

strategies for growth...

Ultra
ELECTRONICS



Preliminary Results
for the year ending
31 December **2009**

...driving resilience

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

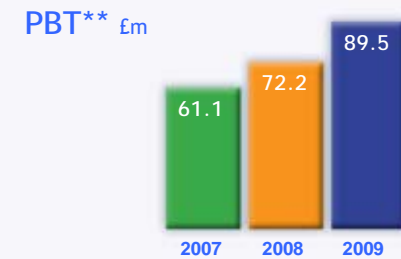
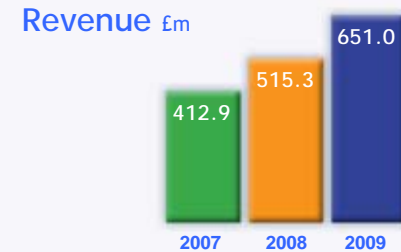
2009 Overview

- Another strong performance reflecting the success of the Group's growth strategies
 - revenue up 26% (17% at constant currencies)
 - headline PBT** up 24% (18% at constant currencies)
 - headline EPS** up 20%
 - DPS up 20%
- Operating margin* maintained
- High quality of earnings: 115% operating cash conversion
- Robust balance sheet and funding position secured
- Opening firm order cover*** for 2010 above 60%

* 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

*** firm orders due for delivery in 2010 compared to analysts' consensus revenue forecast for 2010



Financial Review



Income Statement

£m

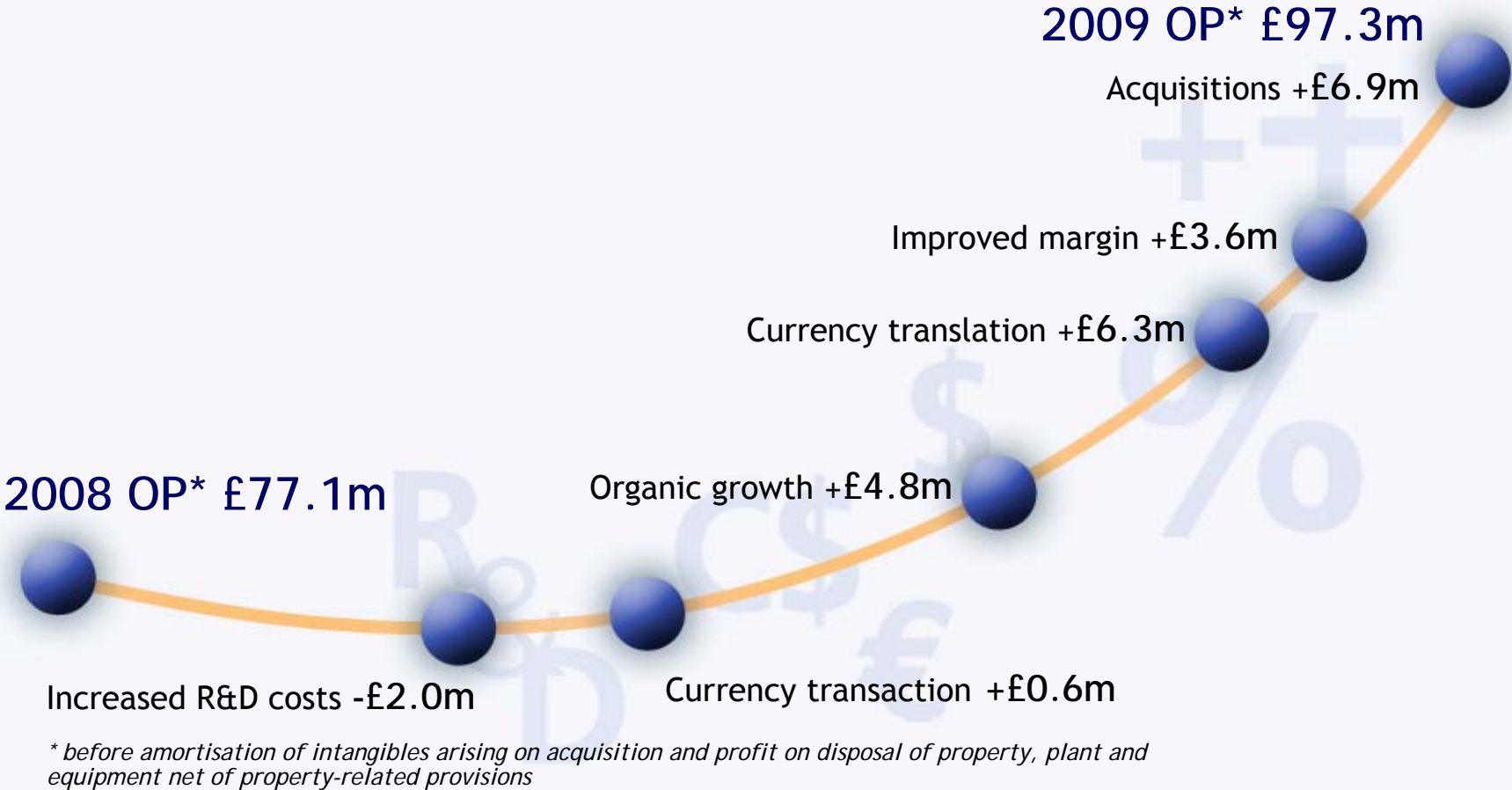
	2009	2008	Growth
Revenue	651.0	515.3	+26%
Operating profit*	97.3	77.1	+26%
<i>Operating margin*</i>	<i>15.0%</i>	<i>15.0%</i>	-
Profit before tax**	89.5	72.2	+24%
Earnings per share**	96.4p	80.1p	+20%
Dividend per share	31.2p	26.0p	+20%

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

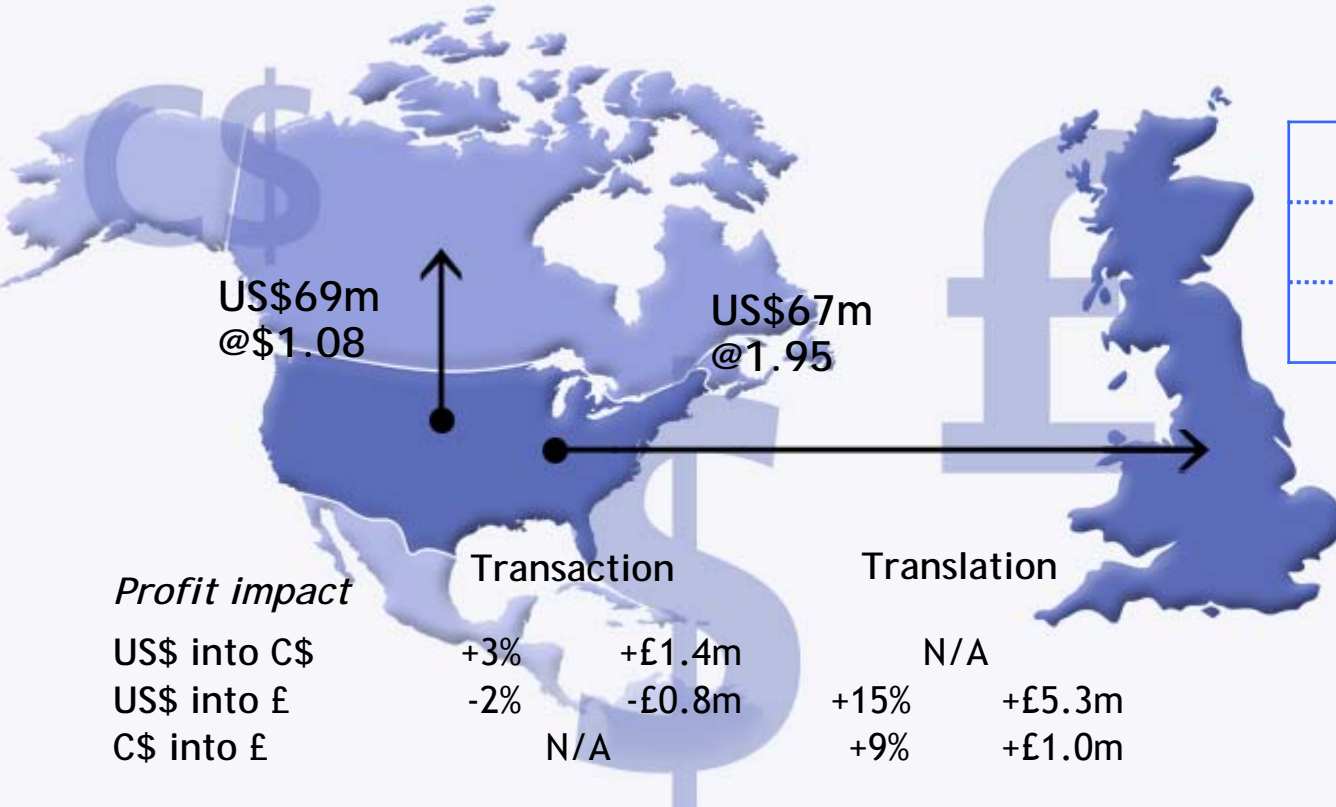
** before amortisation of intangibles arising on acquisition, fair value movements on derivatives, profit on disposal of property, plant and equipment net of property-related provisions and loss on closing out foreign currency hedging contracts



Profit Progression



Currency Effects



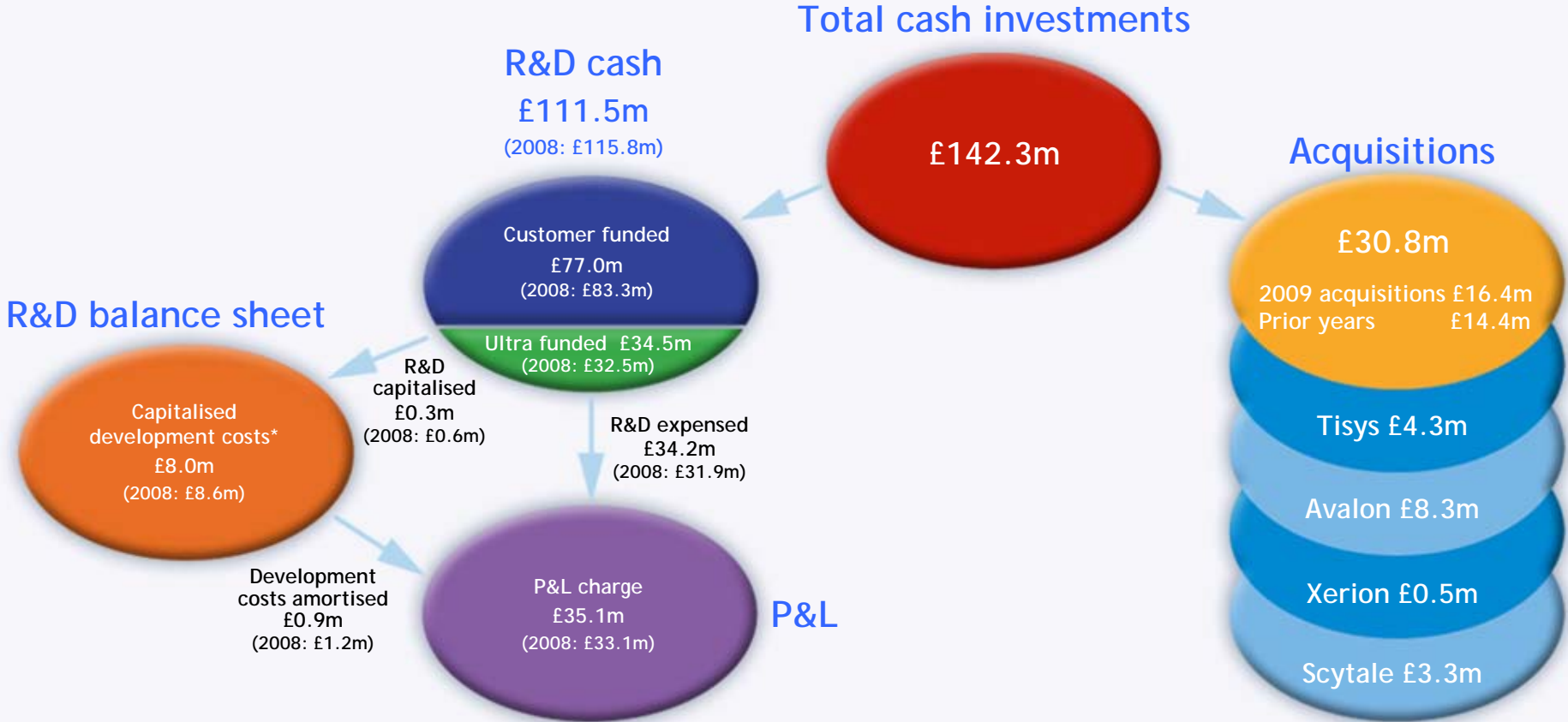
Future hedge rates

	US\$:£	US\$:C\$
2010	1.93	1.04
2011	1.58	n/a

Total profit impact +£6.9m (+9%)

Revenue translation impact +£48.1m (+9%)

Maintaining Investment to Underpin Growth



* excluding currency effects



Operating Cash Flow

£m

Operating profit*

Net tangible capital expenditure

Net intangible capital expenditure

Working capital decrease

Other

Operating cash flow

Cash conversion

	2009	2008
Operating profit*	97.3	77.1
Net tangible capital expenditure	1.5	(6.4)
Net intangible capital expenditure	(0.1)	0.6
Working capital decrease	12.2	7.2
Other	0.7	0.5
Operating cash flow	<u>111.6</u>	<u>79.0</u>
<i>Cash conversion</i>	<i>115%</i>	<i>102%</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

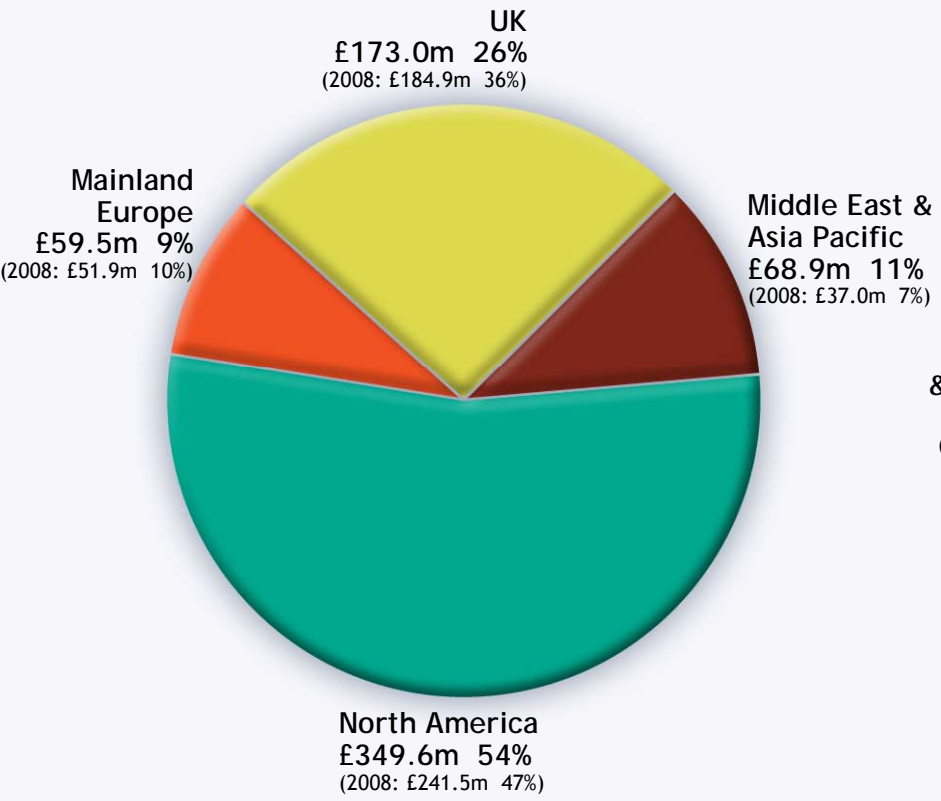
	2009	2008
Opening net debt	(63.9)	(14.2)
Operating cash flow	111.6	79.0
Interest and tax	(18.3)	(24.2)
Loss on close out of f/x contracts	(15.9)	-
Dividends	(18.7)	(15.2)
Acquisitions	(30.8)	(78.8)
Currency	5.8	(11.6)
Other	1.5	1.1
	<hr/>	<hr/>
Closing net debt	(28.7)	(63.9)
	<hr/>	<hr/>

Headroom at year end of £129.2m over gross borrowings

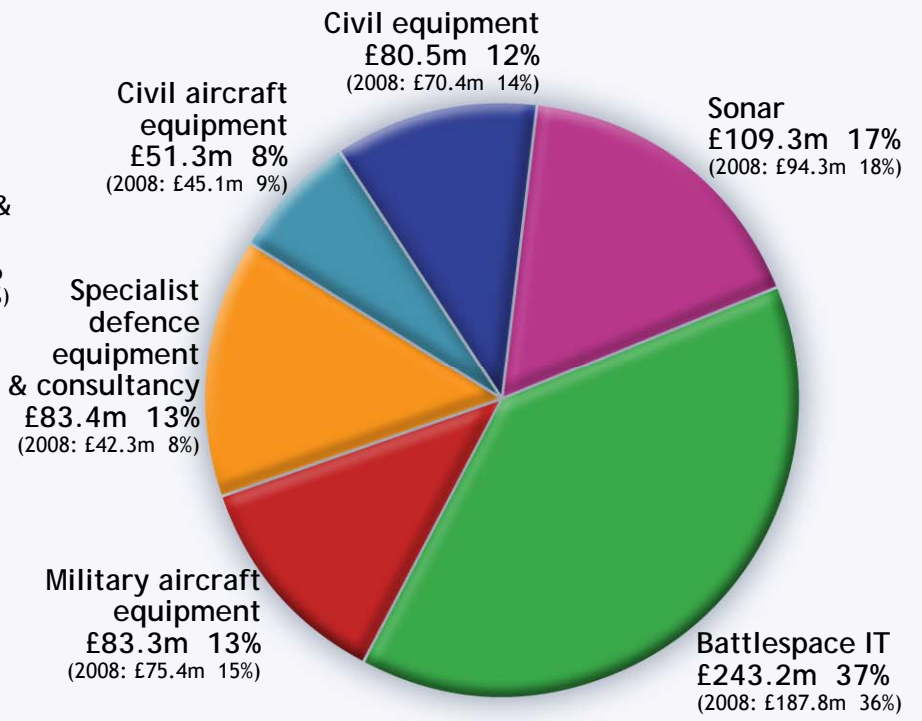
Operational Review

Revenue

Destination



Sector

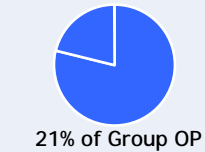
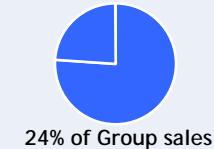


Aircraft & Vehicle Systems

PERFORMANCE DRIVERS IN YEAR

Financial results

	2008	2009	
Revenue	£130.1m	£157.6m	+21%
Profit	£19.7m	£20.9m	+6%
Order book	£214.9m	£203.1m	-6%
Operating margin	15.1%	13.3%	



Performance drivers

- Strong organic revenue growth augmented by Dascam acquisition
- Continued investment in Boeing 787 and Airbus A400M systems
- Reduced volume of high integrity software development activity
 - Datel restructured
- Continuing demand for hand controls for remote weapon stations
- High demand for HiPPAG airborne compressors
- Funded development of JSF engine ice protection system
 - main engine and lift fan



Information & Power Systems

PERFORMANCE DRIVERS IN YEAR

Financial results

	2008	2009	
Revenue	£161.5m	£215.9m	+34%
Profit	£22.2m	£25.3m	+14%
Order book	£173.3m	£218.2m	+26%
Operating margin	13.7%	11.7%	



33% of Group sales



26% of Group OP

Performance drivers

- Revenue growth driven by acquisitions, defence and rail business
- Margins impacted by softness in commercial markets
 - airport IT
 - ID card printers
 - contract manufacturing
- ProLogic operating satisfactorily under proxy board
- High sales of command and surveillance systems
- Increased nuclear equipment sales
- Higher deliveries of trackside power equipment

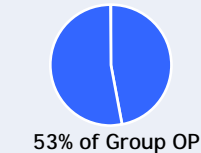
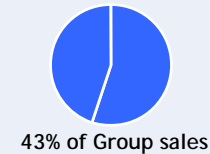


Tactical & Sonar Systems

PERFORMANCE DRIVERS IN YEAR

Financial results

	2008	2009	
Revenue	£223.7m	£277.5m	+24%
Profit	£35.2m	£51.1m	+45%
Order book	£395.3m	£340.5m	-14%
Operating margin	15.7%	18.4%	



Performance drivers

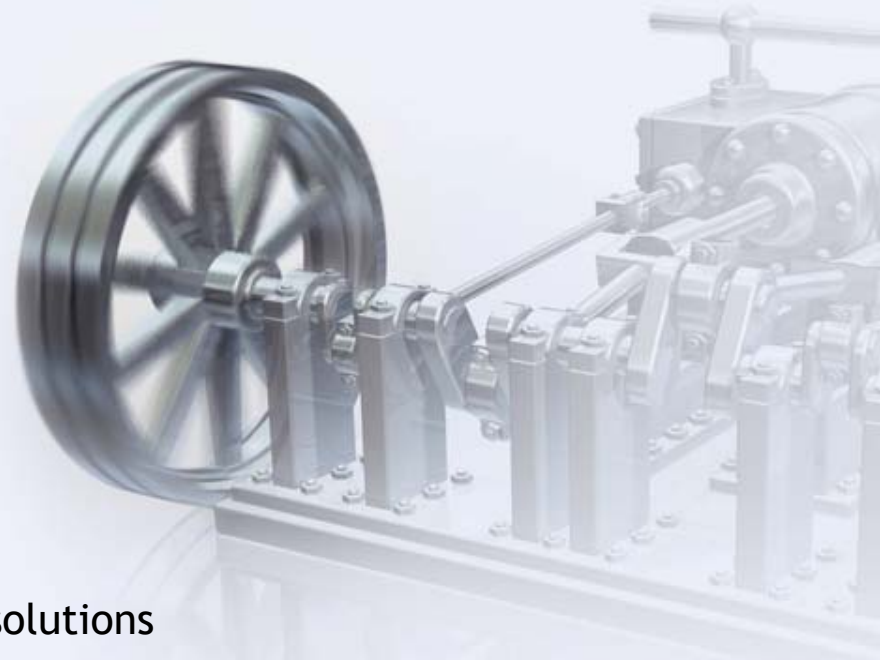
- Strong organic revenue and margin growth driven by demand for battlespace IT systems and equipment
- Good contribution from successful entry into production of acquired MISL products
- Continuing strong demand from US Army for high capacity tactical radios
- Increased sales of advanced anti-submarine warfare systems and equipment
- Good progress for new generation of audio products



Ultra's Continuous Pursuit of Growth

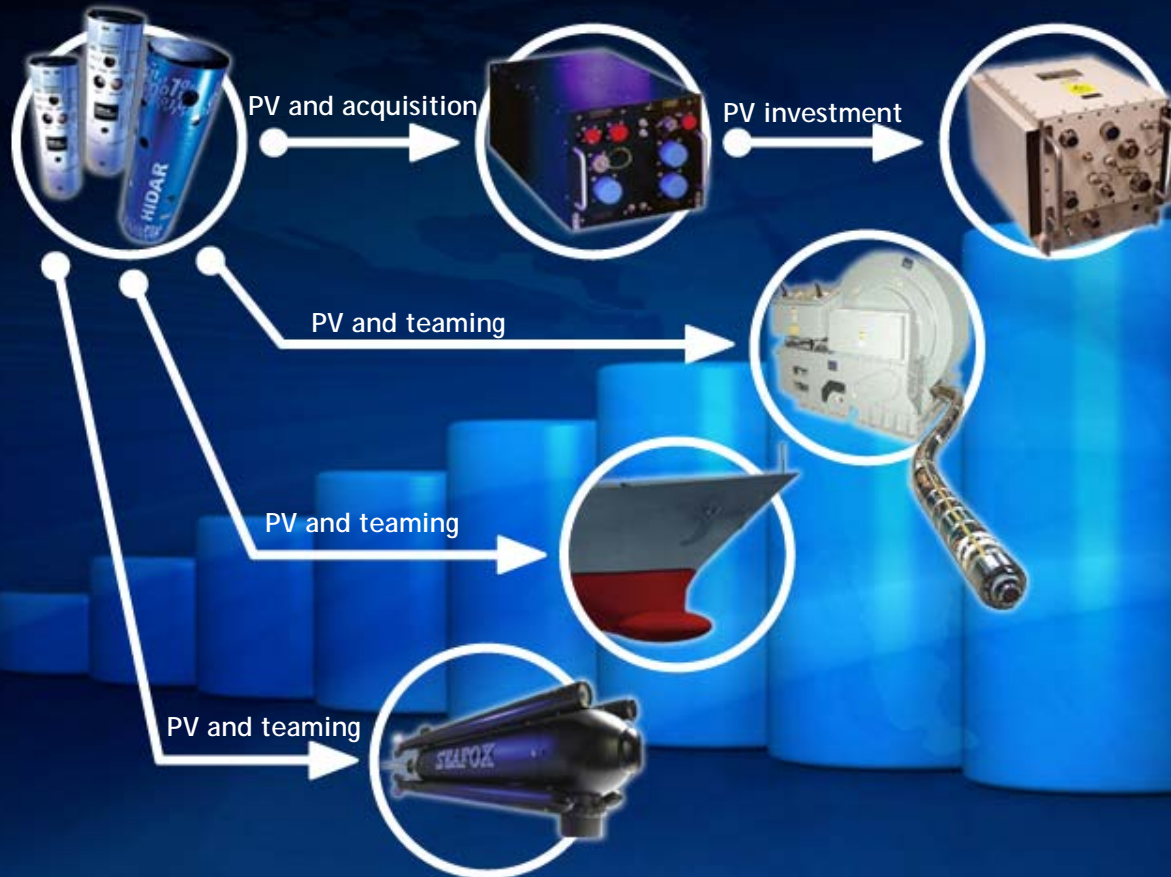
SPINNING UP THE FLYWHEEL

- Identifying future, high growth market sectors
 - demonstrated track record of success
- Proven strategic development process
- Understanding capability gaps that customers want to fill
- Adding more specialist capability areas
 - look for adjacency
 - addressing more markets (nuclear, crypto)
 - extending geographic reach
- Focus on innovation to generate differentiated solutions
- Seed corn investment
 - PV
 - small acquisitions
- Gaining positions on long-term platforms and programmes
- Extracting synergistic benefits
 - reaching up the supply chain
- Continuous reinvention
 - e.g. sonar, battlespace IT



Continuously Refreshing the Portfolio

SONAR SYSTEMS



Platforms and Programmes

- Sonobuoys
 - UK sonobuoy partnership
 - 65% of world market
- Sonobuoy receivers
 - P-3
 - P-8
 - Nimrod MR2/MRA4
 - NH-90
 - MH-60R
 - Merlin
- Torpedo defence
 - Royal Navy
 - Turkish Navy
 - US Navy trials
- Bow sonar
 - RN - Type 45
 - RAN - AWD
- Sea mine disposal
 - Royal Navy

Continuously Refreshing the Portfolio

BATTLESPACE IT



Platforms and Programmes

- Tactical radios
 - ACUS
 - WIN-T
 - Patriot missile defence
 - Jordan
 - South Korea
- Data links and cryptos
 - Canadian MHP
 - ECU-RP
 - Watchkeeper
 - Loitering munitions
- ADSI
 - CLIP
 - JSS
 - ADAM cells
 - P-3/EP-3
 - Global Observer UAV
 - Bahrain air defence

Continuously Refreshing the Portfolio

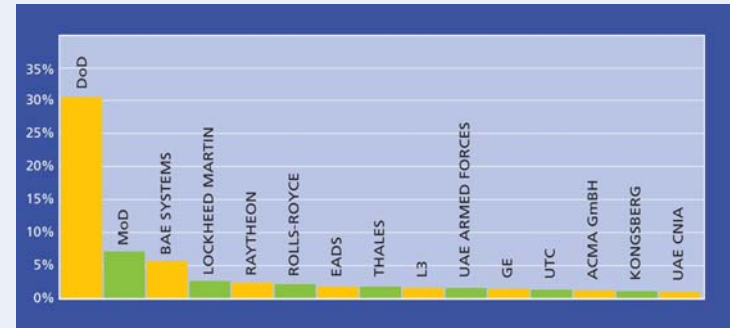
COMMAND & CONTROL SYSTEMS



Ultra's Growth Strategies

'FLYWHEEL EFFECT' DRIVES RESILIENCE

- Additional specialist capability areas
 - integrated airborne communication suites
 - missile test range instrumentation
 - gun control electronics
 - electronic warfare
 - 'thin-client' airport IT solutions
 - high altitude ASW systems
- New platforms and programmes
 - Global Observer UAV
 - Mitsubishi regional jet
 - A350XWB
 - Warrior armoured vehicle upgrade
 - Korean 'Ulsan' class frigate
 - Successor submarine
- New customers
 - China Nuclear Power Engineering Co
 - Areva
 - Mitsubishi/Sumitomo
 - Comac
 - CISCEA
- Extended geographic reach
 - Bahrain
 - Brazil
 - Ecuador
 - Finland
 - Morocco



Drivers of Sustainable Growth

POSITIONED IN HIGH GROWTH MARKET SECTORS

Defence and security

- US core budget to grow at 3% pa
- UK spend tightening
- Electronics is a 'sweet spot' of spending
 - constant pursuit of information superiority
 - new and upgraded platforms need advanced electronics
 - demand for smart munitions
 - preferential spend on security and intelligence
- Addressable defence budgets give huge headroom for Ultra

UK and US defence priorities:

- Maintain advantage in conventional warfighting
- Develop capability for asymmetric warfare
- Gain information and intelligence superiority
- Gain protection against cyber warfare
- Maintain a credible nuclear deterrent

Transport

- Prudent assumptions on aircraft build rates
- Production phase of B787
- Rail system infrastructure investment in Manchester and London
- Regional growth of airport infrastructure investment

Energy

- Potential UK 'energy gap'
- Life extension of existing power stations
- New build to follow in medium term

Aircraft & Vehicle Systems

GROWTH DRIVERS FOR 2010/11

Underpinning growth

- Low rate initial production for F-35 JSF
 - weapon ejection
 - engine and lift fan ice protection
- Boeing 787 initial production sales
- Initial sales of A400M systems
 - noise and vibration cancellation systems
 - landing gear and cargo handling electronics
- Increased volume of US ‘Small Diameter Bomb’ programme
- Upgrade of UK Warrior armoured vehicle
- Funded development of systems for Mitsubishi regional jet
- User software licences for UK National Resilience Extranet
- Increased pace of training programmes in UAE



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"> • Ice protection <ul style="list-style-type: none"> – engine intake and lift fan • HiPPAG for weapons ejection
Boeing 787 production contract	2010+	\$140k per aircraft	<ul style="list-style-type: none"> • Wing ice protection system • Proximity sensor electronics
Warrior armoured vehicle turret upgrade	2010	£40m+	<ul style="list-style-type: none"> • Cannon sequencing & control • Indirect vision system • Electrical power management
Development of ice protection system for BAES Mantis UAV	2010	£4m	<ul style="list-style-type: none"> • Wing heater elements • Control electronics
HiPPAG for USAF multi-purpose bomb rack	2010+	\$40m	<ul style="list-style-type: none"> • HiPPAG for weapons ejection
Middle East training and support opportunities	2010	\$20m pa	<ul style="list-style-type: none"> • Training and support • Performance consultancy

Information & Power Systems

GROWTH DRIVERS FOR 2010/11

Underpinning growth

- Increased deliveries of equipment for submarines
 - electrical power and fire control
 - Astute, Vanguard, Virginia
- Production phase of Royal Navy submarine reactor controls
- Civil nuclear equipment
 - reactor sensors
 - control and instrumentation
 - UK, US, China
- Additional deliveries of base protection surveillance systems for British Army in Afghanistan
- Development of air defence command and control system for Bahrain
- Increased global demand for airport IT systems
- Strong demand for transit power systems
 - London
 - Manchester



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"> • Naval nuclear reactor control system
Data links for US radar ground stations	2010+	\$10m+ pa	<ul style="list-style-type: none"> • Data link equipment • Remote re-keying
Oman airports IT integration	2010	\$200m	<ul style="list-style-type: none"> • IT integration • Passenger, information and baggage processing
Battery monitoring for US Army vehicles	2010	\$10m	<ul style="list-style-type: none"> • Battery health monitoring • Power management
Civil nuclear equipment and sensors	2010/2012	\$20m+	<ul style="list-style-type: none"> • Specialist sensors • Surveys of existing systems • Outline designs
Power system upgrade for Vanguard class submarines	2010	£6m	<ul style="list-style-type: none"> • Main static converter

Tactical & Sonar Systems

GROWTH DRIVERS FOR 2010/11

Underpinning growth

- High and increasing demand for high capacity communications
- Information assurance for protection from cyber attack
- Increased sales of advanced data links
 - Watchkeeper
 - loitering munitions
- Increased build rates for magneto inductive signalling and command equipment
- Increasing sales of ASW systems and equipment in Turkey
- Production of next generation ASW sensors, equipment and systems



Tactical & Sonar Systems

SELECTED OPPORTUNITIES

Programme	Estimated date	Estimated Ultra value	Products
Sonar system for Royal Netherlands Navy	2010	£20m	<ul style="list-style-type: none"> • Variable depth active and passive towed array system
ASW systems and equipment - US and export sonobuoys, Turkish Navy	2010	£50m	<ul style="list-style-type: none"> • Sonobuoys • Torpedo defence • Underwater acoustics
US Army tactical radio systems	2010	\$70m	<ul style="list-style-type: none"> • Line-of-sight radios • Network access equipment
New sonobuoy receivers for P-3 and P-8 aircraft	2010+	\$20m pa	<ul style="list-style-type: none"> • Sonobuoy receivers
High grade UK cryptosecurity equipment	2010	£75m	<ul style="list-style-type: none"> • Crypto engine • Modular enclosures • Installation and integration services
High capacity tactical radios - export	2010+	\$20m+	<ul style="list-style-type: none"> • High capacity tactical radio systems

Summary & Outlook



Summary & Outlook

- Good performance in 2009
- Dividend growth of 20%
- Continuous internal investments and acquisitions
- Strong and growing range of market positions
 - focus on high growth market sectors
 - broad spread of specialist capabilities, programmes and customers
 - wider geographic reach of the Group
- Continuing focus on cash generation
- Strong balance sheet and secure funding position
- Order book gives good visibility

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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ELECTRONICS



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...driving resilience