press **information**

Embargoed until 0700 1 August 2005

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

Interim Results for the Six Months to 30 June 2005

FINANCIAL HIGHLIGHTS

	Six months to 30 June 2005	Six months to 30 June 2004	**Change**
Revenue	**£158.2m**	£143.4m	**+10%**
Operating profit*	**£22.3m**	£19.6m	**+14%**
Profit before tax**	**£20.7m**	£17.9m	**+16%**
Earnings per share**	**22.4p**	19.7p	**+14%**
Dividend per share	**5.2p**	4.6p	**+13%**

* *before amortisation of intangibles arising on acquisition. IFRS profit from operations £22.1m (2004: £19.6m).*
** *before amortisation of intangibles arising on acquisition and loss on derivative financial instruments. IFRS profit before tax £19.1m (2004: £17.9m). Basic EPS 20.6p (2004: 19.7p).*

- Strong performance in first half
  - excellent growth in Information & Power Systems
  - buoyant civil aerospace market reflected in Aircraft & Vehicle Systems performance
  - good progress in Tactical & Sonar Systems
- Improved efficiencies strengthen margins
- High quality of earnings – cash conversion of 73%
- Contributions from 2004 and 2005 acquisitions
- Acquisition of Audiopack since period-end
- Order book of £407m provides good visibility

Douglas Caster, Chief Executive, commented:
"Ultra has again demonstrated solid growth in sales and profits. The Group is well positioned in its broad range of market niches and constantly seeks opportunities to offer new products and services to meet customer demand, as exemplified by the recent acquisition of Audiopack.

Ultra's broad spread of activities, positions on a wide range of long-term international programmes together with a proven ability to implement programmes successfully, are key strengths of the Group. These strengths, coupled with the strong order book, give the Board confidence that the Group will continue to make progress in 2005."

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Notes to editors:

Ultra Electronics is a group of specialist businesses designing, manufacturing and supporting electronic and electromechanical systems, sub-systems and products for defence, security and aerospace applications worldwide.

Ultra, which employs 3,000 people in the UK and North America, focuses on high integrity sensing, control, communication and display systems with an emphasis on integrated information technology solutions. The Group concentrates on obtaining a technological edge in niche markets, with many of its products and technologies being market leaders in their field.

Ultra's products and services are used on aircraft, ships, submarines, armoured vehicles, surveillance systems, airports and transport systems around the world. Ultra also plays an important role in supporting prime contractors by undertaking specialist system and sub-system integration using the combined expertise of the Group businesses.

Ultra is organised into three divisions as follows:

Aircraft & Vehicle Systems including miniature airborne compressors; high integrity software and systems; aircraft system electronics; aircraft cockpit indicators; aircraft noise and vibration control systems; airframe protection systems, armoured vehicle electronic information and control systems; human/computer interface equipment and shared working environment solutions.

Information & Power Systems including command and control systems equipment; weapons interfacing electronics; radar tracking; electro optical tracking; surveillance systems; naval data processing and distribution; airport and airline information management systems; ID card systems; naval power conversion; signature management of naval vessels and transit system power conversion and control equipment.

Tactical & Sonar Systems including secure tactical line-of-sight radio systems, multiplexers and switches; voice communication systems; tactical data links; cryptographic equipment; active, passive and multi-static sonobuoys; sonobuoy receivers and processors; distributed surveillance sensor arrays; ship's sonar systems; acoustic countermeasure systems and ship's torpedo defence systems.

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

Interim Results for the Six Months to 30 June 2005

FINANCIAL RESULTS

Trading for the Group remained strong in the first half of 2005 and sales growth continued, boosted by contributions from its 2004 acquisitions and an initial contribution from Horizon Aerospace, acquired in March this year. Ultra has again improved margins, despite currency effects.

Sales increased by 10% to £158.2m, compared to £143.4m for the same period last year. Good sales growth in Aircraft & Vehicle Systems reflected the buoyancy of the civil aerospace market and increasing sales of equipment for armoured vehicles. A strong performance in Information & Power Systems was driven mainly by higher sales of Ultra's ADSI real time command and control system. Tactical & Sonar Systems achieved modest growth, pending the introduction of a new US sonobuoy variant in the second half of the year.

Operating profit(1) was 14% higher at £22.3m (2004: £19.6m). The operating margin(1) improved to 14.1% (2004: 13.7%) as the Group maintained its focus on achieving operational efficiencies. The net interest charge was £1.6m (2004: £1.6m) and profit before tax(2) rose to £20.7m, a 16% increase when compared to last year's result of £17.9m. Earnings per share(2) grew by 14% to 22.4p (2004: 19.7p).

Following the outstanding operating cash performance achieved in recent years and especially in the second half of 2004, there was a small increase in working capital levels in the first half of 2005. This resulted in operating cash generation(3) in the period of £16.3m (2004: £16.2m), giving a conversion rate from operating profit(1) of 73% (2004: 83%). Net debt was £24.3m at the period-end, compared with £24.1m at the beginning of the year. The Group's balance sheet remains strong, with net interest payable on borrowings covered approximately 21 times by operating profit(1).

An interim dividend of 5.2p (2004: 4.6p) will be paid on 27 September 2005 to those shareholders on the register at the close of business on 26 August 2005.

OPERATIONAL REVIEW

Within the large defence budgets in Ultra's main markets, demand for electronic equipment continues to rise. As the demand for 'smart capability' continues, the key areas of expenditure remain unchanged: battlespace IT, mobility, smart munitions, protection and security. The cost of current peacekeeping operations is, however, putting pressure on defence budgets and affecting the timing of some contract awards. Homeland security is becoming more important worldwide and this is reflected in an increasing demand for coastal and border surveillance systems.

In the civil aerospace market, trading conditions are buoyant as passenger numbers continue to rise. This is reflected in both increased sales of original equipment as aircraft build rates increase and also in the level of demand for aftermarket support. Demand worldwide for modern airport IT systems also remains strong.

(1) before amortisation of intangibles arising on acquisition (see note 4)
(2) before amortisation of intangibles arising on acquisition and loss on derivative financial instruments (see note 4)
(3) cash generated by operations, less net capital expenditure, R&D and LTIP (see note 4)

Aircraft & Vehicle Systems

Total sales in Aircraft & Vehicles Systems increased by 15% to £39.4m (2004: £34.4m) and operating profit[(1)] was £7.7m compared with £6.8m last year, an increase of 13%. The order book has decreased by 3% to £75.0m since June 2004, pending receipt of Eurofighter tranche 2 awards now in negotiation.

Growth in the period was principally as a result of additional equipment sales for armoured vehicles and from sales to the civil aerospace market. This growth was partially offset by a revision to the HiPPAG delivery plan for Eurofighter to allow incorporation of compatibility with the ASRAAM missile.

Ultra's HiPPAG airborne compressor has now achieved a fleet total of one million flying hours without a single mission failure, thereby demonstrating its exceptional in-service reliability. The US Navy placed further orders in the period for HiPPAG systems for use on its F/A-18 E/F Super Hornet aircraft.

After the approval of the tranche 2 of the Eurofighter programme in late 2004, Ultra has received initial orders for some of the equipment that it supplies for the aircraft.

Ultra's relationship with Boeing continued to strengthen through the highly collaborative team-work on the development of the wing ice protection system and proximity sensor electronics for the 787 Dreamliner aircraft. During the period, Ultra was selected to supply proximity sensors and electronics for the A400M, the new Airbus military turbo-prop transport aircraft.

In the period, a commitment to upgrade the turret of the Warrior armoured vehicle was announced by the UK MoD. Ultra has teamed with CTAI, a joint venture between BAES and Giat Industries, to bid for control system and power distribution electronic equipment on this programme.

Information & Power Systems

Information & Power Systems sales increased by 15% to £58.8m (2004: £51.3m), while operating profit[(1)] increased by 22% to £7.3m (2004: £6.0m). The order book increased by 3% to £113.4m over the twelve month period.

The continuing growth in the demand for battlespace IT systems fuelled sales in this division. The certification in 2004 of new software for ADSI, Ultra's real time command & control system, drove strong demand for new systems, as well as software and hardware upgrades, in the first half of 2005. At the end of the period, an initial sub-contract was received from Northrop Grumman relating to JSS, a potentially large tactical data link programme in the US. In the UK, deliveries of equipment relating to the Bowman army communications programme also contributed to the growth of the division.

With regard to airport IT systems, sales growth resulted from higher activity levels in the sector generally as passenger numbers continued to increase. In addition, Videcom made a good contribution and Ultra's activity level at Heathrow's Terminal 5 increased, reflecting the progress of the project.

The upgrade programme for the power supplies for Network Rail's southern region is now complete. As predicted, demand for Ultra's transit power system equipment reduced and is now at a sustainable level. For defence power equipment, the continuing investment by the US DoD in its naval shipbuilding programme was reflected in continuing demand for Ultra's specialist power equipment for ships and submarines.

[(1)] *before amortisation of intangibles arising on acquisition (see note 4)*

Reflecting the increased focus worldwide on homeland security, Ultra executed its contract, awarded last year, to supply an advanced coastal and land surveillance system in the Middle East.

Late in the period, Ultra was selected as part of Lockheed Martin's team to undertake system studies for the UK Future Rapid Effects System armoured vehicle programme. This programme is the largest planned procurement of armoured vehicles in the UK.

Tactical & Sonar Systems

Total sales in Tactical & Sonar Systems increased by 4% to £59.9m (2004: £57.7m) and operating profit[(1)] was £7.3m (2004: £6.8m), an increase of 7%. The order book has increased by 15% to £219.0m since June 2004, reflecting strong order intake for the Group's tactical radio systems.

The division benefited from the inclusion of last year's acquisition, DNE, as well as a small contribution from Horizon which was acquired in March this year. Horizon, which provides aerospace cockpit equipment for military and civil aircraft, has been fully integrated with Flightline. The modest sales growth in this division was due to the level of sonobuoy sales being reduced pending the introduction of a new US sonobuoy variant planned for the second half of the year. The continuing commitment to anti-submarine warfare (ASW) in the market is demonstrated by the number of major new ASW platforms that are currently being developed. Ultra secured contracts for its acoustic mission equipment on these platforms, including the P-8A variant of the Boeing 737 aircraft in the US and the Canadian maritime helicopter programme.

Ultra has enjoyed further success with its range of high capacity tactical radios and won development and supply contracts with the armies of South Korea, Canada and the US. The contracts include funded enhancements to make the radios capable of handling higher rates of information flow, as required by modern battlespace IT systems.

Reflecting the Group's strong relationship with the US Navy, two further torpedo countermeasure contracts were secured, underlining Ultra's strong position in the underwater battlespace arena. In the UK, the MoD has selected Ultra to supply a new mine disposal system though, due to the pressures on budgets, contract signature has not yet been achieved.

Audiopack, acquired since the period-end, will be part of this division. Audiopack's main activity is developing and manufacturing rugged voice communications equipment for personnel wearing protective clothing, masks and breathing apparatus in harsh and hazardous environments. In the year ended 31 December 2004, Audiopack achieved sales of $22.1m and made an operating profit of $6.8m.

PROSPECTS

In recent years, global defence budgets have grown as governments have responded to the need to provide an enhanced security and defence capability, both at home and overseas. A focus of expenditure remains on improving the use of intelligence, the ability more rapidly to deploy forces and in providing increased protection. Ultra has pursued a strategy that has positioned the Group to benefit from these trends, and constantly seeks opportunities to offer new products and services to meet such customer requirements. The Group's latest acquisition, Audiopack, exemplifies this strategy as it is a business that has responded rapidly to the demands of the market and has developed world-leading communications solutions for the most demanding defence, homeland security and other 'first responder' customers. Ultra's strategy will continue to be to position the Group in market niches that are expanding in the defence and security sector.

(1) before amortisation of intangibles arising on acquisition (see note 4)

The civil aerospace market continues to grow, despite wider concerns about the profitability of major airlines. Ultra now enjoys positions on both Airbus and Boeing programmes and anticipates further growth in original equipment sales and in aftermarket demand.

The market for modern airport IT systems continues to be healthy. Ultra should benefit from such infrastructure investment as the Group has established a reputation for effective service and solution delivery.

The Group's order book, valued at £407m and representing approximately 14 months of future sales, continues to provide good visibility. With its strong balance sheet, Ultra has headroom for further acquisitions, even after the Audiopack acquisition, and the Group continues to consider complementary businesses that can be acquired at earnings enhancing prices.

Ultra's broad spread of activities, positions on a wide range of long-term international programmes together with a proven ability to implement programmes successfully are key strengths of the Group. These strengths, coupled with the strong order book, give the Board confidence that the Group will continue to make progress in 2005.

- Ends -

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Ultra Electronics Holdings plc

Interim Results for the Six Months to 30 June 2005

Consolidated Income Statement

	Note	**Six months to 30 June 2005 £'000**	Six months to 30 June 2004 £'000	Year to 31 December 2004 £'000
Continuing operations				
Revenue	3,5	**158,200**	143,389	310,742
Cost of sales		**(118,264)**	(105,993)	(229,627)
Gross profit		**39,936**	37,396	81,115
Other operating income		**2,596**	1,299	3,828
Distribution costs		**(274)**	(314)	(777)
Administrative expenses		**(19,783)**	(18,107)	(40,599)
Other operating expenses		**(369)**	(684)	(273)
Profit from operations	3	**22,106**	19,590	43,294
Investment income		**72**	34	157
Finance costs	6	**(3,088)**	(1,675)	(3,362)
Profit before tax		**19,090**	17,949	40,089
Tax on profit on ordinary activities	7	**(5,292)**	(4,849)	(10,938)
Profit for the period from continuing operations		**13,798**	13,100	29,151
Ordinary dividends	8	**(6,078)**	(5,462)	(8,531)
Profit for the period from continuing operations attributable to equity holders of the parent		**7,720**	7,638	20,620
Earnings per share (pence)				
From continuing operations				
Basic	9	**20.6**	19.7	43.7
Diluted	9	**20.5**	19.6	43.4

The results are presented under IFRS and comparatives have been restated accordingly (see note 2).

Ultra Electronics Holdings plc

Interim Results for the Six Months to 30 June 2005

Consolidated Balance Sheet

	Note	**At 30 June 2005 £'000**	At 30 June 2004 £'000	At 31 December 2004 £'000
Non-current assets				
Intangible assets		**119,449**	92,651	114,843
Property, plant and equipment		**21,491**	18,472	20,213
Deferred tax assets		**14,230**	9,876	14,000
		155,170	120,999	149,056
Current assets				
Inventories		**19,774**	13,695	16,955
Trade and other receivables		**76,211**	61,253	68,352
Cash and cash equivalents		**17,267**	19,637	24,060
		113,252	94,585	109,367
Total assets		**268,422**	215,584	258,423
Current liabilities				
Trade and other payables		**(88,138)**	(69,547)	(84,496)
Tax liabilities		**(7,272)**	(6,880)	(8,030)
Obligations under finance leases		**(16)**	(13)	(21)
Bank overdrafts and loans		**(41,499)**	-	(48,104)
Short-term provisions		**(4,026)**	(3,239)	(3,164)
		(140,951)	(79,679)	(143,815)
Non-current liabilities				
Retirement benefit obligations	10	**(40,958)**	(29,333)	(40,219)
Other payables		**(1,416)**	-	(1,115)
Deferred tax liabilities		**(1,743)**	(547)	(1,406)
Obligations under finance leases		**(5)**	(9)	(10)
Bank overdrafts and loans		**-**	(43,021)	-
Long-term provisions		**(7,282)**	(4,834)	(7,472)
		(51,404)	(77,744)	(50,222)
Total liabilities		**(192,355)**	(157,423)	(194,037)
Net assets	5	**76,067**	58,161	64,386
Equity				
Share capital	11	**3,355**	3,332	3,345
Share premium account		**31,137**	29,269	30,306
Own shares		**(2,582)**	(2,814)	(2,807)
Hedging and translation reserves		**(221)**	(245)	(1,098)
Retained earnings		**44,378**	28,619	34,640
Total equity attributable to equity holders of the parent		**76,067**	58,161	64,386

Ultra Electronics Holdings plc
Interim Results for the Six Months to 30 June 2005
Consolidated Cash Flow Statement

	Note	**Six months to 30 June 2005 £'000**	Six months to 30 June 2004 £'000	Year to 31 December 2004 £'000
Net cash from operating activities	12	**13,731**	15,543	44,121
Investing activities				
Interest received		**72**	34	157
Purchase of property, plant and equipment		**(3,031)**	(1,908)	(5,246)
Proceeds on disposal of property, plant and equipment		**17**	-	3
Expenditure on product development		**(895)**	(770)	(1,919)
Acquisition of subsidiary undertakings		**(2,692)**	222	(23,288)
Net cash used in investing activities		**(6,529)**	(2,422)	(30,293)
Financing activities				
Issue of share capital		**841**	1,187	2,237
Purchase of Long-Term Incentive Plan shares		**(599)**	(1,124)	(1,124)
Dividends paid		**(6,078)**	(5,462)	(8,531)
Repayments of borrowings		**(9,182)**	(5,669)	(1,400)
Repayments of obligations under finance leases		**(10)**	(6)	(3)
New finance leases		**-**	15	-
Net cash used in financing activities		**(15,028)**	(11,059)	(8,821)
Net (decrease)/increase in cash and cash equivalents		**(7,826)**	2,062	5,007
Cash and cash equivalents at beginning of period		**24,060**	18,044	18,044
Effect of foreign exchange rate changes		**1,033**	(469)	1,009
Cash and cash equivalents at end of period		**17,267**	19,637	24,060

Ultra Electronics Holdings plc

Interim Results for the Six Months to 30 June 2005

Consolidated Statement of Recognised Income and Expense

	Six months to 30 June 2005 £'000	Six months to 30 June 2004 £'000	Year to 31 December 2004 £'000
Exchange differences on translation of foreign operations	**877**	(245)	(1,098)
Actuarial losses on defined benefit pension schemes	**-**	-	(7,492)
Tax on items taken directly to equity	**-**	-	95
Net income/(expense) recognised directly in equity	**877**	(245)	(8,495)
Profit for the period	**13,798**	13,100	29,151
Total recognised income and expense for the period attributable to equity holders of the parent	**14,675**	12,855	20,656

Ultra Electronics Holdings plc
Interim Results for the Six Months to 30 June 2005
Notes to the Interim Statement

1. General Information

The information for the year ended 31 December 2004, which is prepared under IFRS, does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the UK Generally Accepted Accounting Practice statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified.

2. Basis of preparation

The interim results have been prepared on the basis of all IFRS, including International Accounting Standards ("IAS") and interpretations used by the IASB and its committees, and as interpreted by any regulatory bodies applicable to the Group. These are subject to ongoing amendment by the IASB and subsequent endorsement by the European Commission and are therefore subject to possible change. As a result, information contained within this release may require updating for any subsequent amendment to IFRS required for first time adoption or those new standards that the Group may elect to adopt early.

The accounting policies and methods of computation adopted by Ultra in the interim financial report were published by Ultra on 22 June 2005, and are available on the Company's website, www.ultra-electronics.com.

	Six months to 30 June 2005 £'000	Six months to 30 June 2004 £'000	Year to 31 December 2004 £'000

3. Divisional analysis

	Six months to 30 June 2005 £'000	Six months to 30 June 2004 £'000	Year to 31 December 2004 £'000
Revenue			
Aircraft & Vehicle Systems	**39,437**	34,355	76,593
Information & Power Systems	**58,818**	51,287	113,689
Tactical & Sonar Systems	**59,945**	57,747	120,460
	158,200	143,389	310,742
Profit from operations			
Aircraft & Vehicle Systems	**7,678**	6,766	14,867
Information & Power Systems	**7,340**	6,040	15,038
Tactical & Sonar Systems	**7,271**	6,784	13,389
	22,289	19,590	43,294
Amortisation of intangibles arising on acquisition	**(183)***	-	-
Profit from operations	**22,106**	19,590	43,294
Investment income	**72**	34	157
Finance costs	**(3,088)**	(1,675)	(3,362)
Profit before tax	**19,090**	17,949	40,089

* The amortisation of intangibles arising on acquisition relates to Tactical & Sonar Systems.

4. Additional performance measures

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

	Six months to 30 June 2005 £'000	Six months to 30 June 2004 £'000	Year to 31 December 2004 £'000
Profit from operations	**22,106**	19,590	43,294
Add: Amortisation of intangibles arising on acquisition	**183**	-	-
Operating profit (adjusted) [(a)]	**22,289**	19,590	43,294
Profit before tax	**19,090**	17,949	40,089
Add: IAS 39 loss arising on derivatives	**1,461**	-	-
Add: Amortisation of intangibles arising on acquisition	**183**	-	-
Profit before tax (adjusted) [(b)]	**20,734**	17,949	40,089
Cash generated by operations (see note 12)	**20,845**	20,003	55,216
Purchase of property, plant and equipment	**(3,031)**	(1,908)	(5,246)
Proceeds on disposal of property, plant and equipment	**17**	-	3
Expenditure on product development	**(895)**	(770)	(1,919)
Purchase of Long-Term Incentive Plan shares	**(599)**	(1,124)	(1,124)
Operating cash flow (adjusted)	**16,337**	16,201	46,930

Operating profit at [(a)] in the table above has been shown before the amortisation of intangible assets arising on acquisitions, which relates mainly to acquired intellectual property. Under UK GAAP this charge would have formed part of the amortisation of goodwill, which was also excluded from headline operating profit. Since the remainder of goodwill is no longer amortised, this charge has been excluded for consistency. Profit before tax as shown at [(b)] in the above table and adjusted earnings per share (see note 9) 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 profit before tax ([(b)] in the above table) and adjusted earnings per share (see note 9) before changes in the valuation of these instruments so that the underlying operating performance of the Group can more clearly be seen.

	Six months to 30 June 2005 £'000	Six months to 30 June 2004 £'000	Year to 31 December 2004 £'000
5. Revenue by geographical destination			
United Kingdom	**64,949**	61,787	127,126
Continental Europe	**17,002**	17,696	34,450
North America	**58,605**	47,959	109,040
Rest of World	**17,644**	15,947	40,126
	158,200	143,389	310,742
Net assets by division			
Aircraft & Vehicle Systems	**29,876**	31,212	29,432
Information & Power Systems	**39,132**	38,351	32,354
Tactical & Sonar Systems	**67,055**	38,888	62,330
	136,063	108,451	124,116
Net non-operating liabilities	**(59,996)**	(50,290)	(59,730)
Net assets	**76,067**	58,161	64,386

Net non-operating liabilities represent the pension scheme deficit, net debt and taxation.

	Six months to 30 June 2005 £'000	Six months to 30 June 2004 £'000	Year to 31 December 2004 £'000
6. Finance costs			
Amortisation of finance costs of debt	**65**	65	130
Interest payable on bank loans and overdrafts	**1,084**	1,344	2,700
Interest payable on finance leases	**2**	1	3
Total borrowing costs	**1,151**	1,410	2,833
IAS 39 loss arising on derivatives	**1,461**	-	-
Retirement benefit scheme finance charges	**476**	265	529
	3,088	1,675	3,362

	Six months to 30 June 2005 £'000	Six months to 30 June 2004 £'000	Year to 31 December 2004 £'000
7. Tax on profit on ordinary activities			
Current tax			
United Kingdom	**3,087**	3,284	6,970
Overseas	**1,977**	1,258	4,071
	5,064	4,542	11,041
Deferred tax			
United Kingdom	**(164)**	414	(470)
Overseas	**392**	(107)	367
	228	307	(103)
Total	**5,292**	4,849	10,938

The tax charge for the six months to 30 June 2005 has been based on an estimated effective rate for the year to 31 December 2005 of 27.7% (30 June 2004: 27.0%).

	Six months to 30 June 2005 £'000	Six months to 30 June 2004 £'000
8. Ordinary dividends		
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2004 of 9.2p (2003: 8.2p) per share	**6,078**	5,462
Proposed interim dividend for the year ended 31 December 2005 of 5.2p (2004: 4.6p) per share	**3,492**	3,069

The proposed interim dividend was approved by the Board after 30 June 2005 and has not been included as a liability as at 30 June 2005.

	Six months to 30 June 2005 £'000	Six months to 30 June 2004 £'000	Year to 31 December 2004 £'000
9. Earnings per share (pence)			
From continuing operations			
Basic adjusted (see below)	**22.4**	19.7	43.7
Diluted adjusted (see below)	**22.3**	19.6	43.4
Basic	**20.6**	19.7	43.7
Diluted	**20.5**	19.6	43.4

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

	Six months to 30 June 2005 £'000	Six months to 30 June 2004 £'000	Year to 31 December 2004 £'000
Earnings			
Earnings for the purposes of earnings per share being profit for the period from continuing operations	**13,798**	13,100	29,151
Adjusted earnings			
Profit for the period from continuing operations	**13,798**	13,100	29,151
IAS 39 loss arising on derivatives (net of tax)	**1,023**	-	-
Amortisation of intangibles arising on acquisition	**183**	-	-
Earnings for the purposes of adjusted earnings per share	**15,004**	13,100	29,151

The weighted average number of shares is given below:

	Six months to 30 June 2005 £'000	Six months to 30 June 2004 £'000	Year to 31 December 2004 £'000
Number of shares used for basic EPS	**66,875,638**	66,418,878	66,645,930
Number of shares deemed to be issued at nil consideration following exercise of share options	**505,881**	354,811	450,434
Number of shares used for fully diluted EPS	**67,381,519**	66,773,689	67,096,364

10. Retirement benefit obligations

Ultra's defined benefit schemes were valued for IAS 19 purposes at 31 December 2004. The movement in the liability to 30 June 2005 represents operating service costs and finance costs for the period.

11. Share capital

193,038 shares, with a nominal value of £9,652, have been allotted in the first six months of 2005 under the terms of the Group's various share option schemes. The aggregate consideration received by the Company was £841,000.

	Six months to 30 June 2005 £'000	Six months to 30 June 2004 £'000	Year to 31 December 2004 £'000

12. Cash flow information

	Six months to 30 June 2005 £'000	Six months to 30 June 2004 £'000	Year to 31 December 2004 £'000
Profit from operations	**22,106**	19,590	43,294
Adjustments for:			
Depreciation of property, plant and equipment	**2,726**	2,364	5,069
Amortisation of intangible assets	**620**	183	422
Cost of equity settled employee share schemes	**575**	363	797
Increase/(decrease) in post employment benefit obligation	**260**	(110)	(55)
Loss on disposal of property, plant and equipment	**20**	-	58
Other	**-**	277	-
Increase in provisions	**460**	384	2,849
Operating cash flows before movements in working capital	**26,767**	23,051	52,434
(Increase)/decrease in inventories	**(1,858)**	492	(524)
(Increase)/decrease in receivables	**(5,263)**	2,200	(3,528)
Increase/(decrease) in payables	**1,199**	(5,740)	6,834
Cash generated by operations	**20,845**	20,003	55,216
Income taxes paid	**(5,806)**	(2,994)	(8,317)
Interest paid	**(1,308)**	(1,466)	(2,778)
Net cash from operating activities	**13,731**	15,543	44,121

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

	Six months to 30 June 2005 £'000	Six months to 30 June 2004 £'000	Year to 31 December 2004 £'000
Net (decrease)/increase in cash and cash equivalents	**(7,826)**	2,062	5,007
Cash outflow from decrease in debt and finance leasing	**9,192**	5,675	1,403
Change in net debt arising from cash flows	**1,366**	7,737	6,410
Amortisation of finance costs of debt	**(65)**	(65)	-
Finance leases acquired with subsidiary undertakings	**-**	-	(19)
Finance leases	**-**	(15)	-
Translation differences	**(1,479)**	275	872
Movement in net debt in the period	**(178)**	7,932	7,263
Net debt at start of period	**(24,075)**	(31,338)	(31,338)
Net debt at end of period	**(24,253)**	(23,406)	(24,075)

13. Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

14. IAS 32/39: Financial instruments

As noted in the Company's press release on 22 June 2005, the Group has applied IAS 32: "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement" prospectively from 1 January 2005. Consequently the relevant comparative information for 2004 does not reflect the impact of these standards and is accounted for on a UK GAAP basis. The effect of the transitional adjustment on the balance sheet as at 1 January 2005 is to increase debtors and retained earnings by £2.268 million. At 30 June 2005, the derivative financial instrument debtor was £0.807 million. The loss on derivative financial instruments for the period was £1.461 million.

15. Explanation of transition to IFRS's

The reconciliation of equity at 31 December 2004 (date of last UK GAAP financial statements) and the reconciliation of profit for 2004, as required by IFRS 1, together with Ultra's significant accounting policies were published on 22 June 2005, and are available on the Company's website, www.ultra-electronics.com.

The reconciliation of equity at 1 January 2004, 30 June 2004 and the reconciliation of profit for the six months ended 30 June 2004 have been included below to enable a comparison of the 2005 interim figures with those published in the previous financial year.

Reconciliation of equity at 30 June 2004

	UK GAAP IFRS format £'000	Effect of transition to IFRS £'000	IFRS £'000
Non-current assets			
Intangible assets	88,156	4,495	92,651
Property, plant and equipment	18,472	-	18,472
Deferred tax assets	1,331	8,545	9,876
	107,959	13,040	120,999
Current assets			
Inventories	14,125	(430)	13,695
Trade and other receivables	62,199	(946)	61,253
Cash and cash equivalents	20,672	(1,035)	19,637
	96,996	(2,411)	94,585
Total assets	204,955	10,629	215,584
Current liabilities			
Trade and other payables	(72,899)	3,352	(69,547)
Tax liabilities	(6,880)	-	(6,880)
Obligations under finance leases	(13)	-	(13)
Short-term provisions	(3,239)	-	(3,239)
	(83,031)	3,352	(79,679)
Non-current liabilities			
Retirement benefit obligations	(703)	(28,630)	(29,333)
Deferred tax liabilities	(547)	-	(547)
Obligations under finance leases	(9)	-	(9)
Bank overdrafts and loans	(43,021)	-	(43,021)
Long-term provisions	(4,834)	-	(4,834)
	(49,114)	(28,630)	(77,744)
Total liabilities	(132,145)	(25,278)	(157,423)
Net assets	72,810	(14,649)	58,161
Equity			
Share capital	3,332	-	3,332
Share premium account	29,269	-	29,269
Own shares	(1,799)	(1,015)	(2,814)
Hedging and translation reserves	293	(538)	(245)
Retained earnings	41,715	(13,096)	28,619
Total equity attributable to equity holders of the parent	72,810	(14,649)	58,161

Reconciliation of profit for the six months ended 30 June 2004

	UK GAAP IFRS format £'000	Effect of transition to IFRS £'000	IFRS £'000
Continuing operations			
Revenue	146,509	(3,120)	143,389
Cost of sales	(108,699)	2,706	(105,993)
Gross profit	37,810	(414)	37,396
Other operating income	251	1,048	1,299
Distribution costs	(314)	-	(314)
Administrative expenses	(20,536)	2,429	(18,107)
Other operating expense	(548)	(136)	(684)
Profit from operations	16,663	2,927	19,590
Investment income	34	-	34
Finance costs	(1,414)	(261)	(1,675)
Profit before tax	15,283	2,666	17,949
Tax on profit on ordinary activities	(4,849)	-	(4,849)
Profit for the period from continuing operations	10,434	2,666	13,100
Ordinary dividends	(3,085)	(2,377)	(5,462)
Profit for the period from continuing operations attributable to equity holders of the parent	7,349	289	7,638
Earnings per share (pence)			
From continuing operations			
Basic	15.7		19.7
Diluted	15.6		19.6

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Reconciliation of equity at 1 January 2004

	UK GAAP IFRS format £'000	Effect of transition to IFRS £'000	IFRS £'000
Non-current assets			
Intangible assets	90,847	1,214	92,061
Property, plant and equipment	19,170	-	19,170
Deferred tax assets	1,224	8,665	9,889
	111,241	9,879	121,120
Current assets			
Inventories	15,006	(197)	14,809
Trade and other receivables	64,895	(1,002)	63,893
Cash and cash equivalents	19,047	(1,003)	18,044
	98,948	(2,202)	96,746
Total assets	210,189	7,677	217,866
Current liabilities			
Trade and other payables	(82,492)	6,550	(75,942)
Tax liabilities	(5,019)	-	(5,019)
Obligations under finance leases	(5)	-	(5)
Short-term provisions	(3,881)	-	(3,881)
	(91,397)	6,550	(84,847)
Non-current liabilities			
Retirement benefit obligations	(809)	(28,439)	(29,248)
Deferred tax liabilities	(102)	(120)	(222)
Obligations under finance leases	(7)	-	(7)
Bank overdrafts and loans	(49,370)	-	(49,370)
Long-term provisions	(3,830)	-	(3,830)
	(54,118)	(28,559)	(82,677)
Total liabilities	(145,515)	(22,009)	(167,524)
Net assets	64,674	(14,332)	50,342
Equity			
Share capital	3,318	-	3,318
Share premium account	28,096	-	28,096
Own shares	(1,106)	(1,387)	(2,493)
Retained earnings	34,366	(12,945)	21,421
Total equity attributable to equity holders of the parent	64,674	(14,332)	50,342

The IFRS adjustments to the 2004 interim results and 1 January 2004 balance sheet are consistent with those set out in the Company's IFRS press release on 22 June 2005. The most significant adjustments to net assets are the inclusion of the pension deficit at 1 January 2004 and the revaluation of foreign exchange balances. Development costs have been capitalised and amortised in accordance with IAS 38. Dividends are now accounted for when approved and goodwill is no longer amortised. Full explanation can be found in Part I of the aforementioned press release, available on the Company's website, www.ultra-electronics.com.