press release

Embargoed until 0700 6 August 2018

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

Interim Results for the six months to 30 June 2018

FINANCIAL HIGHLIGHTS

	Six months to 30 June 2018	Six months to 30 June 2017
Order book	**£969.2m**	£807.8m
Revenue	**£350.5m**	£366.4m
Underlying operating profit(1)	**£47.9m**	£57.6m
Statutory operating profit	**£30.4m**	£25.4m
Underlying profit before tax(2)	**£43.6m**	£52.3m
Statutory profit before tax	**£20.0m**	£30.9m
Underlying basic earnings per share(2)	**45.1p**	58.3p
Basic earnings per share	**20.0p**	37.6p
Interim dividend per share	**14.6p**	14.6p
Net debt to EBITDA	**1.39x**	1.78x

see notes on page 2

KEY POINTS

- Group benefitting from increased US defence spending
- Organic(3) growth in H1
  - Revenue growth of 1.3% (H1 2017: organic decline of 6.7%)
  - Profit growth of 1.4% (H1 2017: organic decline of 5.4%) excluding £6.1m impact of development contracts
- FX headwind impact in H1: revenue by 5.5% and underlying operating profit by 5.8%
- H1 operating margin of 13.7%; 15.4% excluding impact of development contracts (H1 2017: 15.7%)
- Strong order book of £969.2m, organic(3) growth of 19%
- As at 30 June 2018, £49.7m spent as part of previously announced share buyback

Douglas Caster, Chairman, commented: "The majority of Ultra's operations have had better than expected order intake during the period reflecting an improvement in our major market. As previously disclosed, cost overruns on specific development contracts impacted the reported results, however the Group as a whole performed broadly in line with management expectations."

Simon Pryce, Chief Executive Officer, commented: "Although I have only been here a short time, it is clear that the Group has a strong and relevant technology base and a range of specialist capabilities supporting a broad number of long term platforms and programmes.

"We enter the second half with a strong order book and remain focused on execution and delivery while continuing to win new business. The Group is well positioned in areas of priority spend with significant exposure to the strengthening US defence budget. We will also be looking at the potential for greater connectivity, operational improvement and further targeted investment in core technology, processes and people. Management's expectations for 2018 are unchanged from our recent pre-close trading statement."

(1) before the S3 programme, amortisation of intangibles arising on acquisitions, impairment charges, acquisition and disposal related costs net of contingent consideration adjustments, and significant legal charges and expenses. IFRS operating profit was £30.4m (2017: £25.4m). See Note 4 for reconciliation.

(2) before the S3 programme, amortisation of intangibles arising on acquisitions, impairment charges, fair value movements on derivatives, unwinding of discount on provisions, defined benefit pension finance charges, acquisition and disposal related costs net of contingent consideration adjustments, significant legal charges and expense, and, in the case of underlying earnings per share, before related taxation. Basic EPS 20.0p (2017: 37.6p). See Note 10 for reconciliation

(3) organic growth is the annual rate of increase or decrease in revenue, profit and order book that was achieved at constant currencies and when compared to the prior period results prepared on an IFRS 15 basis. Adjustment is also made for any acquisitions or disposals to reflect the comparable period of ownership.

INTERIM MANAGEMENT REPORT
FINANCIAL RESULTS

	Six months to 30 June 2018 £m	Six months to 30 June 2017 (as stated) £m	Six months to 30 June 2017 (IFRS 15) £m	Growth vs H1 2017 as stated	Growth vs H1 2017 IFRS 15
Order book					
- Aerospace & Infrastructure	319.1	255.8	269.6	+24.7%	+18.4%
- Communications & Security	282.6	234.5	234.7	+20.5%	+20.4%
- Maritime & Land	367.5	317.5	316.8	+15.7%	+16.0%
Total Order Book	**969.2**	**807.8**	**821.1**	**+20.0%**	**+18.0%**
Revenue					
- Aerospace & Infrastructure	91.9	96.0	94.0	-4.3%	-2.2%
- Communications & Security	110.2	109.8	110.5	+0.4%	-0.3%
- Maritime & Land	148.4	160.6	161.3	-7.6%	-8.0%
Total Revenue	**350.5**	**366.4**	**365.8**	**-4.3%**	**-4.2%**
Organic underlying revenue movement*					***+1.3%***
Underlying operating profit*					
- Aerospace & Infrastructure	14.8	16.1	14.4	-8.1%	+2.8%
- Communications & Security	7.9	13.0	13.3	-39.2%	-40.6%
- Maritime & Land	25.2	28.5	28.8	-11.6%	-12.5%
Total underlying operating profit*	**47.9**	**57.6**	**56.5**	**-16.8%**	**-15.2%**
Organic underlying operating profit movement*					***-9.4%***
Statutory operating profit	**30.4**	**25.4**	**24.3**	**+19.7%**	**+25.1%**
Underlying operating margin*					
- Aerospace & Infrastructure	16.1%	16.8%	15.3%		
- Communications & Security	7.2%	11.8%	12.0%		
- Maritime & Land	17.0%	17.7%	17.9%		
Total underlying operating margin*	**13.7%**	**15.7%**	**15.4%**		
Finance charges*	(4.3)	(5.3)	(5.3)		
Underlying profit before tax*	**43.6**	**52.3**	**51.2**		
Statutory profit before tax	**20.0**	**30.9**	**29.8**		
Underlying operating cash flow*	6.5	30.5	30.5	-78.7%	-78.7%
Underlying operating cash conversion*	14%	53%	54%		
IFRS cash generated by operations	13.1	22.0	22.0		
Net debt to EBITDA*	1.39x	1.78x	1.79x		
Net debt* at period-end	170.1	260.4	260.4		
Bank interest cover*	11.4x	10.9x	10.7x		
Underlying basic earnings per share	45.1p	58.3p	57.0p	-22.6%	-20.9%

**** see notes below***

underlying operating profit *before the S3 programme, amortisation of intangibles arising on acquisition, impairment charges, acquisition and disposal related costs net of contingent consideration adjustments, and significant legal charges and expenses. IFRS operating profit was £30.4m (2017: £25.4m). See Note 4 for reconciliation.*
organic growth *(of revenue or profit) is the annual rate of increase or decrease in revenue or profit that was achieved at constant currencies and when compared to the prior period results prepared on an IFRS 15 basis. Adjustment is also made for any acquisitions or disposals to reflect the comparable period of ownership.*
underlying operating margin *is the underlying operating profit as a percentage of revenue.*
finance charges *exclude fair value movements on derivatives, defined benefit pension finance charges and discount on provisions.*
underlying profit before tax *before the S3 programme, amortisation of intangibles arising on acquisition, impairment charges, fair value movements on derivatives, unwinding of discount on provisions, defined benefit pension finance charges, acquisition and disposal related costs net of contingent consideration adjustments, and significant legal charges and expenses. Basic EPS 20.0p (2017: 37.6p). See Note 10 for reconciliation.*
underlying tax *is the tax charge on underlying profit before tax. The underlying tax rate is underlying tax expressed as a percentage of underlying profit before tax.*
underlying operating cash flow *is cash generated by operations and dividends from associates, less net capital expenditure, R&D, LTIP share purchases and excluding cash outflows from the S3 programme, acquisition and disposal related payments and significant legal charges and expenses.*
EBITDA *is the underlying operating profit for the rolling 12 months ended 30 June before depreciation charges and before amortisation arising on internally generated intangible assets and on other, non-acquired, intangible assets.*
net debt *comprises borrowings, less cash and cash equivalents.*
bank interest cover *is the ratio of underlying operating profit to finance charges associated with borrowings.*
underlying order intake *includes orders from acquisitions since acquisition date.*
underlying order book growth *excludes the impact of foreign exchange and the order book arising on acquisition.*

In the narrative on the following pages we have provided two figures for the 2017 half year comparisons, the first figure being the result as stated last year and the second being the result under IFRS 15. Percentage movement figures stated in the narrative are relative to the prior period on an IFRS 15 basis.

The order book increased organically by 19.0% to £969.2m compared to the prior period (2017: £807.8m, IFRS 15: £821.1m) and showed strong growth from the 31 December 2017 position of £914.4m. Order intake in the period was £391.6m (2017: £390.3m), resulting in a book to bill ratio for the period of 1.12 (2017: 1.07, IFRS 15: 1.07). The opening order cover for the second half is higher than in recent years.

Revenues of £350.5m represented a decrease of 4.2% compared to the prior period (2017: £366.4m, IFRS 15: £365.8m). Revenue increased organically by 1.3%. The average US dollar rate in the period was $1.38 compared to $1.26 in H1 2017 and the strengthening of sterling resulted in a negative foreign exchange translation impact of 5.5%.

Underlying operating profit* was £47.9m (2017: £57.6m, IFRS 15: £56.5m), a decrease of 15.2% on the prior period. Foreign exchange accounted for 5.8% (£3.3m) of this decrease and underlying operating profit for 9.4%. The resulting underlying operating margin* was 13.7% (2017: 15.7%, IFRS 15: 15.4%). During the period our Herley business incurred cost overruns of £6.1m on specific development contracts, which are partially customer driven. Excluding these overruns there would have been an organic operating profit increase of 1.4% and the underlying operating margin* would have been 15.4%. Underlying profit before tax* was £43.6m (2017: £52.3m, IFRS 15: £51.2m), after net financing charges* of £4.3m (2017: £5.3m).

The Group's underlying tax* rate in the period was unchanged at 21.5%. Underlying earnings per share decreased to 45.1p (2017: 58.3p, IFRS 15: 57.0p). This reflected the reduction in profit after tax and the dilutive impact of the share placing in July 2017. The weighted average number of shares in issue in the period, including the impact of the Group's share buyback activity to date, was 76.0m (2017: 70.5m). During the period, the Group spent £49.7m, to re-purchase 3.5m ordinary shares at an average of £13.98 per share. At 30 June 2018 the number of shares in issue was 74,220,238.

Reported (IFRS) profit before tax was £20.0m (2017: £30.9m) and reflected the combined effects of the elements detailed below:

All £m	**2018 H1**	2017 H1
Underlying profit before tax	**43.6**	52.3
Amortisation of intangibles arising on acquisition	(14.0)	(14.7)
S3 programme	(0.4)	(3.0)
Net finance charge on defined benefit pensions	(1.0)	(1.4)
Acquisition and disposal related adjustments	(2.1)	(10.4)
(Loss)/profit on movements on derivatives	(5.2)	12.1
Significant legal charges and expenses	(0.9)	(2.4)
Impairment charges	-	(1.6)
Reported IFRS profit before tax	**20.0**	30.9

The Group's Standardisation and Shared Services (S3) savings of £8.6m (2017: £5.6m) were realised in the period whilst costs on the programme were £0.4m (2017: £3.0m). These costs have reduced as our shared service capabilities in Rochester, New York and Wimborne, Dorset have become operational. The S3 initiative continues to yield tangible benefits in terms of cost savings and some of the operational efficiencies originally planned. The exceptional costs associated with

*see notes on page 2.

the S3 programme will cease at the end of 2018. There remain opportunities for further operational improvements in the future.

Acquisition and disposal related costs include £1.6m relating to final fees connected to the proposed Sparton Corp acquisition that was terminated in March 2018. Movements on derivatives in the period includes the previously highlighted £11.1m of costs incurred closing out the foreign exchange forward put in place with respect to the Sparton transaction.

Significant legal charges and expenses include £0.9m of anti-bribery and corruption investigation costs. £2.4m was incurred in the prior period on legal charges relating to the Ithra contract.

The proposed interim dividend is 14.6p, flat on prior year, with the interim dividend being covered 3.1 times (2017: 4.0 times) by underlying earnings per share. The dividend will be paid on 22 September 2018 to shareholders on the register at 31 August 2018.

Operating cash conversion* in the period was 14% (2017: 53%, IFRS 15: 54%) with operating cash flow* of £6.5m (2017: £30.5m). The £24m reduction in cash performance compared to the same period last year was principally due to three factors: supply chain constraints required quicker creditor payments; an increase in inventories reflected the increase in revenues and order book; and a higher level of capital expenditure. The Group's cash flow is typically second half weighted; our expectations remain for a full year 2018 cash conversion of 70% - 75%. In order to normalise working capital flows and improve business and financial performance, the Group intends to review its working capital levels for future years. At the end of the period Ultra had net debt* of £170.1m (30 June 2017: £260.4m).

The Group's balance sheet remains strong, with net debt/EBITDA* ratio of 1.39x (2017: 1.78x, IFRS 15: 1.79x) and net interest payable on borrowings covered around 11 times by underlying operating profit* (2017: 11 times).

The Group has recognised the cumulative effect of applying IFRS 15 at the 1 January 2018 transitional date and the prior period has not been restated. However, to aid comparison, figures have been provided on the prior pages as if 2017 had been prepared on an IFRS 15 basis. The net impact to the 1 January 2018 opening balance sheet of adopting IFRS 15 was a £11.4m reduction in net assets. £10.5m of this is a reduction to 'amounts receivable from contract customers' mainly due to changes in the timing of the revenue recognition on some of our development contracts.

Ultra continues its programme of investment to position for medium to long-term growth, with total R&D spending of £72.8m (2017: £76.6m). The funding required is dependent on the type of engineering contracts awarded; some require Ultra to fund the development phase while others attract customer funding. Company funded investment in the period was 3.6% of revenue at £12.6m (2017: £16.6m, 4.5%) while customer funding, including the £6.1m of Herley development contract cost overruns, was 17.2% of revenue at £60.2m (2017: £60.0m, 16.4%).

MARKET OVERVIEW

Defence

The overall market background for Ultra is more positive, reflecting in particular the improving US defence market.

Naval spending is increasing globally. The US, UK, Australia and Canada have all adopted national shipbuilding strategies to stimulate long-term new ship construction to meet evolving threats. Ultra remains strongly positioned to supply ship systems across all of these main programmes including the Australian SEA5000, the Canadian Surface Combatant and UK Type 26.

*see notes on page 2.

Demand for military aircraft is also increasing. Ultra supplies critical ice protection and stores ejection systems across a range of aircraft. This includes the F-35 Joint Strike Fighter which is now moving toward full production rates.

In addition many countries are coming under pressure to establish an indigenous defence capability, making technology transfer an increasingly important factor to win work in export markets. Ultra has been working closely with key partners to position in many of these new areas, seeing initial successes last year with a large defence systems win in India.

Aerospace

The commercial aerospace sector continues to grow, with major manufacturers forecasting the world's passenger fleet will more than double from around 24,000 aircraft to 48,000 over the next 20 years. When replacement aircraft are included, this will drive a need for a further 37,390 new passenger and freighter aircraft over the period.

Ultra has continued to invest in new technology with major industry partners and is now benefiting from rising production volumes across a broad range of platforms. These include new Ice Protection Systems for composite materials which have been adopted on the Boeing 787 Dreamliner and the supply of landing gear controls across much of the Airbus fleet.

Security & Cyber

The drive for nations to modernise their security systems in the face of terrorism, organised crime, drug trafficking and illegal immigration supports opportunities for Ultra's capabilities due to their increased multi-platform and multi-user interoperability and mobility within both military and security sectors. Ultra's forensic, cyber and security solutions ultimately provide the timely situational awareness that is critical to combating emergent threats and answer the growing need to protect people, borders, Governments and Critical National Infrastructure (CNI).

This market is moving quickly and looking to both Government and commercial technologies to provide solutions. Ultra's breadth of experience in bullet and document forensics security and encryption puts it in a strong position.

Transport & Energy

Increasing global demand for energy is resulting in investment in power generation, power distribution, secure power management and the renewables market. Within this, Ultra maintains a strong position within the nuclear energy sector, particularly in the development of new reactor instrumentation and control. The focus in Western markets has largely shifted to safety system upgrades, life extensions, emergency management and plant sustainment programmes, upon which Ultra has well established positions. Additionally, in excess of 50 new reactors are also under construction. With the nuclear market being highly-regulated and the qualification costs of sensors and products being extremely high, the sector retains many barriers to competitor entry.

The airport and rail systems markets remain largely unchanged for Ultra.

OPERATIONAL REVIEW

Aerospace & Infrastructure

- Revenue decreased by 2.2% to £91.9m compared to the same period last year (2017: £96.0m, IFRS 15: £94.0m)
- Underlying operating profit increased by 2.8% to £14.8m (2017: £16.1m, IFRS 15: £14.4m)
- Order book was up by 18.4% to £319.1m (2017: £255.8m, IFRS 15: £269.6m)

Aerospace & Infrastructure revenues grew at constant currencies compared to the same period last year and benefitted from increased activity on the Joint Strike Fighter programme, which was partially offset by reduced contract manufacturing revenues. As expected, research and development expenditure reduced in this division resulting in the divisional margin of 16.1% (H1 2017: 16.8%, IFRS 15: 15.3%).

The division's order book increased £24.5m since December 2017 (IFRS 15: £294.6m) owing in part to the orders noted below, which will underpin the division's future performance:

- Further Low Rate Initial Production orders of over £30m covering Engine Ice Protection control and HiPPAG stores ejection systems and services for the Lockheed Martin F-35 Joint Strike Fighter programme as it moves closer to full rate production.
- Production orders of £10.6m for Wing Ice Protection Controller Units and specialised Translating Wiring Harnesses for Boeing's 787 Dreamliner airframe.
- The next phase of contracts to support the design and development of NuScale Power's Small Modular Reactor. NuScale has partnered with Ultra to design and develop the full suite of safety instrumentation, systems and sensors on this platform.

Communications & Security

- Revenue remained flat at £110.2m compared to the first half of 2017 (2017: £109.8m, IFRS 15: £110.5m)
- Underlying operating profit decreased by 40.6% to £7.9m (2017: £13.0m, IFRS 15: £13.3m)
- Order book was up by 20.4% to £282.6m (2017: £234.5m, IFRS 15: £234.7m)

This division's revenue grew at constant currencies, benefitting from military radio revenues, airborne communication electronics, airborne electronic warfare & strategic missile programmes. This was offset by lower sales of forensics products, which had a strong first half in 2017 and slower sales of crypto products.

Cost overruns incurred on specific development contracts at Herley resulted in a reduced divisional margin of 7.2% (H1 2017: 11.8%, IFRS 15: 12.0%). Excluding the impact of the £6.1m overruns, the divisional margin would have been 12.7%.

The division's order book increased £24.5m since December 2017 (IFRS 15: £258.1m) owing in part to the orders noted below, which will underpin the division's future performance:

- A CAD$11.9m contract to provide Ultra's ORION radios in support of a large multi-phase programme in the Middle East. The multi-mission software defined radio system will be deployed to support a mobile tetra base-station backbone.
- An £8.9m contract to supply Strategic Deployable Terminals (SDTs) to General Dynamics Mission Systems in support of the Canadian Armed Forces (CAF) military satellite communications.

Maritime & Land

- Revenue decreased by 8.0% to £148.4m compared to the first half of 2017 (2017: £160.6m, IFRS 15: £161.3m)
- Underlying operating profit decreased by 12.5% to £25.2m (2017: £28.5m, IFRS 15: £28.8m)
- Order book was up by 16.0% to £367.5m (2017: £317.5m, IFRS 15: £316.8m)

Revenues declined at constant currencies, with foreign exchange also reducing the division's reported results. Demand for legacy sonobuoys remains healthy and our ERAPSCO JV continues to have a strong working relationship with the US Navy. However, there have been delays to some maritime programmes offsetting this including a sonobuoy receiver programme, which has been delayed to the second half of the year due to redesign and additional development requirements and a Torpedo Warning System programme, due to funding delays.

Margins decreased to 17.0% (H1 2017: 17.7%, IFRS 15: 17.9%) due to additional costs of redesign and development on certain programmes. The order book increased by 16.0% over the last 12 months, driven by a significant Indian Navy contract win and a maritime propulsion system order.

The division's order book increased £5.8m since December 2017 (IFRS 15: £361.7m) owing in part to the orders noted below, which will underpin the division's future performance:

- FY18 orders of $64.1m to supply a combination of active and passive sonobuoys to US Navy Anti-Submarine Warfare programmes.
- £8m order from the UK MoD to provide equipment and in-service support to the UK Royal Navy submarine fleet and a further £3.6m for the purchase of materials in advance of Ultra's build of new systems on the SSBN programmes.
- $5.6m order to provide hull mounted submarine transducers to the US Navy.

RISKS AND UNCERTAINTIES

A number of potential risks and uncertainties exist which could have a material impact on the Group's performance in 2018 and beyond and which could cause actual results to differ materially from expected and historical levels. The Directors consider that the principal risks and uncertainties identified in the Group's Annual Report for 2017 remain valid. An explanation of those risks, and the business strategies that Ultra uses to manage and mitigate them, can be found in the annual report which is available for download at www.ultra-electronics.com/investors/annual-reports.aspx.

In the defence sector, which contributes around 68% of Ultra's revenue, US defence budgets have now been agreed but time is still required for this to flow down into contract action. In addition, UK defence budgets remain under pressure. Nevertheless, the overall size of defence budgets worldwide, relative to the Group's revenue, provides sufficient headroom to support Ultra's growth potential.

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

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

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

- Growth (including contract delivery)
- Delivering change
- People and culture
- Information management and security
- Supply chain
- Governance and internal controls
- Pensions
- Legislation/regulation
- Health, safety and environment

An internal investigation into allegations of bribery and corruption by Ultra, its subsidiaries, employees and associated persons is ongoing. It is not yet possible to estimate the timescale in which this ongoing investigation might be resolved, or to reliably predict its outcome.

CONFIRMATION OF GOING CONCERN

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

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

- the Group's long-term record of delivering profits
- the adequacy of Ultra's financing facilities
- Ultra's positions in growth sectors of its markets
- the long-term nature of Ultra's markets and contracts
- the risks as discussed above

OUTLOOK

We enter the second half with a strong order book and remain focussed on execution and delivery while continuing to win new business. The Group is well positioned in areas of priority spend with significant exposure to the strengthening US defence budget. Management's expectations for 2018 are unchanged from our recent pre-close trading statement.

– End –

Enquiries:

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Webcast:

Ultra Electronics will host a presentation to analysts on 6 August 2018 at 9.00am (GMT) at the London Stock Exchange, 10 Paternoster Square, London EC4M 7LS. For those unable to attend in person, a video webcast will be broadcast live via the following link http://bit.ly/ULE_H1 where pre-registration will be available from 7am on Monday 6 August.

Alternatively, a listen-only conference call will also be available (Participant dial in +44(0)33 00 100 248; confirmation code 897442) and an archive version of the presentation will be accessible on Ultra's website later today.

NATURE OF ANNOUNCEMENT

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 be fulfilled. It should not be relied upon by any other party or for any other purpose.

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

This 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 complete entity.

Further information about Ultra:

Ultra Electronics is a group of businesses which manage a portfolio of specialist capabilities, generating highly differentiated solutions and products in the defence & aerospace, security & cyber, transport and energy markets by applying electronic and software technologies in demanding and critical environments to meet customer needs.

Ultra has world-leading positions in many of its specialist capabilities and, as an independent, non-threatening partner, is able to support multiple prime contractors in each of its sectors.

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 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 flat structure and small head office and executive team that provide to the individual businesses the same agile, responsive support that the businesses provide to their customers. In addition this team formulates Ultra's overarching, corporate strategy.

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

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

Ultra Electronics Holdings plc
Condensed Group highlights
for the half-year ended 30 June 2018

	Six months to 30 June 2018 £'000	Six months to 30 June 2017 £'000	Year to 31 December 2017 £'000
Revenue	**350,510**	366,392	775,400
Operating profit	**30,370**	25,427	61,484
Underlying operating profit	**47,852**	57,633	120,136
Profit before tax	**20,008**	30,940	60,592
Underlying profit before tax	**43,645**	52,355	110,002
Underlying earnings per share (pence)	**45.1**	58.3	116.7
Basic earnings per share (pence)	**20.0**	37.6	66.2
Dividend per share (pence)	**14.6**	14.6	49.6

Ultra Electronics Holdings plc
Condensed Consolidated Income Statement
for the half-year ended 30 June 2018

	Note	**Six months to 30 June 2018 £'000**	Six months to 30 June 2017 £'000	Year to 31 December 2017 £'000
Revenue	3	**350,510**	366,392	775,400
Cost of sales		**(254,804)**	(261,070)	(545,178)
Gross profit		**95,706**	105,322	230,222
Other operating income		**1,598**	834	249
Distribution costs		**(459)**	(471)	(1,066)
Administrative expenses		**(64,054)**	(65,908)	(134,857)
Other operating expenses		**(1,092)**	(7,246)	(15,648)
Impairment charges		**-**	(1,645)	(1,608)
S3 programme		**(395)**	(3,021)	(7,850)
Significant legal charges and expenses	5	**(934)**	(2,438)	(7,958)
Operating Profit	3	**30,370**	25,427	61,484
Investment revenue	6	**6,213**	12,288	12,439
Finance costs	7	**(16,575)**	(6,775)	(13,331)
Profit before tax		**20,008**	30,940	60,592
Tax	8	**(4,849)**	(4,440)	(11,666)
Profit for the period		**15,159**	26,500	48,926
Attributable to:				
Owners of the Company		**15,179**	26,517	48,956
Non-controlling interests		**(20)**	(17)	(30)
Earnings per ordinary share (pence)				
Basic	10	**20.0**	37.6	66.2
Diluted	10	**20.0**	37.5	66.1

All results are derived from continuing operations.

Ultra Electronics Holdings plc
Condensed Consolidated Statement of Comprehensive Income
for the half-year ended 30 June 2018

	Six months to 30 June 2018 £'000	Six months to 30 June 2017 £'000	Year to 31 December 2017 £'000
Profit for the period	**15,159**	26,500	48,926
Items that will not be reclassified to profit or loss:			
Actuarial loss on defined benefit pension schemes	**-**	-	24,135
Tax relating to items that will not be reclassified	**-**	-	(4,113)
Total items that will not be reclassified to profit or loss	**-**	-	20,022
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	**8,625**	(14,491)	(44,089)
Transfer from profit and loss on cash flow hedge	**(170)**	57	27
Profit/(loss) on cash flow hedge	**253**	(79)	407
(Loss)/profit on loans used in net investment hedges	**(4,930)**	12,385	20,567
Tax relating to items that may be reclassified	**-**	-	(74)
Total items that may be reclassified to profit or loss	**3,778**	(2,128)	(23,162)
Other comprehensive income/(expense) for the period	**3,778**	(2,128)	(3,140)
Total comprehensive income for the period	**18,937**	24,372	45,786
Attributable to:			
Owners of the Company	**18,957**	24,389	45,816
Non-controlling interests	**(20)**	(17)	(30)

Ultra Electronics Holdings plc
Condensed Consolidated Balance Sheet
as at 30 June 2018

	Note	**At 30 June 2018 £'000**	At 30 June 2017 £'000	At 31 December 2017 £'000
Non-current assets				
Goodwill		**398,929**	403,173	394,529
Other intangible assets		**125,432**	159,517	136,889
Property, plant and equipment	11	**61,232**	62,337	59,150
Deferred tax assets		**18,863**	19,603	15,659
Derivative financial instruments	18	**963**	375	2,025
Trade and other receivables	12	**24,222**	12,945	32,225
		629,641	657,950	640,477
Current assets				
Inventories		**91,917**	82,686	76,627
Trade and other receivables	12	**203,336**	222,991	205,627
Tax assets		**10,209**	6,731	11,127
Cash and cash equivalents		**124,351**	80,392	149,522
Derivative financial instruments	18	**581**	194	437
		430,394	392,994	443,340
Total assets	3	**1,060,035**	1,050,944	1,083,817
Current liabilities				
Trade and other payables	13	**(190,910)**	(189,275)	(215,080)
Tax liabilities		**-**	-	(2,255)
Derivative financial instruments	18	**(4,359)**	(6,258)	(11,203)
Borrowings		**(53,054)**	-	(51,752)
Short-term provisions	14	**(9,576)**	(9,419)	(8,665)
		(257,899)	(204,952)	(288,955)
Non-current liabilities				
Retirement benefit obligations		**(78,434)**	(109,852)	(82,732)
Other payables	13	**(16,214)**	(9,768)	(8,114)
Deferred tax liabilities		**(14,147)**	(6,284)	(11,337)
Derivative financial instruments	18	**(2,581)**	(5,691)	(2,688)
Borrowings		**(241,372)**	(340,753)	(172,227)
Long-term provisions	14	**(5,254)**	(5,828)	(5,553)
		(358,002)	(478,176)	(282,651)
Total liabilities	3	**(615,901)**	(683,128)	(571,606)
Net assets		**444,134**	367,816	512,211
Equity				
Share capital	15	**3,711**	3,533	3,887
Share premium account		**201,026**	67,416	200,911
Capital redemption reserve		**177**	-	-
Own shares		**(2,581)**	(2,581)	(2,581)
Hedging reserve		**(52,906)**	(56,623)	(48,059)
Translation reserve		**104,028**	125,001	95,403
Retained earnings		**190,660**	231,018	262,611
Equity attributable to owners of the company		**444,115**	367,764	512,172
Non-controlling interest		**19**	52	39
Total equity		**444,134**	367,816	512,211

Ultra Electronics Holdings plc
Condensed Consolidated Cash Flow Statement
for the half-year ended 30 June 2018

	Note	**Six months to 30 June 2018 £'000**	Six months to 30 June 2017 £'000	Year to 31 December 2017 £'000
Net cash inflow from operating activities	16	**4,880**	9,541	77,565
Investing activities				
Interest received		**264**	114	455
Dividends received from former equity accounted investments		**-**	3,111	-
Purchase of property, plant and equipment		**(5,852)**	(3,582)	(7,098)
Proceeds from disposal of property, plant and equipment		**19**	20	102
Expenditure on product development and other intangibles		**(3,267)**	(1,782)	(5,680)
Net cash used in investing activities		**(8,836)**	(2,119)	(12,221)
Financing activities				
Issue of share capital		**116**	3,406	137,255
Share buy back (including transaction costs)		**(49,739)**	-	-
Dividends paid		**(26,269)**	(23,647)	(34,959)
Loan syndication costs		**-**	-	(2,040)
Repayments of borrowings		**(25,000)**	(43,000)	(168,975)
Proceeds from borrowings		**89,996**	64,351	83,493
Cash out-flow on closing out foreign currency hedging contracts		**(11,104)**	-	-
Net cash (used in)/from financing activities		**(22,000)**	1,110	14,774
Net (decrease)/increase in cash and cash equivalents		**(25,956)**	8,532	80,118
Cash and cash equivalents at beginning of period		**149,522**	74,625	74,625
Effect of foreign exchange rate changes		**785**	(2,765)	(5,221)
Cash and cash equivalents at end of period		**124,351**	80,392	149,522

Ultra Electronics Holdings plc
Condensed Consolidated Statement of Changes in Equity
for the half-year ended 30 June 2018

Equity attributable to equity holders of the parent

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Reserve for own shares £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total equity £'000
Balance at 31 December 2017 as originally presented	**3,887**	**200,911**	**-**	**(2,581)**	**(48,059)**	**95,403**	**262,611**	**39**	**512,211**
Adoption of IFRS 15	-	-	-	-	-	-	(11,393)	-	(11,393)
Restated total equity at 1 January 2018	**3,887**	**200,911**	**-**	**(2,581)**	**(48,059)**	**95,403**	**251,218**	**39**	**500,818**
Profit for the period	-	-	-	-	-	-	15,179	(20)	15,159
Other comprehensive income for the period	-	-	-	-	(4,847)	8,625	-	-	3,778
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(4,847)**	**8,625**	**15,179**	**(20)**	**18,937**
Equity-settled employee share schemes	1	115	-	-	-	-	271	-	387
Shares purchased in buy-back	(177)	-	177	-	-	-	(49,739)	-	(49,739)
Dividend to shareholders	-	-	-	-	-	-	(26,269)	-	(26,269)
Balance at 30 June 2018	**3,711**	**201,026**	**177**	**(2,581)**	**(52,906)**	**104,028**	**190,660**	**19**	**444,134**

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

Equity attributable to equity holders of the parent

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

Ultra Electronics Holdings plc
Condensed Consolidated Statement of Changes in Equity
for the year ended 31 December 2017

Equity attributable to equity holders of the parent

	Share capital £'000	Share premium account £'000	Reserve for own shares £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Non-Controlling Interest £'000	Total equity £'000
Balance at 1 January 2017	3,523	64,020	(2,581)	(68,986)	139,492	228,034	69	363,571
Profit for the period	-	-	-	-	-	48,956	(30)	48,926
Other comprehensive income for the period	-	-	-	20,927	(44,089)	20,022	-	(3,140)
Total comprehensive income for the period	-	-	-	20,927	(44,089)	68,978	(30)	45,786
Issue of share capital	352	133,195	-	-	-	-	-	133,547
Equity-settled employee share schemes	12	3,696	-	-	-	682	-	4,390
Dividend to shareholders	-	-	-	-	-	(34,959)	-	(34,959)
Tax on share-based payment transactions	-	-	-	-	-	(124)	-	(124)
Balance at 31 December 2017	3,887	200,911	(2,581)	(48,059)	95,403	262,611	39	512,211

1. General information

The information for the year ended 31 December 2017 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

These interim financial statements, which were approved by the Board of Directors on 6 August 2018, have not been audited or reviewed by the Auditor.

2. Accounting policies

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

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements. The following Standards and interpretations were adopted as at 1 January 2018:

- IFRS 15 – Revenue from contracts with customers
- IFRS 9 – Financial Instruments

A number of new standards and amendments to existing standards have been issued but are not yet effective.

- IFRS 16 Leases – The new standard requires all leases to be recognised on the balance sheet with the exception of short-term and immaterial leases. The Group has an on-going project to assess the impact of the new standard on its financial statements. IFRS 16 is effective from 1 January 2019.

IFRS 15

The Group has recognised the cumulative effect of applying IFRS 15 at the 1 January 2018 transitional date. The prior period has not been restated; the adjustment to opening retained earnings of £(11.4)m at 1 January 2018 is reflected in the Consolidated Statement of Changes in Equity.

The table below sets out the 1 January 2018 opening reserves impact arising from the adoption of IFRS 15:

	Year ended 31 December 2017 as stated £m	Actual Adjustment £m	Year ended 31 December 2017 if presented under IFRS 15 £m
Balance sheet impact:			
Inventories	76.6	1.2	77.8
Amounts recoverable from contract customers	116.7	(10.5)	106.2
Tax assets	26.8	0.0	26.8
Amounts due to contract customers	(58.7)	(2.8)	(61.5)
Tax liabilities	(13.6)	0.7	(12.9)
Net assets	**512.2**	**(11.4)**	**500.8**
Adjustment to retained earnings	**262.6**	**(11.4)**	**251.2**

2. Accounting policies (continued)

The table below sets out the impact to the 2017 full year income statement if IFRS 15 had been applied during 2017:

	Year ended 31 December 2017 as stated £m	Adjustment £m	Year ended 31 December 2017 if presented under IFRS 15 £m
Income statement impact:			
Revenue	775.4	(7.1)	768.3
Cost of sales	(545.2)	4.7	(540.5)
Gross profit	230.2	(2.4)	227.8
Underlying operating profit	120.1	(2.4)	117.7
Operating profit	61.5	(2.4)	59.1
Profit before tax	60.6	(2.4)	58.2
Tax	(11.7)	0.7	(11.0)
Profit after tax	**48.9**	**(1.7)**	**47.2**

The tables below set out the impact to the 2017 half year income statement and 30 June 2017 balance sheet if IFRS 15 had been applied during H1 2017:

	Six months ended 30 June 2017 as stated £m	Adjustment £m	Six months ended 30 June 2017 if presented under IFRS 15 £m
Balance sheet impact:			
Inventories	82.7	0.7	83.4
Amounts recoverable from contract customers	122.9	(12.0)	110.9
Tax assets	26.3	0.2	26.5
Amounts due to contract customers	(53.4)	0.0	(53.4)
Tax liabilities	(6.3)	0.0	(6.3)
Net assets	**367.8**	**(11.1)**	**356.7**
Adjustment to retained earnings	**231.0**	**(11.1)**	**219.9**

	Six months ended 30 June 2017 as stated £m	Adjustment £m	Six months ended 30 June 2017 if presented under IFRS 15 £m
Income statement impact:			
Revenue	366.4	(0.6)	365.8
Cost of sales	(261.1)	(0.5)	(261.6)
Gross profit	105.3	(1.1)	104.2
Underlying operating profit	57.6	(1.1)	56.5
Operating profit	25.4	(1.1)	24.3
Profit before tax	30.9	(1.1)	29.8
Tax	(4.4)	0.2	(4.2)
Profit after tax	**26.5**	**(0.9)**	25.6

2. Accounting policies (continued)

The revenue recognition policy adopted from 1 January 2018 is as follows:

The Group recognises revenue from the sales of goods and from long-term contracts. Revenue is measured based on the consideration specified in a contract. Revenue is recognised either when the performance obligation in the contract has been performed i.e. 'point in time' recognition, or 'over time' as control of the performance obligation is transferred to the customer. The Group follows the "five step" model as set out in IFRS 15 to ensure revenue is recognised at the appropriate point whether over-time or at a point in time; the five steps are:

1. identify the contract(s) with a customer
2. identify the performance obligations
3. determine the transaction price
4. allocate the transaction price to the performance obligations
5. recognise revenue as performance obligations are satisfied

For each performance obligation, the Group determines if revenue will be recognised over time or at a point in time.

Over time

Revenue which is recognised over time is determined by reference to the stage of completion of the performance obligation. This is normally measured by the proportion that costs incurred for work performed to date bear to the estimated total costs for the performance obligation, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer, or when it is considered probable that the customer will approve the variation and the amount of revenue arising from the variation. For contracts with multiple activities or deliverables, management applies judgement to consider whether those promised goods and services are: (i) distinct – to be accounted for as separate performance obligations; (ii) not distinct – to be combined with other promised goods or services until a bundle is identified that is distinct; or (iii) part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

Where the outcome of a long-term contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Point in time

If performance obligations do not meet the criteria to recognise revenue over time, then revenue from the sale of goods or services is recognised at a point in time. This is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods or services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Revenue is normally recognised when substantially all of the risks and rewards of ownership have transferred to the customer. This may be at the point of physical delivery of goods and acceptance by a customer, or when the customer obtains control of an asset or service in a contract with customer-specified acceptance criteria.

IFRS 9

The Group applied IFRS 9 'Financial Instruments' from 1 January 2018. IFRS 9 replaces the multiple classification and measurement models in IAS 39 'Financial instruments: Recognition and measurement.' The adoption of IFRS 9, based on financial instruments and hedging relationships as at the date of initial application of IFRS 9 and as at 30 June 2018, did not have a material impact on the Condensed Consolidated Interim Financial Statements. There is no adjustment to opening retained earnings arising from the adoption of IFRS 9. The prior period has not been restated.

The policy adopted from 1 January 2018 is as follows:

Ultra uses derivative financial instruments, principally forward foreign currency contracts and interest rate swaps, to reduce its exposure to exchange rate and interest rate movements. Ultra does not hold or issue derivatives for speculative or trading purposes.

Classification and measurement

All financial instruments are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs.

2. Accounting policies (continued)

IFRS 9 divides all financial assets that were previously in the scope of IAS 39 into two classifications - those measured at amortised cost and those measured at fair value. Where assets are measured at fair value, gains and losses are either recognised entirely in profit or loss (fair value through profit or loss, FVTPL), or recognised in other comprehensive income (fair value through other comprehensive income, FVTOCI).

A debt instrument is measured at amortised cost if: a) the objective is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. A debt instrument is measured at FVTOCI if: a) the objective is to hold the financial asset both for the collection of the contractual cash flows and selling financial assets, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt instruments must be measured at FVTPL.

Hedge accounting

Hedge accounting will not generally be applied to transactional hedging relationships, such as hedges of forecast or committed transactions. However, hedge accounting will be applied to translational hedging relationships where it is permissible under IFRS 9. When hedge accounting is used, the relevant hedging relationships will be classified as fair value hedges, cash flow hedges or net investment hedges. In order to qualify for hedge accounting, the hedge relationship must meet the following effectiveness criteria at the beginning of each hedged period:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that actually used in the economic hedge

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the hedge ratio of the hedging relationship is adjusted so that it meets the qualifying criteria.

Where the hedging relationship is classified as a fair value hedge, the carrying amount of the hedged asset or liability will be adjusted by the increase or decrease in the fair value attributable to the hedged risk and the resulting gain or loss will be recognised in the income statement where permissible under IFRS 9.

Where the hedging relationship is classified as a cash flow hedge or as a net investment hedge, to the extent that the hedge is effective, changes in the fair value of the hedging instrument will be recognised directly in equity. Any gain or loss relating to the ineffective portion is recognised immediately in the income statement. For cash flow hedges of forecasted future transactions, when the hedged item is recognised in the financial statements, the accumulated gains and losses recognised in equity will be either recycled to the income statement or, if the hedged items result in a non-financial asset, will be recognised as adjustments to its initial carrying amount.

Impairment

The amount of expected credit losses is updated at each reporting date.

3. Segment information

	Six months to 30 June 2018			Six months to 30 June 2017		
	External revenue £'000	**Internal revenue £'000**	**Total £'000**	External revenue £'000	Internal revenue £'000	Total £'000
Revenue						
Aerospace & Infrastructure	**91,889**	**3,566**	**95,455**	95,978	5,218	101,196
Communications & Security	**110,240**	**2,159**	**112,399**	109,827	3,107	112,934
Maritime & Land	**148,381**	**5,771**	**154,152**	160,587	7,312	167,899
Eliminations	**-**	**(11,496)**	**(11,496)**	-	(15,637)	(15,637)
Consolidated revenue	**350,510**	**-**	**350,510**	366,392	-	366,392

3. Segment information (continued)

	Aerospace & Infrastructure £'000	Communications & Security £'000	Maritime & Land £'000	Unallocated £'000	Six months to 30 June 2018 Total £'000
Underlying operating profit	**14,790**	**7,890**	**25,171**	**-**	**47,851**
Amortisation of intangibles arising on acquisition	**(648)**	**(7,312)**	**(6,078)**	**-**	**(14,038)**
S3 programme	**(99)**	**(152)**	**(144)**	**-**	**(395)**
Significant legal charges and expenses	**-**	**-**	**-**	**(934)**	**(934)**
Acquisition & disposal related costs net of adjustments to contingent consideration	**(301)**	**(235)**	**(1,578)**	**-**	**(2,114)**
Operating profit/(loss)	**13,742**	**191**	**17,371**	**(934)**	**30,370**
Investment revenue					**6,213**
Finance costs					**(16,575)**
Profit before tax					**20,008**
Tax					**(4,849)**
Profit after tax					**15,159**

Significant legal charges and expenses include £934,000 incurred in relation to the ongoing anti-bribery and corruption investigation. £2,438,000 was incurred in the prior period on legal charges relating to the Ithra contract. Unallocated items are specific corporate level costs that cannot be allocated to a specific division.

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

3. Segment information (continued)

Year to 31 December 2017	Aerospace & Infrastructure £'000	Communications & Security £'000	Maritime & Land £'000	Total £'000
Underlying operating profit	32,638	28,235	59,263	120,136
Amortisation of intangibles arising on acquisition	(1,136)	(20,070)	(7,242)	(28,448)
S3 programme	(1,085)	(3,446)	(3,319)	(7,850)
Significant legal charges and expenses	(7,958)	-	-	(7,958)
Acquisition & disposal related costs net of adjustments to contingent consideration	1,163	(366)	(13,585)	(12,788)
Impairment charges	-	(1,608)	-	(1,608)
Operating profit	23,622	2,745	35,117	61,484
Investment revenue				12,439
Finance costs				(13,331)
Profit before tax				60,592
Tax				(11,666)
Profit after tax				48,926

	At 30 June 2018 £'000	At 30 June 2017 £'000	At 31 December 2017 £'000
Total assets by segment			
Aerospace & Infrastructure	**223,058**	232,209	227,932
Communications & Security	**424,504**	450,966	428,884
Maritime & Land	**257,506**	260,474	248,231
	905,068	943,649	905,047
Unallocated	**154,967**	107,295	178,770
Total assets	**1,060,035**	1,050,944	1,083,817

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

	At 30 June 2018 £'000	At 30 June 2017 £'000	At 31 December 2017 £'000
Total liabilities by segment			
Aerospace & Infrastructure	**50,940**	48,011	61,376
Communications & Security	**91,629**	76,034	81,443
Maritime & Land	**87,430**	96,214	102,085
	229,999	220,259	244,904
Unallocated	**385,902**	462,869	326,702
Total liabilities	**615,901**	683,128	571,606

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

	Six months to 30 June 2018 £'000	Six months to 30 June 2017 £'000	Year to 31 December 2017 £'000
Revenue by geographical destination			
United Kingdom	**80,573**	80,222	161,293
Continental Europe	**29,527**	32,606	78,199
Canada	**10,012**	10,332	22,844
USA	**180,026**	185,113	384,330
Rest of World	**50,372**	58,119	128,734
	350,510	366,392	775,400

4. Additional performance measures

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

	Six months to 30 June 2018 £'000	Six months to 30 June 2017 £'000	Year to 31 December 2017 £'000
Operating profit	**30,370**	25,427	61,484
Amortisation of intangibles arising on acquisition	**14,039**	14,733	28,448
Impairment charges	**-**	1,645	1,608
Acquisition and disposal related costs net of adjustments to contingent consideration	**2,114**	10,369	12,788
Significant legal charges and expenses	**934**	2,438	7,958
S3 programme	**395**	3,021	7,850
Underlying operating profit	**47,852**	57,633	120,136
Profit before tax	**20,008**	30,940	60,592
Amortisation of intangibles arising on acquisition	**14,039**	14,733	28,448
Impairment charges	**-**	1,645	1,608
Acquisition and disposal related costs net of adjustments to contingent consideration	**2,114**	10,369	12,788
Loss on closing out foreign currency derivative contract*	**11,104**	-	-
Profit on fair value movements on derivatives*	**(5,949)**	(12,174)	(11,983)
Net interest charge on defined benefit pensions	**1,000**	1,383	2,741
Significant legal charges and expenses	**934**	2,438	7,958
S3 programme	**395**	3,021	7,850
Underlying profit before tax	**43,645**	52,355	110,002
Cash generated by operations (see note 16)	**13,124**	21,955	97,432
Purchase of property, plant and equipment	**(5,852)**	(3,582)	(7,098)
Proceeds on disposal of property, plant and equipment	**19**	20	102
Expenditure on product development and other intangibles	**(3,267)**	(1,782)	(5,680)
Dividend from former equity accounted investment	**-**	3,111	-
Significant legal charges and expenses	**-**	-	9,836
S3 programme	**1,377**	3,682	8,949
Acquisition and disposal related payments	**1,116**	7,070	12,966
Underlying operating cash flow	**6,517**	30,474	116,507

The above analysis of the Group's operating results and cash flows is presented to provide readers with additional performance indicators that are prepared on a non-statutory basis. This presentation is regularly reviewed by management to identify items that are unusual and other items relevant to an understanding of the Group's performance and long-term trends with reference to their materiality and nature. This additional information is not uniformly defined by all Companies and may not be comparable with similarly titled measures and disclosures by other organisations. The non-statutory disclosures should not be viewed in isolation or as an alternative to the equivalent statutory measure. See note 19 for further details.

* In March 2018 the USD250m foreign exchange forward, put in place in July 2017 with respect to the proposed Sparton acquisition, was closed-out when the acquisition was terminated. This resulted in a £11.1m non-underlying cash outflow and a net debit to the 2018 income statement of £3.9m when the impact to the fair value movements on derivatives is also taken into consideration. In 2017, the fair value movements on derivatives included £7.2m of loss incurred with respect to the mark-to-market revaluation of this derivative as at 31 December 2017.

5. Significant legal charges and expenses

Significant legal charges and expenses are the charges arising from investigations and settlement of litigation that are not in the normal course of business. £0.9m was expensed in the period relating to anti-bribery and corruption investigation costs. In the prior period, £2.4m of legal charges associated with the Oman Airport IT contract termination were expensed to the income statement.

6. Investment revenue

	Six months to 30 June 2018 £'000	Six months to 30 June 2017 £'000	Year to 31 December 2017 £'000
Bank interest	**264**	114	456
Fair value movement on derivatives	**5,949**	12,174	11,983
	6,213	12,288	12,439

7. Finance costs

	Six months to 30 June 2018 £'000	Six months to 30 June 2017 £'000	Year to 31 December 2017 £'000
Amortisation of finance costs of debt	**401**	417	1,281
Interest payable on bank loans, overdrafts and other loans	**4,070**	4,975	9,309
Total borrowing costs	**4,471**	5,392	10,590
Retirement benefit scheme finance cost	**1,000**	1,383	2,741
Loss on closing out foreign currency derivative contract	**11,104**	-	-
	16,575	6,775	13,331

8. Tax

	Six months to 30 June 2018 £'000	Six months to 30 June 2017 £'000	Year to 31 December 2017 £'000
Current tax			
United Kingdom	**1,879**	1,358	2,319
Overseas	**3,444**	1,580	3,710
	5,323	2,938	6,029
Deferred tax			
United Kingdom	**(697)**	140	(2,704)
Overseas	**223**	1,362	8,341
	(474)	1,502	5,637
Total tax charge	**4,849**	4,440	11,666

The main rate of UK corporation tax was 19% at 1 April 2018.

9. Ordinary dividends

	Six months to 30 June 2018 £'000	Six months to 30 June 2017 £'000
Final dividend for the year ended 31 December 2017 of 35.0p (2016: 33.6p) per share	**26,269**	23,647
Proposed interim dividend for the year ended 31 December 2018 of 14.6p (2017: 14.6p) per share	**10,802**	11,312

The interim 2018 dividend of 14.6p pence per share will be paid on 22 September 2018 to shareholders on the register at 31 August 2018. It was approved by the Board after 30 June 2018 and has not been included as a liability as at 30 June 2018.

10. Earnings per share

	Six months to 30 June 2018	Six months to 30 June 2017	Year to 31 December 2017
	Pence	Pence	Pence
From continuing operations			
Basic underlying (see below)	**45.1**	58.3	116.7
Diluted underlying (see below)	**45.1**	58.2	116.5
Basic	**20.0**	37.6	66.2
Diluted	**20.0**	37.5	66.1

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

	Six months to 30 June 2018 £'000	Six months to 30 June 2017 £'000	Year to 31 December 2017 £'000
Earnings			
Earnings for the purposes of earnings per share being profit for the period	**15,179**	26,517	48,956
Underlying earnings			
Profit for the period	**15,179**	26,517	48,956
Profit on fair value movements on derivatives (net of tax)	**(4,938)**	(9,831)	(9,411)
Loss on closing out foreign currency hedging contracts (net of tax)	**8,994**	-	-
Amortisation of intangibles arising on acquisition (net of tax)	**10,849**	9,799	20,005
Acquisition and disposal related costs net of contingent consideration (net of tax)	**2,114**	7,569	10,394
Net interest charge on defined benefit pensions (net of tax)	**830**	1,148	2,275
Significant legal charges and expenses (net of tax)	**934**	2,438	7,097
Impairment charges (net of tax)	**-**	1,020	997
S3 programme (net of tax)	**298**	2,439	5,983
Earnings for the purposes of underlying earnings per share	**34,260**	41,099	86,296

The weighted average number of shares is given below:

	Six months to 30 June 2018	Six months to 30 June 2017	Year to 31 December 2017
Number of shares used for basic earnings per share	**75,993,564**	70,513,316	73,959,565
Effect of dilutive potential ordinary shares – share options	**792**	152,775	86,340
Number of shares used for fully diluted earnings per share	**75,994,356**	70,666,091	74,045,905

	Six months to 30 June 2018 £'000	Six months to 30 June 2017 £'000	Year to 31 December 2017 £'000
Underlying profit before tax	**43,645**	52,355	110,002
Taxation charge on underlying profit	**(9,385)**	(11,256)	(23,706)
Underlying profit after tax attributable to equity shareholders	**34,260**	41,099	86,296
Tax rate applied for the purposes of underlying earnings per share	**21.50%**	21.50%	21.58%

10. Earnings per share (continued)

During the first six months of 2018 the company purchased and cancelled 3,534,494 shares. See note 15.

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

11. Property, plant and equipment

During the period, the Group spent £5.9m on the acquisition of property, plant and equipment. The Group did not make any significant disposals during the period.

12. Trade and other receivables

Non-current	**At 30 June 2018 £'000**	At 30 June 2017 £'000	At 31 December 2017 £'000
Amounts receivable from contract customers	**24,222**	12,945	32,225
	24,222	12,945	32,225

Current	**At 30 June 2018 £'000**	At 30 June 2017 £'000	At 31 December 2017 £'000
Trade receivables	**95,351**	91,949	102,934
Provisions against receivables	**(2,376)**	(1,236)	(1,505)
Net trade receivables	**92,975**	90,713	101,429
Amounts receivable from contract customers	**87,111**	109,969	84,507
Prepayments and other receivables	**23,250**	22,309	19,691
	203,336	222,991	205,627

13. Trade and other payables

	At 30 June 2018 £'000	At 30 June 2017 £'000	At 31 December 2017 £'000
Amounts included in current liabilities:			
Trade payables	**65,451**	73,626	89,205
Amounts due to contract customers	**59,063**	50,426	55,166
Other payables	**66,396**	65,223	70,709
	190,910	189,275	215,080
Amounts included in non-current liabilities:			
Amounts due to contract customers	**8,567**	2,975	3,541
Other payables	**7,647**	6,793	4,573
	16,214	9,768	8,114

14. Provisions

	Warranties £'000	Contract related provisions £'000	Other £'000	Total £'000
At 30 June 2017	4,058	1,065	10,124	15,247
At 31 December 2017	4,666	3,131	6,421	14,218
At 30 June 2018	**5,898**	**2,994**	**5,938**	**14,830**
Included in current liabilities	3,259	2,471	3,846	9,576
Included in non-current liabilities	2,639	523	2,092	5,254
	5,898	**2,994**	**5,938**	**14,830**

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 liquidated damages or agent fees, are utilised over the period as stated in the contract to which the specific provision relates. Other provisions include re-organisation costs, deferred consideration and dilapidation costs. Dilapidations will be payable at the end of the contracted life, which is up to fifteen years. Contingent consideration is payable when earnings targets are met.

15. Share capital

23,508 shares, with a nominal value of £1,175 have been allotted in the first six months of 2018 under the terms of the Group's various share option schemes. The aggregate consideration received by the Company was £116,000.

During the first six months of 2018 the company purchased and cancelled 3,534,494 shares. The shares were acquired at an average price of £13.98 per share, with prices ranging from £12.91 to £16.48. The total cost of £49,739,000, including fees and stamp duty of £334,187 has been transferred to retained earnings. The total reduction in paid up capital was £177,000.

16. Cash flow information

	Six months to 30 June 2018 £'000	Six months to 30 June 2017 £'000	Year to 31 December 2017 £'000
Operating profit	**30,370**	25,427	61,484
Adjustments for:			
Depreciation of property, plant and equipment	**4,291**	5,159	10,166
Amortisation of intangible assets	**15,831**	16,433	31,995
Impairment charges	**-**	1,645	1,608
Cost of equity-settled employee share schemes	**271**	114	682
Adjustment for pension funding	**(5,298)**	(4,708)	(8,964)
Loss on disposal of property, plant and equipment	**25**	267	565
Increase/(decrease) in provisions	**348**	(4,973)	(7,086)
Operating cash flow before movements in working capital	**45,838**	39,364	90,450
Increase in inventories	**(12,956)**	(6,058)	(2,093)
Decrease/(increase) in receivables	**2,640**	(11,624)	(15,367)
(Decrease)/increase in payables	**(22,398)**	273	24,442
Cash generated by operations	**13,124**	21,955	97,432
Income taxes paid	**(3,747)**	(7,439)	(10,324)
Interest paid	**(4,497)**	(4,975)	(9,543)
Net cash inflow from operating activities	**4,880**	9,541	77,565

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

	Six months to 30 June 2018 £'000	Six months to 30 June 2017 £'000	Year to 31 December 2017 £'000
Net (decrease)/increase in cash and cash equivalents	**(25,956)**	8,532	80,118
Cash (inflow)/outflow from (increase)/decrease in debt and finance leasing	**(64,996)**	(21,351)	85,482
Change in net debt arising from cash flows	**(90,952)**	(12,819)	165,600
Loan syndication costs	**-**	-	2,040
Amortisation of finance costs of debt	**(366)**	(417)	(1,281)
Translation differences	**(4,300)**	9,575	15,884
Movement in net debt in the period	**(95,618)**	(3,661)	182,243
Net debt at start of period	**(74,457)**	(256,700)	(256,700)
Net debt at end of period	**(170,075)**	(260,361)	(74,457)

Net debt comprised the following

	At 30 June 2018 £'000	At 30 June 2017 £'000	At 31 December 2017 £'000
Cash and cash equivalents	**124,351**	80,392	149,522
Borrowings	**(294,426)**	(340,753)	(223,979)
	(170,075)	(260,361)	(74,457)

16. Cash flow information (continued)

Reconciliation of changes in financing liabilities

	At 30 June 2018 £'000	At 30 June 2017 £'000	At 31 December 2017 £'000
Borrowings at start of period	**(223,979)**	(331,325)	(331,325)
Repayments of borrowings	**25,000**	43,000	168,975
Proceeds from borrowings	**(89,996)**	(64,351)	(83,493)
Loan syndication costs	**-**	-	2,040
Amortisation of finance costs of debt	**(366)**	(417)	(1,281)
Translation differences	**(5,085)**	12,340	21,105
Borrowings at end of period	**(294,426)**	(340,753)	(223,979)

17. Going concern

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

18. Financial Instruments

Exposure to currency 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. All of the Group'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.

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

Fair value measurements as at 30 June 2018 are set out in the table below. These forward exchange contracts have been fair valued using forward exchange rates that are quoted in an active market.

	At 30 June 2018 £'000	At 30 June 2017 £'000	At 31 December 2017 £'000
Financial assets:			
Derivatives used for hedging	**1,027**	569	2,028
Interest rate swap	**517**	-	434
Total	**1,544**	569	2,462
Financial liabilities:			
Derivatives used for hedging	**6,940**	11,949	13,891
SADI loan	**8,047**	6,841	7,493
Total	**14,987**	18,790	21,384

19. 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.

19. Other matters (continued)

Non-statutory performance measures

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

- Contract losses arising in the ordinary course of trading are not separately presented, however losses (and subsequent reversals) are separately disclosed in situations of a material dispute which are expected to lead to arbitration or legal proceedings. Significant legal charges and expenses are also separately disclosed; these are the charges arising from investigations and settlement of litigation that are not in the normal course of business.
- Material costs or reversals arising from a significant restructuring of the Group's operations, such as the S3 programme, are presented separately.
- Disposals of entities or investments in associates or joint ventures, or impairments of related assets are presented separately.
- The amortisation of intangible assets arising on acquisitions and impairment of goodwill or intangible assets are presented separately.
- Other matters arising due to the Group's acquisitions such as adjustments to contingent consideration, payment of retention bonuses, acquisition and disposal related costs and fair value adjustments for acquired inventory made in accordance with IFRS 13 are separately disclosed in aggregate.
- Furthermore, IAS 37 requires the Group to discount provisions using a pre-tax discount rate that reflects the current assessment of the time value of money and the risks specific to the liability, this discount unwind is presented separately when the provision relates to acquisition contingent consideration.
- Derivative instruments used to manage the Group's foreign exchange exposures are 'fair valued' in accordance with IFRS 9. This creates volatility in the valuation of the outstanding instruments as exchange rates move over time. This has minimal impact on profit over the full term of the instruments, but can cause significant volatility on particular balance sheet dates, consequently the gain or loss is presented separately.
- The defined benefit pension net interest charge arising in accordance with IAS 19 is presented separately.
- The Group is cash-generative and reinvests funds to support the continuing growth of the business. It seeks to use an accurate and appropriate measure of the funds generated internally while sustaining this growth. For this, the Group uses operating cash flow, rather than cash generated by operations, as its preferred indicator of cash generated and available to cover non-operating expenses such as tax and interest payments. Management believes that using cash generated by operations, with the exclusion of net expenditure on property, plant and equipment and outflows for capitalised product development and other intangibles, would result in an under-reporting of the true cash cost of sustaining a growing business.

Organic performance measures

The Divisional management teams, the Executive Team and the Board review and compare current and prior period divisional and group revenue and underlying operating profit at constant exchange rates and exclude the impact of acquisitions and disposals from these 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, and in the case of underlying operating profit adjusts for the impact of exchange rate movements on prior period-end USD net assets held in GBP functional currency entities.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

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

By order of the Board

Simon Pryce
Chief Executive Officer
6 August 2018

Amitabh Sharma
Group Finance Director