



press information

Embargoed until 0700

19 October 2009

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

ULTRA ACQUIRES US COMMUNICATION SECURITY BUSINESS

Ultra announces the acquisition of Scytale Inc. ('Scytale'), based in Ellicott City, near Baltimore, Maryland, USA.

Scytale is a provider of Communication Security (ComSec) software and services and has a leading-edge ComSec Management Software (CMS) solution. All cryptographic systems require strict control and handling of the 'crypto key' from generation to destruction. Scytale's innovative and NSA-approved CARDS CMS software provides positive control of key material and cryptographic devices across multiple users at different tiers in the organisational hierarchy. Scytale's products are principally sold to government customers worldwide in the defence and cyber-security market sectors.

Ultra will pay an initial cash consideration, on a debt and cash fee basis, of \$5.3m. A further \$2m will be paid subject to the business achieving certain growth targets by the end of 2011. Ultra is acquiring Scytale from its two founding directors who will remain with the business under Ultra. Since its foundation in 2000, Scytale has traded profitably with sales in 2009 of about \$5m, an increase of more than 20% on the prior year and with an EBIT margin that will ensure that Scytale is accretive to Ultra's earnings. The acquisition will be financed using Ultra's existing banking facilities. Regulatory approvals for the acquisition have already been received.

Scytale is based at two facilities in Maryland, Ellicott City and Westminster, and also provides on-site support at two government locations. The business employs 20 people, of which 18 are professionals with tertiary qualifications in systems, electronics and computer engineering.

Scytale's software, systems and capabilities are highly synergistic to Ultra's ProLogic business into which Scytale will be subsumed organisationally while continuing to operate at its current locations.

Douglas Caster, Chief Executive of Ultra, commented:

"Scytale is a high quality business with significant potential for further development in its own right. I am pleased to bring Scytale into the Group so that Ultra can benefit from the clear synergies with ProLogic. The acquisition strengthens Ultra's position in the cyber-security element of the battlespace IT market that is growing so quickly."

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Further information about Ultra:

Ultra Electronics is an internationally successful defence and aerospace company with a long, consistent track record of development and growth. Ultra businesses constantly innovate to create solutions to customer requirements that are different from and better than those of the Group's competitors. The Group has over one hundred distinct market or technology niches within its twenty one 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.