press release

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AS IT RELATES TO THE TERMINATION OF THE MERGER WITH SPARTON, THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF EU REGULATION 596/2014

Preliminary Results for the Year Ended 31 December 2017
Ultra Electronics Holdings plc ("Ultra" or "the Group")

	Year ended 31 Dec 2017	Year ended 31 Dec 2016	**Change**
Order intake	**£901.4m**	£778.3m	**+15.8%**
Revenue	**£775.4m**	£785.8m	**-1.3%**
Underlying operating profit*(1)	**£120.1m**	£131.1m	**-8.4%**
Underlying profit before tax*(2)	**£110.0m**	£120.1m	**-8.4%**
IFRS profit before tax	**£60.6m**	£67.6m	**-10.4%**
Underlying basic earnings per share(2)	**116.7p**	134.6p	**-13.3%**
Basic earnings per share	**66.2p**	82.8p	**-20.0%**
Dividend per share – final	**35.0p**	33.6p	**+4.2%**
– total	**49.6p**	47.8p	**+3.8%**
Net debt to EBITDA	**x0.56**	x1.76	

**** see notes on page 2***

KEY POINTS

- Results in line with revised November 2017 guidance
- Continued strong operating cash performance with cash conversion of 97% (2016: 92%)
- Robust balance sheet with net debt of £74.5m at year end (2016: £256.7m)
- Sound operating margins of 15.5% (2016: 16.7%)
- Order intake strong, with momentum late in the year; 2018 opening order cover of 62% (2017: 56%)
- Sparton merger terminated; £134m share buy-back to be implemented

Douglas Caster, Executive Chairman, commented:

"*2017 was a challenging year in the Group's core defence markets and, as previously reported, Ultra experienced delays to a number of programmes and contracts relatively late in the year. Overall this contributed to the underlying operating profit decline of 8.4%. The Group continued its focus on managing costs and efficiencies within the businesses, which enabled sound operating margins to be achieved. The Group's cash performance was strong, with a cash conversion of 97%, and follows a similar performance in 2016. Order intake in 2017 for delivery in future years was also strong, in part reflecting the expected upturn in the defence market cycle.*

Ultra entered 2018 with good visibility. The Group had an opening order book of £914m+, which excludes over £1.5bn of expected mid-term orders from long-term positions, and an opening order cover on expected 2018 revenues of over 62%. As previously disclosed, the Board's expectations remain for the Group to make modest progress in underlying revenue and operating profit at constant currencies in 2018 after investing for the future through increased R&D and capital expenditure.

The proposed merger with Sparton was initiated following Sparton's decision to put itself up for sale in April 2016. We are disappointed with the outcome of the antitrust review that has led to Sparton's and Ultra's decision to mutually terminate the merger process. This decision means that the relationship between Ultra and Sparton continues for now as joint venture partners through the ERAPSCO JV. Ultra has supplied the US Navy with sonobuoys since the 1940s, whether through its predecessors, ERAPSCO or other affiliates. With our world-leading technology in sonobuoys, Ultra expects to continue to serve this important customer for years to come. Through the share buy-back announced today, we intend to return the net proceeds of the previous equity raise to shareholders, whilst preserving balance sheet strength.

Ultra has extensive intellectual property, strong market positions, differentiated technologies, talented people and a strong balance sheet. The Group's core strengths include world-leading positions in many of its specialist capabilities. It has positions on many long-term platforms and programmes, significant exposure to the strengthening US defence budget, and growing demand for advanced defence technologies. This supports the Board's confidence in the Group's future."

(1) before the S3 programme, amortisation of intangibles arising on acquisitions, impairment charges, adjustments to contingent consideration net of acquisition and disposal related costs, and the Oman contract termination related costs. IFRS operating profit was £61.5m (2016: £89.7m). See Note 2 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 curtailment gain and interest charges, adjustments to contingent consideration net of acquisition and disposal related costs, the Oman contract termination related costs and, in the case of underlying earnings per share, before related taxation. Basic EPS 66.2p (2016: 82.8p). See Note 9 for reconciliation

+ Under the new revenue recognition standard IFRS 15 which is applied from 1 January 2018

FINANCIAL RESULTS

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m	Growth
Order book			
- Aerospace & Infrastructure	**283.2**	267.8	+5.8%
- Communications & Security	**258.7**	227.0	+14.0%
- Maritime & Land	**355.5**	304.5	+16.7%
Total order book	**897.4**	799.3	+12.3%
Revenue			
- Aerospace & Infrastructure	**203.2**	204.7	-0.7%
- Communications & Security	**242.7**	259.0	-6.3%
- Maritime & Land	**329.5**	322.1	+2.3%
Total revenue	**775.4**	785.8	-1.3%
Organic revenue movement *			-3.3%
Underlying operating profit*			
- Aerospace & Infrastructure	**32.6**	32.4	+0.6%
- Communications & Security	**28.2**	39.7	-29.0%
- Maritime & Land	**59.3**	59.0	+0.5%
Total underlying operating profit*	**120.1**	131.1	-8.4%
Organic underlying operating profit movement *			-7.1%
IFRS operating profit	**61.5**	89.7	-31.4%
Underlying operating margin*			
- Aerospace & Infrastructure	**16.0%**	15.8%	
- Communications & Security	**11.6%**	15.3%	
- Maritime & Land	**18.0%**	18.3%	
Total underlying operating margin*	**15.5%**	16.7%	-120bps
Finance charges*	**(10.1)**	(11.0)	
Underlying profit before tax*	**110.0**	120.1	-8.4%
IFRS profit before tax	**60.6**	67.6	-10.4%
Underlying operating cash flow*	**116.5**	120.4	-3.2%
Underlying operating cash conversion*	**97%**	92%	
IFRS Cash generated by operations	**97.4**	112.0	-13.0%
Net debt to EBITDA	**0.56x**	1.76x	
Net debt* at year-end	**74.5**	256.7	
Bank interest cover*	**11.9x**	11.9x	
Underlying earnings per share	**116.7p**	134.6p	-13.3%

**** see notes below***

underlying operating profit *before the S3 programme, amortisation of intangibles arising on acquisition, impairment charge, adjustments to contingent consideration net of acquisition and disposal related costs, and the Oman contract termination related costs. IFRS operating profit was £61.5m (2016: £89.7m). See Note 2 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, assuming that acquisitions made during the prior year were only included for the same proportion of the current year, and adjusted for disposals made during the prior year 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 interest 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 curtailment gain and interest charges, adjustments to contingent consideration net of acquisition and disposal related cost, and the Oman contract termination related costs. Basic EPS 66.2p (2016: 82.8p). See Note 9 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 the Oman performance bond/ contract termination related costs.*
EBITDA *is the underlying operating profit before depreciation charges and before amortisation arising on internally generated intangible assets and on other, non-acquired, intangible assets. The figure is adjusted to remove the EBITDA generated by businesses up to the date of their disposal in the period.*
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.*

Order intake for the year was £901.4m, a 15.8% increase over the £778.3m achieved in 2016. After adjusting for foreign exchange and disposals, the underlying increase was 12.0%. At the end of 2017 the order book was 12.3% higher than in 2016 at £897.4m (2016: £799.3m). The underlying increase was 16.8%, partially offset by a decrease of 4.5% arising from foreign exchange. Opening order cover for 2018 is 62% (2017: 56%).

Revenues of £775.4m represented a decrease of 1.3%, or £10.4m, on the prior year (2016: £785.8m). The 2016 revenues included a £13.3m contribution from the ID business, which was disposed of in August 2016. Revenues decreased organically by 3.3% owing to a slowdown in UK spending which accelerated during the latter part of the second half and a higher level of engineering activity compared to the prior year, some of which was unexpected due to the additional SEWIP module wins. The weakening of sterling during the year meant there was a positive foreign exchange impact of 3.7% from the translation of overseas revenues. The average US dollar rate in 2017 was $1.29 compared to $1.35 in 2016.

Underlying operating profit* was £120.1m (2016: £131.1m), a decrease of 8.4% on the prior year and reflected the decline in revenues. Foreign exchange increased profit by 0.5%, whilst the disposal of the ID business (2016: operating profit - £2.3m) in 2016 resulted in a profit reduction of 1.8%. Profit therefore declined organically by 7.1%.

As noted in August 2017 there was a higher proportion of development contracts in the Communications & Security division which required increased investment during the year. This, together with lower sales to the UK and the end of the UK Crypto production contract, contributed to the decreased underlying operating margin of 15.5% (2016: 16.7%).

Underlying profit before tax* was £110.0m (2016: £120.1m), after net financing charges* of £10.1m (2016: £11.0m). The latter reflects the lower debt levels offset by higher US interest rates. Reported (IFRS) profit before tax was £60.6m (2016: £67.6m); the reconciliation to underlying profit before tax is set out on the next page.

The Group's underlying tax rate in the year increased to 21.6% (2016: 21.1%).

Underlying earnings per share decreased to 116.7p (2016: 134.6p). This decrease was due to the reduction of profit after tax and the dilutive impact of the share placing undertaken in July 2017 (see below) which increased the number of shares in issue by 7.05m.

The proposed final dividend is 35.0p, bringing the total dividend for the year to 49.6p (2016: 47.8p). This represents an annual increase of 3.8%, with the dividend being covered 2.35x (2016: 2.8x) by underlying earnings per share. If approved, the dividend will be paid on 3 May 2018 to shareholders on the register at 6 April 2018.

Underlying operating cash flow* was £116.5m (2016: £120.4m) and the ratio of cash to underlying operating profit increased to 97% (2016: 92%). This represents the highest cash conversion percentage achieved since 2011. Excluding the annual pension deficit reduction payments of £9.5m (2016: £9.0m), cash conversion improved to 105% (2016: 99%).

Ultra's net debt* at the end of the year improved to £74.5m compared to £256.7m at the end of 2016. Net proceeds of £133.5m were raised from the July 2017 share placing. This, together with the strong cash flow performance, resulted in a net debt/EBITDA ratio improving to 0.56x (2016: 1.76x).

*See footnote on page 2

Reported (IFRS) profit before tax was £60.6m (2016: £67.6m) and reflected the combined effects of the elements detailed below**:**

All £m	**2017**	2016
Underlying profit before tax	**110.0**	120.1
Amortisation of intangibles arising on acquisition	**(28.5)**	(32.7)
Impairment charges	**(1.6)**	-
S3 programme	**(7.8)**	(6.5)
Net interest charge on defined benefit pensions	**(2.7)**	(3.0)
Gain/(loss) on fair value movements on derivatives	**12.0**	(19.1)
Acquisition and disposal related adjustments	**(12.8)**	(2.2)
Oman contract termination related costs	**(8.0)**	-
Unwinding of discount on provisions	**-**	(0.4)
Disposal loss (after intangible and goodwill eliminations)	**-**	(4.1)
Pension scheme curtailment gain	**-**	15.5
Reported IFRS profit before tax	**60.6**	67.6

The Group's Standardisation and Shared Services (S3) programme remains on track. S3 savings of £13.5m (2016: £6.9m) were realised in the period whilst costs on the programme increased to £7.8m (2016: £6.5m). £2.5m of these costs (2016: £2.7m) related to setting up our GBS capabilities in Rochester, New York and Wimborne, Dorset.

The gain on the mark-to-market valuation of our forward foreign exchange contracts and interest rate swap was £12.0m in 2017 (2016: £19.1m loss). This was primarily caused by the significant strengthening of sterling against the US dollar as at 31 December 2017 compared to 31 December 2016.

Acquisition and disposal related costs of £12.8m include those associated with the proposed Sparton Corporation (“Sparton”) acquisition and 3 Phoenix staff retention payments which were put in place at the time of acquisition of that business. There was a £8.0m charge for legal fees relating to the Ithra (Oman) contract and a £1.6m impairment of an intangible asset. In 2018 there will be approximately £4m costs relating to the Sparton transaction charged to the profit and loss account. In addition, there will be charges relating to the unwinding of the $250m foreign exchange forward contract taken out to hedge the cost of the transaction.

The £4.1m disposal loss in 2016 represented the legal intercept assets disposed of in December 2016, offset by the gain on the divestment of the ID business. The Group’s UK Defined Benefit pension scheme was closed to future accrual on 5 April 2016. This resulted in a one-off curtailment gain of £15.5m, which was recognised in 2016.

A detailed project has been undertaken to determine the impact of IFRS 15, the new revenue recognition standard. 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.

If IFRS 15 had applied in 2017, revenues would have been £7.1m lower and operating profit would have been £2.4m lower. The net impact to the 1 January 2018 opening balance sheet is 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

*See footnote on page 2

development contracts. The 1 January 2018 opening order book increases by £17.0m to £914.4m. Further detail on the IFRS 15 impact assessment is set out in note 17.

INVESTING FOR GROWTH

Ultra continued its programme of R&D to position for medium to long-term growth, with total R&D spending in 2017 of £161.1m (2016: £146.9m), the highest it has ever been. This represented a 10% increase and reflected a higher proportion of engineering contracts. 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. In 2017 company funded investment was 3.9% of revenue at £29.9m (2016: £34.1m – 4.3%) while customer funding increased to 16.9% of revenue at £131.2m (2016: £112.8m - 14.4%). The Group's three divisions are at different stages of their investment cycles and this mix is reflected in the total figure and will continue to vary as the divisions develop. The Group continues to progress a wide-range of long-term growth opportunities across all eight market segments.

The S3 initiative is starting to yield tangible benefits. Key successes across the eight workstreams include a further 5% reduction in property footprint; the establishment of a UK indirect procurement IT system; the centralisation of payroll systems within the UK and the US; and the opening of the US shared service centre. Ultra is continuing a programme of IT investment in conjunction with the S3 project, with two Ultra businesses undertaking IT system (‘ERP’) implementations over the year and a number of others in their planning phase. The Command & Sonar Systems business successfully went live in Q4 2017 and the PCS business achieved its key implementation dates, with its Cheltenham site going live in August 2017 and the Greenford site at the beginning of January 2018. The final PCS site will go live in H1 2018. A further five businesses are starting ERP implementations during 2018.

SPARTON

In April 2016, the Board of Sparton Corporation (‘Sparton’) decided to seek a buyer for the entire Sparton group. Given that decision, Ultra considered the acquisition of Sparton made sound strategic sense and ultimately negotiated a merger agreement with Sparton. On 7 July 2017 Ultra announced its intention to merge its wholly-owned subsidiary with Sparton subject, inter alia, to the approval of the United States Department of Justice ('DOJ') under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ('HSR'). Following recent discussions with the DOJ, and competition concerns raised by it, Ultra and Sparton have mutually agreed to terminate the merger.

The US Navy has indicated that it is now considering ways to increase competition in the sonobuoy procurement process over time, including between Ultra and Sparton. The DOJ has stated that it intends to take steps to open an antitrust investigation into the ERAPSCO JV. Ultra anticipates working closely with the US Navy during a transition to independently developing, producing and selling sonobuoys.

In the meantime, Ultra will continue to fulfil its obligations with Sparton under the ERAPSCO JV, which has been supplying sonobuoys to the US Navy under an Indefinite Delivery Indefinite Quantity (‘IDIQ’) contract since 2014. The current IDIQ period of performance will end in 2020 and the ERAPSCO JV submitted bids, in both November 2017 and January 2018, for the next two concurrent IDIQ contracts (for Fiscal years 2019-2023). Demand for sonobuoys from the US Navy is growing and sonobuoys continue to be a vital, strategic capability of the utmost importance for the US Navy and the ERAPSCO JV’s international customers, which need reliable products and continuity of supply. It is also likely that sonobouys will become more complex in their design to counter the threats being faced today and in the future.

Ultra has world leading technology and expects to continue to play a significant role in this market. Sonobuoys are complex electro-mechanical devices that are required to deploy and function reliably in harsh maritime operating environments after being launched from ASW platforms. As they are expendable devices, there is considerable focus on delivering the necessary capabilities at the

*See footnote on page 2

lowest unit cost. Ultra believes that it is pre-eminent in knowing how to build the various sonobuoy products required by the US Navy and its international customers, and how to do so at a low unit cost. Ultra and Sparton, through the ERAPSCO JV, produce tens of thousands of sonobuoys each year and they are two of the very few defence manufacturers of these large volume, high tech products. This has required a culture of working together with the cooperation of the US Navy to value engineer sonobuoy designs. In the future, the US Navy is likely to choose for any new devices to be supplied by more than just the ERAPSCO partners. Nevertheless, Ultra believes that a considerable period of time will be needed by any new entrants to design and produce sonobuoys to meet the rigorous performance standards of the customer.

In anticipation of the acquisition of Sparton, in July 2017 the Group completed a placing of new ordinary shares representing approximately 9.9% of Ultra's existing issued share capital, raising net proceeds of approximately £134m to part fund the acquisition. The Group remains highly cash generative with good balance sheet strength and the Group remains comfortable with debt levels of approximately 1.5x net debt to EBITDA. The Group therefore intends to undertake, over time, a share buy-back through on-market purchases in order to return the net proceeds of the earlier equity issue to its shareholders. The existing buy-back authority from the 2017 AGM allows for up to 7,047,169 shares to be bought back. Additional authority will be sought at the 2018 AGM. Any shares bought back are expected to be cancelled.

BOARD

A number of Board changes took place during the year. Geeta Gopalan and Victoria Hull were appointed to the Board as Non-Executive Directors with effect from 28 April 2017. Mark Anderson, Group Marketing Director, stepped down from the Board on 1 June 2017.

Rakesh Sharma stepped down as Chief Executive and from the Board on 10 November 2017 and the current Chairman, Douglas Caster, assumed the role of Executive Chairman until a successor is appointed. Douglas Caster was Chief Executive of Ultra from 2005 to 2010.

The search for a new Chief Executive is well underway and the Group will update the market when appropriate.

OPERATIONAL REVIEW

Aerospace & Infrastructure

- Revenue decreased by 0.7% to £203.2m (2016: £204.7m)
- Underlying operating profit increased by 0.6% to £32.6m (2016: £32.4m)
- Order book was up by 5.8% to £283.2m (2016: £267.8m)

Aerospace & Infrastructure revenues were broadly flat. The Precision Control Systems business saw increased revenues through development work on equipment for the Mitsubishi Regional Jet and a ramp up in production activity on certain armoured vehicle programmes, offset by lower license sales compared to 2016, and lower demand for industrial products elsewhere in the division. The division's margins improved to 16.0% (2016: 15.8%). This was helped by the increased revenues from higher margin sales in the period and an improved operational performance at our aerospace business, which benefitted from slightly lower R&D expenditure as a number of large programmes approached production. Margins also benefitted from S3 related business consolidations and cost reduction initiatives. 2018 margins are expected to reduce due to the impact of foreign exchange.

The division's order book increased compared to 2016 owing in part to the orders noted below, which will underpin the division's future performance:

- Orders for the electronic control unit that manages the US Air Force Joint Strike Fighter aircraft engine's Electrical Ice Protection System amounting to US$36m

*See footnote on page 2

- Securing the position on Saab's new Gripen fighter aircraft, with an initial production order valued at £9m, to provide it with Ultra's HiPPAG airborne compressor system solution

- Partnering with NuScale Power in the US to submit the first-ever Small Modular Reactor design certification application to the US Nuclear Regulatory Commission

Communications & Security

- Revenue decreased by 6.3% to £242.7m (2016: £259.0m, including £13.3m from ID business)
- Underlying operating profit decreased by 29.0% to £28.2m (2016: £39.7m, includes £2.3m profit from ID business)
- Order book increased by 14.0% to £258.7m (2016: £227.0m)

Communications & Security's 2016 results include a part-year contribution from the ID business, which was disposed of in August 2016. Revenues in the division were impacted by the slowdown in UK spending, with delays to a number of crypto programmes, and by the increase in a number of contracts in the development phase at Herley in the US. Forensic Technology, based in Canada, increased revenues as a result of bullet identification product sales to customers in SE Asia and TCS, our Montreal based military radio business, continued to grow in 2017.

The Communications & Security division currently has a greater proportion of contracts in the early development phase. Consequently, margins reduced to 11.6% compared to 15.3% in 2016. These include the US Navy Surface Electronic Warfare Improvement Programme and an Electronic Warfare contract for the F-15 aircraft platform, which together required investment in excess of £6m in 2017. The customer-requested pause in a UK Crypto contract also reduced profits in 2017. 2018 margins are expected to be higher than achieved this year.

The division's order book continued to increase, ending the year at £258.7m. This was due to good order intake at Herley and some notable wins outlined below:

- The securing of a £16.6m programme to support the provision of advanced surveillance capability until 2019

- A $16.2m contract awarded by the US Department of the Navy to design, develop, integrate and install a variety of cyber-secure systems for critical infrastructure control and monitoring

- The award of an $18m multi-layered surveillance and security system to a programme for the oil and gas industry

Maritime & Land

- Revenue increased by 2.3% to £329.5m (2016: £322.1m)
- Underlying operating profit increased by 0.5% to £59.3m (2016: £59.0m)
- Order book increased by 16.7% to £355.5m (2016: £304.5m)

Revenues increased in the Maritime & Land division, driven by higher sales of US and international sonobuoys, and there was a positive FX impact. These helped offset the slowdown in UK spending, where our Command & Sonar Systems business experienced delays to orders that had been expected in the year. Increased torpedo sales to the US Navy from our Ocean Systems business compensated for strong torpedo countermeasure sales to the Australian Navy by Avalon Systems in 2016. Revenues from the new Indian Navy contract win also contributed this year.

The order book grew significantly over the previous year owing to an Indian Navy contract win and the maritime propulsion system order. Ocean Systems also won a number of countermeasures contracts, including a $10m order from the UK MOD. Our US sonobuoy business, USSI, had a strong order intake year, particularly from international customers.

*See footnote on page 2

Within Maritime & Land, margins remained at a high level, ending the year at 18.0% (2016: 18.3%), largely owing to the production phase of a number of US sonobuoy contracts. 2018 margins are expected to reduce due to mix of development and production contracts.
The order book increased by 16.7%, owing to a number of contract wins that will underpin future performance including:

- A £30m contact in partnership with Mahindra for the supply of the first batch of Surface Ship Torpedo Defence Systems to the Indian Navy

- A £37m programme for a maritime propulsion system

- An initial $8.5m contract for the production of MK48 Torpedo Nose Array subassemblies with options to extend the contract for a further three years that could increase the value of the contract to $18m

MARKET OVERVIEW

The global aerospace and defence industries have been experiencing upward trends based upon increased defence spending in the US and Europe and higher aircraft production rates, which in turn have supported elevated demand for commercial aerospace suppliers.

Continuing instability within a number of key regions, coupled with improving economic conditions around the world, is set to increase overall global defence expenditure in 2018 by 3.3%. This is being driven by the largest year-on-year increase in forecast US spending since 2008 (Source: Janes Defence Budgets Report). The UK however is likely to stay flat until the delayed Defence Review (renamed the Defence Modernisation Programme) is completed mid-year.

In Asia-Pacific, strategic defence factors are becoming a more prominent factor behind rising expenditure. In recent years Chinese actions in the East and South China Sea, the North Korean ballistic missile threat and insurgencies throughout South East Asia have all caused additional funding to be diverted towards defence.

RISKS AND UNCERTAINTIES

The Group faces a number potential risks and uncertainties that may have a material impact on its performance in 2018 (and beyond), and, as a consequence of which, actual results may differ materially from expected and/or historic results. During the year, the Board has endorsed the implementation of the risk management framework across the Ultra businesses. The framework provides the Board with a formal process to identify the principal risks that can undermine the Group's strategic plans, future performance, solvency and liquidity. 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 these risks, and the robust business strategies that Ultra uses to manage and mitigate such risks, can be found in the annual report which is available for download at www.ultra-electronics.com/investors/annual-reports.aspx.

Key risks identified by the Board include:

1. Growth
2. Delivering change
3. People and culture
4. Information management and security
5. Supply chain
6. Governance and internal controls
7. Pensions
8. Legislation/regulation
9. Health, safety and environment

*See footnote on page 2

There are strong indications of a return to growth in the defence market, particularly in the US. Our use of market-facing segment strategies and improvements in our planning for future political and economic realities in our key markets leaves us well placed to exploit this upturn. Programme delays or cancellations and pressures in the funding of UK defence programmes continue to present a risk to Ultra.

As part of Ultra's continuous drive for operational improvements there are a number of major change management programmes being implemented across the Group. The business benefits realised to date and improvements in good practice on controls and processes across major change programmes means that the overall level of risk for the 'Delivering Change' risk is unchanged.

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

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

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

The Directors' long-term viability statement is included in the annual report and accounts.

OUTLOOK

The Group entered 2018 with good visibility. The Group had an opening order book of £914m⁺, which excludes over £1.5bn of expected orders from long-term positions, and an opening order cover on expected 2018 revenues of over 62%. The Group currently expects to face a foreign exchange headwind in 2018; it has a US$ budgeted exchange rate of $1.45 for 2018. The 2018 effective tax rate is expected to be broadly flat on 2017. Revenue performance is expected to be within customary weightings with a slightly heavier second half weighting to trading performance. As previously disclosed, the Board's expectations remain for the Group to make modest progress in underlying revenue and operating profit at constant currencies in 2018 after investing for the future through increased R&D and capital expenditure.

Ultra has extensive intellectual property, strong market positions, differentiated technologies, talented people and a strong balance sheet. The Group's core strengths include world-leading positions in many of its specialist capabilities. It has positions on many long-term platforms and programmes, significant exposure to the strengthening US defence budget, and growing demand for advanced defence technologies. This supports the Board's confidence in the Group's future.

- End -

⁺ *Under the new revenue recognition standard IFRS 15 which is applied from 1 January 2018*

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NATURE OF ANNOUNCEMENT

This preliminary announcement of Ultra's audited results for the year ended 31 December 2017 does not serve as the dissemination announcement as required by Rule 6.3 of the Disclosure and Transparency Rules ('DTR'). A separate dissemination announcement will be made when the annual financial report is made public in accordance with DTR requirements.

This preliminary 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 preliminary 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 preliminary 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.

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

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 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

Market segment environment

Aerospace (17% of 2017 Group revenue, 2016: 17%) - The commercial aerospace sector continues to grow, with major manufacturers forecasting the need for between 35,000 and 42,000 jet airliners over the next 20 years. A backlog exceeding 14,000 aircraft shows a growth in platform numbers, driven by the demand for new aircraft in developing regions, as well as replacement aircraft for ageing fleets in more established markets. Demand for defence and military aircraft is also increasing, due to rising global tensions. Countries such as South Korea, Japan, Saudi Arabia and the UAE are increasing spend on purchase and development of next generation military equipment.

Infrastructure (4% of 2017 Group revenue, 2016: 4%) - Transportation, including airport and rail systems, remains an area of strong investment worldwide. In addition, increasing global demand for energy is resulting in investment in power generation, power distribution, secure power management and the renewables market. Energy dominates the global trend in smart infrastructure, with Smart Grid and secure energy management lying at the heart of Smart Cities and Critical National Infrastructure. Although infrastructure demand is largely being driven by China, India, and the Middle East and North Africa regions, at least 50% of the global market for smart solutions lies in Europe and North America.

Nuclear (8% of 2017 Group revenue, 2016: 8%) - With over 445 commercial nuclear power reactors operating in 29 countries worldwide and providing over 11% of the world's electricity the focus in Western markets has largely shifted to safety system upgrades, life extensions, emergency management and plant sustainment programmes. The UK however, is proceeding with a new commercial model it has pioneered in support of new nuclear build ambitions and a further new 61 reactors are under construction, mainly in emerging economies. With the nuclear market being a highly-regulated one and the qualification costs of sensors and products being extremely high, the sector retains many barriers to entry.

Communications (16% of 2017 Group revenue, 2016: 15%) - This is a broad market, spanning airborne, air-to-ground, ground-based, underwater and ship-borne communications, each encompassing a diverse range of requirements and capabilities. A continued demand for increased bandwidth and broader connectivity, coupled with a need for multi-platform and multi-user interoperability, exists within both military and security sectors. As nations seek to modernise their systems, the ability to deliver security across real-time voice and data with ad-hoc mesh capabilities has become essential.

C2ISR[1] (19% of 2017 Group revenue, 2016: 21%) - Large amounts of interconnected data collected from sensory equipment generate a need to efficiently receive, understand, filter and transmit useable information for government, security and critical national infrastructure operations. Within defence, C2ISR remains a priority capability due to continually rising global tensions and increased investment in modern warfare systems. Military solutions across a variety of platforms continue to drive the demand for ISTAR[2]. Increased capability of sensors and communications solutions, along with increased interoperability and mobility, provides timely situational awareness that is critical to combating emergent threats.

Underwater Warfare (25% of 2017 Group revenue, 2016: 25%) - Growing global trends in large-scale submarine procurement, mainly led by Russia and China, pose a considerable threat as nations invest in projecting their power. Numerous smaller nations, particularly in Asia Pacific and the Middle East, are also rapidly procuring submarines in efforts to protect their national interests. The underwater battlespace is complex and consists of a combination of airborne, surface and subsurface platforms. Improvements in stealth and submerged endurance of the modern submarine have catalysed the development and procurement of a new generation of airborne anti-submarine warfare sensors, sonar systems and advanced torpedoes to track and detect underwater threats.

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[1] *Command & Control, Intelligence, Surveillance & Reconnaissance*

[2] *Intelligence, Surveillance, Target Acquisition & Reconnaissance*

Maritime (8% of 2017 Group revenue, 2016: 7%) - Naval spending is increasing as world powers continue employing naval presence to control strategic areas of the world's oceans. The US, UK, Australia and Canada have all recently adopted national shipbuilding strategies to stimulate long-term new ship construction to meet evolving threats. Additionally, nations are coming under pressure to establish an indigenous capability in new production programmes, making technology transfer an increasingly important factor to win work in the export market.

Land (3% of 2017 Group revenue, 2016: 3%) - Mounting regional instability is generating requirements for lighter tanks, armoured personnel carriers, mine-resistant ambush protected vehicles and unmanned ground vehicles. Additionally, the concept of the dismounted soldier as an effective electronics and weapons platform is now widely accepted and developments are underway to improve situational awareness and soldier-machine interfaces both when mounted in the vehicle, as well as when dismounted and remote from it.

Ultra Electronics Holdings plc
Results for the Year Ended 31 December 2017
Consolidated Income Statement

	Note	**2017 £'000**	2016 £'000
Revenue	1	**775,400**	785,764
Cost of sales		**(545,178)**	(536,561)
Gross profit		**230,222**	249,203
Other operating income		**249**	1,770
Distribution costs		**(1,066)**	(1,081)
Administrative expenses		**(134,857)**	(144,893)
Other operating expenses		**(15,648)**	(8,777)
Oman contract termination costs	4	**(7,958)**	-
Impairment charge	2	**(1,608)**	-
S3 programme		**(7,850)**	(6,497)
Operating profit		**61,484**	89,725
Loss on disposals (net)	3	**-**	(4,076)
Retirement benefit scheme curtailment gain	15	**-**	15,500
Investment revenue	5	**12,439**	197
Finance costs	6	**(13,331)**	(33,725)
Profit before tax	1	**60,592**	67,621
Tax	7	**(11,666)**	(9,363)
Profit for the year		**48,926**	58,258
Attributable to:			
Owners of the Company		**48,956**	58,260
Non-controlling interests		**(30)**	(2)
Earnings per ordinary share (pence)			
- basic*	9	**66.2**	82.8
- diluted*	9	**66.1**	82.8

All results are derived from continuing operations.

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

Ultra Electronics Holdings plc

Results for the Year Ended 31 December 2017

Consolidated Statement of Comprehensive Income

	2017 £'000	2016 £'000
Profit for the year	**48,926**	58,258
Items that will not be reclassified to profit or loss:		
Actuarial profit/(loss) on defined benefit pension schemes	**24,135**	(49,343)
Tax relating to items that will not be reclassified	**(4,113)**	9,973
Total items that will not be reclassified to profit or loss	**20,022**	(39,370)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(44,089)**	99,349
Reclassification of exchange differences on disposals	**-**	(1,895)
Gain/(loss) on loans used in net investment hedges	**20,567**	(43,078)
Transfer from profit and loss on cash flow hedge	**27**	-
Profit on cash flow hedge	**407**	-
Tax relating to items that may be reclassified	**(74)**	43
Total Items that may be reclassified to profit or loss	**(23,162)**	54,419
Other comprehensive income for the year	**(3,140)**	15,049
Total comprehensive income for the year	**45,786**	73,307
Attributable to:		
Owners of the Company	**45,816**	73,309
Non-controlling interests	**(30)**	(2)

Ultra Electronics Holdings plc
Results for the Year Ended 31 December 2017
Consolidated Balance Sheet

	Note	**2017 £'000**	2016 £'000
Non-current assets			
Goodwill	10	**394,529**	415,593
Other intangible assets		**136,889**	173,637
Property, plant and equipment		**59,150**	66,195
Deferred tax assets		**15,659**	21,377
Derivative financial instruments		**2,025**	3
Trade and other receivables	12	**32,225**	16,352
		640,477	693,157
Current assets			
Inventories	11	**76,627**	78,177
Trade and other receivables	12	**205,627**	215,731
Tax assets		**11,127**	9,444
Cash and cash equivalents		**149,522**	74,625
Derivative financial instruments		**437**	251
		443,340	378,228
Total assets		**1,083,817**	1,071,385
Current liabilities			
Trade and other payables	13	**(215,080)**	(193,243)
Tax liabilities		**(2,255)**	(7,339)
Derivative financial instruments		**(11,203)**	(12,507)
Borrowings		**(51,752)**	-
Short-term provisions	14	**(8,665)**	(16,633)
		(288,955)	(229,722)
Non-current liabilities			
Retirement benefit obligations	15	**(82,732)**	(113,177)
Other payables	13	**(8,114)**	(9,972)
Deferred tax liabilities		**(11,337)**	(6,555)
Derivative financial instruments		**(2,688)**	(11,594)
Borrowings		**(172,227)**	(331,325)
Long-term provisions	14	**(5,553)**	(5,469)
		(282,651)	(478,092)
Total liabilities		**(571,606)**	(707,814)
Net assets		**512,211**	363,571
Equity			
Share capital		**3,887**	3,523
Share premium account		**200,911**	64,020
Own shares		**(2,581)**	(2,581)
Hedging reserve		**(48,059)**	(68,986)
Translation reserve		**95,403**	139,492
Retained earnings		**262,611**	228,034
Equity attributable to owners of the Company		**512,172**	363,502
Non-controlling interests		**39**	69
Total equity		**512,211**	363,571

Ultra Electronics Holdings plc
Results for the Year Ended 31 December 2017
Consolidated Cash Flow Statement

	Note	**2017 £'000**	2016 £'000
Net cash flow from operating activities	16	**77,565**	92,834
Investing activities			
Interest received		**455**	197
Purchase of property, plant and equipment		**(7,098)**	(4,645)
Proceeds from disposal of property, plant and equipment		**102**	293
Expenditure on product development and other intangibles		**(5,680)**	(2,728)
Disposal of subsidiary undertakings		**-**	22,040
Acquisition of subsidiary undertakings		**-**	(5,199)
Net cash (used in)/from investing activities		**(12,221)**	9,958
Financing activities			
Issue of share capital		**137,255**	2,976
Dividends paid		**(34,959)**	(32,583)
Loan syndication costs		**(2,040)**	-
Repayments of borrowings		**(168,975)**	(114,419)
Proceeds from borrowings		**83,493**	60,000
Minority investment		**-**	2,000
Net cash from/(used in) financing activities		**14,774**	(82,026)
Net increase in cash and cash equivalents		**80,118**	20,766
Cash and cash equivalents at beginning of year		**74,625**	45,474
Effect of foreign exchange rate changes		**(5,221)**	8,385
Cash and cash equivalents at end of year		**149,522**	74,625

Ultra Electronics Holdings plc

Results for the Year Ended 31 December 2017
Consolidated Statement of Changes in Equity

	Equity attributable to equity holders of the parent							
	Share capital £'000	**Share premium account £'000**	**Reserve for own shares £'000**	**Hedging reserve £'000**	**Translation reserve £'000**	**Retained earnings £'000**	**Non controlling interest £'000**	**Total equity £'000**
Balance at 1 January 2016	**3,514**	**61,052**	**(2,581)**	**(25,908)**	**42,038**	**238,728**	**-**	**316,843**
Profit for the year	-	-	-	-	-	58,260	(2)	58,258
Other comprehensive income for the year	-	-	-	(43,078)	97,454	(39,327)	-	15,049
Total comprehensive income for the year	**-**	**-**	**-**	**(43,078)**	**97,454**	**18,933**	**(2)**	**73,307**
Non-controlling interest's investment made in subsidiary	-	-	-	-	-	1,929	71	2,000
Equity-settled employee share schemes	9	2,968	-	-	-	984	-	3,961
Dividend to shareholders	-	-	-	-	-	(32,583)	-	(32,583)
Tax on share-based payment transactions	-	-	-	-	-	43	-	43
Balance at 31 December 2016	**3,523**	**64,020**	**(2,581)**	**(68,986)**	**139,492**	**228,034**	**69**	**363,571**
Balance at 1 January 2017	**3,523**	**64,020**	**(2,581)**	**(68,986)**	**139,492**	**228,034**	**69**	**363,571**
Profit for the year	-	-	-	-	-	48,956	(30)	48,926
Other comprehensive income for the year	-	-	-	20,927	(44,089)	20,022	-	(3,140)
Total comprehensive income for the year	**-**	**-**	**-**	**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. Segment information

(i) Revenue by segment

	2017			2016		
	External revenue £'000	**Inter segment £'000**	**Total £'000**	External revenue £'000	Inter segment £'000	Total £'000
Aerospace & Infrastructure	**203,174**	**10,219**	**213,393**	204,685	8,114	212,799
Communications & Security	**242,708**	**7,000**	**249,708**	258,975	2,807	261,782
Maritime & Land	**329,518**	**14,920**	**344,438**	322,104	21,869	343,973
Eliminations	**-**	**(32,139)**	**(32,139)**	-	(32,790)	(32,790)
Consolidated revenue	**775,400**	**-**	**775,400**	785,764	-	785,764

(ii) Profit by segment

	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)**
Impairment charge	**-**	**(1,608)**	**-**	**(1,608)**
Oman contract termination costs	**(7,958)**	**-**	**-**	**(7,958)**
Adjustments to contingent consideration net of acquisition and disposal related costs	**1,163**	**(366)**	**(13,585)**	**(12,788)**
S3 programme	**(1,085)**	**(3,446)**	**(3,319)**	**(7,850)**
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**

The acquisition and disposal related costs of £12,788,000 include those associated with the proposed Sparton Corporation acquisition and 3 Phoenix staff retention payments which were put in place at the time of the acquisition of that business.

The S3 programme is the Group's Standardisation & Shared Service Programme.

1. Segment information (continued)

(b) Profit by segment

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

(iii) Capital expenditure, additions to intangibles, depreciation and amortisation

	Capital expenditure and additions to intangibles (excluding goodwill and acquired intangibles)		**Depreciation and amortisation**	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Aerospace & Infrastructure	**3,546**	1,647	**4,783**	5,894
Communications & Security	**4,840**	3,460	**25,516**	34,127
Maritime & Land	**4,392**	2,266	**11,862**	9,512
Total	**12,778**	7,373	**42,161**	49,533

The 2017 depreciation and amortisation expense includes £31,995,000 of amortisation charges (2016: £38,034,000) and £10,166,000 of property, plant and equipment depreciation charges (2016: £11,499,000).

(iv) Total assets by segment

	2017 £'000	2016 £'000
Aerospace & Infrastructure	**227,932**	233,110
Communications & Security	**428,884**	463,713
Maritime & Land	**248,231**	268,862
	905,047	965,685
Unallocated	**178,770**	105,700
Consolidated total assets	**1,083,817**	1,071,385

1. Segment information (continued)

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

(v) Total liabilities by segment

	2017	2016
	£'000	£'000
Aerospace & Infrastructure	**61,376**	55,751
Communications & Security	**81,443**	71,832
Maritime & Land	**102,085**	104,042
	244,904	231,625
Unallocated	**326,702**	476,189
Consolidated total liabilities	**571,606**	707,814

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

(vi) Revenue by destination

	2017	2016
	£'000	£'000
United Kingdom	**161,293**	185,135
Continental Europe	**78,199**	82,818
Canada	**22,844**	18,617
USA	**384,330**	391,754
Rest of World	**128,734**	107,440
	775,400	785,764

(vii) Other information (by geographic location)

	Non-current assets		**Total assets**		**Additions to property, plant & equipment and intangible assets (excluding acquisitions)**	
	2017	2016	**2017**	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
United Kingdom	**206,433**	205,253	**342,792**	344,157	**4,742**	3,213
USA	**317,613**	362,313	**426,826**	478,083	**6,069**	3,356
Canada	**91,057**	96,449	**123,646**	126,995	**1,341**	767
Rest of World	**7,689**	7,762	**11,784**	16,450	**626**	37
	622,792	671,777	**905,048**	965,685	**12,778**	7,373
Unallocated	**17,685**	21,380	**178,769**	105,700	**-**	-
	640,477	693,157	**1,083,817**	1,071,385	**12,778**	7,373

2. Additional non-statutory 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:

	2017 £'000	2016 £'000
Operating profit	**61,484**	89,725
Amortisation of intangibles arising on acquisition	**28,448**	32,655
Impairment charge	**1,608**	-
Adjustments to contingent consideration net of acquisition and disposal related costs	**12,788**	2,257
Oman contract termination costs	**7,958**	-
S3 programme	**7,850**	6,497
Underlying operating profit	**120,136**	131,134
Profit before tax	**60,592**	67,621
Amortisation of intangibles arising on acquisition	**28,448**	32,655
Impairment charge	**1,608**	-
Adjustments to contingent consideration net of acquisition and disposal related costs	**12,788**	2,257
Unwinding of discount on provisions	**-**	367
(Gain)/loss on fair value movements of derivatives	**(11,983)**	19,103
Net interest charge on defined benefit pensions	**2,741**	2,983
Retirement benefit scheme curtailment gain	**-**	(15,500)
Oman contract termination costs	**7,958**	-
S3 programme	**7,850**	6,497
Loss on disposals (net)	**-**	4,076
Underlying profit before tax	**110,002**	120,059
Cash generated by operations	**97,432**	112,002
Purchase of property, plant and equipment	**(7,098)**	(4,645)
Proceeds on disposal of property, plant and equipment	**102**	293
Expenditure on product development and other intangibles	**(5,680)**	(2,728)
Oman contract termination related costs/Oman performance bond	**9,836**	8,230
S3 programme	**8,949**	5,613
Acquisition and disposal related payments	**12,966**	1,669
Underlying operating cash flow	**116,507**	120,434

The above analysis of the Group's operating results, earnings per share and cash flows, is presented to provide readers with additional performance indicators that are prepared on a non-statutory basis. This 'underlying' 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. 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 Group also uses 'organic' performance measures for the order book, order intake and the income statement. 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:

2. Additional non-statutory performance measures (continued)

- Contract losses arising in the ordinary course of trading are not separately presented, however losses (and subsequent reversals) are separately disclosed in situations of a material dispute which are expected to lead to arbitration or legal proceedings.
- One-off curtailment gain arising on closure of the defined benefit pension scheme.
- Material costs or reversals arising from a significant restructuring of the group's operations, such as the S3 programme, are presented separately.
- Disposals of entities or investments in associates or joint ventures, or impairments of related assets are presented separately.
- The amortisation of intangible assets arising on acquisitions and impairment of goodwill or intangible assets are presented separately.
- Other matters arising due to the Group's acquisitions such as adjustments to contingent consideration, payment of retention bonuses, acquisition and disposal costs and fair value adjustments for acquired inventory made in accordance with IFRS 13 are separately disclosed in aggregate.
- Furthermore, IAS 37 requires the Group to discount provisions using a pre-tax discount rate that reflects the current assessment of the time value of money and the risks specific to the liability, this discount unwind is presented separately when the provision relates to acquisition contingent consideration.
- Derivative instruments used to manage the Group's foreign exchange exposures are 'fair valued' in accordance with IAS 39. This creates volatility in the valuation of the outstanding instruments as exchange rates move over time. This has minimal impact on profit over the full term of the instruments, but can cause significant volatility on particular balance sheet dates, consequently the gain or loss is presented separately.
- The defined benefit pension net interest charge arising in accordance with IAS 19 is presented separately.
- The Group is cash-generative and reinvests funds to support the continuing growth of the business. It seeks to use an accurate and appropriate measure of the funds generated internally while sustaining this growth. For this, the Group uses operating cash flow, rather than cash generated by operations, as its preferred indicator of cash generated and available to cover non-operating expenses such as tax and interest payments. Management believes that using cash generated by operations, with the exclusion of net expenditure on property, plant and equipment and outflows for capitalised product development and other intangibles, would result in an under-reporting of the true cash cost of sustaining a growing business.
- EBITDA is the underlying operating profit before depreciation charges and before amortisation arising on internally generated intangible assets and on other, non-acquired, intangible assets. The figure is adjusted to remove the EBITDA generated by businesses up to the date of their disposal in the period.
- Net debt comprises loans and overdrafts less cash and cash equivalents. The determination of net debt is set out in note 16.

3. Disposals

The Communications & Security division disposed of its ID business in August 2016 and its remaining legal intercept assets, from the former SOTECH business, in December 2016. Cash proceeds of £22m were received in the prior year. After disposals of intangible fixed assets and allocation of goodwill, the accounting loss on disposal in the prior year was £4.1m. Further proceeds could be received over the following two years based on agreed targets; any such proceeds will be accounted for in the year of receipt.

	2017 **£'000**	2016 £'000
Cash proceeds received	-	22,040
Intangible assets and allocated goodwill disposed of	-	(21,992)
Other net assets disposed of	-	(6,019)
Release from translation reserve	-	1,895
Net loss on disposal	-	(4,076)

4. Oman contract termination costs

In 2015, 'Ithra' ("Ultra Electronics in collaboration with Oman Investment Corporation LLC"), the legal entity established with the sole purpose of delivering the Oman Airport IT contract, was placed into voluntary liquidation. A liquidator was appointed to pursue claims against the customer on behalf of the interested parties. In 2017, £8.0m (2016: £nil) of legal costs associated with the Oman Airport IT contract termination were charged to the income statement.

5. Investment revenue

	2017	2016
	£'000	£'000
Bank interest	**456**	197
Fair value movement on derivatives	**11,983**	-
	12,439	197

6. Finance costs

	2017	2016
	£'000	£'000
Amortisation of finance costs of debt	**1,281**	848
Interest payable on bank loans, overdrafts and other loans	**9,309**	10,424
Total borrowing costs	**10,590**	11,272
Retirement benefit scheme finance cost	**2,741**	2,983
Unwinding of discount on provisions	**-**	367
Fair value movement on derivatives	**-**	19,103
	13,331	33,725

7. Tax

	2017	2016
	£'000	£'000
Current tax		
United Kingdom	**2,319**	3,701
Overseas	**3,710**	11,205
	6,029	14,906
Deferred tax		
Origination and reversal of temporary differences	**7,676**	(7,124)
(Recognition)/de-recognition of deferred tax assets	**(2,077)**	1,576
US tax rate change	**38**	-
UK tax rate change	**-**	5
	5,637	(5,543)
Total	**11,666**	9,363

8. Dividends

	2017 £'000	2016 £'000
Final dividend for the year ended 31 December 2016 of 33.6p (2015: 32.3p) per share	**23,647**	22,631
Interim dividend for the year ended 31 December 2017 of 14.6p (2016: 14.2p) per share	**11,312**	9,952
	34,959	32,583
Proposed final dividend for the year ended 31 December 2017 of 35.0p (2016: 33.6p) per share	**27,124**	23,597

The 2017 proposed final dividend of 35.0p per share is proposed to be paid on 3 May 2018 to shareholders on the register at 6 April 2018. It was approved by the Board after 31 December 2017 and has not been included as a liability as at 31 December 2017.

9. Earnings per share

	2017 Pence	2016 Pence
Basic underlying (see below)	**116.7**	134.6
Diluted underlying (see below)	**116.5**	134.5
Basic	**66.2**	82.8
Diluted	**66.1**	82.8

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

	2017 £'000	2016 £'000
Earnings		
Earnings for the purposes of earnings per share being profit for the year	**48,956**	58,260
Underlying earnings		
Profit for the year	**48,956**	58,260
(Gain)/loss on fair value movements on derivatives (net of tax)	**(9,411)**	16,008
Amortisation of intangibles arising on acquisition (net of tax)	**20,005**	22,419
Unwinding of discount on provisions (net of tax)	**-**	367
Acquisition and disposal related costs net of contingent consideration (net of tax)	**10,394**	2,100
Net interest charge on defined benefit pensions (net of tax)	**2,275**	2,386
Retirement benefit scheme curtailment gain (net of tax)	**-**	(12,400)
Impairment charges (net of tax)	**997**	-
Oman contract termination costs (net of tax)	**7,097**	-
S3 programme (net of tax)	**5,983**	5,503
Disposals (net of tax)	**-**	48
Earnings for the purposes of underlying earnings per share	**86,296**	94,691

The adjustments to profit are explained in note 2.

	2017 Number of shares	2016 Number of shares
The weighted average number of shares is given below:		
Number of shares used for basic earnings per share	**73,959,565**	70,330,384
Effect of dilutive potential ordinary shares – share options	**86,340**	73,320
Number of shares used for fully diluted earnings per share	**74,045,905**	70,403,704

	2017 £'000	2016 £'000
Underlying profit before tax (see note 2)	**110,002**	120,059
Tax rate applied for the purposes of underlying earnings per share	**21.58%**	21.13%

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.

10. Goodwill

	2017	2016
	£'000	£'000
Cost		
At 1 January	**478,565**	428,166
Exchange differences	**(26,758)**	55,577
Derecognised on disposal	**-**	(8,305)
Other changes	**-**	3,127
At 31 December	**451,807**	478,565
Accumulated impairment loss		
At 1 January	**(62,972)**	(52,281)
Exchange differences	**5,694**	(10,691)
Carrying amount at 31 December	**394,529**	415,593

Other changes in 2016 related to the re-assessment of initial fair values at Herley, which predominantly related to inventory and provisions, and to Furnace Parts adjustments to deferred tax balances.

The Group's market-facing-segments, which represent Cash Generating Unit (CGU) groupings, are; Aerospace, Infrastructure, Nuclear, Communications, C2ISR, Maritime, Land and Underwater Warfare. These represent the lowest level at which the goodwill is monitored for internal management purposes. Goodwill is allocated to CGU groupings as set out below:

	2017	2016	**2017**	2016
	Discount rate	Discount Rate	**£'000**	£'000
Aerospace	10.1%	10.1%	**32,531**	32,784
Infrastructure	10.1%	10.1%	**28,276**	28,159
Nuclear	10.1%	10.1%	**18,030**	19,411
Aerospace & Infrastructure			**78,837**	80,354
Communications	10.1%	10.1%	**90,894**	93,182
C2ISR	10.1%	10.1%	**115,135**	124,926
Communications & Security			**206,029**	218,108
Maritime	10.1%	10.1%	**33,716**	36,025
Underwater Warfare	10.1%	10.1%	**75,947**	81,106
Maritime & Land			**109,663**	117,131
Total – Ultra Electronics			**394,529**	415,593

10. Goodwill (continued)

Goodwill is initially allocated, in the year a business is acquired, to the CGU group expected to benefit from the acquisition. Subsequent adjustments are made to this allocation to the extent operations, to which goodwill relates, are transferred between CGU groups. The size of a CGU group varies but is never larger than a reportable operating segment.

The recoverable amounts of CGUs are determined from value-in-use calculations. In determining the value-in-use for each CGU, the Group prepares cash flows derived from the most recent financial budgets and strategic plan, representing the best estimate of future performance. These plans, which have been approved by the Board, include detailed financial forecasts and market analysis covering the expected development of each CGU over the next five years. The cash flows for the following ten years are also included and assume a growth rate of 2.5% per annum. Cash flows beyond that period are not included in the value-in-use calculation.

The key assumptions used in the value-in-use calculations are those regarding the discount rate, future revenues, growth rates, forecast gross margins, underlying operating profit and operating cash conversion. Management estimates the discount rate using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the Group, being the Weighted Average Cost of Capital (WACC). The WACC is then risk-adjusted to reflect risks specific to each business. The pre-tax discount rate used during 2017 was 10.1% (2016: 10.1%). Future revenues are based on orders already received, opportunities that are known and expected at the time of setting the budget and strategic plans and future growth rates. Budget and strategic plan growth rates are based on a combination of historic experience, available government spending data, and management and industry expectations of the growth rates that are expected to apply in the major markets in which each CGU operates. Longer-term growth rates, applied for the ten-year period after the end of the strategic planning period, are set at 2.5%. Ultra considers the long-term growth rate to be appropriate for the sectors in which it operates. Forecast gross margins reflect past experience, factor in expected efficiencies to counter inflationary pressures, and also reflect likely margins achievable in the shorter-term period of greater defence spending uncertainty.

Within each of the strategic plans a number of assumptions are made about business growth opportunities, contract wins, product development and available markets. A key assumption is that there will be continued demand for Ultra’s products and expertise from a number of US government agencies and prime contractors during the strategic plan period.

Sensitivity analysis has been performed on the value-in-use calculations to:
(i) reduce the post-2022 growth assumption from 2.5% to nil
(ii) apply a 20% reduction to forecast operating profits in each year of the modelled cash inflows
(iii) consider specific market factors as noted above.

Certain of these sensitivity scenarios give rise to a potential impairment in Infrastructure. Headroom, which represents the value derived from the key growth assumptions in the Infrastructure value-in-use calculations, is £6.0m. Sensitivity (ii) results in a £0.9m impairment in Infrastructure; the CGU grouping is sensitive to the ability of the remaining operations to win sufficient new customers over the medium term.

For all other CGUs, the value-in-use calculations exceed the CGU carrying values in the sensitivity scenarios.

11. Inventories

	2017	2016
	£'000	£'000
Raw materials and consumables	**48,965**	48,147
Work in progress	**18,787**	21,452
Finished goods and goods for resale	**8,875**	8,578
	76,627	78,177

12. Trade and other receivables

	2017	2016
	£'000	£'000
Non-current:		
Amounts receivable from contract customers	**32,225**	16,352
	32,225	16,352

	2017	2016
	£'000	£'000
Current:		
Trade receivables	**102,934**	98,977
Provisions against receivables	**(1,505)**	(1,307)
Net trade receivables	**101,429**	97,670
Amounts receivable from contract customers	**84,507**	95,919
Other receivables	**12,897**	11,891
Prepayments and accrued income	**6,794**	10,251
	205,627	215,731

13. Trade and other payables

	2017	2016
	£'000	£'000
Amounts included in current liabilities:		
Trade payables	**89,205**	68,341
Amounts due to contract customers	**55,166**	46,310
Other payables	**21,007**	30,207
Accruals and deferred income	**49,702**	48,385
	215,080	193,243

	2017	2016
	£'000	£'000
Amounts included in non-current liabilities:		
Amounts due to contract customers	**3,541**	6,146
Other payables	**12**	243
Accruals and deferred income	**4,561**	3,583
	8,114	9,972

14. Provisions

	Warranties £'000	Contract related provisions £'000	Other provisions £'000	Total £'000
At 1 January 2017	4,444	6,739	10,919	22,102
Created	1,983	1,223	815	4,021
Reversed	(300)	(1,471)	(193)	(1,964)
Utilised	(1,300)	(3,192)	(4,662)	(9,154)
Exchange differences	(161)	(168)	(458)	(787)
At 31 December 2017	**4,666**	**3,131**	**6,421**	**14,218**
Included in current liabilities	2,608	2,301	3,756	8,665
Included in non-current liabilities	2,058	830	2,665	5,553
	4,666	**3,131**	**6,421**	**14,218**

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 include provisions for liquidated damages or agent fees, and will be utilised over the period as stated in the contract to which the specific provision relates. Other provisions include re-organisation costs, contingent consideration, dilapidation costs and provisions associated with the Oman Airport IT contract termination, which were fully utilised during 2017. 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. Retirement benefit schemes

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

	2017 £'000	2016 £'000
Fair value of scheme assets	**306,302**	287,340
Present value of scheme liabilities	**(389,034)**	(400,517)
Scheme deficit	**(82,732)**	(113,177)
Related deferred tax asset	**14,130**	19,517
Net pension liability	**(68,602)**	(93,660)

The UK defined benefit pension scheme was closed to future benefit accrual from 5 April 2016 and a curtailment gain of £15.5m was recognised in the income statement in 2016. As set out in note 2, this has been treated as a non-underlying item.

The discount rate used in the actuarial assessment of the UK defined benefit scheme at 31 December 2017 was 2.50% (2016: 2.55%).

16. Cash flow information

	2017 £'000	2016 £'000
Operating profit	**61,484**	89,725
Adjustments for:		
Depreciation of property, plant and equipment	**10,166**	11,499
Amortisation of intangible assets	**31,995**	38,034
Impairment charge of intangible assets	**1,608**	-
Cost of equity-settled employee share schemes	**682**	984
Adjustment for pension funding	**(8,964)**	(8,468)
Loss on disposal of property, plant and equipment	**565**	291
Decrease in provisions	**(7,086)**	(8,975)
Operating cash flow before movements in working capital	**90,450**	123,090
(Increase)/decrease in inventories	**(2,093)**	8,295
Increase in receivables	**(15,367)**	(339)
Increase/(decrease) in payables	**24,442**	(19,044)
Cash generated by operations	**97,432**	112,002
Income taxes paid	**(10,324)**	(9,012)
Interest paid	**(9,543)**	(10,156)
Net cash from operating activities	**77,565**	92,834

Reconciliation of net movement in cash and cash equivalents to movements in net debt:	2017 £'000	2016 £'000
Net increase in cash and cash equivalents	**80,118**	20,766
Cash inflow from movement in debt and finance leasing	**85,482**	54,419
Change in net debt arising from cash flows	**165,600**	75,185
Loan syndication costs	**2,040**	-
Amortisation of finance costs of debt	**(1,281)**	(848)
Translation differences	**15,884**	(35,465)
Movement in net debt in the year	**182,243**	38,872
Net debt at start of year	**(256,700)**	(295,572)
Net debt at end of year	**(74,457)**	(256,700)

Net debt comprised the following:	2017 £'000	2016 £'000
Cash and cash equivalents	**149,522**	74,625
Borrowings	**(223,979)**	(331,325)
	(74,457)	(256,700)

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:	2017 £'000	2016 £'000
Borrowings at start of year	**(331,325)**	(341,046)
Repayments of borrowings	**168,975**	114,419
Proceeds from borrowings	**(83,493)**	(60,000)
Loan syndication costs	**2,040**	-
Amortisation of finance costs of debt	**(1,281)**	(848)
Translation differences	**21,105**	(43,850)
Borrowings at end of year	**(223,979)**	(331,325)

17. IFRS 15 - Revenue from contracts with customers

IFRS 15 Revenue from contracts with customers – is effective from 1 January 2018. A detailed project has been undertaken to determine the impact of IFRS 15. The project has assessed revenue and contract terms from across all the Group's business units and contracting types. There is no impact to the timing of the Group's cash flows nor the timing of revenue recognition on the majority of the Group's contracts. The table below sets out the impact to the 2017 income statement and balance sheet if IFRS 15 had been applied during the year:

£'m Income Statement impact	**2017 as presented**	**Adjustment**	**2017 if presented under IFRS 15**
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**
Statutory operating profit	61.5	(2.4)	59.1
Statutory profit before tax	60.6	(2.4)	58.2
Tax	(11.7)	0.7	(11.0)
Statutory profit after tax	48.9	(1.7)	47.2

£'m Balance Sheet impact	**2017 as presented**	**Adjustment**	**2017 if presented under IFRS 15**
Inventories	76.6	1.2	77.8
Amounts receivable from contract customers	116.7	(10.5)	106.2
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

The most significant changes relative to current accounting treatments arise in the following areas:

(i) the accounting for multiple elements of long term contracts approved at different times, for example contracts involving product design, followed by subsequent production orders,

(ii) allocation of the contract price to performance obligations for long term contracts containing multiple deliverables,

(iii) the accounting for certain transactions currently treated as long term contracts that may need to be treated as sales of goods; and

(iv) the accounting for certain licences that are determined to provide separately identifiable benefit to the customer.

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.

17. IFRS 15 - Revenue from contracts with customers (continued)

The project 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. As set out in the table above, 2017 consolidated group revenue would have been £7.1m lower at £768.3m, and 2017 underlying operating profit would have been £2.4m lower at £117.7m if IFRS 15 had been applied. The 1 January 2018 opening order book increases by £17.0m to £914.4m.

The Group will recognise the cumulative effect of applying IFRS 15 at the 1 January 2018 transitional date. The prior period will not be restated.

18. Five-year review

	2013 £m	2014 £m	2015 £m	2016 £m	**2017 £m**
Revenue					
Aerospace & Infrastructure	230.4	198.6	193.2	204.7	**203.2**
Communications & Security	237.7	224.4	239.3	259.0	**242.7**
Maritime & Land	277.1	290.7	293.8	322.1	**329.5**
Total revenue	745.2	713.7	726.3	785.8	**775.4**
Underlying operating profit(1)					
Aerospace & Infrastructure	46.2	29.6	28.7	32.4	**32.6**
Communications & Security	27.5	37.0	40.4	39.7	**28.2**
Maritime & Land	48.0	51.5	50.9	59.0	**59.3**
Total underlying operating profit(1)	121.7	118.1	120.0	131.1	**120.1**
Margin(1)	16.3%	16.5%	16.5%	16.7%	**15.5%**
Profit before tax	49.3	21.5	34.8	67.6	**60.6**
Profit after tax	38.2	6.5	25.0	58.3	**48.9**
Operating cash flow(2)	79.0	83.1	81.3	120.4	**116.5**
Free cash before dividend payments, acquisitions and financing(3)	46.7	52.8	48.4	86.0	**65.3**
Net debt at year-end(4)	(42.2)	(129.5)	(295.6)	(256.7)	**(74.5)**
Underlying earnings per share (p)(5)	127.1	123.1	123.9	134.6	**116.7**
Dividends per share (p)	42.2	44.3	46.1	47.8	**49.6**
Average employee numbers	4,274	4,787	4,843	4,466	**4,172**

Notes:

1) Before adjustments to contingent consideration net of acquisition and disposal related costs, amortisation of intangibles arising on acquisition, the S3 programme, impairment charges and Oman contract termination and liquidation related costs.
2) 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 the Oman performance bond and Oman contract termination related costs in 2017.
3) Free cash flow before dividend payments, acquisitions and financing has been adjusted to include the purchase of LTIP shares, which are included in financing activities. Prior periods have been restated to include dividends received from equity accounted investments.
4) Loans and overdrafts less cash and cash equivalents.
5) Before adjustments to contingent consideration net of acquisition and disposal related costs, amortisation of intangibles arising on acquisition, the S3 programme, impairment charges, fair value movement on derivative financial instruments, defined benefit pension curtailment gain and interest charges and unwinding of discount on provisions.

19. Financial Information

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2017 or 2016, but is derived from those accounts. Statutory accounts for 2016 have been delivered to the Registrar of Companies and those for 2017 will be delivered following the company's annual general meeting. The auditor has reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

The preliminary announcement has been prepared on the basis of the accounting policies as stated in the financial statements for the year ended 31 December 2016. The company expects to publish full financial statements on 21 March 2018.

The following IFRIC interpretations, amendments to existing standards and new standards have been adopted in the current year but have not impacted the reported results or the financial position:

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

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

IFRS 9 Financial Instruments – is effective from 1 January 2018 and will introduce a number of changes in the presentation of financial instruments.

IFRS 15 Revenue from contracts with customers – is effective from 1 January 2018. A detailed project has been undertaken to determine the impact of IFRS 15. The key findings and determination of impact are set out in note 17. The Group will recognise the cumulative effect of applying IFRS 15 at the 1 January 2018 transitional date. The prior period will not be restated.

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

Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards ("IFRS"), this announcement does not itself contain sufficient information to comply with IFRS.

Copies of the annual report will be sent to shareholders who have elected to receive a copy of the annual report in due course and will also be available from the Company's registered office at 417 Bridport Road, Greenford, Middlesex, UB6 8UA. The report will also be available on the Company's website: www.ultra-electronics.com.