

# strategies for growth...

**Ultra**  
ELECTRONICS

Interim Results for  
the 6 months ending  
2 July 2010



## ...driving resilience

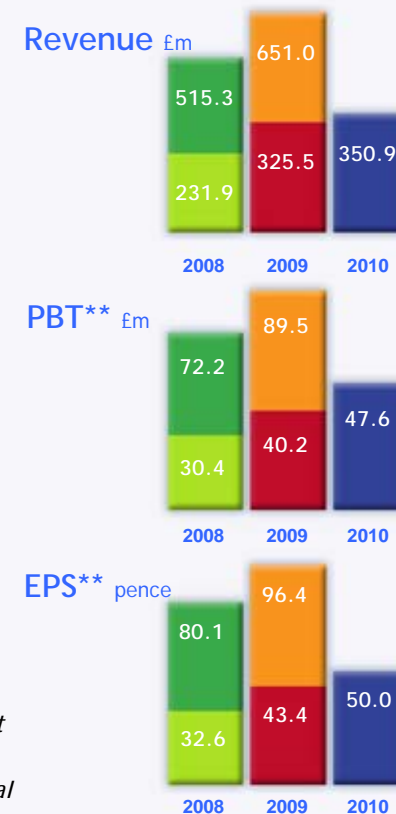
Douglas Caster Chief Executive Rakesh Sharma Chief Operating Officer Paul Dean Finance Director

# 2010 Interim Overview

- Another resilient first half reflecting the success of Ultra's growth strategies
  - revenue up 8%; organic growth of 6%
  - PBT\*\* up 18%
  - EPS\*\* up 15%
  - DPS up 10%
- Investment to drive future growth continued
- Operating margin\* 15%
- Robust cash generation
- Strong balance sheet with headroom for acquisitions
- Order book, up 8% at £832m, maintains a good level of visibility

\* before amortisation of intangibles arising on acquisition and profit on disposal of property, plant and equipment net of property-related provisions

\*\* before amortisation of intangibles arising on acquisition, fair value movements on derivatives, profit on disposal of property, plant and equipment net of property-related provisions and loss on closing out foreign currency hedging contracts



# Financial Review



# Income Statement

£m	2010 H1	2009 H1	Growth
Revenue	350.9	325.5	+8%
Operating profit*	51.4	44.3	+16%
<i>Operating margin*</i>	<i>14.6%</i>	<i>13.6%</i>	
Profit before tax**	47.6	40.2	+18%
Earnings per share**	50.0p	43.4p	+15%
Dividend per share	10.6p	9.6p	+10%

\* before amortisation of intangibles arising on acquisition and profit on disposal of property, plant and equipment net of property-related provisions

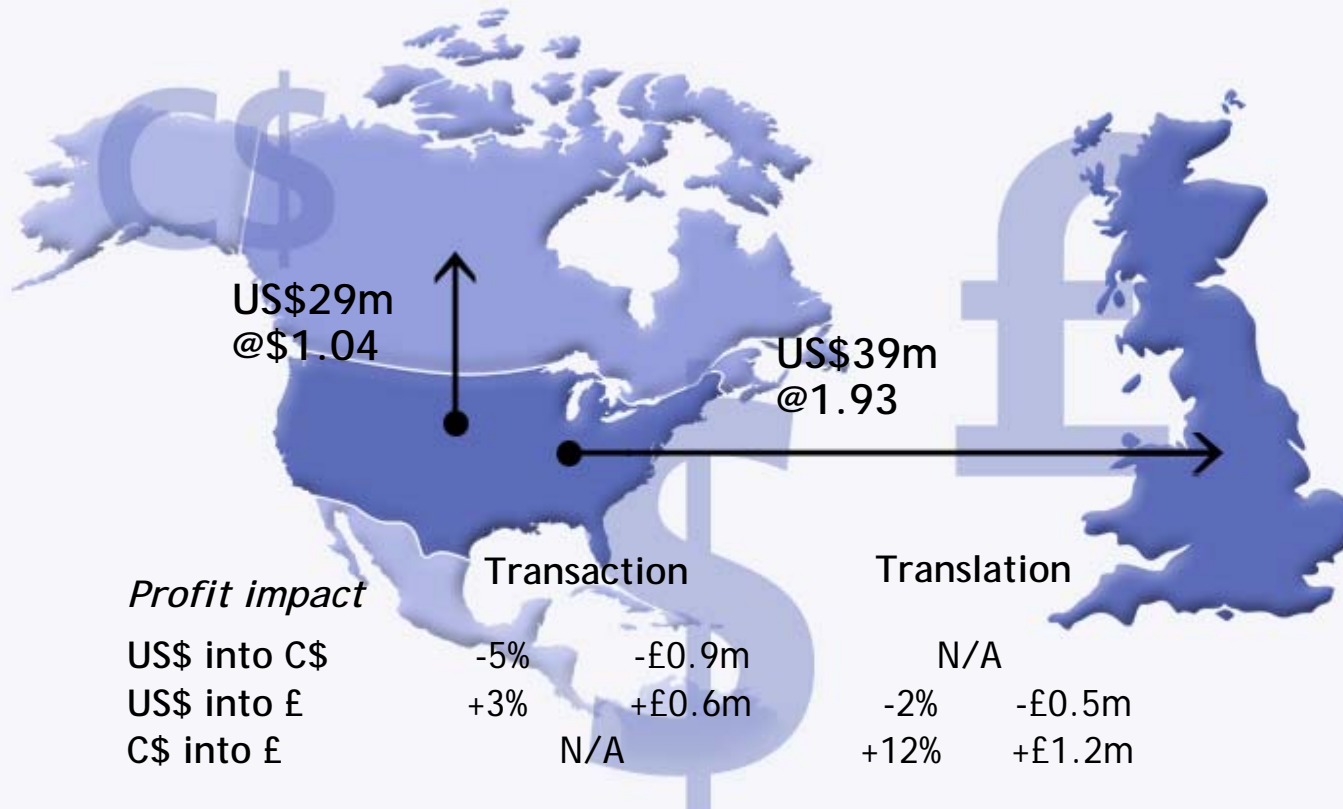
\*\* before amortisation of intangibles arising on acquisition, fair value movements on derivatives, profit on disposal of property, plant and equipment net of property-related provisions and loss on closing out foreign currency hedging contracts

# Profit Progression



*\*before amortisation of intangibles arising on acquisition and profit on disposal of property, plant and equipment net of property-related provisions*

# Currency Effects



## Future hedge rates

	US\$:£
2010	1.93
2011*	1.55
2012**	1.47

### Profit impact

US\$ into C\$  
US\$ into £  
C\$ into £

### Transaction

-5%    -£0.9m  
+3%    +£0.6m  
N/A

### Translation

N/A  
-2%    -£0.5m  
+12%    +£1.2m

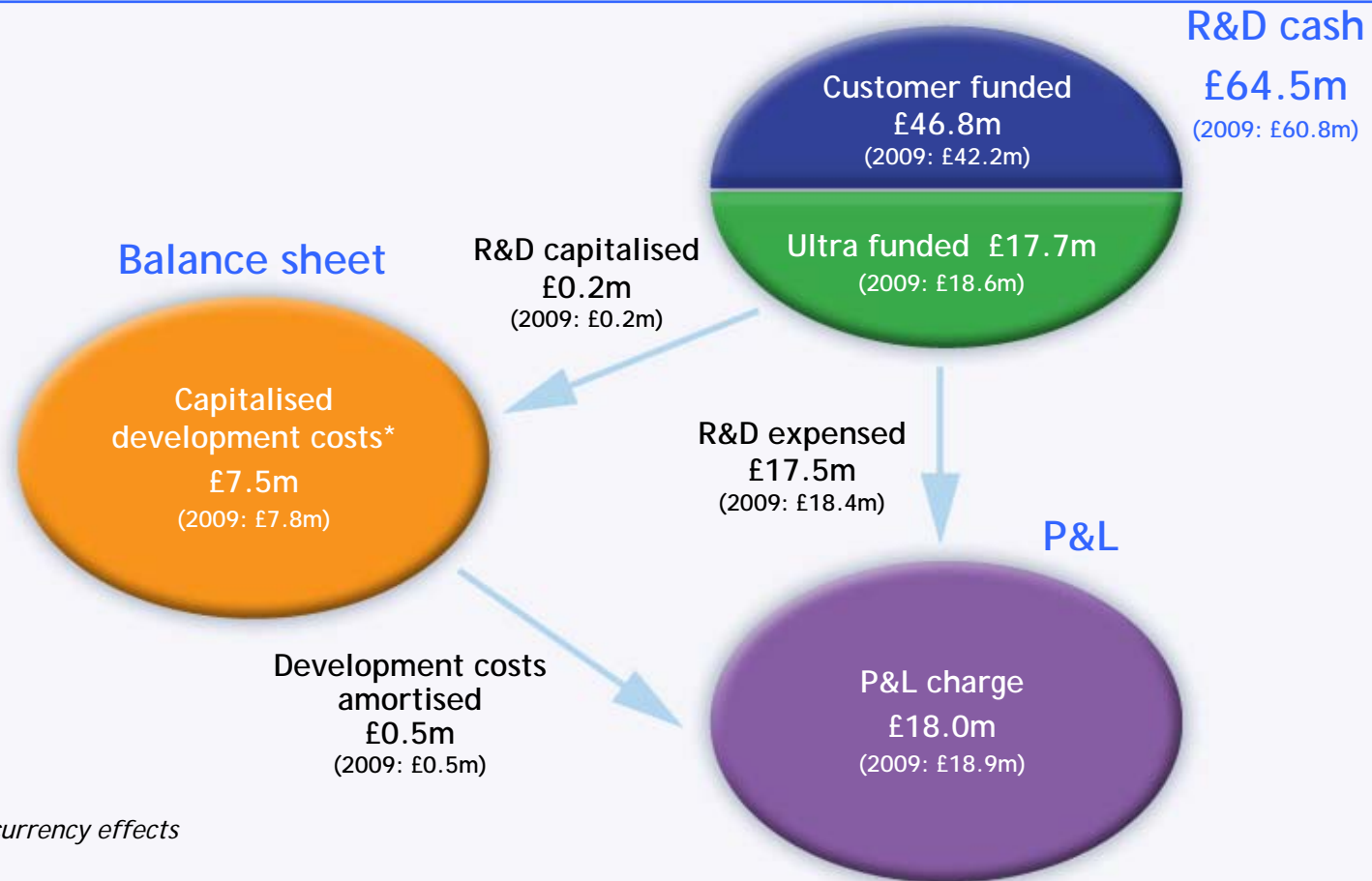
**Total profit impact +£0.4m (+1%)**

*Revenue translation impact +£2.6m (+1%)*

\* 90% covered

\*\* 70% covered

# Maintaining Investment to Underpin Growth



\* excluding currency effects

# Operating Cash Flow

£m	2010 H1	2009 H1
Operating profit*	51.4	44.3
Depreciation	4.1	4.4
Net tangible capital expenditure	(1.9)	(0.9)
Net intangible capital expenditure	0.4	0.3
Working capital increase	(14.6)	(15.3)
Other	0.9	0.5
Operating cash flow	<u>40.3</u>	<u>33.3</u>
<i>Cash conversion</i>	<i>78%</i>	<i>75%</i>

\* before amortisation of intangibles arising on acquisition and profit on disposal of property, plant and equipment net of property-related provisions

# Net Debt

£m	2010 H1	2009 H1
Opening net debt	(28.7)	(63.9)
Operating cash flow	40.3	33.3
Interest and tax	(10.2)	(6.5)
Loss on close out of f/x contracts	-	(15.9)
Dividends	(14.8)	(12.2)
Acquisitions	(3.7)	(10.1)
Currency	(2.8)	7.1
Other	2.5	0.1
	<hr/>	<hr/>
Closing net debt	(17.4)	(68.1)
	<hr/>	<hr/>

*Headroom at period end of £121.8m over gross borrowings*

# Reporting Changes

The following reporting changes will be reflected in Ultra's full-year 2010 accounts:

- The Manufacturing & Card Systems business will move from Information & Power Systems to Aircraft & Vehicle Systems
- The Dascam business will be reported as an 'associated undertaking'

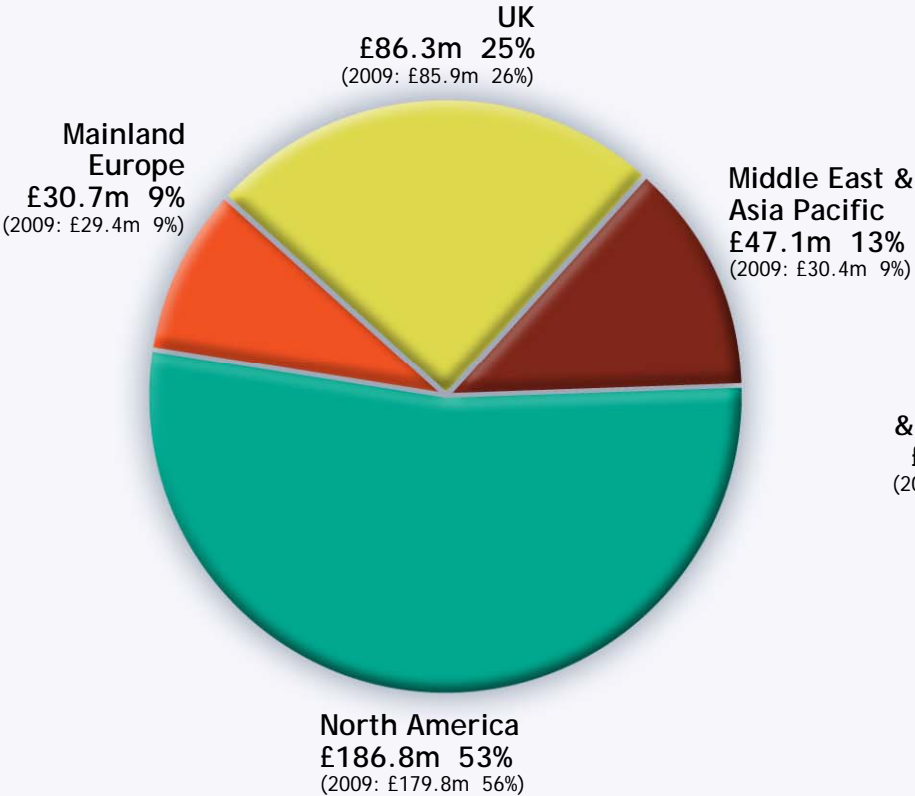
The following change will affect 2011 and beyond:

- The Tactical Communication Systems business will become a US dollar functional currency business to reduce Ultra's hedging exposure

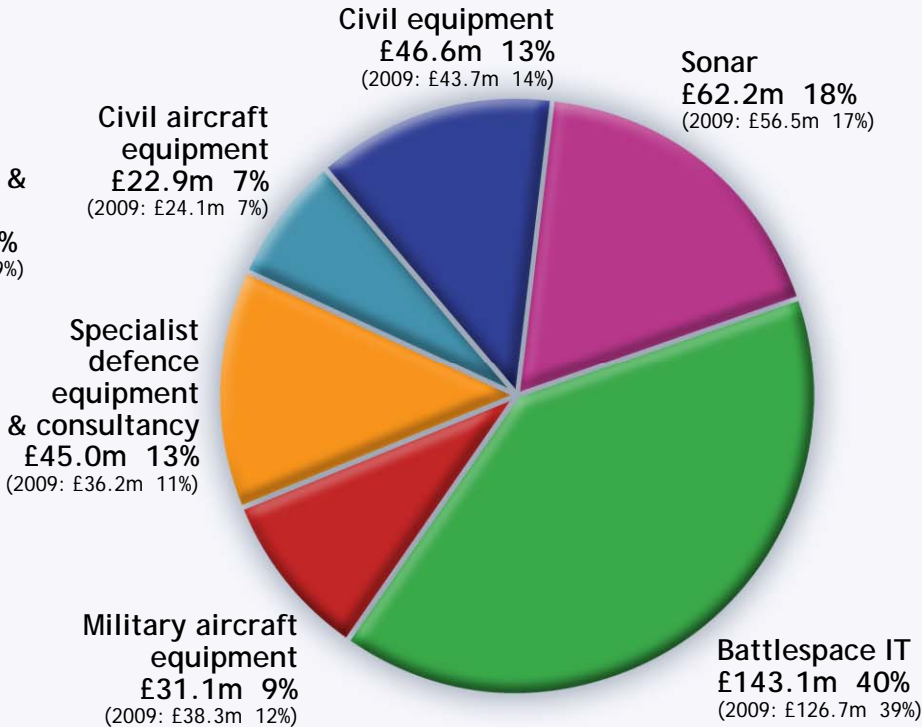
# Operational Review

# Revenue

### Destination



### Sector

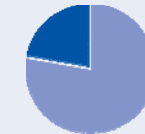


# Aircraft & Vehicle Systems

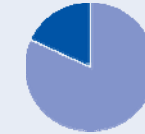
## PERFORMANCE DRIVERS IN PERIOD

### Financial results

	2009 H1	2010 H1	
Revenue	£83.7m	£76.5m	-9%
Profit	£10.9m	£9.1m	-17%
Order book	£213.3m	£204.8m	-4%
Operating margin	13.0%	11.9%	



22% of Group sales



18% of Group OP

### Performance drivers

- Continued investment in Boeing 787 and Airbus A400M systems
- Reduced level of funded development work on JSF ice protection system
- Self-funded qualification costs on 787 and F-35
- Delays to FRES Scout Vehicle and Warrior upgrade
- Solid demand for civil aircraft equipment
- High demand for HiPPAG airborne compressors and remote weapon station controls

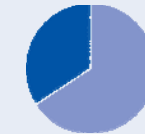


# Information & Power Systems

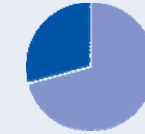
## PERFORMANCE DRIVERS IN PERIOD

### Financial results

	2009 H1	2010 H1	
Revenue	£101.0m	£119.5m	+18%
Profit	£11.5m	£14.8m	+29%
Order book	£204.7m	£208.5m	+2%
Operating margin	11.4%	12.4%	



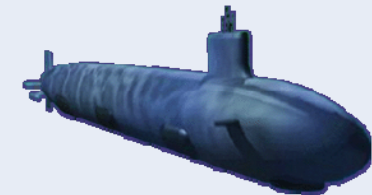
34% of Group sales



29% of Group OP

### Performance drivers

- Growth driven by battlespace IT demand
  - intelligence and surveillance
  - air defence
- Strong demand for base protection systems
- Continuing demand for specialist naval electrical power controls
- High sales of airport IT systems
- Higher demand for trackside power equipment
- Delays to RC&I production contract

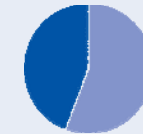


# Tactical & Sonar Systems

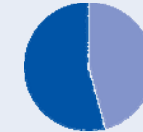
## PERFORMANCE DRIVERS IN PERIOD

### Financial results

	2009 H1	2010 H1	
Revenue	£140.8m	£154.9m	+10%
Profit	£21.9m	£27.5m	+26%
Order book	£349.4m	£418.8m	+20%
Operating margin	15.6%	17.8%	



44% of Group sales



53% of Group OP

### Performance drivers

- Strong growth driven by demand for battlespace IT systems and equipment
- Continuing strong demand from US Army for high capacity tactical radios
- Continuing demand for data link equipment
- Increased sales of advanced anti-submarine warfare systems and equipment
- Good progress for new generation of audio products
- ECU win strategic



# Acquisitions

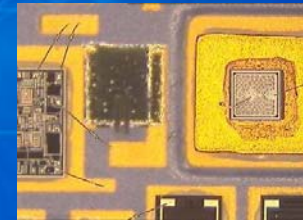
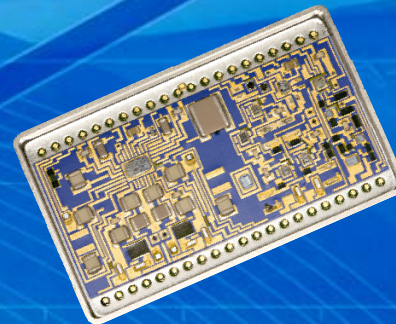
## Transmag, Birmingham

- Specialist electrical transformers
- Rail, mining and renewable energy sectors
- Complementary to Ultra's transit power system capability
- Will be part of the PMES business



## Extec, Portchester, Hants

- Specialist packaging of miniaturised electronic circuits
- Inherent advantages in high reliability defence and aerospace applications
- Key technology for new nuclear reactor control systems
- Will be part of the Manufacturing & Card Systems business



# Delivering the Strategy

## NEW CONTRACTS

Contracts won to date demonstrate Ultra's delivery of its growth strategies

Ultra's four growth strategies

Platform & programme  
Specialist capability  
Customer  
Geographic reach

Airframe crack detection	Northrop Grumman		●	●	
ADSI for anti-rocket and mortar	US Army	●	●		
Airport IT at Copenhagen	Airport Authority			●	●
ECU-R cryptographic equipment	MoD	●			
Degaussing system for DDG-51 Arleigh Burke	Bath Iron Works	●		●	
Sonar systems for Royal Netherlands Navy	DMO, Netherlands	●		●	●
Trackside power for London Underground	EDF			●	
Gas turbine electric start – production	Rolls-Royce	●	●		●



# Market Environment

## ULTRA'S ADDRESSABLE MARKETS GIVE SUBSTANTIAL HEADROOM FOR GROWTH

### DEFENCE

- US base budget growing
- UK budget under pressure
- Electronics an increasing percentage of budgets
- More upgrades, fewer new platforms

### TRANSPORT

- Increasing aircraft build rates
- Infrastructure investment in airports
- Upgrades and extensions to mass transit systems

### SECURITY

- Rising demand for security, surveillance and intelligence
- Emphasis on cyber warfare and information assurance

### ENERGY

- Potential UK 'energy gap'
- Worldwide concerns about security of energy supply
- Life extensions and new build in UK, RoW
- High build rate in China

# Growth Drivers for 2010/11

## AIRCRAFT & VEHICLE SYSTEMS

- LRIP for F-35 Joint Strike Fighter
- Boeing 787 initial sales
- A400M initial sales
- Gulfstream 650 initial sales
- Mitsubishi RJ funded development
- FRES Scout Vehicle development

## TACTICAL & SONAR SYSTEMS

- ECU-R development
- Sales of high capacity radios
- Higher sales of network access equipment for Patriot missile systems
- Increased build rates of magneto inductive signalling and command equipment

## INFORMATION & POWER SYSTEMS

- RC&I for Royal Navy submarines
- Increased sales of nuclear reactor sensors
- Higher sales of base protection systems
- Increased demand for trackside power equipment
- Development of new power supply for Vanguard submarines

## TACTICAL & SONAR SYSTEMS

- Development of sonar for Royal Netherlands Navy
- International sales of Hyperspike
- Development of next generation of ASW sensors, equipment and systems
- Next phase of submarine 'comms at speed and depth'

# Aircraft & Vehicle Systems

## SELECTED OPPORTUNITIES

Programme	Estimated date	Estimated Ultra value	Products
Joint Strike Fighter	2010+	\$180k per aircraft	<ul style="list-style-type: none"> <li>• Ice protection for engine intake and lift fan</li> <li>• HiPPAG for weapons ejection</li> </ul>
Boeing 787 production contract	2010+	\$140k per aircraft	<ul style="list-style-type: none"> <li>• Wing ice protection system</li> <li>• Proximity sensor electronics</li> </ul>
FRES Scout Vehicle	2010	£20m+	<ul style="list-style-type: none"> <li>• Cannon sequencing &amp; control</li> <li>• Turret electronics</li> </ul>
HiPPAG for USAF multi-purpose bomb rack	2010+	\$40m	<ul style="list-style-type: none"> <li>• HiPPAG for weapons ejection</li> </ul>
Warrior armoured vehicle turret upgrade	2011	£40m+	<ul style="list-style-type: none"> <li>• Cannon sequencing &amp; control</li> <li>• Indirect vision system</li> <li>• Electrical power management</li> </ul>
Middle East training and support opportunities	2010	\$20m pa	<ul style="list-style-type: none"> <li>• Training and support</li> <li>• Performance consultancy</li> </ul>

# Information & Power Systems

## SELECTED OPPORTUNITIES

Programme	Estimated date	Estimated Ultra value	Products
RN submarine - multi-boat RC&I contract	2010	£60m+	<ul style="list-style-type: none"> <li>• Naval nuclear reactor control system</li> </ul>
Data links for US radar ground stations	2010+	\$10m+ pa	<ul style="list-style-type: none"> <li>• Data link equipment</li> <li>• Remote re-keying</li> </ul>
Oman airports IT integration	2010	\$300m	<ul style="list-style-type: none"> <li>• IT integration</li> <li>• Passenger, information and baggage processing</li> </ul>
Battery monitoring for US Army vehicles	2011+	\$10m pa	<ul style="list-style-type: none"> <li>• Battery health monitoring</li> <li>• Power management</li> </ul>
Civil nuclear equipment and sensors	2011+	\$20m+ pa	<ul style="list-style-type: none"> <li>• Specialist sensors</li> <li>• Surveys of existing systems</li> <li>• Outline designs</li> </ul>
Power system upgrade for Vanguard class submarines	2011	£6m	<ul style="list-style-type: none"> <li>• Main static converter</li> </ul>

# Tactical & Sonar Systems

## SELECTED OPPORTUNITIES

Programme	Estimated date	Estimated Ultra value	Products
Litening pod upgrades	2010	£8m	<ul style="list-style-type: none"> <li>Enhanced capabilities</li> </ul>
ASW systems and equipment - US and export sonobuoys, Turkish Navy	2010	£50m	<ul style="list-style-type: none"> <li>Sonobuoys</li> <li>Torpedo defence</li> <li>Underwater acoustics</li> </ul>
US Army tactical radio systems	2011	\$70m	<ul style="list-style-type: none"> <li>Line-of-sight radios</li> <li>Network access equipment</li> </ul>
New sonobuoy receivers for P-3 and P-8 aircraft	2010+	\$20m pa	<ul style="list-style-type: none"> <li>Sonobuoy receivers</li> </ul>
ECU programme - installation & integration	2011	£40m	<ul style="list-style-type: none"> <li>Installation and integration services</li> <li>Long-term support</li> </ul>
High capacity tactical radios - export	2010+	\$20m+	<ul style="list-style-type: none"> <li>High capacity tactical radio systems</li> </ul>

## Summary & Outlook

# Summary & Outlook

- Good performance in period driven by Ultra's resilient business model
- Dividend per share increase of 10%
- Continuous investment to drive long-term, sustainable growth
- Strong and growing range of market positions
  - focus on high growth market sectors
  - electronics specialist - the 'sweet spot' of demand
  - broad spread of specialist capabilities, programmes and customers
  - wide geographic reach of the Group
- Continuing focus on cash generation
- Strong balance sheet with headroom for acquisitions
- Order book gives customary visibility with good pipeline of opportunities

Ultra's Board has confidence in the continuing progress of the Group

# Safe Harbour Statement

Ultra Electronics Holdings plc (the 'Group') is providing the following cautionary statement. This document contains certain statements that are or may be forward-looking with respect to the financial condition, results or operations and business of the Group. These statements are sometimes, but not always, identified by the words 'may', 'anticipates', 'believes', 'expects' or 'estimates'. By their nature forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. A number of factors exist that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to (i) changes to the current outlook for the world market for defence, security, transport and energy systems, (ii) changes in tax laws and regulations, (iii) the risks associated with the introduction of new products and services, (iv) significant global disturbances such as terrorism or prolonged healthcare concerns, (v) the termination or delay of key contracts, (vi) long-term fluctuations in exchange rates, (vii) regulatory and shareholder approvals, (viii) unanticipated liabilities and (ix) actions of competitors. Subject to the Listing Rules of the UK Listing Authority, Ultra Electronics Holdings plc assumes no responsibility to update any of the forward-looking statements herein.

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Interim Results for  
the 6 months ending  
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...driving resilience

# Appendices

# Restatements

## Manufacturing & Card Systems

£'000	June 2010	Dec 2009	Dec 2008	Dec 2007	Dec 2006	Dec 2005
Turnover	12,878	22,405	20,217	19,960	21,038	21,412
Operating profit	1,617	1,795	2,300	3,168	2,631	2,580

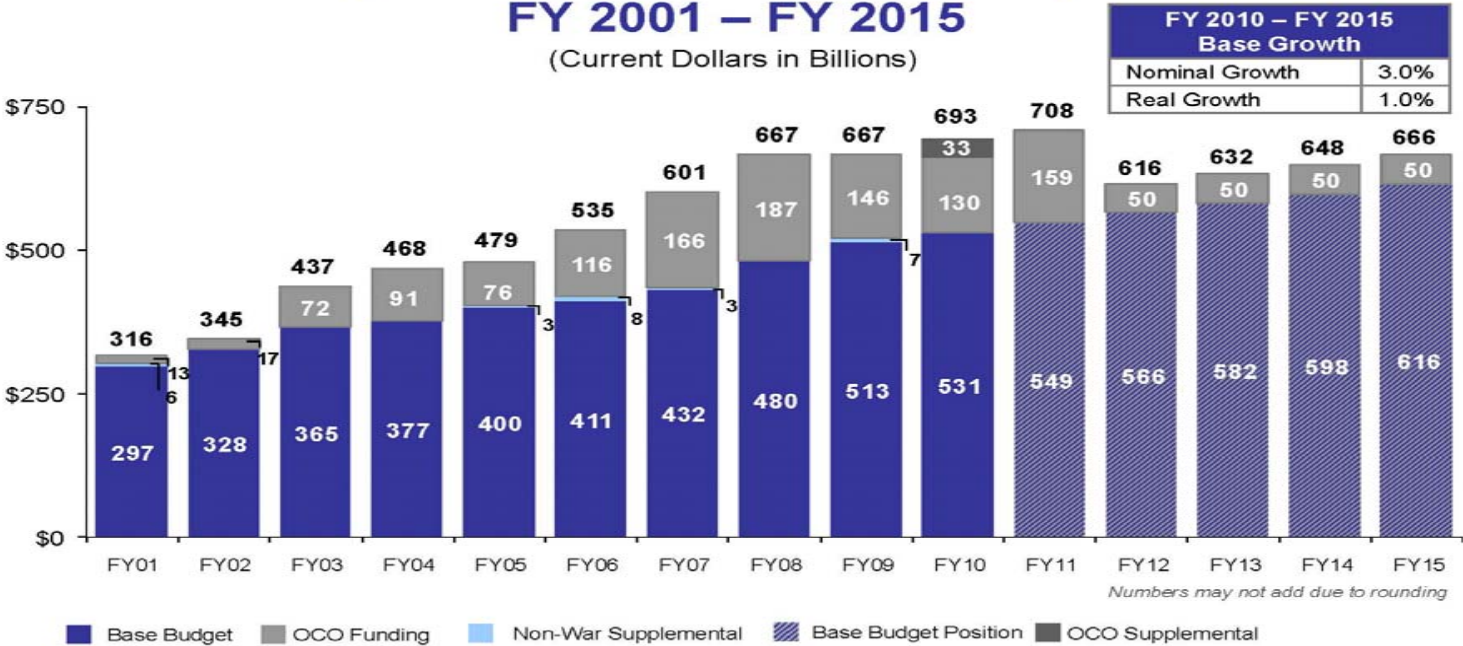
## Dascam

£'000	June 2010	Dec 2009	Dec 2008	Dec 2007	Dec 2006	Dec 2005
Turnover	12,926	17,699	1,071			
Operating profit	1,768	2,603	167			

# US Defense Budget Analysis

## Department of Defense Topline FY 2001 – FY 2015

(Current Dollars in Billions)

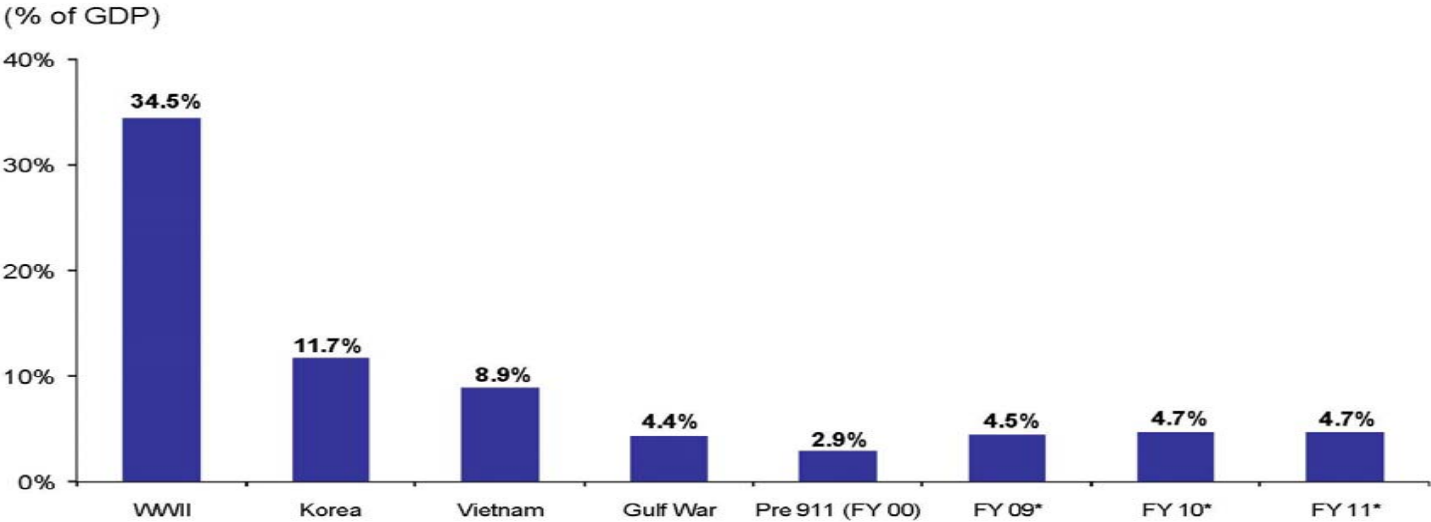


Note: FY 2011 – FY 2015 reflects levels included in the President's FY 2011 Budget Request; FY 2009 Non-War Supplemental was appropriated through the American Recovery and Reinvestment Act of 2009  
 Source: Department of Defense Appropriation Acts FY 2001 – FY 2010, FY 2011 President's Budget documents



# US Defense Budget Analysis

## Defense as Percent of GDP



\* Assumes GDP projections reflected in the President's FY 2011 Budget Request, February 2010



# US Defense Budget Analysis

## Summary By Appropriation Title FY 2011 Base Budget

(Dollars in Billions)

Appropriation Title	FY 2010	FY 2011	Δ FY 2010 – FY 2011
<b>Military Personnel</b>	\$135.0	\$138.5	+2.6%
<b>Operation and Maintenance</b>	184.5	200.2	+8.5%
<b>Procurement</b>	104.8	112.9	+7.7%
<b>RDT&amp;E</b>	80.1	76.1	-5.0%
<b>Military Construction</b>	21.0	16.9	-19.5%
<b>Family Housing</b>	2.3	1.8	-19.3%
<b>Revolving and Management Funds</b>	3.1	2.4	-23.7%
<b>Total</b>	<b>\$530.7</b>	<b>\$548.9</b>	<b>+3.4%</b>

*Numbers may not add due to rounding*

February 1, 2010

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# Guide to the Programmes

A400M	A new military turboprop transporter aircraft being developed by Airbus Military the development of which is late to an indeterminate degree.
ADSI	Ultra's Air Defense System Integrator product, supplied by Advanced Tactical Systems.
Air Warfare Destroyer	An Australian programme to procure three destroyers. The hulls are a Navantia (Spain) design to be built by the Australian Submarine Corporation
ASIS	Ultra's new, innovative system to detect cracks as they form in the airframe of metal aircraft
Astute	The UK's anti-surface and anti-submarine nuclear-powered class of submarines. Potentially 7 are required.
ASW	Anti-Submarine Warfare – the task of tracking and avoiding attack by submarines, including modern stealthy diesel-electric versions.
Battlespace IT	Systems and equipment used to move digital information quickly around the battlespace, so providing information superiority.
Boeing 787 "Dreamliner"	A new high-efficiency passenger aircraft being developed by Boeing, currently undergoing a highly accelerated flight test programme.
Common-use airline check in systems	Airport check in booths that can interface with the reservation systems of multiple airlines, thereby giving enhanced operational flexibility.
DDG-51	The Arleigh Burke class of destroyers for the US Navy of which a new 'flight' of twelve ships is to be built
ECU-R	End Cryptographic Unit – Replacement. A programme to replace obsolete crypto equipment with new, software-defined devices
Eurofighter Typhoon	The European fighter aircraft ordered by partner countries (UK, Germany, Italy and Spain), Austria and the KSA.
F/A-18 E/F	The latest "Super Hornet" version of the US Navy Fighter/Attack (F/A-18) aircraft.
F-35 Joint Strike Fighter (JSF)	The Joint Strike Fighter: future joint service fighter for USAF, US Navy, Marine Corps and for the UK RN and others. Also named Lightning II.
Future Rapid Effects System (FRES)	An aspiration of the British Army for a family of approximately 1,500 armoured fighting vehicles an intended (but slipping) in-service date of 2012.
Global Observer	A new US UAV designed to keep a 1,000lb payload at 60,000ft for over a week.
Gulfstream G650	A new long range, high speed business jet launched in 2008 and which has allegedly attracted >150 commitments already.
HiPPAG	Ultra's High Pressure Pure Air Generator airborne compressor used to supply compressed air for missile cooling and weapons ejection.
Hyperspike	A frighteningly powerful audio speaker system available in various sizes and powers, either highly directional or omni-directional.
JSF	See F-35 above.
KG40AR	A programme to supply cryptographic equipment to the US DoD to replace an obsolete product, the KG40.
Litening airborne targeting pod	A surveillance and targeting electronics pod designed by Rafael, supplied to RAF Typhoon & Tornado aircraft to give a ground attack capability.
Littoral Combat Ship (LCS)	A new class of ship for the US Navy optimised to operate in shallow, littoral waters to support force projection.
Loitering munition	A UAV with a warhead that can loiter for hours in the air before being commanded to attack a specific target. Required by the British Army.
LRIP	Low Rate Initial Production
Magneto inductive	A method of signalling and communication that can operate through air but also through water, sediment, rock and most man-made structures.
Mitsubishi RJ	A new regional jet aircraft being developed by Mitsubishi.
Multi-Purpose Bomb Rack (MPBR)	A planned procurement of US bomb racks to allow the release of various types of bombs and missiles from a common rack on a variety of aircraft.
Multi-Static Active	A system using a combination of active and passive sonobuoys and advanced signal processing to enhance the ASW capability.
National Resilience Extranet	A networked communication system for government departments and agencies being developed by Ultra for the Cabinet Office.
NH-90	An ASW helicopter being developed for France, Germany, Italy and the Netherlands. Also bought by Norway and Sweden.
Nimrod MRA4	An updated ASW aircraft for the UK for which the prime contractor is BAE Systems and of which a few will eventually enter service.
P-3	Four-engined turbo-prop aircraft used by the US Navy and others for ASW and other surveillance.
P-8A	Boeing's programme to replace the US Navy's P-3 Orion ASW aircraft with the P-8A Poseidon variant of the 737 aircraft.
PacketAssure	Ultra's innovative 'service delivery manager' that guarantees message delivery and allows crypto-protection when used on an IP-network.
Rolls-Royce Reactor C & I (RC&I)	A Control & Instrumentation programme for a replacement nuclear reactor being developed by Rolls-Royce for Royal Navy submarines.
Small Diameter Bomb	A US programme to equip existing fleets of aircraft with smaller, smart (individually targetted) munitions. Entered service with the USAF in 2006.
Successor	The planned next-generation Royal Navy submarine to carry the UK's nuclear deterrent system.
Torpedo defence	A world-leading Ultra capability to provide soft-kill (UK) or hard-kill (potentially US) torpedo defence for naval vessels. Sold to Turkey.
Type 45	Air warfare destroyer. A class of 6 ships is planned by the UK Navy, to be known as the Daring class. HMS Daring has now been commissioned.
Typhoon	The model name of the aircraft being made by Eurofighter GmbH.
Virginia submarines	New generation, nuclear powered attack submarine for the US Navy. A class of up to 30 boats is planned; build moving to 2 per annum from 2012.
Warrior	An air-transportable armoured vehicle in service with the UK Army that is to be upgraded to improve its fighting and defensive capabilities.
Watchkeeper	A UK unmanned air vehicle programme being developed by Thales. Ultra supplies innovative data links.