

press information

Embargoed until 0700

8 July 2009

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

ULTRA ACQUIRES AUSTRALIAN DEFENCE ELECTRONICS BUSINESS

Ultra announces the acquisition of Avalon Systems Pty Ltd ('Avalon'), based in Adelaide, South Australia.

Avalon specialises in the field of Electronic Warfare (EW), undertaking the design and manufacture of EW sub-systems and providing engineering consultancy services and through-life support. Its business is for the Australian Defence Force ('ADF'), either directly through contracts with the Commonwealth of Australia or indirectly as a subcontractor to prime contractors to the ADF. Avalon currently has contracts to supply equipment to all three services, Army, Navy and Air Force, as well as to the Defence Science & Technology Organisation (DSTO).

Ultra will pay a cash consideration on a debt and cash fee basis of A\$16.5m. Since its foundation in 1995, Avalon has traded profitably with sales in the year to 30 June 2009 of about A\$13m with an EBIT margin that will ensure that Avalon is accretive to Ultra's earnings. The acquisition will be financed using Ultra's existing banking facilities.

Avalon is based at Mawson Lakes Technology Park in Adelaide. The business employs 22 people, of which 19 are professionals with tertiary qualifications in systems, electronics and computer engineering. Ultra is acquiring Avalon from its three directors and their respective partners. These founding directors will remain with the business under Ultra.

Ultra announced in November 2008 its receipt of a contract worth over £34m for the supply of three integrated sonar systems for the Air Warfare Destroyers (AWDs), which will be built in Adelaide. Ultra has committed to execute 50% of its contract value in Australia and the Group's team in Australia working on the design, build and support of the sonar systems will be based at the Avalon site. To allow for the planned expansion of Ultra's presence in Adelaide, the Group is also purchasing the plot of land adjacent to Avalon.

Ultra will exploit Avalon's differentiated technologies outside Australia. Avalon will also serve as a base from which Ultra will address not only the domestic Australian defence and security market but also other fast growing markets in the Asia Pacific area.

Avalon will be the main trading entity of Ultra Electronics Australia Pty, the Managing Director of which is Doug Burd. He has twenty years experience with Ultra, is a sonar specialist and, before relocating to Adelaide, was President of Ultra's Maritime Systems business in Canada. Ultra Electronics Australia Pty is part of the Group's Tactical & Sonar Systems division.

Douglas Caster, Chief Executive of Ultra, commented:

"I am pleased to bring Avalon into the Group as Ultra's first acquisition in Australia. It supports the Group's growth strategy by positioning Ultra in the Asia Pacific region. Avalon is a high quality business with significant potential for further development in its own right. It also provides the support infrastructure for Ultra's sonar team working on the integrated solution for the AWDs."

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Further information about Ultra:

Ultra Electronics is an internationally successful defence and aerospace company with a long, consistent track record of development and growth. Ultra businesses constantly innovate to create solutions to customer requirements that are different from and better than those of the Group's competitors. The Group has over one hundred distinct market or technology niches within its twenty five businesses. The diversity of niches enables Ultra to contribute to a large number of defence, aerospace and civil platforms and programmes and provides resilience to the Group's financial performance. Ultra has world-leading positions in many of its niches and, as an independent, non-threatening partner, is able to support all of the main prime contractors with specialist capabilities and solutions. As a result of such positioning, Ultra's systems, equipment or services are often mission-critical to the successful operation of the platform to which they contribute. In turn, this mission-criticality secures Ultra's positions for the long term which underpin the superior financial performance of the Group.

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

Across the Group's three divisions, the major market sectors in which Ultra operates are:

- **battlespace IT**, summarised as being the systems and equipment that allows coalition commanders to have an integrated, real-time picture of the disposition of friendly and enemy forces that is better than the one available to the enemy. This information superiority underpins rapid decision making which, together with effective command, control and communications, translates into military superiority. The use of battlespace IT is fundamental to the implementation of the military doctrines of 'network-centric warfare' or 'network-enabled capability' that are seen as transformational in the capability to win future battles. Expenditure on battlespace IT equipment therefore continues to represent an increasing share of the total defence budget in the main markets in which Ultra operates.
- **sonar systems**, expanding Ultra's traditional world-leading airborne anti-submarine warfare capability into broader activities in the underwater battlespace. These include integrated ship and submarine sonar systems, persistent seabed-deployed sensor arrays, torpedo defence and sea mine disposal systems. The fact that over forty countries have, between them, more than four hundred highly capable, stealthy submarines is continuing to focus expenditure in this sector.
- **civil and military aircraft equipment**, Ultra provides specialist sub-systems and equipment for military and civil aircraft. The main military aircraft programmes on which Ultra equipment is fitted continue to have political support, underpinned by consistent financial commitment. For civil aircraft, record order intake performance by all major aircraft manufacturers underpins increasing build rates for the medium term.
- **specialist defence equipment**, including power conversion and signature systems for naval ships and submarines. Ultra's specialist capability in high integrity controls for submarine nuclear reactors is included in this sector, for which there is continuing commitment to new platforms and the upgrade of existing boats. Ultra also supplies advanced sub-systems for modern armoured vehicles including those for electrical power management, indirect vision and weapon control. The need for increased mobility and force protection is driving a number of large military vehicle procurements in Ultra's main markets.
- **specialist civil systems and equipment**, including Ultra's advanced airport IT solutions. Airline passenger growth around the world is driving continuing expansion and upgrade of airport infrastructure. Ultra supplies trackside power equipment for rail transit systems, for which demand continues driven by the need to expand and upgrade rail networks. The UK market for nuclear power generation is expanding and Ultra's offering derived from its equivalent military capability is well positioned to benefit.