

Preliminary Results
for the year ending 31 December 2010

specialist solutions
...maintaining momentum

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

Ultra
ELECTRONICS

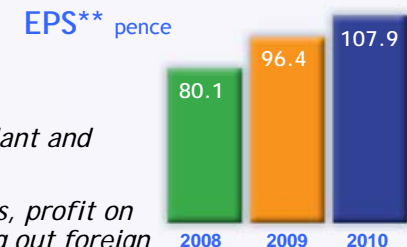
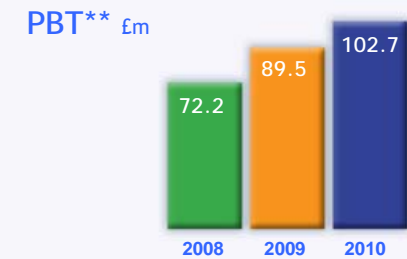
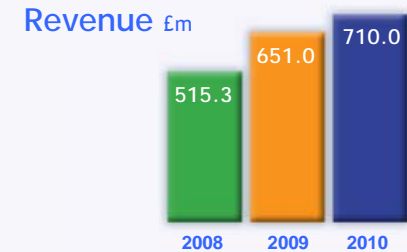


2010 Overview

- Another strong performance reflecting the success of the Group's growth strategies
 - revenue up 9% (6% organic at constant currencies)
 - headline PBT** up 15% (8% organic at constant currencies)
 - headline EPS** up 12%
 - DPS up 11%
- Continuing investment to drive future growth
- Headline operating margin* of over 15%
- High quality of earnings: 96% operating cash conversion
- Robust balance sheet with headroom for acquisitions
- Order book up 7% to £818m, maintaining good 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	2009	Growth
Revenue	710.0	651.0	+9%
Operating profit*	110.3	97.3	+13%
<i>Operating margin*</i>	<i>15.5%</i>	<i>15.0%</i>	-
Profit before tax**	102.7	89.5	+15%
Earnings per share**	107.9p	96.4p	+12%
Dividend per share	34.6p	31.2p	+11%

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

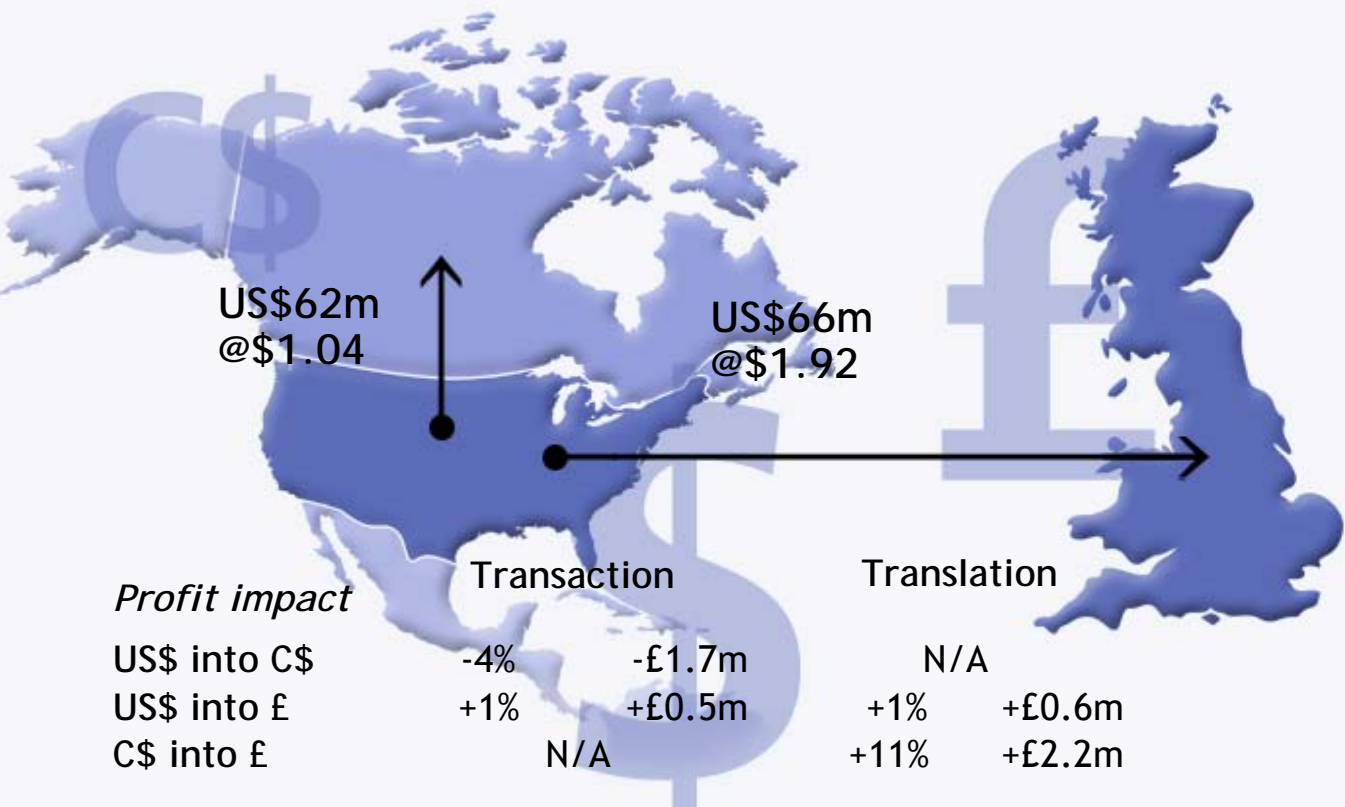
** before amortisation of intangibles arising on acquisition, fair value movements on derivatives, profit on disposal of property, plant and equipment net of property-related provisions and loss on closing out foreign currency hedging contracts

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\$:£
2011	1.55
2012	1.47

	Transaction		Translation	
<i>Profit impact</i>				
US\$ into C\$	-4%	-£1.7m	N/A	
US\$ into £	+1%	+£0.5m	+1%	+£0.6m
C\$ into £		N/A	+11%	+£2.2m

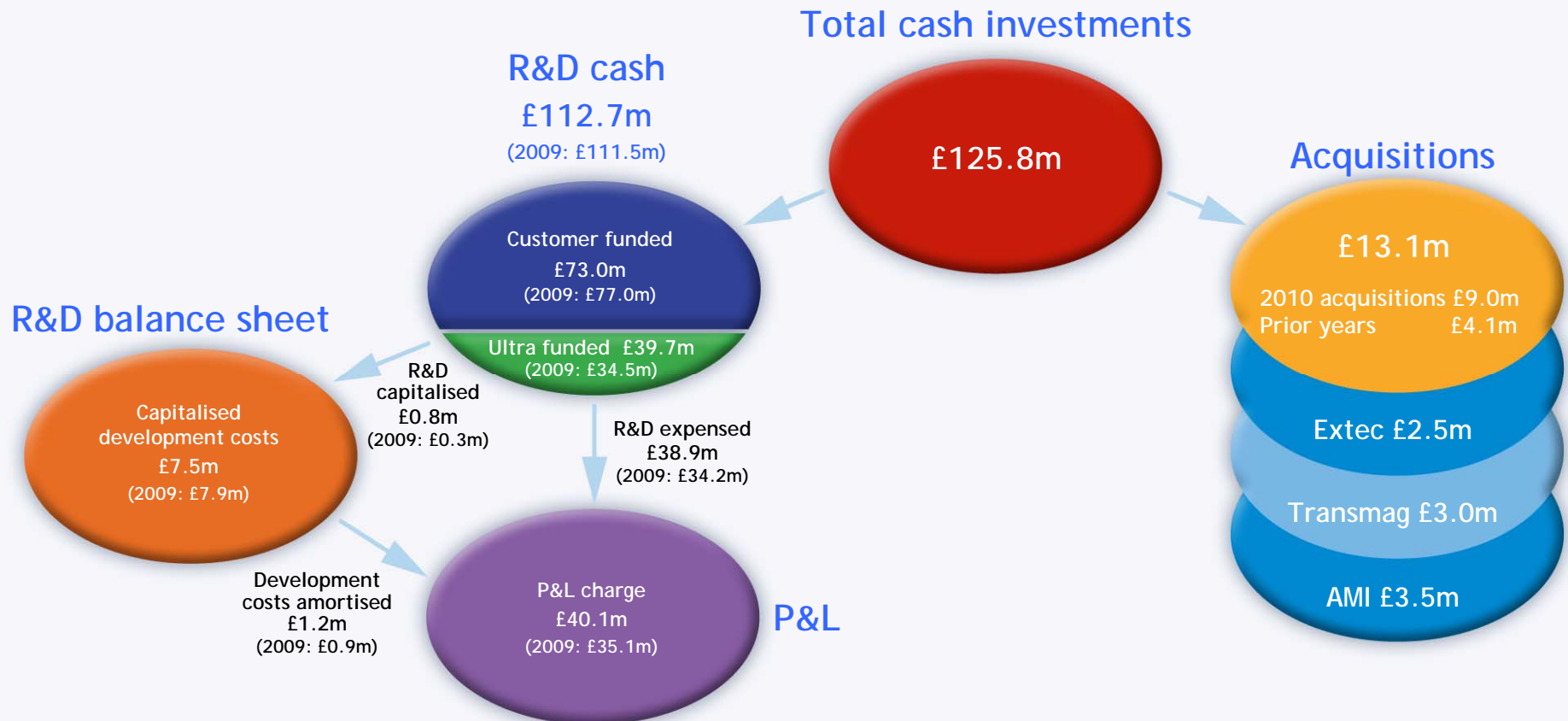
Total profit impact *+£1.7m (+2%)

*Revenue translation impact *+£13.8m (+2%)*

* includes small Aus\$ translation impact



Maintaining Investment to Underpin Growth



Three Reporting Changes

- Manufacturing & Card Systems effect
 - moved from I&PS to A&VS

- TCS functional currency
 - weighting of USD sales now increased
 - revenue impact of 1 US cent movement in USD:GBP rate is £2.2m

- Dascam
 - removed from A&VS revenue

£m	Turnover	Profit
2009	22.4	1.8
2010	27.4	5.2

£m	2009	2010 (seven months)
Turnover	17.7	14.9

Operating Cash Flow

£m	2010	2009
Operating profit*	110.3	97.3
Net tangible capital expenditure	(3.4)	1.5
Net intangible capital expenditure	(0.4)	(0.1)
Working capital (increase)/decrease	(0.7)	12.2
Other	0.6	0.7
Operating cash flow	<u>106.4</u>	<u>111.6</u>
<i>Cash conversion</i>	<i>96%</i>	<i>115%</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	2009
Opening net debt	(28.7)	(63.9)
Operating cash flow	106.4	111.6
Interest and tax	(22.9)	(18.3)
Loss on close out of f/x contracts	-	(15.9)
Dividends	(22.0)	(18.7)
Acquisitions	(13.1)	(30.8)
Currency	(0.9)	5.8
Other	(1.0)	1.5
	<hr/>	<hr/>
Closing net cash/(debt)	17.8	(28.7)
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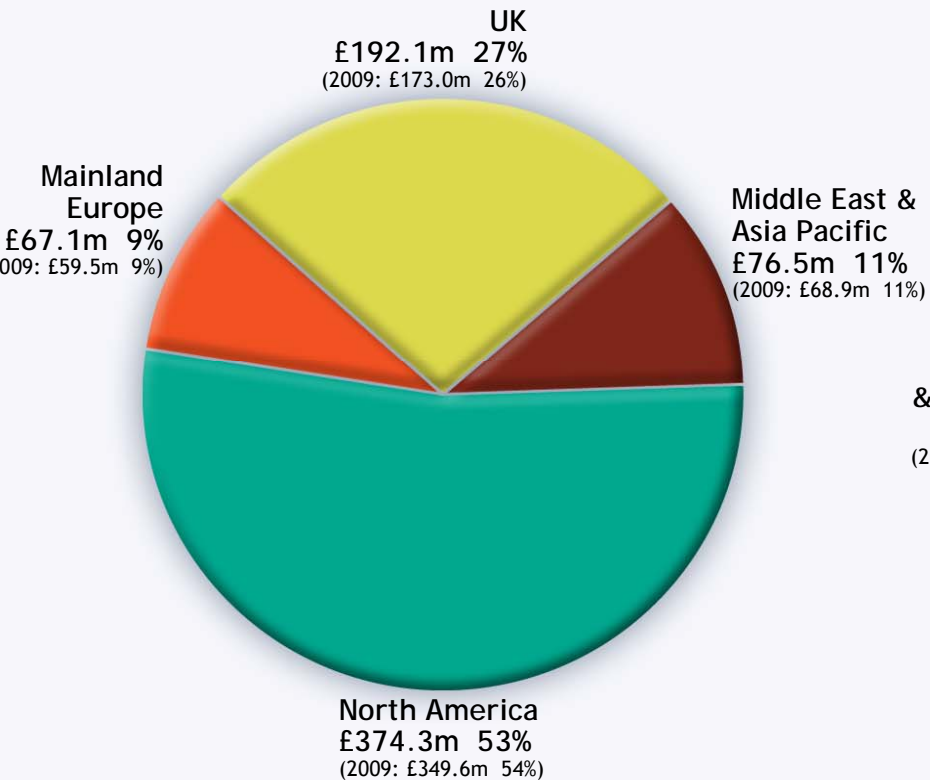
Headroom at year end of £148.8m over gross borrowings

Operational Review

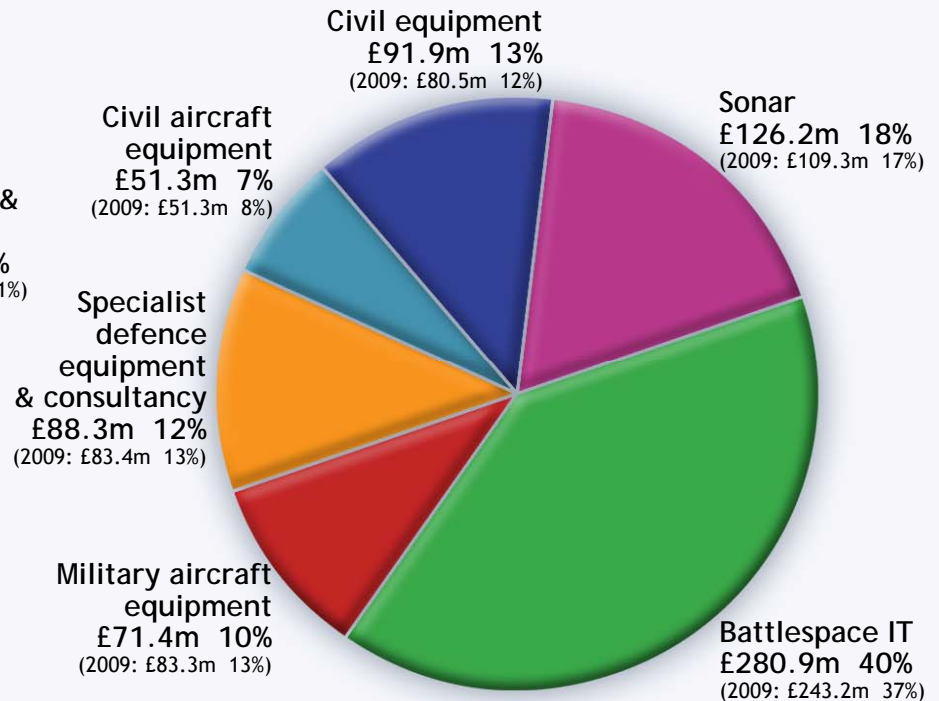


Revenue

Destination



Sector

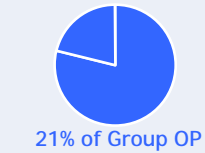
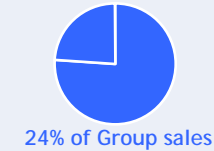


Aircraft & Vehicle Systems

PERFORMANCE DRIVERS IN YEAR

Financial results

	2009	2010	
Revenue	£180.0m	£174.1m	-3%
Profit	£22.6m	£23.4m	+4%
Order book	£210.3m	£210.9m	=
Operating margin	12.6%	13.4%	



Performance drivers

- Continued investment in systems for
 - F-135 engine for JSF
 - Boeing 787
 - Airbus A400M
 - Gulfstream G650
- Reduced demand for Eurofighter cockpit equipment
- High demand for HiPPAG airborne compressors
 - missile cooling
 - stores ejection
- Increasing demand for ID card printers
- Good contribution from contract manufacturing business

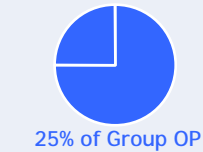
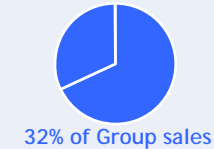


Information & Power Systems

PERFORMANCE DRIVERS IN YEAR

Financial results

	2009	2010	
Revenue	£193.5m	£224.0m	+16%
Profit	£23.6m	£27.5m	+17%
Order book	£211.0m	£204.7m	-3%
Operating margin	12.2%	12.3%	



Performance drivers

- Strong demand from nuclear sector
 - control systems
 - specialist sensors
 - defence: for Royal Navy submarines
 - civil: especially from China
- Increased demand for specialist naval power equipment
- Continuing demand for transit power
 - London
 - Manchester
- Global demand for airport IT systems
 - US
 - China



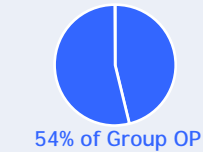
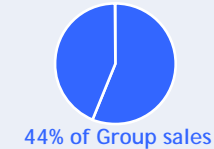
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14:15	Shanghai	BA169
14:15	Copenhagen	BA017
14:15	Stuttgart	BA020
14:20	Madrid	BA140

Tactical & Sonar Systems

PERFORMANCE DRIVERS IN YEAR

Financial results

	2009	2010	
Revenue	£277.5m	£311.9m	+12%
Profit	£51.1m	£59.4m	+16%
Order book	£340.5m	£402.3m	+18%
Operating margin	18.4%	19.0%	



Performance drivers

- Strong demand for tactical communication equipment
 - radios: US, South Korea, Middle East
 - cryptographic: UK
 - data link: export
- Successful flight demonstrations of UAV data links
- Won EW contract for AWD in Australia
- Sustained demand for anti-submarine warfare systems and equipment
 - sonar systems: Australia and Netherlands
 - sonobuoys and receivers
 - next generation transducers
- Increasing demand for Hyperspike
 - directional
 - mass notification



Maintaining Ultra's Growth Momentum

- Market environment
- Acquisitions
- Reinvestment to refresh the portfolio
- Delivering the strategy - new contracts
- Flywheel driving order intake
- Growth drivers for 2011/12 - existing contracts
- Selected opportunities

Market Environment

ULTRA'S ADDRESSABLE MARKETS GIVE HEADROOM FOR GROWTH

DEFENCE

- US base budget >\$500bn
- UK budget and procurement process 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 'electrical energy gap'
- Worldwide concerns about security of energy supply
- Life extensions and new build in UK, RoW
- High build rate in China

Acquisitions

Transmag

- Specialist electrical transformers
- Now part of PMES business (I&PS)



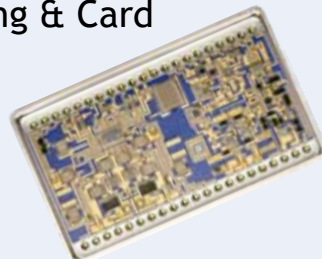
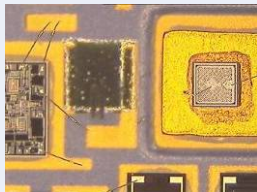
AMI

- Innovative propane-powered fuel cells
 - soldier wearable
 - remote sensors
 - uninhabited vehicles
- Now part of A&VS



Extec

- Specialist packaging of miniaturised electronic circuits
- Now part of Manufacturing & Card Systems (A&VS)



3eTI

- Military grade wireless network equipment
 - secure, 'on-the-move' communications
 - 'self-configure', 'self-heal'
- Now part of T&SS

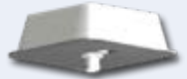


Reinvestment to Refresh the Portfolio

- Consistent reinvestment: >5% of revenue
- ‘Customer-pull’, not ‘technology-push’
- Example: adding functionality to line-of-sight radios



Customer-pull	Ultra response
<ul style="list-style-type: none"> • Combined terrestrial and satellite communications 	<ul style="list-style-type: none"> • Add satcom capability
<ul style="list-style-type: none"> • Communications ‘on-the-move’ 	<ul style="list-style-type: none"> • Adaptive antennae • Add cognitive function <ul style="list-style-type: none"> — autonomous frequency management — resistance to electronic attack
<ul style="list-style-type: none"> • Platoon level communications 	<ul style="list-style-type: none"> • Mesh/ad-hoc network • Reduced size, weight and power



- Synergy with 3eTI
 - military grade, secure, on-the-move

Delivering the Strategy

NEW CONTRACTS

Contracts won demonstrate
Ultra's delivery of its
growth strategies

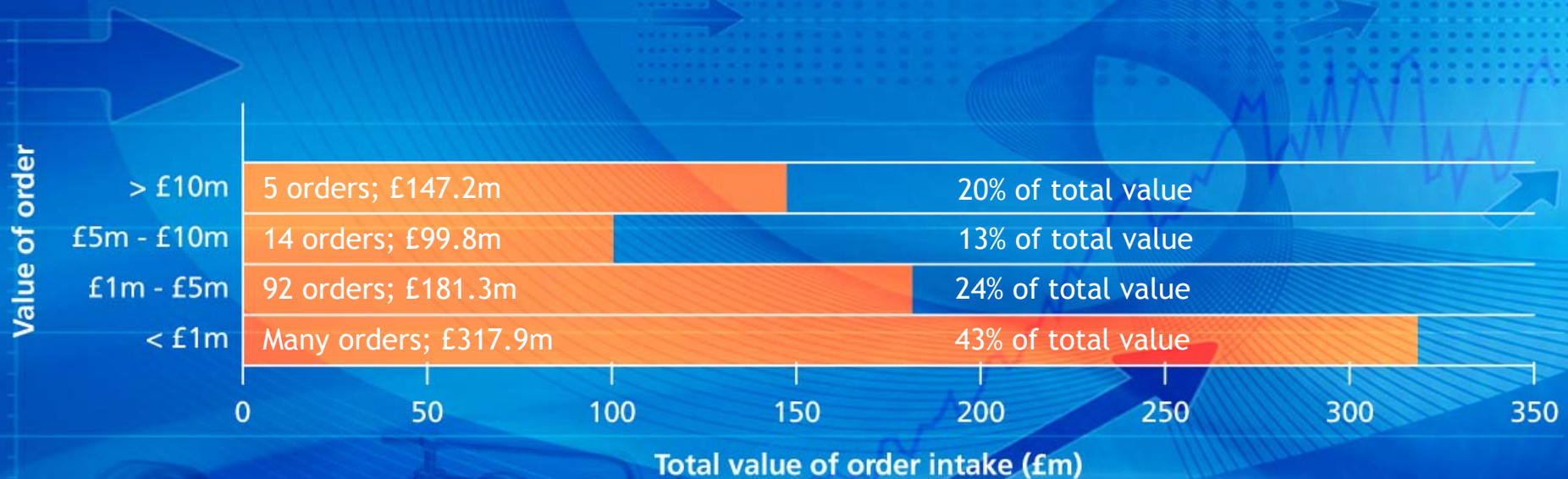
Ultra's four growth strategies

Platform & programme
Specialist capability
Customer
Geographic reach

		Platform & programme	Specialist capability	Customer	Geographic reach
Battery monitoring on MRAP/M-ATV vehicles	BAH/DCS	●	●	●	
Crypto rekey capability	Finnish MoD	●		●	●
Mass notification version of Hyperspike®	Northrop Grumman		●		
Magicard OEM deal	Polaroid			●	
Orange County Airport - check-in system	Snyder Langston	●	●	●	
Nuclear sensors for Chinese reactors	Westinghouse			●	●
Nuclear sensors for France	Areva	●		●	●
Electric field sensors for hydro carbon mapping	EMG, Norway		●	●	●

Flywheel Driving Order Intake

PATTERN OF ULTRA'S ORDER INTAKE



Forward order cover % (12 months):

North America businesses

<50%

RoW businesses

>70%

Group total

60%

Growth Drivers for 2011/12

AIRCRAFT & VEHICLE SYSTEMS

- Boeing 787 initial sales
- LRIP for F-35 JSF
- Mitsubishi RJ development
- Multi purpose bomb rack development
- Scout vehicle system development

INFORMATION & POWER SYSTEMS

- RC&I for Royal Navy submarines
- Increased sales of nuclear reactor sensors
- Electrical power upgrade for Vanguard submarines
- Degaussing system for DDG-51 destroyers
- Increasing sales of airborne versions of ADSI

TACTICAL & SONAR SYSTEMS

- ECU-R development
- Sales of high capacity radios
- Sales of advanced network access equipment

TACTICAL & SONAR SYSTEMS

- Development of sonar for Royal Netherlands Navy
- Development of advanced ASW sensor systems
- Increased sales of Hyperspike®

Aircraft & Vehicle Systems

SELECTED OPPORTUNITIES

Programme	Estimated date	Estimated Ultra value	Products
UAE training and support opportunities - through Al Shaheen	2011	\$20m+ pa	<ul style="list-style-type: none"> • Training and support • 'Citizenship' programme
Scout Vehicle	2011	£20m+	<ul style="list-style-type: none"> • Cannon sequencing and control • Turret electronics
Joint Strike Fighter	2011+	\$180k per aircraft	<ul style="list-style-type: none"> • Ice protection for engine intake and lift fan • HiPPAG for weapons ejection
Boeing 787 production contract	2011+	\$140k per aircraft	<ul style="list-style-type: none"> • Wing ice protection system • Proximity sensor electronics
Warrior armoured vehicle turret upgrade	2011+	£40m+	<ul style="list-style-type: none"> • Cannon sequencing and control • Indirect vision system • Electrical power management
HiPPAG for USAF multi-purpose bomb rack - production phase	2013+	\$40m	<ul style="list-style-type: none"> • HiPPAG for weapons ejection

Information & Power Systems

SELECTED OPPORTUNITIES

Programme	Estimated date	Estimated Ultra value	Products
RN submarine - multi-boat RC&I contract	2011	£60m+	<ul style="list-style-type: none"> • Naval nuclear reactor control system
Oman airports IT integration	2011	\$300m	<ul style="list-style-type: none"> • IT integration • Passenger, information and baggage processing
Power system upgrade for Vanguard class submarines	2011	£6m	<ul style="list-style-type: none"> • Main static converter
Civil nuclear equipment and sensors	2011+	\$20m+ pa	<ul style="list-style-type: none"> • Specialist sensors • Surveys of existing systems • Outline designs
Battery monitoring for US Army vehicles	2011+	\$10m pa	<ul style="list-style-type: none"> • Battery health monitoring • Power management
Data links for US radar ground stations	2014	\$10m+ pa	<ul style="list-style-type: none"> • Data link equipment • Remote re-keying

Tactical & Sonar Systems

SELECTED OPPORTUNITIES

Programme	Estimated date	Estimated Ultra value	Products
Submarine acoustic countermeasures for new Turkish submarine	2011	£8m	<ul style="list-style-type: none"> • Acoustic countermeasures
ASW systems and equipment - US and export sonobuoys	2011	£50m	<ul style="list-style-type: none"> • Sonobuoys • Torpedo defence • Underwater acoustics
US Army tactical radio systems	2011	\$70m	<ul style="list-style-type: none"> • Line-of-sight radios • Network access equipment
ECU programme - installation and integration	2011	£40m	<ul style="list-style-type: none"> • Installation and integration services
High capacity tactical radios - export	2011+	£40m	<ul style="list-style-type: none"> • High capacity tactical radio systems
Litening pods for export sales of Eurofighter	2012+	\$30m+	<ul style="list-style-type: none"> • Targeting pod • Support

Summary & Outlook

Summary & Outlook

- Good performance in 2010
- Dividend growth of 11%
- Continuing internal reinvestment and acquisitions
- Strong and growing range of market positions
 - focus on areas of preferential customer spend
 - broad spread of specialist capabilities, programmes and customers
 - wide geographic reach of the Group
- Continuing focus on cash generation
- Strong balance sheet
- 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.

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. Name now not in current usage.
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.
Scout	The first variant vehicle in the FRES (q.v.) programme, being developed by GD with a turret by LM.
Small Diameter Bomb	A US programme to equip existing fleets of aircraft with smaller, smart (individually targeted) 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.
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.



