

press information

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11 November 2009

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

Interim Management Statement

In accordance with the requirements of the UK Listing Authority's Disclosure and Transparency Rules, Ultra today issues its interim management statement for the period 1 July 2009 to 10 November 2009.

Markets

Conditions in Ultra's markets remain broadly as noted on 3 August 2009 in the interim announcement of the Group's 2009 results. In Ultra's main military markets, the US and UK defence budgets remain sufficiently large to give significant headroom for further growth of the Group. In the UK there is some recent evidence of delays in the award of contracts, as defence priorities are re-examined.

Strategy

While it is unlikely that Ultra will be completely insulated from downward pressure on budgets, the Board believes that the Group's strategies make it inherently resilient. This resilience is driven by:

- within defence, a focus on providing smart electronic solutions that provide increased capability for new and existing platforms. Electronics is a 'sweet spot' of demand, representing an increasing proportion of equipment budgets
- a broadening of Ultra's range of specialist capability areas ('niches') and an expansion of the number of long-term, international platforms and programmes on which they are specified. No single niche or programme is key to the Group's performance
- winning new business with innovative and differentiated solutions and then executing contracts effectively
- continued investment in new products, business development and value-adding acquisitions
- a focus on moving into adjacent growth markets, both civil and military and the expansion of the Group's geographic footprint.

Trading

Revenue has continued to grow and trading in the period has been in line with the Board's expectations. Ultra's order book continues to provide its customary level of visibility, with firm order coverage for the next 12 months' trading above 60%. Contracts won in the period include:

- an award from Raytheon for high capacity radios used in Patriot air defence missile systems for an export customer
- international contracts for active and passive sonobuoys
- a multi-year support contract for the sonars fitted to the Royal Navy's Type 45 destroyers
- a follow-on contract from Network Rail to provide specialist trackside electrical power equipment.

Financial position

Ultra's balance sheet remains strong and there has been no significant change in the financial position of the Group since that reported as at 3 August 2009. Reflecting its normal focus on careful cash management, the Group has significant headroom over the covenants associated with its current banking facilities. Good progress is being made towards a refinancing in early 2010.

There has been no significant event or transaction since 1 July 2009 that could have a material impact on the financial position of the Group.

With regard to acquisitions, the Group completed the acquisition of Scytale in the period for an initial consideration of \$5.3m. Scytale is a US-based specialist in the secure management of cryptographic keys. Ultra continues to target companies with a proven track record, that have differentiated positions in growing, niche markets and that can be acquired at appropriate prices.

Management changes

Julian Blogh has informed the Board of his intention to retire at Ultra's AGM in April 2011, by which time he will have been the Group's Chairman for six years, having previously been Chief Executive for eleven years. Douglas Caster intends to relinquish the role of Chief Executive at the same time and the Board's intention is that he should succeed Julian Blogh as Chairman.

With effect from 1 January 2010, Rakesh Sharma, currently Managing Director of the Group's Information & Power Systems division, will become Ultra's Chief Operating Officer ('COO') with responsibility for all of Ultra's operations. It is planned that Rakesh will join the Board at the AGM in April 2010 with the intention of succeeding Douglas as Chief Executive in April 2011.

Recognising the contribution that Rakesh, as COO, will make to the management of the Group, Douglas Caster will reduce his time commitment to the Group to an average of three days per week from the AGM in April 2010. He will at the same time add the role of Deputy Chairman to that of Chief Executive.

Outlook

Based on the Group's strong order book, resilient business model and broad range of niche capabilities, the Board continues to expect that the Group will make good progress in 2009 and beyond.

Ultra will make the preliminary announcement of its results for the year ending 31 December 2009 on 1 March 2010.

- Ends -

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Cautionary Statement:

This interim management statement has been prepared solely to provide additional information to shareholders as a body to meet the relevant requirements of the UK Listing Authority's Disclosure and Transparency Rules. The interim management statement should not be relied upon by any other party for any other purpose.

The interim management statement contains certain forward-looking statements. These statements are made by the directors of Ultra in good faith, based on the information available to them up to the time of the publication of the interim management statement but such forward-looking statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking statements.

This interim management statement has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Ultra and its subsidiary undertakings as a whole

Ultra undertakes no obligation to revise or update any forward looking statement contained within this announcement, regardless of whether those statements are affected as a result of new information, future events or otherwise, save as required by law and regulations.

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.