press information

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Ultra Electronics Holdings plc
("Ultra" or "the Group")

Preliminary Results for the Year Ended 31 December 2008

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2008	Year ended 31 December 2007	**Change**
Revenue	**£515.3m**	£412.9m	**+25%**
Headline operating profit(1)	**£77.1m**	£62.9m	**+23%**
Headline profit before tax(2)	**£72.2m**	£61.1m	**+18%**
IFRS(loss)/profit before tax	***(£2.9m)***	*£56.6m*	***n/a***
Headline earnings per share(2)	**80.1p**	65.4p	**+22%**
Dividend per share - final	**18.0p**	14.5p	**+24%**
- total	**26.0p**	21.2p	**+23%**

(1) *before amortisation of intangibles arising on acquisition. IFRS profit from operations £64.1m (2007: £59.0m). See Note 2 for reconciliation.*
(2) *before amortisation of intangibles arising on acquisition and loss on fair value movements on derivatives. Basic EPS 2.6p (2007: 60.9p). See Note 2 for reconciliation.*

- Another strong performance reflecting the Group's broad portfolio and customer base
- Operating margin* maintained at 15%
- High quality of earnings with operating cash* conversion of 102% (five-year average 99%)
- Pace of acquisitions increased with eight completed in the year for a cash consideration of £85m
- Robust balance sheet maintained with secure funding position
- Order book up 26% to a record £783m, sustaining a good level of visibility
- Proposed total dividend per share increased 23%, maintaining dividend cover of three times

Douglas Caster, Chief Executive, commented:
"The strong results for the year reflect Ultra's broad portfolio of niche positions in the defence, security, transport and energy market sectors. In 2008 Ultra increased its rate of investment both internally, in new product and business development, and externally, through acquisitions, to underpin further growth.

Looking to 2009, Ultra is well positioned to deliver good organic growth from the wide range of international platforms and programmes that use the Group's specialist systems, products and services. This organic growth will be augmented by the contributions and market synergies to be derived from the eight acquisitions made in 2008 which both widen the portfolio and increase the geographic reach of Ultra.

The Group is positioned in market sectors worldwide that continue to offer significant headroom for further growth. Many of Ultra's niche markets are also relatively resilient in terms of maintaining growth despite current economic conditions. These factors, combined with Ultra's proven ability to win new business and to deliver customer satisfaction through the effective execution of contracts, give the Board confidence in the continuing progress of the Group."

* see note on page 2

OVERVIEW

The resilience of the Group's performance in the year demonstrated the benefit of having a broad portfolio of niche activities. Ultra's strong revenue growth combined with a 15% operating margin* drove the increase in headline profit in the year. Operating cash conversion* was 102% in 2008, bringing the five-year average to 99% and extending Ultra's track record of strong cash generation. The rate of acquisition investment increased with £85m expended in the year. The 26% growth in the value of the closing order book provides good visibility of future earnings with firm order cover above 60% at the start of the year for Ultra's consensus forecast 2009 sales.

FINANCIAL RESULTS

	Year ended 31 December 2008 £m	Year ended 31 December 2007 £m	Growth
Order book			
- Aircraft & Vehicle Systems	**214.9**	181.6	+18.3%
- Information & Power Systems	**173.3**	133.6	+29.7%
- Tactical & Sonar Systems	**395.3**	305.8	+29.3%
Total order book	**783.5**	621.0	+26.2%
Revenue			
- Aircraft & Vehicle Systems	**130.1**	100.0	+30.1%
- Information & Power Systems	**161.5**	126.6	+27.6%
- Tactical & Sonar Systems	**223.7**	186.3	+20.1%
Total revenue	**515.3**	412.9	+24.8%
Organic revenue growth*			+15.8%
Operating profit*			
- Aircraft & Vehicle Systems	**19.7**	16.1	+22.4%
- Information & Power Systems	**22.2**	19.6	+13.3%
- Tactical & Sonar Systems	**35.2**	27.2	+29.4%
Total operating profit*	**77.1**	62.9	+22.6%
Operating margin*			
- Aircraft & Vehicle Systems	**15.1%**	16.1%	
- Information & Power Systems	**13.7%**	15.5%	
- Tactical & Sonar Systems	**15.7%**	14.6%	
Total operating margin*	**15.0%**	15.2%	
Finance charges*	**(4.9)**	(1.8)	+172.2%
Profit before tax*	**72.2**	61.1	+18.2%
Operating cash flow*	**79.1**	52.2	
Cash conversion*	**102%**	83%	
Net debt* at year-end	**63.9**	14.2	
Bank interest cover	**19.0x**	29.2x	
Earnings per share*	**80.1p**	65.4p	+22.5%

Note
*Throughout this document, the terms **headline operating profit**, **headline profit before tax** and **headline earnings per share** have the same meaning as, and are used interchangeably with, **operating profit***, **profit before tax*** and **earnings per share*** respectively. See Note 2 for reconciliation to IFRS results.*
Headline operating profit, operating profit* *and* ***operating margin**** *are before amortisation of intangibles arising on acquisition.*
Headline profit before tax* *and* ***earnings per share**** *are before amortisation of intangibles arising on acquisition and fair value movement on derivatives.*
Operating cash flow* *is cash generated by operations, less net capital expenditure, R&D and LTIP share purchases.*
Cash conversion* *is cash generated by operations, less net capital expenditure, R&D and LTIP share purchases as % of profit from operations before amortisation of intangibles arising on acquisition.*
Net debt* *comprises bank overdrafts and loans less cash and cash equivalents.*
Organic revenue growth* *is the annual rate of increase in revenue that was achieved, assuming that acquisitions made during the prior year were only included for the same proportion of the current year*
Finance charges* *exclude loss on fair value of derivatives*

Revenue was 25% higher at £515.3m (2007: £412.9m). Organic growth at constant exchange rates was 11% and favourable currency effects contributed 5%. The remaining 9% growth came from acquisitions.

The exchange rate trends that have been seen over the past few years, especially the strengthening of sterling against the US and Canadian dollars, reversed in the second half of the year. Ultra maintained its policy of hedging forward its foreign currency trading exposure and this has helped to reduce uncertainty although the average hedged rates worsened in the year. Overall, the translation effect was to increase revenue by £19.9m while the combined translation and transaction impact was to decrease operating profit* by £1.9m. The negative transaction effect arose from the year-on-year movement of the averaged hedge rates from 1.81 to 1.91 for US dollars to sterling and from 1.13 to 1.05 for US dollars to Canadian dollars.

Operating profit* increased 23% to £77.1m (2007: £62.9m) with the operating margin* being maintained at 15%. In 2008 Ultra increased its investment in the development of new business and products so the charge against operating profit* rose by £6.1m to £33.1m (2007: £27.0m). Ultra reviews all such investments to ensure that there is a robust business case leading to an acceptable return for the Group in the medium term. The greatest impact of this increased charge was in Aircraft & Vehicle Systems.

Net financing charges, excluding fair value movement on derivatives, were £3.1m higher at £4.9m (2007: £1.8m) due to higher borrowings through the year as a result of increased acquisition spending and the nominal pension interest charge of £0.8m (2007: credit of £0.3m).

Headline profit before tax was £72.2m (2007: £61.1m), an increase of 18%.

Ultra's IFRS loss before tax of £2.9m (2007: profit of £56.6m) includes the effects of 'marking to market' the Group's foreign exchange financial instruments, for which hedge accounting is not adopted. The impact of the 'mark to market' is included within net financing in the income statement (see note 6). The result was a £62.1m charge against IFRS profits in 2008. These adjustments are non-cash, accounting adjustments required under IAS 39 for financial instruments that the Group holds to provide stability of future trading cash flows. They did not affect either the operating profit* or operating cash flow* of the Group in 2008.

Compared to 2007, the amortisation of intangibles arising on acquisition was £9.1m higher in the year at £13.0m, comprising a part-year's charge for the eight acquisitions made by the Group in 2008 and a full year's charge for the four acquisitions made in 2007.

There was a reduction in the Group's headline tax rate from 27.5% to 24.6% in the year, reflecting the tax benefits of acquisitions in the USA, an associated increase in borrowings in that country and an increase in R&D tax credits. This reduced tax rate augmented the strong headline operating profit growth to generate a 22% increase in earnings per share* to 80.1p (2007: 65.4p).

Operating cash conversion* was 102%. This is after capital expenditure and the capitalisation of certain development costs. The Group's customary focus on cash management has resulted in operating working capital, notably inventory, growing more slowly than revenue during the year. There was also an increase in the level of payments in advance from customers on long-term contracts. In 2008 Ultra made a cash investment of £32.5m (2007: £30.2m) on the development of new products and business, of which £0.6m was capitalised (2007: £4.2m) as an intangible asset.

Net debt* at the end of the year was £63.9m compared to £14.2m at the end of 2007. This increase of £49.7m was after a net cash expenditure on acquisitions in the year of £78.8m (2007: £31.0m) including the payment of deferred consideration in respect of acquisitions made in prior years. During the year the Group negotiated with its banking syndicate an £80m increase in the size of its revolving credit facility, to a total of £200m. This provided Ultra with a secure funding position at the end of 2008. The core £120m revolving credit facility is not due for renewal until late in 2010. The amount drawn down against this enlarged facility was £107.2m (2007: £41.6m) at the year-end, of which £80.8m was denominated in US or Canadian dollars. The strengthening of these currencies against sterling contributed £11.6m to the increase in net debt during the year. It is estimated that a further 5% movement compared to sterling would result in an increase of £3.1m in net debt. The Group's balance sheet remains strong, with net interest payable on borrowings covered approximately 19 times by operating profit*.

Ultra operates defined benefit pension schemes in the UK and Canada, all of which are closed to new entrants. The combined deficit on these schemes, net of deferred tax, increased to £42.3m in the year, £13.2m higher than at the end of 2007. The combined deficit was less than 10% of Ultra's market capitalisation at the end of the year and hence the Board believes that the pension funding position remains sound.

The proposed final dividend is 18.0p, bringing the total dividend for the year to 26.0p (2007: 21.2p). This represents an annual increase of 23%, with the dividend being covered 3.1 times (2007: 3.1 times) by earnings per share*. If approved, the dividend will be paid on 5 May 2009 to shareholders on the register on 3 April 2009.

The order book at the end of 2008 was £783.5m, an increase of 26% in the year. Part of the increase was due to the consolidation of the order books of acquired businesses but there was also robust organic growth. This included an Australian sonar contract, increases in orders for new aircraft systems that the Group is developing together with strong demand for Ultra's specialist battlespace IT systems, especially ADSI systems and line-of-sight tactical radios.

ACQUISITIONS

Ultra made eight acquisitions in 2008. They have enhanced the Group's portfolio of offerings and are typical of Ultra businesses in having strong positions in growing niche markets. The acquisitions were:

> **AudioSoft**, based in Cirencester, Gloucestershire, provides data recording and analysis solutions that allow organisations to record, preserve and rapidly locate important information. AudioSoft is part of the Tactical & Sonar Systems division.
>
> **Dascam** is a leading defence consultancy in the Middle East, providing specialist resources which deliver customised consultancy and training services for the defence, security and Government infrastructure markets in the region. While Dascam will act as a portal for many of Ultra's niche activities from across the Group, organisationally it is part of the Aircraft & Vehicle Systems division.
>
> **Graytronics** is a small business that specialises in the supply of marine intercom systems for customers that include the UK MoD, US Coastguard, British Petroleum and the Royal National Lifeboat Institution. Graytronics has been relocated to become part of the SML business near Southampton in Ultra's Information & Power Systems division.
>
> **Harris**, based in Massachusetts, USA, specialises in the design, supply and support of submarine acoustic transducers and arrays. It is now part of Ultra's Ocean Systems business, within the Group's Tactical & Sonar Systems division.
>
> **MISL**, based in Nova Scotia, Canada, designs, supplies and supports magneto inductive guidance, signalling and communications equipment. It is part of Maritime Systems also in the Group's Tactical & Sonar Systems division.

Nuclear Sensors & Process Instrumentation (acquired as Weed Instrument Co., Inc.) is based in Texas, USA. NSPI specialises in pressure and temperature sensors and fibre-optic converters and switches for use in nuclear, aerospace and military applications. It is in the Group's Information & Power Systems division

ProLogic, operating in various states in the USA, provides specialised products and solutions for mission-critical enterprise IT, tactical data communication systems and intelligence processing infrastructures, as well as independent IT consulting services to US government customers. ProLogic is now also part of Ultra's Information & Power Systems division.

Radmon provides neutron and radioactive detection sensors and systems to military and civil customers in the UK. It is to be integrated into Ultra's Command & Control Systems business in the Information & Power Systems division which is where Ultra has concentrated its nuclear systems activities, both military and civil.

These acquisitions are performing in line with expectations. The acquisitions of AudioSoft, Dascam, NSPI and Radmon were completed later in the year and so their contribution to the Group's 2008 results was not material.

BOARD CHANGES

There has been a number of changes to the composition of the Board. Dr Frank Hope left the Group in June 2008 and was not replaced on the Board which now comprises four non-executive directors and three executive directors.

It has previously been announced that David Jeffcoat will be retiring and Andrew Walker will be stepping down at the Annual General Meeting in April 2009.

David has been Group Finance Director since 2000 and has been outstanding in that role. David will be succeeded by Paul Dean who has a broad range of experience in the quoted and private sectors and an excellent track record of achievement. Paul joined Ultra at the start of the year and will succeed David on the Board as Group Finance Director at the AGM.

Andrew Walker has been a non-executive director of Ultra since 1996 and has been the senior independent non-executive director since 1998. Andrew's incisive and challenging review of the Group's strategies and tactics will be missed.

Sir Robert Walmsley joined the Board as a non-executive director in January 2009. He brings a wealth of valuable experience in the defence and energy sectors, markets in which the Group is investing for further growth.

With these changes, Chris Bailey will become the Board's senior independent non-executive director and will chair the Audit and Remuneration Committees. David Garbett-Edwards has been appointed Company Secretary; he is a qualified accountant and has many years experience with the Group.

OPERATIONAL REVIEW

Aircraft & Vehicle Systems

Revenue in Aircraft & Vehicle Systems increased by 30% to £130.1m compared to £100.0m in 2007 and operating profit* increased 22% to £19.7m (2007: £16.1m). These results include full-year contributions from Atkins and BCF Designs, both acquired late in 2007 together with a one month contribution from Dascam. The division's order book increased during the year by 18% to £214.9m (2007: £181.6m).

The 30% growth of revenue in the year was driven by acquisition and by solid demand across the division's businesses for equipment and systems fitted to aircraft, both military and civil, and to armoured vehicles. Operating profit* growth was lower at 22% reflecting a change in product mix with growth of higher volume products that generate a lower margin, for example hand controls for US armoured vehicles and equipment fitted to Airbus aircraft. The operating margin* was also suppressed by the increased charge against profit relating to investment in new aircraft systems.

Highlights of the division's performance in the year that will underpin continuing growth included:

- a contract extension awarded by Pratt & Whitney, US, to develop key elements of the lift fan ice protection system for the vertical lift fan fitted to the STOVL versions of the Lockheed Martin F-35 Joint Strike Fighter

- a contract to develop a secure communications network on behalf of the UK government to be used for civil contingency response planning

- selection by Boeing to provide an innovative cable harness protection system for its new 747-800 aircraft

Information & Power Systems

Revenue in Information & Power Systems grew by 28% to £161.5m compared to £126.6m in the previous year. Operating profit* increased by 13% to £22.2m (2007: £19.6m). The order book at the end of the period had increased by 30% to £173.3m (2007: £133.6m).

Revenue growth included an initial contribution of £17.0m from ProLogic, acquired in June 2008, though these 'cost-plus', low risk sales generated an operating margin* lower than the Group average. The other acquisitions in this division occurred later in the year and so did not have a material impact. Revenue and profit growth reflected increased sales in the second half of the year of specialist power equipment for naval vessels and for mass transit systems. There was also an increase in demand for security and surveillance systems to protect UK bases for current operations in Afghanistan.

Features of the division's performance in the year that will support continuing growth included:

- further demand for ADSI, Ultra's real-time command and control system, including applications outside the US, notably Asia, and derivatives for airborne use

- the award in the second half of the year of additional contracts for transit system trackside power equipment supporting the improvement of London's transport infrastructure

- winning contracts to supply control systems and sensors for military and civil nuclear reactors

Tactical & Sonar Systems

Revenue in Tactical & Sonar Systems increased by 20% to £223.7m (2007: £186.3m) and operating profit* rose 29% to £35.2m (2007: £27.2m). These results include a full-year contribution from Criticom which was acquired during 2007. The costs of moving both MISL and Harris to nearby Ultra sites meant that these acquisitions were earnings-neutral in 2008. The closing order book was £395.3m (2007: £305.8m), an increase of 29% in the year.

Strong battlespace IT demand, especially from US forces for communications equipment and tactical radio systems, drove the revenue and profit performance in the year. Deliveries of Ultra's traditional anti-submarine warfare sonobuoys and sonobuoy receivers to domestic and international customers also made a good contribution to growth.

Growth in future years will be underpinned as a result of the following developments in 2008:

- excellent order intake for the Group's enhanced line-of-sight tactical radios
- a contract to supply an integrated sonar suite for new Australian navy destroyers
- the increasing application of Ultra's specialist underwater acoustic expertise for use in advanced networks of long-life, distributed sensors

MARKET CONDITIONS

Defence
Defence expenditure worldwide is being sustained by the continuing high level of international tension, though the continuing costs of peacekeeping operations are putting pressure on budgets. For Ultra, defence budgets are sufficiently large to provide substantial headroom for continuing growth.

Within the US and UK defence budgets, expenditure continues to be focused on improving command and control through achieving information superiority, on enhancing the ability to deploy forces rapidly and in providing increased protection for personnel. While it is planned that current military operations will be scaled down in the medium term, this is unlikely to be a quick process. It is anticipated that there will then be a period of rebuilding the systems and equipment base that has been eroded by years of high intensity operations.

The number of new platforms being built may decline in future years but an increasing share of defence budgets will be spent on maximising the capabilities of new and existing platforms through the application of advanced electronic solutions.

Recent terrorist attacks emphasise that the level of threat is not reducing. The perceived risks to individuals and to economically important assets, together with the need to protect borders and coastlines from illegal immigrants and smugglers, are driving an increase in global demand for intelligence, surveillance and enforcement systems.

Ultra has pursued a strategy of investing in product niches that has positioned the Group to benefit from these trends.

Civil aerospace
In the civil aerospace sector, both Boeing and Airbus have long order books which continued to grow through 2008. However concern about future passenger numbers, especially in the premium classes of travel, has introduced a strong element of uncertainty as to future aircraft build rates

generally which therefore may not be sustained at current levels. Ultra's involvement on new aircraft programmes such as the Boeing 787 together with the Group's supply of systems for turboprop aircraft will provide incremental growth in the medium and long term. This will more than compensate for Ultra's reducing exposure to the Airbus A320 series aircraft as a result of competitive pressures.

Civil systems
Ultra is an internationally competitive supplier of advanced airport IT systems and of integration services. The Group continues to win new business around the world, reflecting the global nature of this market sector. In the short term the global economic slowdown will reduce demand in some regions of the world, though the outlook is still for sustained growth in the longer term, driven by growth of populations that can afford air travel.

In the UK and elsewhere around the world the strategic need to maintain independent energy supplies together with the desire to reduce carbon emissions is driving increased investment in civil nuclear power generation, a market in which Ultra has niche capabilities for the supply of high integrity control systems and the associated specialist sensors. Investment is also being sustained in the UK rail transport system infrastructure, driven partly by the 2012 London Olympic Games, benefiting Ultra's trackside power equipment business.

RISKS AND UNCERTAINTIES

The risks and uncertainties that may impact Ultra's ability to deliver further growth of shareholder value were discussed in some depth on pages 19 to 21 of the Group's Annual Report and Accounts for 2007, available for download at www.ultra-electronics.com. It is considered that these still remain the most likely potential sources of risk and uncertainty. The robust business strategies that Ultra uses to manage and mitigate those risks and uncertainties were also discussed.

In 2008 conditions in financial markets became more difficult with a consequent impact on consumer confidence. Ultra's business is, in the main, driven by long-term programmes which are largely unaffected by fluctuations in credit markets and consumer spending.

Ultra's civil and military aircraft system development programmes are progressing satisfactorily, both technically and commercially, and the delays announced in respect of some of these platforms will not materially impact the Group's 2009 results.

CONFIRMATION OF GOING CONCERN

The directors have considered the guidance issued by the Financial Reporting Council in November 2008 and hereby confirm that the Group continues to adopt a 'going concern' basis in preparing its accounts. A more detailed summary of the facts considered by the Board in reaching this conclusion can be found at Note 16 to the accounts which forms part of this announcement.
The Board has made appropriate enquiries to support this view. Salient points taken into consideration were:

- the adequacy of the Group's funding position
- that Ultra's current banking facilities do not require renewal until November 2010
- the long-term nature of Ultra's markets and contracts
- that the Group started 2009 with over 60% firm order cover for its consensus revenue for the year

PROSPECTS

Ultra has a broad range of differentiated offerings positioned on an increasing list of international platforms and programmes. This spread mitigates risk and gives resilience to the Group's overall performance. Ultra is positioned at all levels in the supply chain and has a broad customer base that includes governments and most of the world's major defence and aerospace prime contractors. The Group continues to extend its range of systems, equipment, product and services to meet customers' emerging requirements. In addition Ultra has continued to increase the list of countries around the world in which it does business.

In 2009 the Group will benefit from the contributions and market synergies to be derived from the eight acquisitions made in 2008. These will augment the organic growth that Ultra will achieve in its wide range of market niches. Ultra can afford more acquisitions and will pursue high quality businesses that broaden its portfolio and to which ownership by the Group would add value. Ultra targets companies with a proven track record, that have differentiated positions in growing, niche markets and that can be acquired at appropriate prices. The Group will manage its rate of expenditure on acquisitions so as to maintain a strong balance sheet.

Ultra's overall order book at the year-end was valued at a record £783m. Within this, firm order cover for the next twelve months' trading has been maintained at its traditional level of over 60%, thereby giving good visibility of future earnings.

The currency transaction effects on profit are managed through hedging contracts as noted above. The impact on 2009 operating profit* is therefore reasonably well known and is included in guidance given by the Group. The recent strengthening of the US and Canadian dollars against sterling, if sustained, would benefit the Group's headline operating profit through a favourable currency translation effect. The gain in 2008 was relatively small but there is the potential of a larger benefit in 2009.

In summary, the Group is positioned in market sectors worldwide that continue to offer significant headroom for further growth. Many of Ultra's niche markets are also relatively resilient in terms of maintaining growth despite current economic conditions. These factors, combined with Ultra's proven ability to win new business and to deliver customer satisfaction through the effective execution of contracts, give the Board confidence in the continuing progress of the Group.

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NATURE OF ANNOUNCEMENT

This preliminary announcement of Ultra's audited results for the year ended 31 December 2008 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 reports are 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.

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Ultra Electronics Holdings plc
Preliminary Results for the Year Ended 31 December 2008
Consolidated Income Statement

	Note	**2008 £000**	2007 £000
Continuing operations			
Revenue	1	**515,271**	412,890
Cost of sales		**(373,100)**	(300,380)
Gross profit		**142,171**	112,510
Other operating income	3	**3,444**	5,050
Distribution costs		**(1,050)**	(875)
Administrative expenses		**(77,345)**	(56,687)
Other operating expenses	4	**(3,146)**	(992)
Profit from operations		**64,074**	59,006
Headline operating profit	2	**77,091**	62,921
Amortisation of intangibles arising on acquisition		**(13,017)**	(3,915)
Profit from operations		**64,074**	59,006
Investment revenue	5	**1,229**	1,092
Finance costs	6	**(68,191)**	(3,500)
(Loss) / profit before tax	1	**(2,888)**	56,598
Headline profit before tax	2	**72,198**	61,069
Amortisation of intangibles arising on acquisition		**(13,017)**	(3,915)
Loss on fair value movements on derivatives		**(62,069)**	(556)
(Loss) / profit before tax		**(2,888)**	56,598
Tax	7	**4,645**	(15,363)
Profit for the year from continuing operations attributable to equity holders of the parent		**1,757**	41,235
Earnings per ordinary share (pence)			
From continuing operations			
- basic	9	**2.6**	60.9
- diluted	9	**2.6**	60.5

Ultra Electronics Holdings plc
Preliminary Results for the Year Ended 31 December 2008
Consolidated Balance Sheet

	Note	**2008 £000**	2007 £000
Non-current assets			
Intangible assets		**325,683**	179,254
Property, plant and equipment		**34,916**	24,235
Interest in associate		**2,120**	-
Deferred tax assets		**28,650**	10,634
		391,369	214,123
Current assets			
Inventories	10	**52,826**	42,417
Trade and other receivables	11	**125,661**	84,226
Cash and cash equivalents		**43,385**	27,419
Assets held for sale		**828**	-
		222,700	154,062
Total assets		**614,069**	368,185
Current liabilities			
Trade and other payables	12	**(210,093)**	(116,247)
Tax liabilities		**(5,055)**	(9,123)
Obligations under finance leases		**(105)**	(25)
Short-term provisions	13	**(17,224)**	(10,644)
		(232,477)	(136,039)
Non-current liabilities			
Retirement benefit obligations	14	**(58,761)**	(40,390)
Other payables	12	**(55,791)**	(2,976)
Deferred tax liabilities		**(13,654)**	(2,619)
Obligations under finance leases		**(5)**	(29)
Bank loans		**(107,214)**	(41,608)
Long-term provisions	13	**(2,098)**	(2,630)
		(237,523)	(90,252)
Total liabilities		**(470,000)**	(226,291)
Net assets		**144,069**	141,894
Equity			
Share capital		**3,407**	3,394
Share premium account		**36,427**	35,061
Own shares		**(1,974)**	(1,972)
Hedging and translation reserve		**22,615**	(6,282)
Retained earnings		**83,594**	111,693
Total equity		**144,069**	141,894

Ultra Electronics Holdings plc

Preliminary Results for the Year Ended 31 December 2008
Consolidated Cash Flow Statement

	Note	**2008**	2007
		£000	£000
Net cash flow from operating activities	15	**69,102**	49,558
Investing activities			
Interest received		**1,229**	791
Purchase of property, plant and equipment		**(14,198)**	(8,569)
Proceeds from disposal of property, plant and equipment		**1,231**	-
Expenditure on product development and other intangibles		**(1,941)**	(5,489)
Acquisition of subsidiary undertakings		**(83,845)**	(31,395)
Net cash acquired with subsidiary undertakings		**5,007**	379
Net cash used in investing activities		**(92,517)**	(44,283)
Financing activities			
Issue of share capital		**1,379**	1,897
Purchase of Long-Term Incentive Plan shares		**(674)**	-
Dividends paid		**(15,225)**	(12,978)
Loan syndication costs		**(527)**	-
Increase in borrowings		**48,568**	6,551
Repayment of obligations under finance leases		**(81)**	(16)
New finance leases		**114**	-
Net cash from/(used in) financing activities		**33,554**	(4,546)
Net increase in cash and cash equivalents		**10,139**	729
Cash and cash equivalents at beginning of year		**27,419**	25,628
Effect of foreign exchange rate changes		**5,827**	1,062
Cash and cash equivalents at end of year		**43,385**	27,419

Ultra Electronics Holdings plc

Preliminary Results for the Year Ended 31 December 2008

Consolidated Statement of Recognised Income and Expense

	2008	2007
	£000	£000
Exchange differences on translation of foreign operations	**28,897**	(1,445)
Actuarial losses on defined benefit pension schemes (net of related deferred tax and exchange rate movements)	**(12,585)**	(4,250)
(Loss) / profit on cash flow hedge	**(4,612)**	45
Tax on items taken directly to equity (excluding pensions)	**1,709**	(602)
Net income / (expense) recognised directly in equity	**13,409**	(6,252)
Transfer from / (to) profit and loss on cash flow hedges	**195**	(154)
Profit for the year	**1,757**	41,235
Total recognised income and expense for the year	**15,361**	34,829

Notes:

1. Segmental analysis

(a) Revenue by division

	2008 External revenue £000	2008 Internal revenue £000	2008 Total £000	2007 External revenue £000	2007 Internal revenue £000	2007 Total £000
Aircraft & Vehicle Systems	**130,098**	**3,836**	**133,934**	99,993	5,856	105,849
Information & Power Systems	**161,512**	**9,484**	**170,996**	126,623	11,062	137,685
Tactical & Sonar Systems	**223,661**	**6,891**	**230,552**	186,274	5,939	192,213
Eliminations	**-**	**(20,211)**	**(20,211)**	-	(22,857)	(22,857)
Consolidated revenue	**515,271**	**-**	**515,271**	412,890	-	412,890

(b) Profit by division

	2008 £000	2007 £000
Aircraft & Vehicle Systems	**19,727**	16,070
Information & Power Systems	**22,188**	19,645
Tactical & Sonar Systems	**35,176**	27,206
Headline operating profit	**77,091**	62,921
Amortisation of intangibles arising on acquisition (see 1 (c))	**(13,017)**	(3,915)
Profit from operations	**64,074**	59,006
Investment revenue	**1,229**	1,092
Finance costs	**(68,191)**	(3,500)
(Loss)/profit before tax	**(2,888)**	56,598
Tax	**4,645**	(15,363)
Profit after tax	**1,757**	41,235

(c) Amortisation of intangibles arising on acquisition

	2008 £000	2007 £000
Aircraft & Vehicle Systems	**2,957**	564
Information & Power Systems	**3,012**	75
Tactical & Sonar Systems	**7,048**	3,276
	13,017	3,915

* see note on page 2

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

	Capital expenditure and additions to intangibles (excluding goodwill)		**Depreciation and amortisation**	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Aircraft & Vehicle Systems	**1,128**	4,460	**4,540**	1,684
Information & Power Systems	**9,925**	4,963	**6,548**	2,936
Tactical & Sonar Systems	**5,086**	4,635	**11,426**	6,567
Total	**16,139**	14,058	**22,514**	11,187

The 2008 depreciation and amortisation expense includes £15,488,000 of amortisation charges (2007: £5,467,000) and £7,026,000 of property, plant and equipment depreciation charges (2007: £5,720,000).

(e) Total assets by division

	2008	2007
	£000	£000
Aircraft & Vehicle Systems	**105,089**	99,879
Information & Power Systems	**200,149**	71,473
Tactical & Sonar Systems	**228,541**	153,397
	533,779	324,749
Unallocated	**80,290**	43,436
Consolidated total assets	**614,069**	368,185

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

(f) Total liabilities by division

	2008	2007
	£000	£000
Aircraft & Vehicle Systems	**49,946**	30,362
Information & Power Systems	**76,148**	45,682
Tactical & Sonar Systems	**86,361**	53,004
	212,455	129,048
Unallocated	**257,545**	97,243
Consolidated total liabilities	**470,000**	226,291

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

* see note on page 2

(g) Revenue by destination

	2008 £000	2007 £000
United Kingdom	**184,845**	171,729
Continental Europe	**51,892**	43,556
Canada	**15,999**	17,788
USA	**225,530**	154,032
Rest of World	**37,005**	25,785
	515,271	412,890

(h) Other information (by geographic location)

	Total assets		Additions to property, plant & equipment and intangible assets (excluding acquisitions)	
	2008 £000	2007 £000	**2008 £000**	2007 £000
United Kingdom	**204,762**	168,529	**10,560**	9,340
USA	**265,192**	114,965	**3,422**	2,226
Canada	**42,533**	41,255	**2,141**	2,492
Rest of World	**21,006**	-	**16**	-
	533,493	324,749	**16,139**	14,058

* see note on page 2

2. Additional performance measures

To present the headline profitability of the Group on a consistent basis year-on-year, additional performance indicators have been used. These are calculated as follows:

	2008	2007
	£000	£000
Profit from operations	**64,074**	59,006
Amortisation of intangibles arising on acquisition	**13,017**	3,915
Headline operating profit	**77,091**	62,921
(Loss) / profit before tax	**(2,888)**	56,598
Loss on fair value movements on derivatives	**62,069**	556
Amortisation of intangibles arising on acquisition	**13,017**	3,915
Headline profit before tax	**72,198**	61,069
Cash generated by operations	**94,579**	66,249
Purchase of property, plant and equipment	**(14,198)**	(8,569)
Proceeds on disposal of property, plant and equipment	**1,231**	-
Expenditure on product development and other intangibles	**(1,941)**	(5,489)
Purchase of Long-Term Incentive Plan shares	**(674)**	-
Operating cash flow	**78,997**	52,191

Headline operating profit has been shown before the amortisation of intangible assets arising on acquisitions, which relates to acquired intellectual property, customer relationships and profit in acquired order book. To maintain a consistent presentation of financial performance over the longer term, this charge has been excluded from headline operating profit. Headline profit before tax and headline earnings per share are also presented before the amortisation of intangible assets arising on acquisition.

IAS 39 requires the Group to 'fair value' the derivative instruments used to manage Ultra's foreign exchange exposures. This creates volatility in the valuation of the outstanding instruments as exchange rates move over time. This will have minimal impact on profit over the full term of the instruments, but can cause significant volatility on particular balance sheet dates. Ultra is therefore stating headline profit before tax and headline earnings per share before changes in the valuation of these instruments so that the headline operating performance of the Group can more clearly be seen.

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, Ultra 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. The Group believes that using cash generated by operations, with the exclusion of net expenditure in property, plant and equipment and outflows for capitalised product development and other intangibles, would result in an understatement of the true cash cost of sustaining a growing business.

* see note on page 2

3. Other operating income

	2008 £000	2007 £000
Foreign exchange gains	**2,762**	5,050
Profit on disposal of fixed assets	**682**	-
	3,444	5,050

4. Other operating expenses

	2008 £000	2007 £000
Amortisation of development costs	**1,217**	949
Foreign exchange losses	**1,929**	43
	3,146	992

5. Investment revenue

	2008 £000	2007 £000
Bank interest	**1,229**	791
Retirement benefit scheme finance income	**-**	301
	1,229	1,092

6. Finance costs

	2008 £000	2007 £000
Amortisation of finance costs of debt	**114**	71
Interest payable on bank loans and overdrafts	**4,972**	3,025
Interest payable on finance leases	**4**	2
Transfers to / (from) equity on cash flow hedges	**195**	(154)
Total borrowing costs	**5,285**	2,944
Fair value movement on derivatives	**62,069**	556
Retirement benefit scheme finance cost	**837**	-
	68,191	3,500

7. Tax

	2008 £000	2007 £000
Current tax		
United Kingdom	**10,100**	7,510
Overseas	**7,169**	7,939
	17,269	15,449
Deferred tax		
United Kingdom	**(12,570)**	(649)
Overseas	**(9,344)**	563
	(21,914)	(86)
Total	**(4,645)**	15,363

* see note on page 2

8. Dividends

	2008 **£000**	2007 £000
Final dividend for the year ended 31 December 2007 of 14.5p (2006:12.6p) per share	**9,806**	8,463
Interim dividend for the year ended 31 December 2008 of 8.0p (2007: 6.7p) per share	**5,419**	4,515
	15,225	12,978
Proposed final dividend for the year ended 31 December 2008 of 18.0p (2007:14.5p) per share	**12,209**	9,792

The 2008 proposed final dividend was approved by the Board after 31 December 2008 and has not been included as a liability as at 31 December 2008.

9. Earnings per share

	2008 **pence**	2007 Pence
Basic headline (see below)	**80.1**	65.4
Diluted headline (see below)	**79.7**	65.0
Basic	**2.6**	60.9
Diluted	**2.6**	60.5

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

	2008 **£000**	2007 £000
Earnings		
Earnings for the purposes of earnings per share being profit for the year from continuing operations	**1,757**	41,235
Headline earnings		
Profit for the year from continuing operations	**1,757**	41,235
Loss on fair value movements on derivatives (net of tax)	**43,927**	492
Amortisation of intangibles arising on acquisition (net of tax)	**8,781**	2,576
Earnings for the purposes of headline earnings per share	**54,465**	44,303

See note 2 for an explanation of the adjustments to earnings

	Number of shares	Number of shares
The weighted average number of shares is given below:		
Number of shares used for basic earnings per share	**68,007,223**	67,714,368
Number of shares deemed to be issued at nil consideration following exercise of share options	**311,743**	434,033
Number of shares used for fully diluted earnings per share	**68,318,966**	68,148,401

* see note on page 2

9. Earnings per share (continued)

	2008 £000	2007 £000
Headline profit before tax	**72,198**	61,069
Tax rate applied for the purposes of headline earnings per share	**24.6%**	27.5%

10. Inventories

	2008 £000	2007 £000
Raw materials and consumables	**32,989**	26,523
Work in progress	**15,778**	12,804
Finished goods and goods for resale	**4,059**	3,090
	52,826	42,417

11. Trade and other receivables

	2008 £000	2007 £000
Trade receivables	**79,897**	52,059
Provisions against receivables	**(1,908)**	(527)
Net trade receivables	**77,989**	51,532
Amounts due from contract customers	**27,641**	21,475
Derivatives at fair value	**8,255**	5,383
Other receivables	**6,503**	3,233
Prepayments and accrued income	**5,273**	2,603
	125,661	84,226

12. Trade and other payables

Amounts included in current liabilities	2008 £000	2007 £000
Trade payables	**61,350**	42,929
Amounts due to contract customers	**32,562**	24,552
Derivatives at fair value	**38,934**	1,357
Other payables	**38,674**	15,178
Accruals and deferred income	**38,573**	32,231
	210,093	116,247

Amounts included in non-current liabilities:	2008 £000	2007 £000
Amounts due to contract customers	**4,545**	-
Derivatives at fair value	**33,927**	2,146
Other payables	**15,970**	255
Accruals and deferred income	**1,349**	575
	55,791	2,976

* see note on page 2

13. Provisions

	Warranties £000	Contract related provisions £000	Total £000
At 1 January 2008	6,779	6,495	13,274
Created	2,710	3,607	6,317
On acquisition of subsidiary	1,813	610	2,423
Utilised	(2,067)	(1,724)	(3,791)
Exchange differences	420	679	1,099
At 31 December 2008	**9,655**	**9,667**	**19,322**
Included in current liabilities	8,485	8,739	17,224
Included in non-current liabilities	1,170	928	2,098
	9,655	**9,667**	**19,322**

14. 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:

	2008 £000	2007 £000
Fair value of scheme assets	**100,890**	127,636
Present value of scheme liabilities	**(159,651)**	(168,026)
Scheme deficit	**(58,761)**	(40,390)
Related deferred tax asset	**16,512**	11,284
Net pension liability	**(42,249)**	(29,106)

* see note on page 2

15. Cash flow information

	2008 £000	2007 £000
Profit from operations	**64,074**	59,006
Adjustments for:		
Depreciation of property, plant and equipment	**7,026**	5,720
Amortisation of intangible assets	**15,488**	5,467
Cost of equity settled employee share schemes	**1,295**	1,186
(Decrease)/increase in post employment benefit obligation	**(91)**	797
(Profit)/loss on disposal of property, plant and equipment	**(682)**	31
Loss on revaluation of assets transferred to held for sale	**270**	-
Increase/(decrease) in provisions	**2,526**	(312)
Operating cash flow before movements in working capital	**89,906**	71,895
Increase in inventories	**(226)**	(12,055)
(Increase)/decrease in receivables	**(13,964)**	6,116
Increase in payables	**18,863**	293
Cash generated by operations	**94,579**	66,249
Income taxes paid	**(20,502)**	(13,723)
Interest paid	**(4,975)**	(2,968)
Net cash from operating activities	**69,102**	49,558

Reconciliation of net movement in cash and cash equivalents to movements in net debt

	2008 £000	2007 £000
Net increase in cash and cash equivalents	**10,139**	729
Cash inflow from increase in debt and finance leasing	**(48,624)**	(6,535)
Change in net debt arising from cash flows	**(38,485)**	(5,806)
Loan syndication costs	**527**	-
Amortisation of finance costs of debt	**(114)**	(71)
Translation differences	**(11,624)**	(1,202)
Movement in net debt in the year	**(49,696)**	(7,079)
Net debt at start of year	**(14,243)**	(7,164)
Net debt at end of year	**(63,939)**	(14,243)

Net debt comprised the following:

	2008 £000	2007 £000
Cash and cash equivalents	**43,385**	27,419
Bank loans	**(107,214)**	(41,608)
Obligations under finance leases included in current liabilities	**(105)**	(25)
Obligations under finance leases included in non-current liabilities	**(5)**	(29)
	(63,939)	(14,243)

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

* see note on page 2

16 Going concern

Ultra's banking facilities amount to £200m in total, plus a £10m overdraft. These facilities provided more than £100m of borrowing headroom over the gross balance that had been drawn down at the end of the year. They were established in two tranches. The first was set up in 2005 and is provided by a small syndicate of banks, led by The Royal Bank of Scotland. This element comprises £120m of revolving credit, denominated in Sterling, US dollars and Canadian dollars, which is due to expire in November 2010. A £10m bank overdraft facility is also available for short-term working capital funding. The second tranche provides a further £80m of revolving credit. It was put in place in September 2008 with the support of the existing banking syndicate in order to fund the eight acquisitions that the Group made during the year and to provide headroom for further acquisitions going forward. This additional facility is due to expire in September 2011. As well as being used to fund acquisitions, the banking facilities are also used for other balance sheet and operational needs, including the funding of day-to-day working capital requirements.

The US and Canadian dollar borrowings also represent natural hedges against assets denominated in these currencies. The Group's banking covenants have all been met during the past year with a comfortable margin and the expectation is that this will continue. Ultra will open negotiations with its banking partners in due course regarding the renewal of the first tranche in 2010.

Whilst the current volatility in financial markets has created general uncertainty in respect of the current economic outlook, the long-term nature of Ultra's business taken together with the Group's forward order book provide a satisfactory level of confidence in respect of trading in the year to come. At the beginning of 2009 Ultra had firm orders in place for over 60% of its consensus forecast sales in the year.

Hence, after making appropriate enquiries, the Board's view is that Ultra has adequate resources to continue in operational existence for the foreseeable future and that the business outlook remains strong. The Board therefore believes that the Group is well placed to avoid any material adverse consequences of the current economic conditions. Accordingly, the Group continues to adopt a going concern basis in preparing the accounts.

* see note on page 2

Ultra Electronics Holdings plc

17. Five year review

	2004 £m	2005 £m	2006 £m	2007 £m	**2008 £m**
Revenue					
Aircraft & Vehicle Systems	76.6	84.4	93.9	100.0	**130.1**
Information & Power Systems	113.7	117.3	120.5	126.6	**161.5**
Tactical & Sonar Systems	120.4	140.7	162.6	186.3	**223.7**
Total revenue	310.7	342.4	377.0	412.9	**515.3**
Headline operating profit(1)					
Aircraft & Vehicle Systems	14.9	15.9	13.2	16.1	**19.7**
Information & Power Systems	15.0	18.1	19.3	19.6	**22.2**
Tactical & Sonar Systems	13.4	17.1	25.0	27.2	**35.2**
Total headline operating profit(1)	43.3	51.1	57.5	62.9	**77.1**
Headline margin(1)	13.9%	14.9%	15.3%	15.2%	**15.0%**
Profit / (loss) before tax	40.1	40.7	55.0	56.6	**(2.9)**
Profit after tax	29.2	29.4	39.6	41.2	**1.8**
Operating cash flow(2)	46.9	53.8	56.5	52.2	**79.0**
Free cash before dividends, acquisitions and financing(3)	36.0	38.1	40.9	36.3	**54.7**
Net debt at year-end(4)	24.1	34.3	7.2	14.2	**63.9**
Headline earnings per share (p)(5)	43.7	50.7	58.4	65.4	**80.1**
Dividends per share (p)	13.8	15.9	18.5	21.2	**26.0**
Average employee numbers	2,678	2,880	2,989	3,054	**3,582**

Notes:
1. Before amortisation of intangibles arising on acquisition.
2. Cash generated by operations, less net capital expenditure, R&D and LTIP share purchases.
3. Free cash flow before dividends, acquisitions and financing has been adjusted to include the purchase of Long-Term Incentive Plan shares, which are included in financing activities.
4. Bank overdrafts and loans less cash and cash equivalents.
5. Before amortisation of intangibles arising on acquisition and fair value movement on derivatives.

* see note on page 2

18. The financial information set out above, prepared in accordance with IFRS, does not constitute the Company's statutory accounts for the years ended 31 December 2008 or 2007, but is derived from those accounts. Statutory accounts for 2007 have been delivered to the Registrar of Companies and those for 2008 will be delivered following the Company's annual general meeting. The auditors have 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 s237 (2) or (3) Companies Act 1985.

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 2008 and which are unchanged from those adopted in the Group's 2007 Annual Report. Whilst the financial information included in the preliminary announcement has been completed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The company expects to publish full financial statements that comply with IFRS on 31 March 2009 (see note 19 below).

19. 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.