

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF
ARTICLE 7 OF EU REGULATION 596/2014

10 November 2017

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

Trading Statement

Ultra, the international defence, security, transport and energy group, issues a Trading Statement ahead of its year end on 31 December 2017.

Current trading and outlook

The majority of the Group's markets have been satisfactory, however the UK market has been difficult and has become increasingly so in the second half. There are mounting pressures in the funding of UK defence programmes and this has resulted in the UK MoD pausing, cancelling or delaying numerous programmes. Within the last few weeks a number of our UK orders budgeted for 2017 have been affected. Consequently, the Group now expects full year total revenue to be around £770m and organic revenue to show a decline of about 4%.

In addition to the margin impact of the reduced revenue, the win by Herley of additional modules on the SEWIP programme has necessitated an increased investment requirement this year. Based on an average 2017 US\$/UK exchange rate of 1.285, underlying operating profit for the full year is expected to be approximately £120m. The Ultra legal costs are expected to be £8m for the full year and will be treated as non-underlying in nature.

Cash conversion is expected to be around 80%, with medium term cash conversion of between 80% and 85%.

The Board would currently be minded to recommend a final dividend of 35.0p per share and will finalise the dividend when it announces the full year results on 5 March 2018.

Order Book

The Group has made good progress in the period in order intake, primarily reflecting an improving position in the US, the Group's largest market. At the end of October, the order book for delivery in 2018 at constant currencies was over 20% higher than at the same date last year. This positions the Group well for entering 2018.

Key orders won in the second half that will help underpin 2018 revenues include:

- Electric Propulsion system £37m
- US Navy cyber security \$16m
- Airport Systems baggage management system £9m
- HiPPAG stores contract \$16m
- ERAPSCO IDIQ one year option, potential of \$220m for 50/50 JV with Sparton

IFRS 15 Revenue recognition

A detailed project has been undertaken to determine the impact of IFRS 15 had it been applied in 2016. The project has determined that 2016 consolidated group revenue would have been £1.6m higher at £787.4m and 2016 underlying operating profit would have been £0.2m lower at £130.9m if IFRS 15 had been applied.

The Group will continue to analyse and assess the potential impact until the transition date and provide any further update as necessary.

Credit Facility

In early November the Group successfully refinanced its current revolving credit facilities into a new £300m facility, with improved terms, provided by a syndicate of six international banks. The facility has a committed maturity of five years to November 2022, and may be extended to a maximum of seven years.

Preliminary Results date

Ultra's results announcement for the year ending 31 December 2017 is scheduled for 5 March 2018.

The Group has also released an announcement today about a Directorate change.

- Ends -

Enquiries:

Ultra Electronics Holdings PLC

www.ultra-electronics.com

Douglas Caster, Executive Chairman
[4300](tel:+442088134300)

[+44 20 8813](tel:+442088134300)

Amitabh Sharma, Group Finance Director
Susan McErlain, Corporate Affairs Director

[+44 7836 522 722](tel:+447836522722)

MHP Communications

James White

[+44 20 3128 8756](tel:+442031288756)

The person responsible for arranging the release of this announcement on behalf of the company is Amitabh Sharma, Group Finance Director.

Note on IFRS 15 revenue recognition

The project has assessed revenue and contract terms from all the Group's business units and contracting types. There is no impact to the timing of the Group's cash flows nor the timing of revenue recognition on the majority of the Group's contracts. Our Interim Results announcement on 7 August 2017 set out, in note 2 to the financial statements, the areas expected to see the most significant changes relative to current accounting treatments and these remain as follows:

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

The revenue for the substantial majority of contracts that are currently recognised using contract accounting will continue to be accounted for over the life of the contract, however the method by which performance obligations are determined will change on certain contracts including identification of material rights. A small number of contracts no longer qualify to be contract accounted and revenue will instead be recorded at the point at which control of the goods transfers to the customer. The timing of revenue recognised on the substantial majority of sale-of-goods contracts is not significantly affected with revenue continuing to be recognised as control of goods is passed to the customer.

Cautionary Statement:

The trading statement contains certain forward-looking statements. These statements are made by the directors of Ultra in good faith, based on the information available to them up to the time of the publication of the trading statement but such forward-looking statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking statements.

Ultra undertakes no obligation to revise or update any forward looking statement contained within this announcement, regardless of whether those statements are affected as a result of new information, future events or otherwise, save as required by law and regulations.

Further information about Ultra:

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

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

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

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

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

