press information

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

Interim Results for the Six Months to 30 June 2008

FINANCIAL HIGHLIGHTS

	Six months to 30 June 2008	Six months to 30 June 2007	**Change**
Revenue	**£231.9m**	£192.9m	**+20%**
Headline operating profit(1)	**£32.5m**	£27.0m	**+20%**
Headline profit before tax(2)	**£30.4m**	£26.2m	**+16%**
Headline earnings per share(2)	**32.6p**	28.2p	**+16%**
Dividend per share	**8.0p**	6.7p	**+19%**

(1) before amortisation of intangibles arising on acquisition. IFRS profit from operations £28.7m (2007: £25.5m). See Note 4 for reconciliation.
(2) before amortisation of intangibles arising on acquisition and fair value movements on derivatives. IFRS profit before tax £23.2m (2007: £25.8m). Basic EPS 25.2p (2007: 27.8p). See Note 4 for reconciliation.

- Strong Group performance underpinned by broad portfolio of specialist activities
- Organic revenue growth of 16%
- Operating margin* maintained
- Operating cash* conversion of 77%
- Pace of acquisitions increased with four completed in the period for £45m
- Strong balance sheet with headroom for further acquisitions
- Order book of £645m, providing good level of visibility
- Interim dividend per share increased 19%, reflecting the Board's confidence in the Group

Douglas Caster, Chief Executive, commented:
"The strong results for the period demonstrate the success of the Group's strategy of offering a broad portfolio of niche products and services to the defence and civil markets. In addition to significant internal investments in programmes to underpin medium and long-term growth, Ultra has increased the pace of its acquisition process with the purchase of four businesses in the period. Ultra businesses have differentiated positions in growing market niches and these acquisitions all have that characteristic. The Group's balance sheet will support further purchases and the pipeline of potential targets is healthy.

The Group is positioned in high growth market sectors worldwide. With Ultra's proven ability to win new business and to execute contracts effectively, the Board has confidence in the continuing progress of the Group."

* see note on page 3

INTERIM MANAGEMENT REPORT

This Interim Management Report ("IMR") 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 IMR 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 IMR 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.

OVERVIEW

Ultra's performance in the period demonstrated the benefit of having a broad portfolio of niche activities, many of which have grown rapidly. The Group's strong revenue growth combined with a constant operating margin drove the increase in profit in the period. The rate of acquisition investment has increased with £76m expended in the last 12 months, of which £45m has been invested since the start of the year.

FINANCIAL RESULTS

	Six months ended 30 June 2008 £m		Six months ended 30 June 2007 £m		Growth
Order book					
- Aircraft & Vehicle Systems	**195.1**		173.6		+12.4%
- Information & Power Systems	**134.5**		108.2		+24.3%
- Tactical & Sonar Systems	**315.6**		293.0		+7.7%
Total order book		**645.2**		574.8	+12.2%
Revenue					
- Aircraft & Vehicle Systems	**58.9**		49.5		+19.0%
- Information & Power Systems	**66.0**		61.6		+7.1%
- Tactical & Sonar Systems	**107.0**		81.8		+30.8%
Total revenue		**231.9**		192.9	+20.2%
Organic growth					+15.6%
Operating profit*					
- Aircraft & Vehicle Systems	**9.3**		7.7		+20.8%
- Information & Power Systems	**9.3**		9.1		+2.2%
- Tactical & Sonar Systems	**13.9**		10.2		+36.3%
Total operating profit*		**32.5**		27.0	+20.4%
Operating margin*					
- Aircraft & Vehicle Systems	**15.8%**		15.6%		
- Information & Power Systems	**14.1%**		14.8%		
- Tactical & Sonar Systems	**13.0%**		12.5%		
Total operating margin*		**14.0%**		14.0%	
Interest		**(2.1)**		(0.7)	+200.0%
Headline profit before tax*		**30.4**		26.2	+16.0%
Operating cash flow*		**24.9**		16.5	
Cash conversion*		**77%**		61%	
Net debt* at period-end		**53.7**		5.9	
Bank interest cover		**19.5x**		34.4x	
Earnings per share*		**32.6p**		28.2p	+15.6%

* see note on page 3

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.*
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.*

Revenue was 20.2% higher at £231.9m (2007: £192.9m). Organic growth at constant exchange rates was 14.0% and favourable currency effects contributed 1.6%. The remaining growth came from acquisitions.

The exchange rate volatility that has been seen over the past few years reduced in the period. Ultra maintains its policy of hedging forward its foreign currency trading exposure and this has helped reduce uncertainty. Overall, the combined transaction and translation effect in the period was to increase revenue by £3.1m and to reduce operating profit by £1.5m.

Operating profit* increased 20.4% to £32.5m (2007: £27.0m) with the operating margin* being maintained at 14.0%.

Net interest payable was 200% higher at £2.1m (2007: £0.7m) due mainly to higher borrowings through the period as a result of increased acquisition spending.

Headline profit before tax was £30.4m (2007: £26.2m), an increase of 16.0%.

The profit impact of the fair value movement on derivatives and the amortisation of intangibles arising on acquisition was a charge of £7.2m (2007: £0.4m). Compared to 2007, the amortisation of intangibles arising on acquisition was £2.3m higher in the period, reflecting the eight acquisitions made by the Group since July 2007. The difference in the fair value of derivative instruments compared to June 2007 was £4.5m. Reported profit after tax reduced by 8.5% to £17.2m (2007: £18.8m).

There was a reduction in the Group's effective tax rate from 27.1% to 26.0% in the period, reflecting the tax benefits of acquisitions in the USA and an associated increase in borrowings in that country. Reflecting this reduced tax rate, earnings per share* increased 15.6% to 32.6p (2007: 28.2p).

Operating cash conversion* was 77%. The Group's customary focus on cash management has resulted in reduced inventory compared to the start of the period. The Group continues to invest cash in the Boeing 787 and Airbus A400M aircraft programmes which will contribute to growth in the medium and long term. There was a total company-funded cash investment of £15.4m (2007: £14.0m) on new product and business development, of which £1.8m was capitalised (2007: £2.5m) as an intangible asset.

Net debt* at the end of the period was £53.7m compared to £14.2m at the end of 2007. The Group's balance sheet remains strong, with net interest payable on borrowings covered approximately 20 times by operating profit*.

The proposed interim dividend is 8.0p, an increase of 19%, higher than the 16% increase in earnings per share*. The dividend will be paid on 26 September to shareholders on the register on 22 August 2008.

The order book at the end of the period was £645.2m, an increase of 12.2% over the value at the same time last year.

* see note on page 3

ACQUISITIONS

Ultra made four acquisitions in the first half of 2008; Magneto Inductive Systems Limited ("MISL"), Harris Acoustics ("Harris"), Graytronics Ltd ("Graytronics") and ProLogic, Incorporated ("ProLogic"). They have enhanced the Group's portfolio of offerings and each one has the strong position in a growing niche market that is typical of Ultra businesses. The total cash consideration in the period for acquisitions was £45.4m including expenses, financed using Ultra's existing facilities. The combined revenue of the four acquisitions on a full-year basis for 2007 would have been about £38m. Their contribution to the Group's performance in the first half of 2008 was not material.

- MISL, based in Nova Scotia, Canada, designs, supplies and supports magneto inductive guidance, signalling and communications equipment. It is part of Maritime Systems in the Group's Tactical & Sonar Systems division.

- Harris, based in Massachusetts, US, specialises in the design, supply and support of submarine acoustic transducers and arrays. It is now part of Ultra's Ocean Systems business, also within the Group's Tactical & Sonar 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.

- ProLogic, operating in various states in the US, 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 part of Ultra's Information & Power Systems division.

ORGANISATIONAL CHANGES

In the period it was announced that Dr. Frank Hope, Managing Director of Ultra's Information & Power Systems division, would be leaving the Group. When he leaves Ultra, he will not be replaced on the Board, which will then comprise four Non-Executive Directors and three Executive Directors.

OPERATIONAL REVIEW

Aircraft & Vehicle Systems

Revenue in Aircraft & Vehicle Systems increased by 19% to £58.9m compared to £49.5m in 2007 and operating profit* increased 21% to £9.3m (2007: £7.7m). These results include contributions from Atkins and BCF Designs, both acquired late in 2007. The division's order book at the end of the period was £195.1m (2007: £173.6m).

Revenue growth in the period was driven by solid demand across the division's businesses. Profit growth also reflected efficiencies achieved in all areas of activity.

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

- selection by Gulfstream to supply the landing gear extension and retraction control system for its new G650 business jet

* see note on page 3

- good progress, technically and commercially, on the system development programmes for the Boeing 787, Airbus A400M and F-35 JSF aircraft programmes

- continuing strong demand for Ultra's advanced hand controls for weapon stations on a number of US military vehicles

Information & Power Systems

Revenue in Information & Power Systems grew by 7% to £66.0m compared to £61.6m in the previous year. Operating profit* was £9.3m (2007: £9.1m). The order book at the end of the period had increased by 24% to £134.5m (2007: £108.2m).

Revenue and profit growth were suppressed by delays in the placing of some platform-driven orders and by the lead time required to execute such contracts. The division's order book together with the integration of ProLogic should underpin an improved performance in the second half of the year.

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

- an increased level of demand for ADSI, Ultra's real-time command and control system, including market interest in new derivatives of ADSI

- the award of further contracts for transit system trackside power equipment supporting the improvement of London's transport infrastructure

- winning contracts to supply advanced airport IT systems at Hongqiao in China, Indianapolis in the US and at various airports in South Africa

Tactical & Sonar Systems

Revenue in Tactical & Sonar Systems increased by 31% to £107.0m (2007: £81.8m) and operating profit* rose 36% to £13.9m (2007: £10.2m). These results include the contributions from Criticom and Telemus, both acquired during 2007. The closing order book was £315.6m (2007: £293.0m).

Many of the Group's specialist activities in the battlespace IT sector are in this division and strong demand, especially from US forces for communications equipment and tactical radio systems, drove the revenue and profit performance in the period. Deliveries of Ultra's traditional sonobuoy products to international customers also made a good contribution to growth.

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

- excellent order intake for the Group's advanced line-of-sight tactical radios

- the award of contracts for high grade cryptographic equipment on behalf of government agencies in both the US and the UK

- an enhanced level of customer take-up of Ultra's new PacketAssure communications service delivery manager product

MARKET CONDITIONS

Defence expenditure worldwide is being sustained by the continuing high level of international tension. The global nature of the threats continues to drive expenditure on those capabilities that

* see note on page 3

allow the projection of military effects and the protection of personnel around the world. A key part of modern warfare and counter-terrorism is the maintenance of information superiority. This in turn drives continued strong demand for battlespace IT equipment that can provide enhanced communications bandwidth and capacity. 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. Ultra is well placed to win further work in the medium term to satisfy these operational requirements.

In the civil aerospace sector, both Boeing and Airbus have long order books which continue to grow and their aircraft build rates are planned to increase steadily for the next few years. There is also strong demand for business jets to enhance the speed and convenience of travel for corporate executives and high net worth individuals. Demand for integrated airport IT systems is underpinned by the continuing need to upgrade airports and to increase passenger capacity. Ultra is well positioned to benefit from the demand in these market sectors.

Investment is increasing in the UK rail transit system infrastructure, driven partly by the 2012 London Olympic Games, benefiting Ultra's trackside power equipment business. In the UK and around the world, continuing security concerns are resulting in further expenditure on surveillance solutions. In the UK the strategic need to maintain independent energy supplies is driving increased investment in civil nuclear power generation, a market in which Ultra has niche capabilities in the supply of high integrity control systems and the associated specialist sensors.

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 areas of potential risk and uncertainty. The robust business strategies that Ultra uses to manage and mitigate those risks and uncertainties were also discussed.

In the first half of 2008 conditions in financial markets have become more difficult with a consequent impact on consumer confidence. Ultra's business is, in the main, driven by long-term programmes which are unaffected by short-term perturbations in credit markets and consumer spending.

PROSPECTS

Ultra has a broad range of differentiated offerings specified on an increasing list of international platforms and programmes. This spreads risk and gives resilience to the Group's overall performance. Ultra is positioned at all levels in the supply chain, selling to governments and to most of the world's major defence and aerospace prime contractors. The Group's activities are market-led with a flexible and agile response to customer requirements. Ultra businesses constantly seek product and process innovation so as to provide differentiated products, services and solutions to customers.

Within Ultra's overall order book valued at £645m, firm order coverage for the next twelve months' trading for the Group has been maintained at its traditional level of over 60%, thereby giving good visibility of future earnings.

Ultra continues to invest to drive further organic and acquisition growth. Internally, the Group is investing in new products and services that can be positioned on long-term programmes. Ultra's strong balance sheet can support the purchase of businesses that would further enhance the Group's portfolio and to which ownership by Ultra would add value. The Group is targeting companies with a proven track record, that have differentiated positions in growing, niche markets and which can be acquired at appropriate prices.

In summary, the Group is positioned in high growth market sectors worldwide. With Ultra's proven ability to win new business and to execute contracts effectively, the Board has confidence in the continuing progress of the Group.

- Ends -

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Ultra Electronics Holdings plc

Condensed Consolidated Income Statement
for the half-year ended 30 June 2008

	Note	**Six months to 30 June 2008 £'000**	Six months to 30 June 2007 £'000	Year to 31 December 2007 £'000
Continuing operations				
Revenue	3	**231,853**	192,868	412,890
Cost of sales		**(172,629)**	(143,853)	(300,380)
Gross profit		**59,224**	49,015	112,510
Other operating income		**2,702**	1,694	5,050
Distribution costs		**(351)**	(345)	(875)
Administrative expenses		**(32,447)**	(23,807)	(56,687)
Other operating expenses		**(471)**	(1,071)	(992)
Profit from operations	3	**28,657**	25,486	59,006
Headline operating profit	4	**32,505**	26,991	62,921
Amortisation of intangibles arising on acquisition		**(3,848)**	(1,505)	(3,915)
Profit from operations		**28,657**	25,486	59,006
Investment revenue	5	**410**	1,470	1,092
Finance costs	6	**(5,883)**	(1,146)	(3,500)
Profit before tax		**23,184**	25,810	56,598
Headline profit before tax	4	**30,422**	26,243	61,069
Amortisation of intangibles arising on acquisition		**(3,848)**	(1,505)	(3,915)
(Loss) / profit on fair value movements on derivatives		**(3,390)**	1,072	(556)
Profit before tax		**23,184**	25,810	56,598
Tax	7	**(6,028)**	(6,969)	(15,363)
Profit for the period from continuing operations attributable to equity holders of the parent		**17,156**	18,841	41,235
Earnings per ordinary share (pence)				
From continuing operations				
Basic	9	**25.2**	27.8	60.9
Diluted	9	**25.1**	27.6	60.5

Ultra Electronics Holdings plc

Condensed Consolidated Balance Sheet

as at 30 June 2008

	Note	**At 30 June 2008 £'000**	At 30 June 2007 £'000	At 31 December 2007 £'000
Non-current assets				
Intangible assets		**228,509**	149,458	179,254
Property, plant and equipment	10	**26,092**	22,138	24,235
Deferred tax assets		**10,302**	10,499	10,634
		264,903	182,095	214,123
Current assets				
Inventories		**36,062**	38,015	42,417
Trade and other receivables	11	**99,131**	82,584	84,226
Cash and cash equivalents		**39,187**	33,850	27,419
		174,380	154,449	154,062
Total assets	3	**439,283**	336,544	368,185
Current liabilities				
Trade and other payables	12	**(125,093)**	(101,003)	(118,393)
Tax liabilities		**(6,106)**	(7,052)	(9,123)
Obligations under finance leases		**(84)**	(23)	(25)
Short-term provisions		**(8,946)**	(7,540)	(10,644)
		(140,229)	(115,618)	(138,185)
Non-current liabilities				
Retirement benefit obligations		**(41,076)**	(35,837)	(40,390)
Other payables	12	**(5,616)**	(9,067)	(830)
Deferred tax liabilities		**(4,532)**	(2,680)	(2,619)
Obligations under finance leases		**(41)**	(39)	(29)
Bank overdrafts and loans		**(92,768)**	(39,735)	(41,608)
Long-term provisions		**(4,594)**	(6,013)	(2,630)
		(148,627)	(93,371)	(88,106)
Total liabilities	3	**(288,856)**	(208,989)	(226,291)
Net assets		**150,427**	127,555	141,894
Equity				
Share capital	13	**3,400**	3,386	3,394
Share premium account		**35,807**	34,102	35,061
Own shares		**(1,973)**	(1,972)	(1,972)
Hedging and translation reserves		**(5,807)**	(6,657)	(6,282)
Retained earnings		**119,000**	98,696	111,693
Total equity attributable to equity holders of the parent		**150,427**	127,555	141,894

Ultra Electronics Holdings plc

Condensed Consolidated Cash Flow Statement

for the half-year ended 30 June 2008

	Note	**Six months to 30 June 2008 £'000**	Six months to 30 June 2007 £'000	Year to 31 December 2007 £'000
Net cash inflow from operating activities	14	**20,019**	15,687	49,558
Investing activities				
Interest received		**445**	361	791
Purchase of property, plant and equipment		**(4,351)**	(3,924)	(8,569)
Proceeds from disposal of property, plant and equipment		**1,263**	4	-
Expenditure on product development and other intangibles		**(2,388)**	(3,078)	(5,489)
Acquisition of subsidiary undertakings (net of cash acquired)		**(45,384)**	-	(31,016)
Net cash used in investing activities		**(50,415)**	(6,637)	(44,283)
Financing activities				
Issue of share capital		**752**	930	1,897
Purchase of Long-Term Incentive Plan shares		**(674)**	-	-
Dividends paid		**(9,806)**	(8,463)	(12,978)
Increase in borrowings		**52,028**	6,445	6,551
Repayment of obligations under finance leases		**(11)**	(8)	(16)
Net cash from/(used in) financing activities		**42,289**	(1,096)	(4,546)
Net increase in cash and cash equivalents		**11,893**	7,954	729
Cash and cash equivalents at beginning of period		**27,419**	25,628	25,628
Effect of foreign exchange rate changes		**(125)**	268	1,062
Cash and cash equivalents at end of period		**39,187**	33,850	27,419

Ultra Electronics Holdings plc

Condensed Consolidated Statement of Recognised Income and Expense

for the half-year ended 30 June 2008

	Six months to 30 June 2008 £'000	Six months to 30 June 2007 £'000	Year to 31 December 2007 £'000
Exchange differences on translation of foreign operations	**475**	(1,820)	(1,445)
Actuarial losses on defined benefit pension schemes (net of deferred tax)	**-**	-	(4,250)
Tax on items taken directly to equity	**-**	-	(602)
(Loss) / profit on cash flow hedge	**(188)**	173	45
Net income/(expense) recognised directly in equity	**287**	(1,647)	(6,252)
Transfer to profit and loss on cash flow hedges	**81**	(31)	(154)
Profit for the period	**17,156**	18,841	41,235
Total recognised income and expense for the period attributable to equity holders of the parent	**17,524**	17,163	34,829

1. General information

The information for the year ended 31 December 2007 does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

These interim Financial Statements, which were approved by the Board of Directors on 1 August 2008, have not been audited or reviewed by the Auditors.

2. Accounting policies

These interim Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and using accounting policies that are consistent with those used in the statutory accounts for the year ended 31 December 2007. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with International Financial Reporting Standards (IFRS) and in accordance with IAS 34 'Interim Financial Reporting'.

3. Segment information

			Six months to 30 June 2008			Six months to 30 June 2007
	External revenue £'000	**Internal revenue £'000**	**Total £'000**	External revenue £'000	Internal revenue £'000	Total £'000
Revenue						
Aircraft & Vehicle Systems	**58,899**	**1,791**	**60,690**	49,493	2,906	52,399
Information & Power Systems	**65,999**	**4,140**	**70,139**	61,600	4,121	65,721
Tactical & Sonar Systems	**106,955**	**3,331**	**110,286**	81,775	3,605	85,380
Eliminations		**(9,262)**	**(9,262)**		(10,632)	(10,632)
Consolidated revenue	**231,853**	**-**	**231,853**	192,868	-	192,868

	Six months to 30 June 2008 £'000	Six months to June 2007 £'000	Year to 31 December 2007 £'000
Profit from operations			
Aircraft & Vehicle Systems	**9,266**	7,682	16,070
Information & Power Systems	**9,306**	9,107	19,645
Tactical & Sonar Systems	**13,933**	10,202	27,206
Headline operating profit	**32,505**	26,991	62,921
Amortisation of intangibles arising on acquisition	**(3,848)**	(1,505)	(3,915)
Profit from operations	**28,657**	25,486	59,006
Investment revenue	**410**	1,470	1,092
Finance costs	**(5,883)**	(1,146)	(3,500)
Profit before tax	**23,184**	25,810	56,598

3. Segment information (continued)

	At 30 June 2008 £'000	At 30 June 2007 £'000	At 31 December 2007 £'000
Total assets by segment			
Aircraft & Vehicle Systems	**106,208**	84,242	99,879
Information & Power Systems	**111,552**	71,139	71,473
Tactical & Sonar Systems	**166,831**	131,161	153,397
	384,591	286,542	324,749
Unallocated	**54,692**	50,002	43,436
Total assets	**439,283**	336,544	368,185

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

	At 30 June 2008 £'000	At 30 June 2007 £'000	At 31 December 2007 £'000
Total liabilities by segment			
Aircraft & Vehicle Systems	**38,278**	34,563	30,362
Information & Power Systems	**47,344**	37,535	45,682
Tactical & Sonar Systems	**51,931**	49,693	53,004
	137,553	121,791	129,048
Unallocated	**151,303**	87,198	97,243
Total liabilities	**288,856**	208,989	226,291

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

	Six months to 30 June 2008 £'000	Six months to 30 June 2007 £'000	Year to 31 December 2007 £'000
Revenue by geographical destination			
United Kingdom	**86,451**	82,537	171,729
Continental Europe	**26,332**	17,390	43,556
Canada	**7,820**	8,264	17,788
USA	**93,205**	70,096	154,032
Rest of World	**18,045**	14,581	25,785
	231,853	192,868	412,890

4. **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:

	Six months to 30 June 2008 £'000	Six months to 30 June 2007 £'000	Year to 31 December 2007 £'000
Profit from operations	**28,657**	25,486	59,006
Amortisation of intangibles arising on acquisition	**3,848**	1,505	3,915
Headline operating profit	**32,505**	26,991	62,921
Profit before tax	**23,184**	25,810	56,598
Loss/(profit) on fair value movements on derivatives	**3,390**	(1,072)	556
Amortisation of intangibles arising on acquisition	**3,848**	1,505	3,915
Headline profit before tax	**30,422**	26,243	61,069
Cash generated by operations (see note 14)	**31,006**	23,507	66,249
Purchase of property, plant and equipment	**(4,351)**	(3,924)	(8,569)
Proceeds on disposal of property, plant and equipment	**1,263**	4	-
Expenditure on product development and other intangibles	**(2,388)**	(3,078)	(5,489)
Purchase of Long-Term Incentive Plan shares	**(674)**	-	-
Operating cash flow	**24,856**	16,509	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 (see note 9) are also presented before the amortisation of intangible assets arising on acquisitions.

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 (see note 9) before changes in the valuation of these instruments so that the headline operating performance of the Group can be seen more clearly.

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.

5. Investment revenue

	Six months to 30 June 2008 £'000	Six months to 30 June 2007 £'000	Year to 31 December 2007 £'000
Bank interest	**410**	361	791
Fair value movement on derivatives	**-**	1,072	-
Retirement benefit scheme finance income	**-**	37	301
	410	1,470	1,092

6. Finance costs

	Six months to 30 June 2008 £'000	Six months to 30 June 2007 £'000	Year to 31 December 2007 £'000
Amortisation of finance costs of debt	**35**	42	71
Interest payable on bank loans and overdrafts	**1,957**	1,134	3,025
Interest payable on finance leases	**1**	1	2
Transfers from equity on cash flow hedges	**81**	(31)	(154)
Total borrowing costs	**2,074**	1,146	2,944
Retirement benefit scheme finance expense	**419**	-	-
Fair value movement on derivatives	**3,390**	-	556
	5,883	1,146	3,500

7. Tax

	Six months to 30 June 2008 £'000	Six months to 30 June 2007 £'000	Year to 31 December 2007 £'000
Current tax			
United Kingdom	**3,815**	4,098	7,510
Overseas	**3,122**	2,208	7,939
	6,937	6,306	15,449
Deferred tax			
United Kingdom	**(667)**	21	(649)
Overseas	**(242)**	642	563
	(909)	663	(86)
Total	**6,028**	6,969	15,363

8. Ordinary dividends

	Six months to 30 June 2008 £'000	Six months to 30 June 2007 £'000
Final dividend for the year ended 31 December 2007 of 14.5p (2006: 12.6p) per share	**9,806**	8,463
Proposed interim dividend for the year ended 31 December 2008 of 8.0p (2007: 6.7p) per share	**5,417**	4,515

The proposed interim dividend was approved by the Board after 30 June 2008 and has not been included as a liability as at 30 June 2008.

9. Earnings per share

	Six months to 30 June 2008 pence	Six months to 30 June 2007 pence	Year to 31 December 2007 pence
From continuing operations			
Basic headline (see below)	**32.6**	28.2	65.4
Diluted headline (see below)	**32.4**	28.0	65.0
Basic	**25.2**	27.8	60.9
Diluted	**25.1**	27.6	60.5

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

	Six months to 30 June 2008 £'000	Six months to 30 June 2007 £'000	Year to 31 December 2007 £'000
Earnings			
Earnings for the purposes of earnings per share being profit for the period from continuing operations	**17,156**	18,841	41,235
Headline earnings			
Profit for the period from continuing operations	**17,156**	18,841	41,235
Loss/(profit) on fair value movements on derivatives (net of tax)	**2,424**	(750)	492
Amortisation of intangibles arising on acquisition (net of tax)	**2,610**	986	2,576
Earnings for the purposes of headline earnings per share	**22,190**	19,077	44,303

9. Earnings per share (continued)

The weighted average number of shares is given below:

	Six months to 30 June 2008	Six months to 30 June 2007	Year to 31 December 2007
Number of shares used for basic EPS	**67,983,271**	67,685,429	67,714,368
Number of shares deemed to be issued at nil consideration following exercise of share options	**433,690**	481,058	434,033
Number of shares used for fully diluted EPS	**68,416,961**	68,166,487	68,148,401

	Six months To 30 June 2008	Six months To 30 June 2007	Year to 31 December 2007
Headline PBT	**30,422**	26,243	61,069
Tax rate applied for the purposes of headline earnings per share	**27.1%**	27.3%	27.5%
Effective tax rate	**26.0%**	27.0%	27.1%

10. Property, plant and equipment

During the period, the Group spent £4.4m on the acquisition of property, plant and equipment.

The Group also disposed of property, plant and equipment with a carrying value of £0.6m for proceeds of £1.3m.

11. Trade and other receivables

	At 30 June 2008	At 30 June 2007	At 31 December 2007
Trade receivables	**62,732**	43,586	52,059
Provisions against receivables	**(550)**	(797)	(527)
Net trade receivables	**62,182**	42,789	51,532
Amounts due from contract customers	**23,628**	28,642	21,475
Derivatives at fair value	**5,203**	5,653	5,383
Other receivables	**8,118**	5,500	5,836
	99,131	82,584	84,226

12. Trade and other payables

	At 30 June 2008	At 30 June 2007	At 31 December 2007
Amounts included in current liabilities:			
Trade payables	**44,514**	44,346	42,929
Amounts due to contract customers	**31,274**	24,596	24,552
Derivatives at fair value	**6,821**	1,894	3,503
Other payables	**42,484**	30,167	47,409
	125,093	101,003	118,393

	At 30 June 2008	At 30 June 2007	At 31 December 2007
Amounts included in non current liabilities:			
Other payables	**5,616**	**9,067**	830
	5,616	**9,067**	830

13. Share capital

126,696 shares, with a nominal value of £6,335, have been allotted in the first six months of 2008 under the terms of the Group's various share option schemes. The aggregate consideration received by the Company was £752,359.

14. Cash flow information

	Six months to 30 June 2008 £'000	Six months to 30 June 2007 £'000	Year to 31 December 2007 £'000
Profit from operations	**28,657**	25,486	59,006
Depreciation of property, plant and equipment	**2,874**	2,631	5,720
Amortisation of intangible assets	**4,379**	2,338	5,467
Cost of equity settled employee share schemes	**738**	537	1,186
Increase in post employment benefit obligation	**267**	731	797
(Profit)/loss on disposal of property, plant and equipment	**(702)**	15	31
Increase/(decrease) in provisions	**275**	161	(312)
Operating cash flow before movements in working capital	**36,488**	31,899	71,895
Decrease/(increase) in inventories	**7,378**	(8,764)	(12,055)
(Increase)/decrease in receivables	**(9,474)**	2,543	6,116
(Decrease)/increase in payables	**(3,386)**	(2,171)	293
Cash generated by operations	**31,006**	23,507	66,249
Income taxes paid	**(8,926)**	(6,710)	(13,723)
Interest paid	**(2,061)**	(1,110)	(2,968)
Net cash inflow from operating activities	**20,019**	15,687	49,558

14. Cash flow information (continued)

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

	Six months to 30 June 2008 £'000	Six months to 30 June 2007 £'000	Year to 31 December 2007 £'000
Net increase in cash and cash equivalents	**11,893**	7,954	729
Cash inflow from increase in debt and finance leasing	**(52,017)**	(6,437)	(6,535)
Change in net debt arising from cash flows	**(40,124)**	1,517	(5,806)
Amortisation of finance costs of debt	**(35)**	(36)	(71)
Finance leases acquired with subsidiary undertakings	**(82)**	-	-
Translation differences	**778**	(264)	(1,202)
Movement in net debt in the period	**(39,463)**	1,217	(7,079)
Net debt at start of period	**(14,243)**	(7,164)	(7,164)
Net debt at end of period	**(53,706)**	(5,947)	(14,243)

Net debt comprised the following:

	At 30 June 2008 £'000	At 30 June 2007 £'000	At 31 December 2007 £'000
Cash and cash equivalents	**39,187**	33,850	27,419
Bank loans	**(92,768)**	(39,735)	(41,608)
Finance leases	**(125)**	(62)	(54)
	(53,706)	(5,947)	(14,243)

15. Acquisitions

Magneto Inductive Systems Ltd

On 22 May 2008, the Group acquired the entire share capital of Magneto Inductive Systems Ltd. (MISL), for an initial cash consideration of £11.9m. Initial provisional fair values for the net assets acquired and details of the purchase consideration are set out below.

	Book value £'000	Revaluations £'000	Fair value £'000
Intangible assets	53	8,680	8,733
Property, plant and equipment	470	-	470
Net cash	393	-	393
Working capital	161	-	161
Net assets acquired	1,077	8,680	9,757
Goodwill arising on acquisition			7,610
Purchase consideration, including acquisition costs			17,367

Total consideration	17,367
Less deferred consideration	5,475
Net cash outflow arising on acquisition	11,892

15. Acquisitions (continued)

The profit contribution from MISL was approximately breakeven in the period. The goodwill arising on the acquisition is attributable to future operating synergies derived from integration with the Group together with expected future profits resulting from the access to new markets for the Group's existing products.

Harris Acoustic Products

On 23 May 2008, the Group acquired the trade and assets of Harris Acoustic Products Corporation from Channel Technologies Inc. for an initial cash consideration of £3.5m. Initial provisional fair values for the net assets acquired and details of the purchase consideration are set out below.

	Book value £'000	Revaluations £'000	Fair value £'000
Intangible assets	-	1,691	1,691
Property, plant and equipment	30	-	30
Working capital	1,187	(367)	820
Net assets acquired	1,217	1,324	2,541
Goodwill arising on acquisition			1,042
Purchase consideration, including acquisition costs			3,583

Total consideration	3,583
Less deferred consideration and costs	85
Net cash outflow arising on acquisition	3,498

The profit contribution from Harris was approximately £0.1m in the period. The goodwill arising on the acquisition is attributable to future operating synergies derived from integration with the Group.

ProLogic Incorporated

On 13 June 2008, the Group acquired the entire share capital of ProLogic Incorporated for a cash consideration of £27.7m. At 4 August 2008, the accounting adjustments in respect of the acquisition of ProLogic were not complete. It is therefore impractical to include in this report the IFRS 3 'Business Combinations' disclosures for this acquisition.

Graytronics Ltd

On 8 May 2008, the Group acquired the entire share capital of Graytronics Ltd for a cash consideration of £1.6m. Goodwill arising on the acquisition amounted to £0.4m.

If the above acquisitions had been completed on the first day of the financial year, Group revenues for the period would have been approximately £251.1m and Group profit before tax would have been approximately £24.9m.

Fair value adjustments to prior year acquisitions

Atkins & Partners Limited and BCF Designs Limited were both acquired by the Group in 2007. The fair value of the assets acquired in respect of both of these acquisitions at 31 December was provisional. During 2008 further fair value adjustments have been made for both of these acquisitions reflecting an additional deferred tax liability in respect of Atkins & Partners Limited of £0.5m and an additional deferred tax liability in respect of BCF Designs Limited of £1.7m. Goodwill has been retrospectively increased by £2.2m as a result of these fair value adjustments.

15. Acquisitions (continued)

A summary of group cashflows relating to acquisitions in the period was as follows:

	£'000
Cash consideration paid for acquisitions made in the period	44,704
Cash acquired	(645)
Deferred cash consideration paid in the period for acquisitions made in prior years	1,325
Net cash outflow	45,384

16. Other matters

Seasonality

The Group's financial results have not historically been subject to significant seasonal trends.

Related party transactions

There were no significant changes in the nature and size of related party transactions for the period to those reported in the 2007 Annual Report.

RESPONSIBILITY STATEMENT
We confirm that to the best of our knowledge:
(a) these condensed financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting";
(b) this half year report includes a fair review of the information required by Disclosure and Transparency Rule (DTR) 4.2.7R (indication of important events during the period and description of principal risks and uncertainties for the remainder of the financial year); and
(c) this half year report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Douglas Caster
Chief Executive

David Jeffcoat
Group Finance Director

4 August 2008

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 two 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.