.5	+5.9	+13.9
Revenue	183.1	184.3	171.8	-0.7	+6.6
Underlying operating profit[(1)]	26.9	27.3	24.7	-1.5	+8.9
Underlying operating margin[(1)]	14.7%	14.8%	14.4%		
Statutory operating profit	26.6	26.8		-0.7	
Statutory operating margin	14.5%	14.5%			

Market
The rise of China as an expeditionary maritime power coupled with the growing threat of increasingly capable Russian submarines will drive significant defence expenditure in the maritime domain. Five-eyes[(5)] customers have begun to re-capitalise their capabilities to counter such threats, and Ultra Maritime's leading positions supports our increasing relevance and importance in this domain. In

addition to traditional anti-submarine warfare capabilities, Ultra provides both surface and sub-surface fleets with capabilities to reduce their likelihood of being counter-detected through our electromagnetic signature management and low-vibration power management offerings that enable vessels to operate more securely in an era of increasingly sophisticated threats.

Ultra technology is leading to key wins, including surface-ship anti-submarine warfare aboard the three variants of the UK Global Combat Ship: the UK RN Type 26, the Canadian Surface Combatant, and the Australian Hunter Class (SEA5000). Complementing the anti-submarine warfare capabilities of these vessels, we have also significantly expanded our surface ship self-defence offerings with the multi-year award of the US-based towed torpedo countermeasure system, NIXIE, which is complementary to our existing UK-based torpedo detection and classification system, S2170, NGSSR and our family of expendable torpedo countermeasures for both the five-eyes and international markets.

Performance

The Maritime business unit continues to demonstrate its growth potential, with order intake up organically 7% vs H1 2020 and the order book increasing 14%. The book to bill ratio in Maritime is now 1.57x. The order book growth this half was driven mostly by:

- Successful Next Generation Surface Search Radar development awards of $14.5m to fund the second stage of development testing;
- An $18m order for the NIXIE torpedo countermeasure system under the $270m IDIQ awarded in December 2020;
- A £31m UK MoD Sonobuoy capability extension contract; and
- Initial orders on the Canadian Surface Combatant for towed active/ passive sonars.

Organic revenue increased by 6.6% to £183.1m during the first half (H1 2020: £184.3m) reflecting good orders on MK54 torpedo arrays, US Sonobuoy orders and continued orders of torpedo defence systems for the Indian Navy.

Underlying operating profit increased 8.9% organically to £26.9m, with good operational gearing in our Naval Systems business partly offset by some quality and programme issues in our Sonar and Sonobuoys businesses. Underlying operating margin was broadly flat with good control of indirect costs and risk reducing on some programmes largely netting out the operational issues experienced in Q1 2021.

Internal R&D in H1 has focused on Sonobuoy development, radar and countermeasures in addition to multi-level power conversion activity.

Maritime has a strong order book and has made progress resolving its operational issues, so we expect good year-on-year organic revenue growth in 2021.

Intelligence & Communications (29% of Group revenue)

A defence supplier engineering world-class, mission-critical, multi-domain intelligence, communications, command & control, cyber security and electronic warfare solutions.

£m	2021 H1 as stated	2020 H1 as stated	(2)2020 H1 for organic measure	Growth %	Organic(2) growth %
Order book	319.1	230.9	214.2	+38.2	+49.0
Revenue	116.0	114.1	106.3	+1.7	+9.1
Underlying operating profit(1)	19.0	12.3	11.0	+54.5	+72.7
Underlying operating margin(1)	16.4%	10.8%	10.3%		
Statutory operating profit	15.5	7.1		+118.3	
Statutory operating margin	13.4%	6.2%			

Market

The strategic shift of national security doctrine towards countering near-peer adversaries through multi-domain operations is accelerating the pace of change in customer need. They are increasingly focused on the unification of disparate systems, establishing homogenous network functionality and developing solutions agnostic to domain. In an increasingly contested environment, solutions that provide near-instantaneous situational awareness and secure communications to the warfighter will require distributed decision making, local intelligence processing and cognitive support tools, along with ensuring multi-platform and multi-user interoperability across both manned and unmanned platforms.

Ultra’s core competencies and investments areas such as next generation communication devices, intelligent networking and 5G as well as processing capabilities such as advanced analytics and Artificial Intelligence / Machine Learning applications makes Ultra well placed to support these current and future needs.

Performance

The Intelligence & Communications business unit won 87% more orders in the first half of 2021 versus H1 2020 and achieved a book to bill ratio of 1.71x. This was driven by:

- Extremely strong orders for the ORION radio communications systems including $52.7m of orders from the US Marines, $28.5m order from the US Navy and a total of $41m of orders for the US Army;
- A $16.2m order for advanced APR-39 radar warning receivers and systems for Boeing’s P8; and
- A US Airforce ADSI (Air Defense Systems Integrator) sustainment order for $4.8m.

Organic revenue increased by 9.1% to £116.0m (H1 2020: £114.1m) during the first half, benefitting from the c.50% increase in year-on-year demand across the US DoD for tactical radio equipment sales and good demand for our Specialist RF solutions for radar warning receivers and systems. Orders in Cyber were weaker year-on-year, but our Cyber business is making good underlying progress, winning some important orders for crypto key management and engaging positively with a key customer on Crypto products which we hope will lead to a significant contract in the second half.

Underlying operating profit increased organically by 72.7% to £19.0m (H1 2020: £12.3m) reflecting both increased sales and significant margin expansion. Margins increased largely as a result of operational gearing and good mix in our Communications business and improved operational performance in our Cyber and Specialist RF businesses. In the second half of 2021, we expect the overall sales mix to be less favourable and expect R&D, sales and transformation costs to be higher than in the first half.

Internal R&D investment during this half has focused on artificial intelligence and machine learning for advanced radio networking and C2I capabilities virtualization of our ADSI offering, and autonomous sensing.

Looking at the 2021 full year, the strong first half and healthy order book is expected to enable good organic revenue growth year-on-year.

Critical Detection & Control (26% of Group revenue)

Precision Control Systems (PCS) designs and supplies market-leading safety and mission-critical solutions, primarily to the military and commercial aerospace markets.

Forensic Technology is a world-leader in ballistic identification and forensic analysis solutions.

Energy designs and supplies safety critical sensors and systems, and selected products for nuclear and industrial applications.

£m	**2021 H1** as stated	**2020 H1** as stated	(2)**2020 H1** for organic measure	Growth %	Organic(2) growth %
Order book	309.5	336.5	333.7	-8.0	-7.3
Revenue	105.4	114.7	108.3	-8.1	-2.7
Underlying operating profit(1)	16.3	13.8	13.9	+18.1	+17.3
Underlying operating margin(1)	15.5%	12.0%	12.8%		
Statutory operating profit	15.1	12.0		+25.8	
Statutory operating margin	14.3%	10.5%			

Markets

Aerospace - Covid-19 has significantly impacted commercial aerospace. Despite a lull in commercial aerospace activity, the outlook is improving . Military remains strong and there is a growing need for aircraft systems that require Ultra's innovative power and control technologies that are ideally suited to modern aircraft needs where size, weight and power matter, and where interfaces between increasingly complex systems will be a differentiator. The ever-increasing need for highly reliable, mission and safety-critical sensing and control systems positions Ultra's capabilities well in a growing military markets and in a slowly recovering civil aerospace market.

Forensic Technology – Countries around the world need to provide timely gun-crime intelligence and investigative leads spanning local, municipal, national and international networks. The latest innovations in 3D quantum microscopy are unlocking the potential for objective methods to assist expert conclusions in Court on the potential match between firearms and bullets. Forensic Technology remains at the forefront of building and supporting the strategies of our customers, as they increasingly seek to construct preventative crime gun strategies which not only enable them to respond more rapidly to incidents but increases their lead generation abilities and the provision of intelligence.

Energy - Global energy demand is expected to increase in the long-term. Coupled with a growing need to de-carbonise the power sector, this creates a need for increased investment in the civil nuclear power market. Ultra provides critical safety systems and detector capabilities to nuclear facilities around the world, safeguarding nuclear workers and the public.

Performance

In Critical Detection & Control the order book declined organically by 7.3% reflecting the weak commercial aerospace market. Outside of commercial aerospace, Precision Control Systems performed well with strong orders from the military F-35 programme and Typhoon for High Pressure Air Generator Units (HiPPAG), engine ice protection systems and Harnesses as well as newly introduced Dynamic High Altitude Interconnects. There was strong organic order book growth of 50% in Forensic Technology with service contracts signed with the UK, Canada, South Africa, Australia, Ireland and the Netherlands. In addition, this business was awarded the first order under the new $24m IBIS (Integrated Ballistic

Identification System) contract with Brazil; this contract has further scope for Brazilian states to order under it. The Forensic Technology book to bill ratio is now a very strong 1.56x demonstrating the exciting potential of this business.

Organic revenue declined 2.7% to £105.4m (H1 2020: £114.7m), a strong performance when taking into account the 60% decline in the commercial aerospace market in the period. This reflects the strong performance from Forensic Technology with organic revenue up 22% driven by IBIS product deliveries in Peru, USA and Thailand, increased sales in Energy and remarkable resilience in PCS.

Underlying operating profit increased organically by 17.3% to £16.3m (H1 2020: £13.8m). Operating margins increased to 15.5% vs 12.0% in H1 2020, mainly due to:

- The strong performance from Forensic Technology;
- Benefits of our transformation plan in PCS; and
- Good cost control in both Forensic Technology and Energy.

In the second half of 2021, we expect transformation costs, particularly as we progress with our site consolidation programme, to be higher than in the first half.

Internal R&D in H1 2021 for PCS has focused on environmental, cost-effective solutions for both traditional platforms and novel developments such as Urban Air Mobility and aircraft electrification. A new development project with Mississippi State University has also recently been awarded looking at Carbon Nano Tube Ice Protection technology for UAV platforms.

In Forensic Technology R&D is focused on artificial intelligence, machine learning and cloud base technologies, which are expected to gradually be introduced to the market. In Energy, R&D continues to focus on emerging technologies being developed for increased efficiency and decreased cost of nuclear power generation, such as advanced Small Modular Reactor technologies (SMRs).

Looking forwards, we expect organic revenue in Critical Detection & Control to be resilient year on year, with the downturn in commercial aerospace offset by additional military sales and excellent momentum in Forensics.

GROUP FINANCIAL REVIEW

Orders

The order book increased organically by 14.3% to £1,270.2m (H1 2020: £1,173.2m) compared to the prior period and showed 19.9% organic growth from the 31 December 2020 position of £1,064.2m, reflecting particularly strong growth in Intelligence & Communications. Order intake in the period grew organically by 25.5% to £617.2m (H1 2020: £515.3m) and represents a book to bill ratio of 1.53 (2020: 1.25). The opening order cover for the second half is 95% (H1 2020: 93%).

Total revenue

	£m	% impact
Six months to June 2020	413.1	
Currency translation	(24.7)	-6.0
Disposals	(2.0)	-0.5
Six months to June 2020 (for organic measure)	386.4	-6.5
Organic growth	**18.1**	**+4.7**
Six months to 2 July 2021	**404.5**	-2.1

Overall revenue declined by 2.1%; this reflects organic[(2)] growth of 4.7%, with strong demand for tactical radio equipment, US Sonobuoy orders, torpedo arrays and torpedo defence systems, offset by FX translation headwinds as sterling strengthened to \$1.39 vs \$1.26 in H1 2020.

Statutory operating profit and margin

£m	**H1 2021**	H1 2020
Statutory operating profit	**56.5**	**45.3**

Amortisation of intangibles arising on acquisition	4.9	6.6
Significant legal charges and expenses	0.7	0.7
Acquisition and disposal related costs	0.1	0.8
Underlying operating profit	**62.2**	**53.4**

Statutory operating profit increased by 24.7% to £56.5m (2020: £45.3m). This reflects the underlying operating performance, as well as reducing amortisation costs as assets created by historical acquisitions become fully amortised. Statutory operating margin increased to 14.0% (2020: 11.0%).

Underlying operating profit and margins(1)

	£m	% impact
Six months to June 2020	53.4	
Currency translation	(3.1)	-5.8
Disposals	(0.7)	-1.3
Six months to June 2020 (for organic measure)	49.6	-7.1
Organic growth	**12.6**	**+25.4**
Six months to 2 July 2021	**62.2**	+16.5

Underlying operating profit was £62.2m (2020: £53.4m), an increase of 16.5% on the prior period. The strengthening of sterling decreased profit by 5.8% and the impact of business disposals resulted in a 1.3% decrease in profit. The organic profit increase was 25.4%, consequently the underlying operating margin(1) increased to 15.4% (H1 2020: 12.8%) for the reasons outlined in the performance update section.

Research and development

Ultra continued its programme of R&D, with total spend (from customers and internal investment) in the period of £76.7m (H1 2020: £73.7m). Company funded investment remained at 3.4% (2020: 3.4%) of revenue, while customer funding increased to 15.6% of revenue (H1 2020: 14.5%). The overall level of R&D investment in the period was 19.0% of revenue (H1 2020: 17.9%). The company funded spend was less than planned due to more value disciplined oversight, and engineering demand in support of operational improvement and growth.

Finance charges

The interest payable on borrowings was covered 14 times (H1 2020: 14 times) by underlying operating profit. Net financing charges were broadly flat at £5.7m (H1 2020: £5.5m).

Profit before tax

Statutory profit before tax increased to £46.2m (H1 2020: £29.8m). Underlying profit before tax(1) increased to £56.5m (2020: £47.9m), as set out below:

£m	**H1 2021**	H1 2020
Statutory profit before tax	**46.2**	**29.8**
Amortisation of intangibles arising on acquisition	4.9	6.6
Acquisition and disposal related costs	0.1	0.8
Loss on disposal	0.5	-
Impairment of assets classified as held for sale	1.9	-
Loss on derivatives	2.2	10.0
Significant legal charges and expenses	0.7	0.7
Underlying profit before tax(1)	**56.5**	**47.9**

Tax and earnings per share

The Group's underlying tax rate in the period decreased to 18.0% (H1 2020: 19.0%). The statutory tax rate on statutory profit before tax is 18.6% (H1 2020: 18.5%).

Underlying earnings per share(1) increased 19.2% to 65.2p (H1 2020: 54.7p), reflecting the increase in profit compared to the prior year. The weighted average number of shares in issue was 71.2m (H1 2020:

71.0m). Basic earnings per share increased to 52.9p (H1 2020: 34.2p). At the end of the period the number of shares in issue was 71,234,757.

Operating cash flow and working capital

Cash generated by operations was £74.4m (H1 2020: £65.8m). Underlying operating cash flow(1) was £59.8m (H1 2020: £52.4m) resulting in underlying operating cash conversion of 96% (H1 2020: 98%). Working capital decreased by £9.2m. The working capital decrease was principally due to increases in advances from customers. Our focus on improving working capital turn continues to be successful with the average working capital turn for the Group improving to 12.3x (June 2020: 8.5x). Capital expenditure, including expenditure on transformation initiatives, increased to £13.6m (H1 2020: £9.9m). Inventory increased since year end, reflecting revenue growth.

Net debt

Ultra's net debt at the end of the period was £64.7m (H1 2020: £107.4m), this includes £35.6m of lease liability. Net debt/EBITDA(3) when including pension liabilities and lease liabilities was 0.65 times (2020: 1.20 times). On a covenant basis, which excludes pension liabilities and lease liabilities, the figure is 0.19 times (2020: 0.46 times).

The Group's committed facilities comprise a £300m revolving credit facility (RCF), of which £250m has a maturity to November 2024 and £50m has a maturity to November 2023, and Pricoa loan notes: £50m with an expiry date of October 2025 and $70m with expiry dates of January 2026 and January 2029. At 2 July 2021 the drawings under the RCF were £30.0m leaving £270.0m of committed headroom, as well as cash resources across the Group of £120.6m.

Conduct of business investigations update

As previously announced, investigations associated with conduct of business issues in Algeria and the Philippines continue with no material changes to report.

2021 FINANCIAL GUIDANCE

Based on our strong order book, we expect to see improving year on year revenue growth driven by Maritime and Intelligence & Communications. Critical Detection & Control expected to show flat revenue growth for the year.

Execution efficiency is reducing our transformation costs which are now expected to be between £9-11m in 2021 and our benefits are now ahead of our previous expectations.

We expect our strong Return on Invested Capital to continue in 2021, notwithstanding the increased investments we are making into the business, and to be greater than 20%.

We continue to expect strong cash conversion between 85 – 95% and for internal R&D to be between 3.8% - 4.0% of group revenue.

Underlying tax rate is expected to be around 18% (with the cash tax rate is expected to be less than 10%).

DIVIDEND

The Board has a progressive dividend policy with a through cycle target of circa two times normalised cash and earnings cover. The 2021 proposed interim dividend is 16.2p (2020: 15.4p), a 5% increase versus the prior year, with the interim dividend being covered 4.0 times (2020: 3.6 times) by underlying earnings per share. The dividend will be paid on 17 September 2021 to shareholders on the register at 27 August 2021.

SUMMARY & OUTLOOK

Ultra is well-positioned to support our aspiration of above market growth and mid- teens margin.

Driving top line growth through technology investment, engagement and collaboration
Our Focus; Fix; Grow transformation allows us to invest at levels which will significantly differentiate us from our peers and will deliver above market growth through:

i) improved operational performance, better competitive pricing and increased internal R&D investment
ii) better allocation and capacity creation of scarce people and resources
iii) attracting and retaining a high-quality workforce
iv) greater collaboration within Ultra, enabling us to offer a far broader range of capabilities to solve increasingly complex problems

Portfolio optimisation and balance sheet opportunities
Our positive transformation progress increases our ability to add value to future acquisitions. We have the right team and significant financial capacity to supplement our organic growth with our net debt excluding leases reduced to £29m and leverage at 0.19x net debt to EBITDA.

We take a disciplined and robust value approach to any potential acquisitions. Opportunities are only considered where we can create value for shareholders and markets have scope for consolidation & synergies.

Increased confidence in Ultra's exciting future
We are making good progress on many fronts, we have great people and our focused strategy and improved execution is providing us with increased confidence that this business has a unique opportunity to deliver above market growth, meet our aspiration of delivering sustainable mid-teens margins and deliver excellent value for all our stakeholders.

Simon Pryce
Chief Executive

Jos Sclater
Chief Financial Officer

19 July 2021

RISKS AND UNCERTAINTIES

The Group faces a number of potential risks and uncertainties that may have a material impact on second half performance in 2021 (and beyond). As a consequence, actual results may differ materially from those expected and/or from historical results. The Group's principal risks are listed below. These risks are managed by the Executive Team and are key matters for the Board. An explanation of principal risks, and the business strategies that Ultra uses to manage and mitigate such risks, can be found in the 2020 annual report which is available for download at www.ultra.group/investors/results-centre/

Risks are identified, collated, assessed and managed as an integrated part of our strategic planning process, using a standardised group wide framework and methodology. While risks are managed at the most appropriate level of the business (Board, Executive or Strategic / Operating Business level), they are also escalated and reviewed to test judgements and assumptions, review mitigating actions and controls and ensure that emerging risks are captured.

The principal risks faced by the business continue to be driven by Ultra's mission, markets and business model, but also reflect the continued importance of delivering change, as we have continued through 2021 with an intensification of the roll out of our transition agenda under the ONE Ultra Strategy. These are not the only risks that may impact the Group but are the ones that we believe are the most significant at this time:

- Defence Sector Cycle Risk
- Geopolitical Risk
- Bid and Contract Risks
- Programme Risk
- Delivering Change

- Security and Cyber Risks
- Governance, Compliance and Internal Controls
- Pensions

Current key events or specific factors which may influence our assessment of principal risks in the second half of the year:

- Covid-19. While Ultra has continued to deliver to our commitments for stakeholders throughout the ongoing Covid-19 event, we have experienced some interference in our supply chain, resulting in minor delays or phasing adjustments to some programme revenues; it is expected that these supply chain issues will reduce progressively through the second half of 2021.
- Talent Retention and Recruitment. Recruitment of specialist resource to support Ultra's growth plans is an emerging risk.
- Regulatory Incidents (Governance, Compliance and Internal Controls). As previously reported, Ultra is cooperating with authorities in relation to two historic conduct of business issues in Algeria and the Philippines.

NATURE OF ANNOUNCEMENT

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

This announcement has been prepared solely to provide additional information to enable shareholders to assess Ultra's strategies and the potential for those strategies to succeed. It should not be relied upon by any other party or for any other purpose.

The statements contained in this announcement 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 announcement or otherwise.

This announcement 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.

This announcement 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 whole.

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

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events and their impact during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board,
Simon Pryce
Chief Executive

Jos Sclater
Chief Financial Officer

19 July 2021

Person responsible

The person responsible for arranging the release of this announcement on behalf of Ultra is Louise Ruppel, General Counsel & Company Secretary.

Disclaimers

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.

No profit forecasts

No statement in this announcement 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 this announcement 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.

Quantified Financial Benefits Statement

Except as expressly stated, nothing in this announcement 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 Part A to the Appendix to this announcement.

Website publication

In accordance with Rule 26.1 of the Code, a copy of this announcement 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 this announcement. The content of the website referred to in this announcement is not incorporated into and does not form part of this announcement.

Ultra Electronics Holdings plc
Results for the Six Months Ended 2 July 2021
Consolidated Unaudited Statement of Comprehensive Income

	Note	**Six months to 2 July 2021 £m**	Six months to 30 June 2020 £m	Year to 31 December 2020 £m
Revenue	3, 5	**404.5**	413.1	859.8
Cost of sales		**(285.8)**	(301.4)	(609.0)
Gross profit		**118.7**	111.7	250.8
Other operating income		**4.3**	1.6	0.9
Administrative expenses		**(64.6)**	(65.0)	(140.6)
Other operating expenses		**(1.2)**	(2.3)	(1.5)
Significant legal charges and expenses	3	**(0.7)**	(0.7)	(3.3)
Operating profit	3	**56.5**	45.3	106.3
(Loss)/gain on disposal and held for sale	18	**(2.4)**	-	5.6
Investment revenue	6	**0.1**	0.1	3.7
Finance costs	7	**(8.0)**	(15.6)	(11.9)
Profit before tax		**46.2**	29.8	103.7
Tax	8	**(8.6)**	(5.5)	(19.9)
Profit for the period		**37.6**	24.3	83.8
Attributable to:				
Owners of the Company		**37.6**	24.3	83.8
Non-controlling interests		**-**	-	-
Earnings per ordinary share (pence)				
- basic	10	**52.9**	34.2	118.0
- diluted	10	**52.8**	34.1	117.7

All results are derived from continuing operations.

Ultra Electronics Holdings plc

Results for the Six Months Ended 2 July 2021

Consolidated Unaudited Statement of Comprehensive Income

	Six months to 2 July 2021 £m	Six months to 30 June 2020 £m	Year to 31 December 2020 £m
Profit for the period	**37.6**	24.3	83.8
Items that will not be reclassified to profit or loss:			
Actuarial profit/(loss) on defined benefit pension schemes	**25.3**	-	(9.3)
Tax relating to items that will not be reclassified	**(4.4)**	-	2.9
Total items that will not be reclassified to profit or loss	**20.9**	-	(6.4)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	**0.3**	24.7	(11.2)
Profit on loans used in net investment hedges	**0.2**	4.5	1.5
Total items that may be reclassified to profit or loss	**0.5**	29.2	(9.7)
Other comprehensive income/(expense) for the period	**21.4**	29.2	(16.1)
Total comprehensive income for the period	**59.0**	53.5	67.7
Attributable to:			
Owners of the Company	**59.0**	53.5	67.7
Non-controlling interests	**-**	-	-

Ultra Electronics Holdings plc
Results for the Six Months Ended 2 July 2021
Consolidated Unaudited Balance Sheet

	Note	**At 2 July 2021**	At 30 June 2020 Restated	At 31 December 2020
		£m	£m	£m
Non-current assets				
Goodwill		**361.6**	385.8	363.0
Other intangible assets		**79.4**	93.3	82.2
Property, plant and equipment	11	**63.4**	67.3	66.6
Leased assets	12	**31.0**	40.0	33.6
Deferred tax assets		**9.4**	10.0	13.6
Derivative financial instruments	20	**1.5**	0.2	2.1
Trade and other receivables	13	**14.5**	14.1	12.9
		560.8	610.7	574.0
Current assets				
Inventories		**104.2**	110.0	103.6
Trade and other receivables	13	**200.2**	210.2	188.5
Tax assets		**6.9**	20.4	8.8
Cash and cash equivalents*		**120.6**	141.0	114.4
Derivative financial instruments	20	**4.6**	0.2	5.8
Assets classified as held for sale	18	**4.6**	2.2	-
		441.1	484.0	421.1
Total assets	3	**1,001.9**	1,094.7	995.1
Current liabilities				
Trade and other payables	14	**(221.6)**	(225.9)	(199.3)
Tax liabilities		**(6.2)**	(8.5)	(5.9)
Derivative financial instruments	20	**(0.2)**	(4.0)	(0.2)
Borrowings*		**(13.8)**	(57.2)	(38.3)
Liabilities classified as held for sale	18	**(4.1)**	(0.5)	-
Short-term provisions	15	**(18.0)**	(18.7)	(19.6)
		(263.9)	(314.8)	(263.3)
Non-current liabilities				
Retirement benefit obligations	19	**(40.3)**	(68.7)	(73.1)
Other payables	14	**(10.1)**	(11.8)	(12.0)
Deferred tax liabilities		**(15.0)**	(17.3)	(15.0)
Derivative financial instruments	20	**(0.5)**	(2.2)	(0.1)
Borrowings		**(171.5)**	(191.2)	(161.9)
Long-term provisions	15	**(2.8)**	(3.5)	(5.0)
		(240.2)	(294.7)	(267.1)
Total liabilities	3	**(504.1)**	(609.5)	(530.4)
Net assets		**497.8**	485.2	464.7
Equity				
Share capital	16	**3.6**	3.6	3.6
Share premium account		**206.4**	203.5	205.5
Capital redemption reserve		**0.4**	0.4	0.4
Reserve for own shares		**(1.4)**	(1.4)	(1.4)
Translation reserve*		**33.0**	71.4	32.5
Retained earnings		**255.8**	207.6	224.1
Equity attributable to owners of the company		**497.8**	485.1	464.7
Non-controlling interest		**-**	0.1	-
Total equity		**497.8**	485.2	464.7

* June 2020 balances for cash and cash equivalents and borrowings have been restated to meet the presentational requirements of IAS 32 with respect to the Group's cash-pooling arrangements. The net debt and net assets position is unchanged. The previously disclosed separate hedging reserve and translation reserve have been combined for June 2020 on a consistent basis.

Ultra Electronics Holdings plc
Results for the Six Months Ended 2 July 2021
Consolidated Unaudited Cash Flow Statement

	Note	**Six months to 2 July 2021 £m**	Six months to 30 June 2020 £m	Year to 31 December 2020 £m
Net cash inflow from operating activities	17	**65.3**	61.3	130.0
Investing activities				
Interest received		**0.1**	0.1	0.3
Purchase of property, plant and equipment		**(7.6)**	(5.0)	(13.4)
Proceeds from disposal of property, plant and equipment		**2.1**	-	0.2
Expenditure on product development and other intangibles		**(6.0)**	(4.9)	(8.7)
Disposal of subsidiary undertakings		**0.7**	4.8	5.3
Net cash used in investing activities		**(10.7)**	(5.0)	(16.3)
Financing activities				
Issue of share capital		**0.9**	0.4	2.3
Dividends paid		**(29.5)**	-	(38.7)
Dividends paid to non-controlling interest		**-**	-	(0.1)
Repayments of borrowings		**(25.4)**	(64.5)	(76.2)
Proceeds from borrowings		**35.6**	21.0	11.1
Principal payment on leases		**(4.4)**	(5.4)	(9.0)
Net cash used in financing activities		**(22.8)**	(48.5)	(110.6)
Net increase in cash and cash equivalents		**31.8**	7.8	3.1
Net cash and cash equivalents and bank overdrafts at beginning of period		**84.1**	82.2	82.2
Effect of foreign exchange rate changes		**(0.6)**	3.1	(1.2)
Net cash and cash equivalents and bank overdrafts at end of period		**115.3**	93.1	84.1

Bank overdrafts are netted with cash and cash equivalents because they form an integral part of the Group's cash management within the cash pooling arrangements.

Ultra Electronics Holdings plc
Results for the Six Months Ended 2 July 2021
Consolidated Unaudited Statement of Changes in Equity

Equity attributable to equity holders of the parent

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Reserve for own shares £m	Translation reserve £m	Retained earnings £m	Non-controlling interest £m	Total equity £m
Balance at 31 December 2020 as originally presented	**3.6**	**205.5**	**0.4**	**(1.4)**	**32.5**	**224.1**	**-**	**464.7**
Profit for the period	-	-	-	-	-	37.6	-	37.6
Other comprehensive income for the period	-	-	-	-	0.5	20.9	-	21.4
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**0.5**	**58.5**	**-**	**59.0**
Equity-settled employee share schemes	-	0.9	-	-	-	2.7	-	3.6
Dividend to shareholders	-	-	-	-	-	(29.5)	-	(29.5)
Balance at 2 July 2021	**3.6**	**206.4**	**0.4**	**(1.4)**	**33.0**	**255.8**	**-**	**497.8**

Ultra Electronics Holdings plc
Results for the Six Months Ended 30 June 2020
Consolidated Unaudited Statement of Changes in Equity

Equity attributable to equity holders of the parent

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Reserve for own shares £m	Translation reserve* £m	Retained earnings £m	Non-controlling interest £m	Total equity £m
Balance at 31 December 2019 as originally presented	**3.5**	**203.2**	**0.4**	**(1.4)**	**42.2**	**182.6**	**0.1**	**430.6**
Profit for the period	-	-	-	-	-	24.3	-	24.3
Other comprehensive income for the period	-	-	-	-	29.2	-	-	29.2
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**29.2**	**24.3**	**-**	**53.5**
Equity-settled employee share schemes	0.1	0.3	-	-	-	0.7	-	1.1
Dividend to shareholders	-	-	-	-	-	-	-	-
Balance at 30 June 2020	**3.6**	**203.5**	**0.4**	**(1.4)**	**71.4**	**207.6**	**0.1**	**485.2**

*The previously disclosed separate hedging reserve and translation reserve have been combined and prior periods restated on a consistent basis.

Ultra Electronics Holdings plc
Results for the Twelve Months Ended 31 December 2020
Consolidated Statement of Changes in Equity

Equity attributable to equity holders of the parent

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Reserve for own shares £m	Translation reserve £m	Retained earnings £m	Non-controlling interest £m	Total equity £m
Balance at 31 December 2019 as originally presented	**3.5**	**203.2**	**0.4**	**(1.4)**	**42.2**	**182.6**	**0.1**	**430.6**
Profit for the year	-	-	-	-	-	83.8	-	83.8
Other comprehensive income for the year	-	-	-	-	(9.7)	(6.4)	-	(16.1)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(9.7)**	**77.4**	**-**	**67.7**
Equity-settled employee share schemes	0.1	2.3	-	-	-	2.6	-	5.0
Tax on share-based payment transactions	-	-	-	-		0.2	-	0.2
Non-controlling interest distribution	-	-	-	-	-	-	(0.1)	(0.1)
Dividend to shareholders	-	-	-	-	-	(38.7)	-	(38.7)
Balance at 31 December 2020	**3.6**	**205.5**	**0.4**	**(1.4)**	**32.5**	**224.1**	**-**	**464.7**

Ultra Electronics Holdings plc
Results for the Six Months Ended 2 July 2021
Notes to the Consolidated Unaudited Interim Financial Statements

1. General information

The information for the year ended 31 December 2020 does not constitute statutory accounts as defined in section 434 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 19 July 2021, 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 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

3. Segment information

(i) Revenue by segment

	Six months to 2 July 2021			Six months to 30 June 2020		
	External revenue	**Internal revenue**	**Total**	External revenue	Internal revenue*	Total
	£m	**£m**	**£m**	£m	£m	£m
Revenue						
Maritime	**183.1**	**0.9**	**184.0**	184.3	0.3	184.6
Intelligence & Communications	**116.0**	**1.4**	**117.4**	114.1	1.5	115.6
Critical Detection & Control	**105.4**	**0.2**	**105.6**	114.7	0.1	114.8
Eliminations	**-**	**(2.5)**	**(2.5)**	-	(1.9)	(1.9)
Consolidated revenue	**404.5**	**-**	**404.5**	413.1	-	413.1

*June 2020 balances for internal revenue have been restated to only present inter-segment revenue and not internal revenue within a segment.

3. **Segment information (continued)**

(ii) Profit by segment

	Maritime £m	Intelligence & Communications £m	Critical Detection & Control £m	Unallocated £m	Six months to 2 July 2021 Total £m
Underlying operating profit	**26.9**	**19.0**	**16.3**	**-**	**62.2**
Amortisation of intangibles arising on acquisition	**(0.2)**	**(3.5)**	**(1.2)**	**-**	**(4.9)**
Significant legal charges and expenses	**-**	**-**	**-**	**(0.7)**	**(0.7)**
Acquisition & disposal related costs	**(0.1)**	**-**	**-**	**-**	**(0.1)**
Operating profit/(loss)	**26.6**	**15.5**	**15.1**	**(0.7)**	**56.5**
Loss on disposal and held for sale					**(2.4)**
Investment revenue					**0.1**
Finance costs					**(8.0)**
Profit before tax					**46.2**
Tax					**(8.6)**
Profit after tax					**37.6**

Significant legal charges and expenses are the charges arising from investigations and settlements of litigation that are not in the normal course of business; unallocated items are specific corporate level costs that cannot be allocated to a specific Strategic Business Unit.

3. Segment information (continued)

	Maritime £m	Intelligence & Communications £m	Critical Detection & Control £m	Unallocated £m	Six months to 30 June 2020 Total £m
Underlying operating profit	27.3	12.3	13.8	-	53.4
Amortisation of intangibles arising on acquisition	(0.3)	(4.6)	(1.7)	-	(6.6)
Significant legal charges and expenses	-	-	(0.1)	(0.6)	(0.7)
Acquisition & disposal related costs	(0.2)	(0.6)	-	-	(0.8)
Operating profit/(loss)	26.8	7.1	12.0	(0.6)	45.3
Investment revenue					0.1
Finance costs					(15.6)
Profit before tax					29.8
Tax					(5.7)
Profit after tax					24.1

	Maritime £m	Intelligence & Communications £m	Critical Detection & Control £m	Unallocated £m	Year to 31 December 2020 Total £m
Underlying operating profit	58.6	33.5	34.0	-	126.1
Amortisation of intangibles arising on acquisition	(0.5)	(8.9)	(3.2)	-	(12.6)
Significant legal charges and expenses	-	-	-	(3.3)	(3.3)
Acquisition & disposal related costs	(0.2)	(0.9)	-	-	(1.1)
Restructuring costs related to disposal	(2.0)	-	(0.8)	-	(2.8)
Operating profit/(loss)	55.9	23.7	30.0	(3.3)	106.3
Gain on disposals					5.6
Investment revenue					3.7
Finance costs					(11.9)
Profit before tax					103.7
Tax					(19.9)
Profit after tax					83.8

3. Segment information (continued)

(iii) Total assets by segment

	At 2 July 2021 £m	At 30 June 2020 £m as restated	At 31 December 2020 £m
Maritime	**284.8**	287.3	260.2
Intelligence & Communications	**320.8**	381.4	336.2
Critical Detection & Control	**253.3**	252.1	254.0
	858.9	920.8	850.4
Unallocated	**143.0**	173.9	144.7
Consolidated total assets	**1,001.9**	1,094.7	995.1

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

(iv) Total liabilities by segment

	At 2 July 2021 £m	At 30 June 2020 £m as restated	At 31 December 2020 £m
Maritime	**137.1**	148.1	126.8
Intelligence & Communications	**95.9**	93.8	92.3
Critical Detection & Control	**73.4**	70.5	66.9
	306.4	312.4	286.0
Unallocated	**197.7**	297.1	244.4
Consolidated total liabilities	**504.1**	609.5	530.4

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

(v) Revenue by destination

	Six months to 2 July 2021 £m	Six months to 30 June 2020 £m	Year to 31 December 2020 £m
North America	**252.4**	264.3	546.5
United Kingdom	**84.6**	82.8	158.4
Rest of World	**45.6**	39.4	89.9
Continental Europe	**21.9**	26.6	65.0
	404.5	413.1	859.8

4. Additional performance measures

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

	Six months to 2 July 2021 £m	Six months to 30 June 2020 £m	Year to 31 December 2020 £m
Operating profit	**56.5**	45.3	106.3
Amortisation of intangibles arising on acquisition	**4.9**	6.6	12.6
Significant legal charges and expenses	**0.7**	0.7	3.3
Acquisition and disposal related costs	**0.1**	0.8	1.1
Restructuring costs related to disposal	**-**	-	2.8
Underlying operating profit	**62.2**	53.4	126.1
Profit before tax	**46.2**	29.8	103.7
Amortisation of intangibles arising on acquisition	**4.9**	6.6	12.6
Acquisition and disposal related costs	**0.1**	0.8	1.1
Loss/(gain) on fair value movements on derivatives	**2.2**	10.0	(3.4)
Loss/(gain) on disposal and held for sale	**2.4**	-	(2.8)
Significant legal charges and expenses	**0.7**	0.7	3.3
Underlying profit before tax	**56.5**	47.9	114.5
Cash generated by operations	**74.4**	65.8	142.6
Principal payments on finance leases	**(4.4)**	(5.4)	(9.0)
Purchase of property, plant and equipment	**(7.6)**	(5.0)	(13.4)
Disposal of property, plant and equipment	**2.1**	-	0.2
Expenditure on product development and other intangibles	**(6.0)**	(4.9)	(8.7)
Significant legal charges and expenses	**0.5**	1.0	1.5
Disposal-related restructuring costs	**0.5**	-	1.6
Acquisition and disposal related payments	**0.3**	0.9	1.3
Underlying operating cash flow	**59.8**	52.4	116.1
Underlying operating cash conversion	**96%**	98%	92%
Net cash flow from operating activities	**65.3**	61.3	130.0
Interest received	**0.1**	0.1	0.3
Purchase of property, plant and equipment	**(7.6)**	(5.0)	(13.4)
Disposal of property, plant and equipment	**2.1**	-	0.2
Expenditure on product development and other intangibles	**(6.0)**	(4.9)	(8.7)
Principal payments on finance leases	**(4.4)**	(5.4)	(9.0)
Free cash flow†	**49.5**	46.1	99.4

† The free cash flow definition has been revised to deduct the principal payments on leases, the June 2020 comparative has been restated to be presented on a comparable basis.

4. Additional performance measures (continued)

	Rolling twelve months to 2 July 2021 £m	Rolling twelve months to 30 June 2020 £m	Year to 31 December 2020 £m
Underlying operating profit (preceding 12 months)	**134.9**	118.7	126.1
Depreciation of property, plant and equipment	**10.9**	10.2	10.4
Depreciation of leased assets	**8.3**	8.6	8.5
Amortisation of internally generated intangible assets	**1.4**	2.9	1.4
Amortisation of software, patents and trademarks	**4.7**	4.7	4.6
EBITDA (preceding 12 months)	**160.2**	145.1	151.0

	2 July 2021 £m	30 June 2020 £m
Net assets	**497.8**	485.2
Net debt	**64.7**	107.4
Retirement benefit obligations	**40.3**	68.7
Net derivative financial instruments	**(5.4)**	5.8
Net tax assets	**4.9**	(4.6)
Total invested capital	**602.3**	662.5
Average invested capital	**632.4**	
Underlying operating profit (preceding 12 months)	**134.9**	
ROIC	**21.3%**	

Organic growth for order book, revenue and underlying operating profit is calculated as follows:

	Order book		**Revenue**		**Underlying operating profit**	
	£m	% impact	£m	% impact	£m	% impact
Six months to June 2020	1,173.2		413.1		53.4	
Currency translation	(58.2)	-5.0	(24.7)	-6.0	(3.1)	-5.8
Disposals	(3.6)	-0.3	(2.0)	-0.5	(0.7)	-1.3
Six months to June 2020 (for organic measure)	1,111.4	-5.3	386.4	-6.5	49.6	-7.1
Organic growth	**158.8**	**+14.3**	**18.1**	**+4.7**	**12.6**	**+25.4**
Six months to 2 July 2021	**1,270.2**	+8.3	**404.5**	-2.1	**62.2**	+16.5

4. Additional performance measures (continued)

Management monitors the underlying financial performance of the Group using alternative performance measures. These measures are not defined in IFRS and are considered to be non-statutory. 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.

The underlying presentation is regularly reviewed by management to identify items that are unusual, due to their materiality and nature, and other items relevant to an understanding of the long-term trends of the Group's performance. The non-statutory performance measures are consistent with how business performance is planned and reported within the internal management reporting to the divisional management teams, Executive Committee and to the Board. Some of the measures are used for setting remuneration targets.

The related tax effects of these items, reflected when determining underlying earnings per share, are set out in note 10.

Underlying profit is used by the Board to monitor and measure the underlying trading performance of the business using a measure that is comparable over time. Items excluded from underlying profit are treated consistently with covenant requirements defined in the Group's committed financing facilities. Underlying profit excludes:

- costs associated with mergers & acquisitions (M&A), disposals or closures: delivery of the Group's strategy has included investment in acquisitions that enhance Ultra's portfolio of capabilities, as well as disposal or closure of non-core businesses, facilities or product lines. The exclusion of significant items arising from this activity is to align short-term operational decisions with this longer-term strategy. Items excluded are directly attributable external legal and adviser costs, adjustments to the fair value of contingent consideration and acquired inventory, payment of retention bonuses, restructuring costs related to disposals and closures, and gains or losses made upon the disposal or closures. Similarly, amortisation and impairment of goodwill or intangible assets arising on acquisition are excluded from underlying profit because they are not related to the in-year operational performance of the business, being driven by the timing and amount of historical investment in acquired businesses.
- significant legal charges and expenses: these are the charges arising from investigations and settlement of litigation that are not in the normal course of business. These costs are not related to the in-year operational performance of the business and are excluded.
- mark to market gains or losses from foreign exchange financial instruments: there is volatility in the valuation of 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 income statement volatility in particular periods. These gains or losses are excluded to ensure appropriate and timely commercial decisions are made regarding mitigating the Group's foreign currency exposures.

Underlying operating cash flow is used by the Board to monitor and measure the underlying cash performance of the business using a measure that is comparable over time. The Group is cash-generative and reinvests funds to meet its strategic objectives. Management believes that using 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 is the appropriate underlying metric of the cash cost of sustaining a growing business.

Underlying operating cash conversion is the ratio of underlying operating cash flow to underlying operating profit.

Other terms used throughout this announcement are defined in note 24.

5. Revenue

An analysis of the Group's revenue is as follows:

H1 2021	Maritime £m	Intelligence & Communications £m	Critical Detection & Control £m	Six months to 2 July 2021 Total £m
Point in time	39.5	46.5	69.0	155.0
Over time	143.6	69.5	36.4	249.5
	183.1	116.0	105.4	404.5

H1 2020	Maritime £m	Intelligence & Communications £m	Critical Detection & Control £m	Six months to 30 June 2020 Total £m
Point in time	55.4	49.2	56.7	161.3
Over time	128.9	64.9	58.0	251.8
	184.3	114.1	114.7	413.1

6. Investment revenue

	Six months to 2 July 2021 £m	Six months to 30 June 2020 £m	Year to 31 December 2020 £m
Bank interest	**0.1**	0.1	0.3
Fair value movement on derivatives	**-**	-	3.4
	0.1	0.1	3.7

7. Finance costs

	Six months to 2 July 2021 £m	Six months to 30 June 2020 £m	Year to 31 December 2020 £m
Amortisation of finance costs of debt	0.3	0.3	0.6
Interest payable on loans and overdrafts	4.3	3.5	8.3
Finance charge on leases	0.7	0.8	1.7
Total borrowing costs	5.3	4.6	10.6
Retirement benefit scheme finance cost	0.5	1.0	1.3
Fair value movement on derivatives	2.2	10.0	-
	8.0	15.6	11.9

8. Tax

	Six months to 2 July 2021 £m	Six months to 30 June 2020 £m	Year to 31 December 2020 £m
Current tax			
United Kingdom	**0.5**	1.5	4.7
Overseas	**8.5**	3.0	6.7
	9.0	4.5	11.4
Deferred tax	**(0.4)**	1.0	8.5
Total tax charge	**8.6**	5.5	19.9

The main rate of UK corporation tax was 19.0% at 1 April 2021.

9. Ordinary dividends

	Six months to 2 July 2021 £m	Six months to 30 June 2020 £m
Final dividend for the year ended 31 December 2020 of 41.5p (2019: 39.2p) per share	**29.5**	**27.8**
Proposed interim dividend for the year ended 31 December 2021 of 16.2p (2020: 15.4p) per share	**11.5**	**10.9**

The interim 2021 dividend of 16.2 pence per share will be paid on 17 September 2021 to shareholders on the register at 27 August 2021. It was approved by the Board after 2 July 2021 and has not been included as a liability as at 2 July 2021.

10. Earnings per share

	Six months to 2 July 2021 Pence	Six months to 30 June 2020 Pence	Year to 31 December 2020 Pence
From continuing operations			
Basic underlying (see below)	65.2	54.7	130.6
Diluted underlying (see below)	65.0	54.5	130.3
Basic	52.9	34.2	118.0
Diluted	52.8	34.1	117.7

10. Earnings per share (continued)

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

	Six months to 2 July 2021 £m	Six months to 30 June 2020 £m	Year to 31 December 2020 £m
Earnings			
Earnings for the purposes of earnings per share being profit for the period	**37.6**	24.3	83.8
Underlying earnings			
Profit for the period	**37.6**	24.3	83.8
Amortisation of intangibles arising on acquisition (net of tax)	**3.8**	5.0	9.8
Acquisition and disposal related costs (net of tax)	**0.2**	0.8	0.7
Loss/(profit) on fair value movements on derivatives (net of tax)	**1.7**	8.1	(2.8)
Loss/(gain) on disposal (net of tax)	**0.4**	-	(1.7)
Impairment on assets held for sale (net of tax)	**1.9**	-	-
Significant legal charges and expenses (net of tax)	**0.7**	0.6	3.0
Earnings for the purposes of underlying earnings per share	**46.3**	38.8	92.8

The adjustments to profit are explained in note 4.

The weighted average number of shares is given below:

	Six months to 2 July 2021	Six months to 30 June 2020	Year to 31 December 2020
Number of shares used for basic earnings per share	**71,112,855**	70,981,130	71,026,681
Effect of dilutive potential ordinary shares – share options	**147,331**	175,585	179,001
Number of shares used for fully diluted earnings per share	**71,260,186**	71,156,715	71,205,682

	Six months to 2 July 2021 £m	Six months to 30 June 2020 £m	Year to 31 December 2020 £m
Underlying profit before tax	**56.5**	47.9	114.5
Tax rate applied for the purposes of underlying earnings per share	**18.0%**	19.0%	19.0%

10. Earnings per share (continued)

During the first six months of 2021, no shares have been purchased and cancelled by the company. In 2020, no shares were purchased and cancelled in the first six months. No further shares were purchased and cancelled in the full year. See note 16.

11. Property, plant and equipment

During the period, the Group spent £7.6m on the acquisition of property, plant and equipment. £2.4m of assets, primarily unutilised land, were disposed of.

12. Leased assets

During the period, the Group acquired £2.1m of new right of use assets. The Group did not make any significant disposals during the period.

13. Trade and other receivables

	At 2 July 2021 £m	At 30 June 2020 £m	At 31 December 2020 £m
Non-current:			
Amounts receivable from over time contract customers	**14.5**	14.1	12.9
	14.5	14.1	12.9

	At 2 July 2021 £m	At 30 June 2020 £m	At 31 December 2020 £m
Current:			
Trade receivables	**97.6**	92.0	101.5
Provisions against receivables	**(1.6)**	(1.7)	(1.4)
Net trade receivables	**96.0**	90.3	100.1
Amounts receivable from over time contract customers	**78.8**	93.2	66.5
Prepayments and other receivables	**25.4**	26.7	21.9
	200.2	210.2	188.5

14. Trade and other payables

	At 2 July 2021 £m	At 30 June 2020 £m	At 31 December 2020 £m
Amounts included in current liabilities:			
Trade payables	**25.4**	49.4	44.4
Amounts due to over time contract customers	**104.0**	74.0	68.2
Other payables	**92.2**	102.5	86.7
	221.6	225.9	199.3
Amounts included in non-current liabilities:			
Amounts due to over time contract customers	**5.4**	7.1	8.2
Other payables	**4.7**	4.7	3.8
	10.1	11.8	12.0

15. Provisions

	Warranties £m	Contract related provisions £m	Other £m	Total £m
At 30 June 2020*	4.9	9.1	8.2	22.2
At 31 December 2020	7.5	9.9	7.2	24.6
At 2 July 2021	**6.3**	**4.9**	**9.6**	**20.8**
Included in current liabilities	6.0	4.0	8.0	18.0
Included in non-current liabilities	0.3	0.9	1.6	2.8
	6.3	**4.9**	**9.6**	**20.8**

*The 30 June 2020 provisions have been re-analysed and £2.5m reclassified from contract related to other.

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 – for example, including provisions for agent fees and provisions relating to contract execution and delivery – are utilised
over the period as stated in the contract to which the specific provision relates. Other provisions include reorganisation costs, contingent consideration and dilapidation costs. Reorganisation costs will be incurred over the period of the reorganisation, which is typically up to two years. Contingent consideration is payable when earnings targets are met. Dilapidations will be payable at the end of the contracted life, which is up to 15 years.

16. Share capital

112,158 shares, with a nominal value of £5,608 have been allotted in the first six months of 2021 under the terms of the Group's various share option schemes. The aggregate consideration received by the Company was £938,000.

During the first six months of 2021 no shares have been purchased and cancelled by the Company.

17. Cash flow information

	Six months to 2 July 2021 £m	Six months to 30 June 2020 £m	Year to 31 December 2020 £m
Operating profit	**54.6**	45.3	106.3
Adjustments for:			
Depreciation of property, plant and equipment	**5.3**	5.0	10.4
Amortisation of intangible assets	**7.8**	9.2	18.6
Amortisation of leased assets	**4.0**	4.1	8.5
Cost of equity-settled employee share schemes	**2.7**	0.7	2.5
Adjustment for pension funding	**(5.7)**	(5.6)	(11.0)
Loss on disposal of property, plant and equipment	**0.3**	-	0.1
(Decrease)/increase in provisions	**(3.8)**	(3.8)	0.2
Operating cash flow before movements in working capital	**65.2**	54.9	135.6
Increase in inventories	**(4.0)**	(14.8)	(13.8)
(Increase)/decrease in receivables	**(12.6)**	5.4	19.3
Increase/(decrease) in payables	**25.8**	20.3	1.5
Cash generated by operations	**74.4**	65.8	142.6
Income taxes paid	**(4.7)**	(0.2)	(5.4)
Interest paid	**(3.7)**	(3.5)	(5.5)
Finance lease interest paid	**(0.7)**	(0.8)	(1.7)
Net cash inflow from operating activities	**65.3**	61.3	130.0

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

	Six months to 2 July 2021 £m	Six months to 30 June 2020 £m	Year to 31 December 2020 £m
Net increase in cash and cash equivalents	**31.8**	7.8	3.1
Cash (outflow)/inflow from movement in debt and finance leasing	**(10.2)**	43.5	65.1
Change in net debt arising from cash flows	**21.6**	51.3	68.2
Lease liability movement	**2.0**	(2.5)	3.5
Other non-cash movements	**(2.0)**	-	(2.7)
Amortisation of finance costs of debt	**(0.3)**	(0.3)	(0.6)
Reclassified to held for sale	**0.2**	-	-
Translation differences	**(0.4)**	(1.1)	0.6
Movement in net debt in the period	**21.1**	47.4	69.0
Net debt at start of period	**(85.8)**	(154.8)	(154.8)
Net debt at end of period	**(64.7)**	(107.4)	(85.8)

17. Cash flow information (continued)

Net cash and cash equivalents and overdrafts comprised the following:	At 2 July 2021	At 30 June 2020	At 31 December 2020
	£m	£m	£m
Cash and cash equivalents*	**120.6**	141.0	114.4
Overdrafts*	**(5.3)**	(47.9)	(30.3)
	115.3	93.1	84.1

Net debt comprised the following:	At 2 July 2021	At 30 June 2020 Restated	At 31 December 2020
	£m	£m	£m
Cash and cash equivalents*	**120.6**	141.0	114.4
Borrowings*	**(185.3)**	(248.4)	(200.2)
	(64.7)	(107.4)	(85.8)

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

Reconciliation of changes in financing liabilities:

	At 2 July 2021	At 30 June 2020 Restated	At 31 December 2020
	£m	£m	£m
Borrowings at start of period*	**(200.2)**	(265.3)	(265.3)
Repayments of borrowings	**25.4**	64.5	76.3
Proceeds from borrowings	**(35.6)**	(21.0)	(11.1)
Decrease/(increase) in overdraft	**25.0**	(19.6)	(2.0)
Other non-cash movements	**(2.0)**	-	(2.7)
Amortisation of finance costs of debt	**(0.3)**	(0.3)	(0.6)
Principal payment on leases	**4.4**	5.4	9.0
Lease liability movement	**(2.4)**	(7.9)	(5.5)
Reclassified to held for sale	**0.2**	-	-
Translation differences	**0.2**	(4.2)	1.8
Borrowings at end of period*	**(185.3)**	(248.4)	(200.2)

* June 2020 balances for cash and cash equivalents and borrowings have been restated to meet the presentational requirements of IAS 32 with respect to the Group's cash-pooling arrangements.

18. Disposals and assets classified as held for sale

In June 2021 certain non-core assets from our contract electronics manufacturing business in the Critical Detection & Control SBU were disposed of. Consideration received in the period totalled US$1m (£0.7m); the net assets disposed of, primarily comprising inventory, totalled £1.2m. The loss on disposal recognised in the income statement was £0.5m.

As at 2 July 2021, certain other non-core assets and liabilities from the Critical Detection & Control SBU have been classified as held for sale as they are planned to be disposed of in the following 12 months. In accordance with IFRS 5 the assets were written down to their recoverable amount resulting in a loss of £1.9m recognised in the income statement. The assets and liabilities classified as held for sale are as follows:

	At 2 July 2021 £m
Property, plant and equipment	1.8
Inventories	1.7
Trade and other receivables	1.1
Total assets classified as held for sale	**4.6**
Trade and other payables	(1.7)
Retirement obligation	(2.4)
Total liabilities classified as held for sale	**(4.1)**
Net assets classified as held for sale	**0.5**

19. Retirement benefit schemes

The UK defined benefit scheme was actuarially assessed as at 2 July 2021 using the projected unit method. The UK scheme deficit reduced by £30.3m since 31 December 2020 to £39.6m as a result of the increase in discount rate, partially offset by an increase in the inflation assumption. The Swiss scheme has been reclassified to liabilities classified as held for sale. The Canadian scheme, which is not material to the Group, has not been re-assessed since the 31 December 2020 valuation.

The amount included in the balance sheet arising from the Group's obligation in respect of its defined benefit retirement schemes is as follows:

	At 2 July 2021 £m	At 31 December 2020 £m
Fair value of scheme assets	**361.8**	369.5
Present value of scheme liabilities	**(402.1)**	(442.6)
Retirement benefit obligations	**(40.3)**	(73.1)
Related deferred tax asset	**9.2**	14.0
Net pension liability	**(31.1)**	(59.1)

19. Retirement benefit schemes (continued)

The main assumptions used in the UK actuarial assessment were as follows:

	At 2 July 2021	At 31 December 2020
Discount rate	**1.95%**	1.45%
Inflation (RPI)	**3.25%**	2.95%
Inflation (CPI)	**2.65%**	2.35%
Future pension increases (pre 6/4/08)	**3.05%**	2.85%
Future pension increases (post 6/4/08)	**2.10%**	1.95%

Please refer to the 30 December 2020 annual report and accounts for further information relating to the Group's pension schemes.

20. Financial instruments

Exposure to currency and interest rate 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 and interest rates.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted (unadjusted) active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of Ultra's financial instruments have been assessed as Level 2 or Level 3 and comprise foreign exchange forward contracts and interest rate swaps as Level 2 and the Strategic Aerospace and Defence Initiative ("SADI") loan as Level 3. For further information refer to notes 22 and 23 of our 2020 Annual Report.

During the period, a mark to market loss on forward foreign exchange contracts of £2.2m (2020 H1 loss: £10.0m) was incurred.

Fair value measurements as at 2 July 2021 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.

20. Financial instruments (continued)

	At 2 July 2021 £m	At 30 June 2020 £m	At 31 December 2020 £m
Financial assets:			
Foreign exchange derivative financial instruments (through profit and loss, level 2)	**6.1**	0.4	7.9
Total	**6.1**	0.4	7.9
Financial liabilities:			
Foreign exchange derivative financial instruments (through profit and loss, level 2)	**0.7**	6.2	0.3
SADI loan (level 3)	**14.8**	8.7	12.2
Total	**15.5**	14.9	12.5

21. Going concern

The liquidity of the Group is strong, with significant cash balances plus our committed £300m Revolving Credit Facility ("RCF"), of which £270m is undrawn. The majority of the facility is committed to November 2024. The Group also holds long-term committed Private Placement debt of £50m and $70m, as well as other smaller uncommitted short-term overdraft facilities. Net debt to EBITDA (on a covenant basis when excluding pension liabilities and lease liabilities) is x0.19, well below the maximum permitted of x3.00.

The Directors have considered the guidance issued by the Financial Reporting Council and 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.

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 risks as discussed in detail in the Risks and Uncertainties section, including consideration of Covid-19.
- the reverse stress tests and sensitivity analysis applied to the forecasts;
- the nature and impact of mitigating actions that could be taken to conserve cash;
- the adequacy of Ultra's existing committed financing facilities, and availability of alternative sources of funding if necessary;
- the forecast financial covenant headroom over the assessment period;
- the impact to the Group of paying dividends;
- the Group's long-term record of delivering profits and generating cash;
- Ultra's positions in growth sectors of its markets; and
- the long-term nature of Ultra's markets, the Group's customer base and long-term contracts.

22. Contingent liabilities

As noted in note 33 of our 2020 Annual Report, investigations associated with conduct of business issues in Algeria and the Philippines are ongoing, and Ultra continues to cooperate with the relevant authorities. It is not yet possible to estimate the time scale in which these investigations might be resolved, or to reliably predict their outcomes.

23. 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.

24. Other metrics and definitions

EBITA is underlying operating profit.
EBITDA is the underlying operating profit for the preceding 12 months, before depreciation charges and before amortisation arising on non-acquired intangible assets. Net debt used in the net debt/EBITDA metric comprises borrowings including pension obligations and lease liabilities, less cash and cash equivalents. For covenant purposes, net debt does not include pension obligations and all impacts of IFRS 16 leases are removed from EBITDA and net debt, and EBITDA is adjusted to remove the EBITDA generated by businesses up to the date of their disposal.

Return on Invested Capital (ROIC) is calculated as underlying operating profit 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. This allows ROIC to be calculated on the operating assets of the business within the control of management. The calculation for ROIC is shown in note 4.

Average Working Capital Turn (AWCT) is the ratio of the 12 month average month-end working capital (defined as the total of inventory, receivables and payables excluding lease liabilities) to gross revenue, calculated at constant FX rates.

Free cash flow is net cash flow from operating activities, after interest received, purchase of property, plant and equipment, proceeds on disposal of property, plant and equipment, expenditure on product development and other intangibles, and principal payments on leases.

Interest cover is the ratio of underlying operating profit to finance charges associated with borrowings (excluding lease finance charges).

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.

Net finance charges exclude fair value movements on derivatives.

Order intake is the value of new contractually committed customer orders (and amendments to existing orders) booked in the year.

24. Other metrics and definitions (continued)

Order book is the value of partially satisfied and unsatisfied performance obligations from contractually committed customer orders.

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.

'Five-Eyes' nations include Australia, Canada, New Zealand, UK and USA

Organic performance measures: the SBU management teams, the Executive Team and the Board review and compare current and prior period divisional and group order book, revenue and underlying operating profit at constant exchange rates and adjusted for any acquisitions or disposals to reflect the comparable period of ownership from the organic performance measures. The constant exchange comparison retranslates the prior period results from the prior period's average exchange rates into the current period's average exchange rates.

APPENDIX
PART A
QUANTIFIED FINANCIAL BENEFITS STATEMENT

The statements labelled by way of a footnote as including a quantified financial benefits statement in this announcement include "quantified financial benefits statements" for the purposes of Rule 28 of the City Code on Takeovers and Mergers (the "**City Code**"), which have been reported on 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.

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)**

*Net of recurring costs and contractual benefit sharing

- 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.

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.

Reports

As required by Rule 28.1(a) of the City Code, KPMG LLP ("**KPMG**"), as reporting accountants to Ultra, and J.P. Morgan Cazenove, as financial adviser to Ultra, have provided the reports required under that Rule.

Copies of these reports are included in Parts B and C of this Appendix. Each of KPMG and J.P. Morgan Cazenove has given and has not withdrawn its consent to the publication of its report in the form and context in which it is included.

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.

PART B
ACCOUNTANT'S REPORT ON QUANTIFIED FINANCIAL BENEFITS STATEMENT

The Board of Directors (the "**Directors**")
35 Portman Square
London W1H 6LR

J.P. Morgan Securities plc ("**J.P. Morgan Cazenove**")
25 Bank Street
Canary Wharf
London E14 5JP

19 July 2021

Ladies and Gentlemen

Ultra Electronics Holdings plc ("Ultra")

We refer to the Quantified Financial Benefits Statement, the bases of belief thereof and the notes thereto (together, the "**Statement**") made by Ultra and set out in in Part A of the Appendix to the announcement entitled "*Interim Results for the six months ended 2 July 2021*" dated 19 July 2021 (the "**Announcement**").

This report is required by Rule 28.1(a) of the City Code on Takeovers and Mergers (the "**City Code**") and is given for the purpose of complying with that requirement and for no other purpose.

Opinion
In our opinion, the Statement has been properly compiled on the basis stated.
The Statement has been made in the context of the disclosures set out in in Part A of the Appendix to the Announcement, setting out, *inter alia*, the basis of the Directors' belief (including the principal assumptions and sources of information) supporting the Statement and their analysis and explanation of the underlying constituent elements.

Responsibilities
It is the responsibility of the Directors to prepare the Statement in accordance with the requirements of Rule 28 of the City Code.
It is our responsibility to form an opinion, as required by Rule 28.1(a) of the City Code as to whether the Statement has been properly compiled on the basis stated and to report that opinion to you.
Save for any responsibility which we may have to those persons to whom this report is expressly addressed, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Rule 23.2 of the City Code, consenting to its inclusion in the Announcement.

Basis of preparation of the Statement
The Statement has been prepared on the basis stated in Part A of the Appendix to the Announcement.

Basis of opinion
We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom (the "**FRC**"). We are independent, and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements of the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements.

We have discussed the Statement, together with the underlying plans, with the Directors and J.P. Morgan Cazenove. Our work did not involve any independent examination of any of the financial or other information underlying the Statement.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Statement has been properly compiled on the basis stated.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

We do not express any opinion as to the achievability of the benefits identified by the Directors in the Statement. The Statement is subject to uncertainty as described in Part A of the Appendix to the Announcement. Since the Statement relates to the future and may therefore be affected by unforeseen events, we express no opinion as to whether the actual benefits achieved will correspond to those anticipated in the Statement and the differences may be material.

Yours faithfully,

KPMG LLP

PART C

FINANCIAL ADVISER'S REPORT ON QUANTIFIED FINANCIAL BENEFITS STATEMENT

The Board of Directors (the "**Directors**")
35 Portman Square
London W1H 6LR

19 July 2021

Dear Directors

Published Report on Quantified Financial Benefits Statement by Ultra Electronics Holdings plc ("Ultra")

We refer to the quantified financial benefits statement, the bases of belief thereof and the notes thereto (together, the "Statement") made by Ultra and set out in in Part A of the Appendix to the announcement entitled "*Interim Results for the six months ended 2 July 2021*" dated 19 July 2021 (the "**Announcement**"), for which the Directors are solely responsible under Rule 28.3 of the City Code on Takeovers and Mergers (the "**City Code**").

We have discussed the Statement (including the assumptions, bases of calculation and sources of information referred to therein) with the Directors and those officers and employees of Ultra who have developed the financial forecasts underlying the transformation programme as well as with KPMG LLP ("**KPMG**"). The Statement is subject to uncertainty as described in the Announcement and our work did not involve an independent examination, or verification, of any of the financial or other information underlying the Statement.

We have relied upon the accuracy and completeness of all the financial and other information provided to us by or on behalf of Ultra, or otherwise discussed with or reviewed by us, in connection with the Statement, and we have assumed such accuracy and completeness for the purposes of providing this letter.

We do not express any view as to the achievability of the quantified financial benefits, whether on the basis identified by the Directors in the Statement, or otherwise.
We have also reviewed the work carried out by KPMG and have discussed with KPMG its opinion addressed to you and us on this matter and which is set out in Part B of Appendix 2 to the Announcement, and the accounting policies and bases of calculation for the Statement.

Opinion
On the basis of the foregoing, we consider that the Statement, for which the Directors are solely responsible, has been prepared with due care and consideration.

This letter is provided to you solely having regard to the requirements of, and in connection with, Rule 28.1(a)(ii) of the City Code and for no other purpose. We accept no responsibility to Ultra, its shareholders or to any person other than the Directors in respect of the contents of this letter. We are acting exclusively as financial advisers to Ultra and no one else and it was for the purpose of complying with Rule 28.1(a)(ii) of the City Code that Ultra requested us to prepare this letter relating to the Statement. No person other than the Directors can rely on the contents of, or the work undertaken in connection with, this letter, and to the fullest extent permitted by law, we expressly exclude and disclaim all liability (whether in contract, tort or otherwise) to any other person, in respect of this letter, its contents or the work undertaken in connection with this letter or any of the results or conclusions that may be derived from this letter or any written or oral information provided in connection with this letter, and any such liability is expressly disclaimed except to the extent that such liability cannot be excluded by law.

Yours faithfully,

J.P. Morgan Securities plc