

Ultra Electronics Holdings plc
(“Ultra” or “the Group”)

Trading Statement

Ultra, the international defence, security, transport and energy group, today issues a scheduled Trading Statement ahead of its year end on 31 December 2016.

The Group’s full year trading performance remains in line with expectations. There continues to be an improvement in organic trading performance year-on-year and recent acquisitions are performing well. Organic revenue will be slightly below our previous guidance. Group order intake has been robust although there continue to be delays in a small number of export contract awards that have impacted the amount of revenue that can be taken in the current year. Most significant is the delay in a torpedo defence contract for India that is yet to be signed, despite having been won in November 2015. The Group's balance sheet remains strong and we expect Net Debt/EBITDA to be around 2.0x by the year end, despite the impact of foreign exchange on dollar debt. We expect cash conversion to be above 70%.

Conditions in Ultra’s markets remain mixed, as noted on 1 August in the Group's interim results announcement. US defense outlays show spending in line with DoD budget forecasts but a three month Continuing Resolution (CR) reflects underlying budget disagreements and pressures. The CR is now likely to extend into the first quarter of 2017. In the UK, the depreciation of sterling and uncertainty over the UK economy has yet to have a discernible impact on government spending. Export markets dependent on oil & gas revenues remain depressed but increasing security concerns and regional tensions are driving spending in priority areas, such as surveillance.

The Group has secured a number of key contracts over the period:

- The award of a US \$34.6 million cost-plus-fixed-fee contract by the Department of the Navy to continue providing cyber-secure critical infrastructure solutions. Initial tasks of US \$13.9 million should be completed by September 2017
- A contract valued at £7.5m from the Philippine Department of National Defence for Phase 3B of the Jacinto Class Patrol Vessel Restoration and Sustainment Program
- A contract valued at just over \$6.6 million from Lockheed Martin for the non-recurring engineering, production of the MK 48 Torpedo Array Nose Assembly as well as engineering services and spares. Options to extend the contract for a further four years could increase this initial value to \$27 million
- A £6.5m award for cyber protection for a significant overseas customer

Ultra will announce its final results for the year ending 31 December on 6 March 2017.

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Cautionary Statement:

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

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

Further information about Ultra:

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

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

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

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

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