UNITED DEFENSE INDUSTRIES INC
Form 424B3
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Registration No. 333-105550

PROSPECTUS SUPPLEMENT
(To Prospectus dated July 16, 2003)

10,800,000 Shares

United Defense Industries, Inc.

Common Stock

This is an offering of 10,800,000 shares of common stock of United Defense Industries, Inc. All of the shares of common stock in this offering are being sold by the selling stockholders named in this prospectus supplement. We will not receive any of the proceeds from the sale of the shares by the selling stockholders.

Our common stock is traded on the New York Stock Exchange under the symbol UDI. On July 31, 2003, the last reported sale price of our common stock on the New York Stock Exchange was $25.39 per share.

Investing in the shares involves risks. Risk Factors begin on page S-9 of this prospectus supplement.

	Per Share	Total
Public offering price	$25.00	$270,000,000.00
Underwriting discounts and commissions	$ 1.00	$ 10,800,000.00
Proceeds, before expenses, to the selling stockholders	$24.00	$259,200,000.00

The selling stockholders have granted the underwriters a 30-day option to purchase up to an additional 1,080,000 shares of common stock on the same terms and conditions as set forth above to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

Lehman Brothers, on behalf of the underwriters, expects to deliver the shares on or about August 6, 2003.

Joint Book-Running Managers

LEHMAN BROTHERS **JPMORGAN**

MERRILL LYNCH & CO.

BEAR, STEARNS & CO. INC.

DEUTSCHE BANK SECURITIES

GOLDMAN, SACHS & CO.

July 31, 2003

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You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information provided by this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of this prospectus supplement.

ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement contains the terms of this offering. A description of our common stock is contained in the accompanying prospectus beginning on page 11.

This prospectus supplement is part of, and should be read in conjunction with, the accompanying prospectus. The information we present in this prospectus supplement may add, update or change information included in the accompanying prospectus. If information in this prospectus supplement, or the information incorporated by reference in the accompanying prospectus, is inconsistent with the accompanying prospectus, this prospectus supplement, or the information incorporated by reference in the accompanying prospectus, will apply and will supersede that information in the accompanying prospectus.

In this prospectus supplement, unless the context requires otherwise, United Defense, we, us, our or similar terms refers to United Defense Industries, Inc. and its direct and indirect subsidiaries on a consolidated basis.

PROSPECTUS SUPPLEMENT SUMMARY

The following summary highlights certain significant aspects of our business and this offering, but you should carefully read this entire prospectus supplement and the accompanying prospectus, including the financial data and related notes and the documents incorporated by reference, which are described under Incorporation of Certain Documents by Reference, before making an investment decision. Because this is a summary, it may not contain all the information that is important to you. Our actual results could differ materially from those anticipated in certain forward-looking statements contained in this prospectus supplement as a result of certain factors, including those set forth under Risk Factors.

United Defense

United Defense is a leader in the design, development and production of combat vehicles, artillery systems, naval guns, missile launchers and precision munitions used by the U.S. Department of Defense, or DoD, and allied militaries throughout the world, and is the leading U.S. provider of non-nuclear ship repair, modernization and conversion services to the U.S. Navy and related government agencies. We are a sole-source prime contractor on several programs comprising critical elements of the U.S. military force structure. We have an installed base of over 100,000 combat vehicles and weapons systems with the DoD and more than 40 foreign militaries. Our 60 years of experience has led to our long-standing customer relationships, proprietary technologies, a diversified product portfolio, disciplined program management and a competitive cost structure. We conduct global operations through our manufacturing facilities in the United States and Sweden, our ship repair facilities in Virginia, California, Hawaii, Florida, and Texas, a manufacturing joint venture in Turkey, and co-production programs with various other governments and foreign contractors.

For the twelve months ended June 30, 2003, we had revenue of $2,070.8 million, cash flow from operations of $233.1 million and net income of $162.7 million. Approximately 20% of our sales for the twelve months ended June 30, 2003, were to international customers. As of June 30, 2003, we had a fully-funded backlog of $2.2 billion.

With the acquisition of United States Marine Repair, Inc., or USMR, we are now organized into two separate product and service lines that are each considered separate reportable segments: Defense Systems and Ship Repair and Maintenance. Our Defense Systems program portfolio consists of a mix of weapons system development, production, upgrade, and life cycle support programs. Our Ship Repair and Maintenance business segment consists of ship repair, maintenance, and modernization service programs.

We are currently the sole-source, prime contractor for a number of critical U.S. military programs, including:

Bradley Fighting Vehicle, the U.S. Army s primary armored infantry vehicle;

Mk 45 Gun System, a reliable and fully automated 5-inch naval gun system;

Mk 41 Vertical Launch System, missile canisters and, in conjunction with Lockheed Martin Corporation, missile launchers for the U.S. Navy s surface fleet; and

Advanced Gun System, the next generation 155mm naval gun system that is being developed for the U.S. Navy s DD(X) program.

We have been selected, together with The Boeing Company and a unit of General Dynamics Corporation, to design and develop a family of manned ground combat vehicles for the Army s Future Combat Systems, or FCS, program. The Army adopted the FCS program in order to develop and produce its future long-term combat force focused on an integrated network of combat vehicles, sensors and weapons systems.

We are also the developer of the Non-Line-Of-Sight Cannon, or NLOS-C, which the Army has identified as its next-generation, self-propelled artillery system. The NLOS-C program incorporates technology that we originally developed for the discontinued Crusader program.

Industry Overview/ Market Opportunity

We derive our revenues predominantly from contracts with the U.S. Department of Defense, allied governments and other prime contractors. As a result, funding for our development and production programs and our repair and maintenance work is generally linked to trends in U.S. and international defense spending. We believe that domestic defense spending will grow over the next several years as a result of an increased focus on national security by the U.S. Government and its allies. We believe the following trends and developments will influence the growth in our industry:

- the U.S. defense budget submission for fiscal 2004 reflects an increase of approximately 4% over fiscal 2003;
- defense procurement and development accounts are growing proportionately with overall national security spending and are expected to continue growing in the near future; and
- greater repair and maintenance requirements due to significant wear and tear on both naval vessels and armored vehicles from the United States involvement in extended deployments as well as active military conflicts, such as the recent war in Iraq, as well as the aging of the U.S. Navy Fleet and the relatively low level of new ship building.

Business Strengths

We believe that the following strengths are critical to our success as a leading sole-source, prime contractor to the U.S. Department of Defense and allied militaries:

We are a leading developer of key combat vehicles and weapon systems. We are at the forefront of research, development and design technologies necessary for advanced armored combat vehicles, artillery systems, naval guns, missile launchers and precision munitions. These technologies have been instrumental in our selection as the prime sole-source developer, system integrator and producer for critical combat systems of the U.S. military, including the Bradley, the Mk 45 naval gun system and the Advanced Gun System, as well as our selection to develop NLOS-C and, with our teammate, design and develop the manned ground combat vehicles for FCS.

We are a leader in the private-sector ship repair, maintenance and modernization industry. We are the leader in the private-sector market for U.S. Navy ship repair. We have developed a strong relationship with the U.S. Navy and expertise in repairing numerous classes of vessels, which has resulted in our ability to capture and retain an increasing number of long-term contracts.

We have an extensive installed base of combat systems. We have a global installed base of over 100,000 combat vehicles and weapon systems with the U.S. military and more than 40 foreign militaries. Through our ongoing research and development efforts, we have created a large number of derivative products and upgrades to these combat systems that we sell to our customers to extend the lifecycle of their equipment.

We have a balanced portfolio of development and production contracts. In addition to our ongoing production and upgrade programs, we are involved in a number of development programs such as the U.S. Navy s Advanced Gun System and the FCS program. This program mix helps to provide consistent revenue while positioning us for future growth.

We are a global defense contractor. We have a strong international presence through our direct foreign sales, joint venture in Turkey and co-production programs. We expanded the scope of our international operations, gained technology and enhanced our engineering capabilities through the acquisition of Bofors Defence, a provider of weapon systems and precision munitions based in Sweden.

Our senior management team and Board of Directors have extensive experience in the defense industry. On average, our senior management team has been with us for approximately 20 years. Members of our Board of Directors have served in senior positions within the U.S. Government, such as Secretary of Defense, Chairman of the Joint Chiefs of Staff, and Commander-in-Chief of the U.S. Central Command. Moreover, four of our

directors are affiliated with our major stockholder, The Carlyle Group, a Washington D.C.-based global private equity firm with extensive experience in finance and acquisitions in the aerospace and defense industries.

Business Strategy

We intend to increase our revenues, profitability and shareholder value by expanding our role as a leading systems integrator and prime contractor to the U.S. Department of Defense and allied militaries. Our strategy for achieving this objective is:

Continue to invest in research, development and advanced technologies and design techniques to capture new business. We intend to lead our current development programs into production and to capture key next-generation programs through our systems integration expertise, technology leadership and ongoing commitment to core research.

Generate revenue from our installed base through upgrades incorporating advanced technologies and by providing aftermarket services. We will capitalize on our advanced technologies and systems integration capabilities to upgrade our installed base of combat systems and provide lifecycle services to enhance their performance and extend their effective service lives.

Apply advanced technologies across a range of new programs. We intend to apply our existing technologies across a broad range of additional combat systems and develop derivative products to expand our program base.

Expand our leadership position in the private-sector ship repair, maintenance and modernization industry. We intend to use our expertise and relationship with the U.S. Navy to pursue additional Navy contracts, including the multi-ship, multi-year contracts that we expect the Navy to adopt for the repair and maintenance of Atlantic Fleet surface ships. We also intend to seek additional non-nuclear work on nuclear powered vessels.

Capitalize on our global presence. We intend to use our long-standing relationships with foreign militaries, our global manufacturing and marketing operations, and our experience with foreign joint ventures and co-production programs to broaden our technology and product base and grow international revenues.

Selectively pursue acquisitions with complementary products and technologies. We intend to continue participating in the current consolidation of the defense industry by utilizing the business relationships of our senior management team, our Board of Directors and The Carlyle Group to acquire companies with complementary products and technologies, as exemplified by our September 2000 acquisition of Bofors Defence and our July 2002 acquisition of USMR.

The Carlyle Group, an affiliate of certain of the selling stockholders, formed United Defense Industries, Inc. in October 1997 to facilitate the acquisition of United Defense, L.P., our predecessor entity. After this offering, The Carlyle Group will continue to own a significant portion of our common stock. In July 2002 we acquired USMR from The Carlyle Group.

We were incorporated in Delaware in August 1997, and our principal executive office is located at 1525 Wilson Boulevard, Suite 700, Arlington, Virginia 22209. Our telephone number is (703) 312-6100.

Recent Developments

On July 24, 2003, we reported our operating results for the quarter ended June 30, 2003. The following discussion includes excerpts of the information contained in our earnings release.

United Defense reported net income of $36.1 million, an increase of $8.8 million, or 32% from the second quarter of 2002. Net income per share on a fully diluted basis was $0.68, an increase of $0.16, or 31% from the second quarter of 2002. Revenues rose 74.0% to $553.5 million from $318.0 million in the same quarter last year.

Approximately 50% of the increase in revenues is attributable to strong sales in our Defense Systems business, and the remaining 50% is due to the inclusion of $118.0 million of revenues from USMR, which we acquired in July 2002. Sales growth in Defense Systems was driven by Bradley Fighting Vehicle upgrades, the increase in Advanced Gun System development for the U.S. Navy, and increased deliveries of Mk 45 gun kits to Korea and Amphibious Assault Vehicles to Italy. Sales in Defense Systems rose approximately 37% from the second quarter of 2002.

USMR benefited during the quarter from unexpected contract growth on selected ships and from early resolution by Congress of supplemental funding to the 2003 defense budget for U.S. Navy ship repair.

In addition, we received an $8.2 million award fee from the U.S. Army for our performance on the Crusader Advanced Artillery System contract.

New orders of $574.1 million in the second quarter of 2003 resulted in a fully funded backlog of $2.2 billion, the same level at March 31, 2003.

At June 30, 2003, we had cash and cash equivalents of $187.9 million on our balance sheet and total debt of $590.0 million.

The following table summarizes our results for the six months and three months ended June 30, 2002 and 2003, respectively.

	Six Months Ended June 30,		Three Months Ended June 30,	
	2002	2003	2002	2003
	(in thousands, except per share data)			
Statement of Operations Data:				
Revenues	$674,481	$1,019,976	$318,038	$553,453
Costs and expenses	620,395	894,736	290,020	493,203
Income from operations	54,086	125,240	28,018	60,250
Earnings related to investments in foreign affiliates	7,213	11,655	6,309	6,106
Net interest expense and other expenses	10,477	12,804	5,273	6,230
Income before taxes	50,822	124,091	29,054	60,126
Provision for income taxes	4,507	49,636	1,757	24,050
Net income	$ 46,315	$ 74,455	$ 27,297	$ 36,076
Per Share Data:				
Earnings per common share basic	$ 0.90	$ 1.44	$ 0.53	$ 0.70
Earnings per common share diluted	$ 0.87	$ 1.41	$ 0.52	$ 0.68
Cash Flow Data:				

Cash provided by operating activities	$ 45,022	$ 98,800	$ 56,848	$ 48,222
Cash used in investing activities:				
Capital spending	(7,484)	(23,762)	(5,138)	(20,361)
Purchase of Cell ITS	(4,135)			
Cash (used in)/provided by financing activities	(6,142)	1,592	1,505	1,113
Effect of exchange rate changes on cash	6,753	4,424	4,037	3,122
Increase in Cash and Cash Equivalents	$ 34,014	$ 81,054	$ 57,252	$ 32,096

In July 2003 we were awarded a $43.7 million contract modification from the U.S. Army s Tank-automotive and Armaments Command to refurbish self-propelled howitzers for Egypt. This contract is part of a Foreign Military Sales agreement between the U.S. Government and Egypt and will run through November 2005.

In June 2003 we received a contract initially funded at $64.0 million from the United States Marine Corps Systems Command to provide material kits and remanufacture hulls for amphibious assault vehicles for Taiwan under a Foreign Military Sales award. The contract has a potential total value of $128.0 million.

The Offering

Common stock offered by the selling stockholders	10,800,000 shares of common stock.
Common stock to be outstanding after the offering	52,005,221 shares of common stock.
Use of proceeds	We will not receive any of the proceeds from the sale of shares by the selling stockholders. The selling stockholders will receive all of the net proceeds from the sale of shares of our common stock offered in this prospectus supplement.
Over-allotment option	The selling stockholders have granted to the underwriters an option to purchase up to an aggregate of 1,080,000 shares of common stock, exercisable solely to cover over-allotments, if any, at the public offering price less the underwriting discount shown on the cover page of this prospectus supplement. The underwriters may exercise this option at any time until 30 days after the date of the underwriting agreement.
New York Stock Exchange symbol	UDI.

The number of shares of common stock to be outstanding after this offering set forth above is based on 51,945,221 shares outstanding as of June 30, 2003. The number of outstanding shares excludes an aggregate 5,245,626 shares of our common stock reserved for issuance under our equity incentive plans, of which 3,390,041 shares were subject to outstanding stock options as of June 30, 2003 (60,000 of which will be issued to Thomas Rabaut and sold in the offering upon exercise of options immediately prior to the closing of the offering) at a weighted average exercise price of $16.81 per share.

Summary Consolidated Financial Data

We derived the summary financial data presented below as of and for each of the three years in the period ended December 31, 2002 from our audited consolidated financial statements incorporated by reference into this prospectus supplement. We derived the summary financial data as of and for the three months ended March 31, 2002 and 2003 from our unaudited consolidated interim financial statements incorporated by reference into this prospectus supplement. In our opinion, the unaudited consolidated interim financial statements have been prepared on a basis consistent with the audited financial statements and include all adjustments, which are normal recurring adjustments, necessary for a fair presentation of the financial position and results of operations for the unaudited periods. Our historical results are not necessarily indicative of future operating results. You should read the information set forth below in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and their related notes incorporated by reference into this prospectus supplement.

	Year Ended December 31,			Three Months Ended March 31,	
	2000	2001	2002	2002	2003
	(in thousands, except share and per share data)				
Statement of Operations Data:					
Revenues	$ 1,183,886	$ 1,318,538	$ 1,725,346	$ 356,443	$ 466,523
Costs and expenses:					
Cost of sales	943,892	1,059,687	1,388,616	296,594	362,583
Selling, general and administrative expenses	173,694	179,714	142,806	28,117	37,070
Research and development	15,760	23,666	27,673	5,664	1,880
Total expenses	1,133,346	1,263,067	1,559,095	330,375	401,533
Income from operations	50,540	55,471	166,251	26,068	64,990
Other income (expense):					
Earnings (loss) related to investments in foreign affiliates	(1,262)	10,156	13,874	904	5,549
Interest income	4,152	5,781	4,218	1,179	914
Interest expense(1)	(28,585)	(56,732)	(35,741)	(6,383)	(7,488)
Total other (expense)(1)	(25,695)	(40,795)	(17,649)	(4,300)	(1,025)
Income before income taxes and extraordinary item(1)	24,845	14,676	148,602	21,768	63,965
Provision for income taxes	6,000	5,900	14,026	2,750	25,586
Net income	$ 18,845	$ 8,776	$ 134,576	$ 19,018	$ 38,379
Per Share Data:					
Earnings per common share basic	$ 0.46	$ 0.21	$ 2.62	$ 0.37	$ 0.74
Weighted average common shares outstanding	40,584,049	41,264,914	51,348,889	50,997,154	51,730,313
Earnings per common share diluted	$ 0.44	$ 0.20	$ 2.55	$ 0.36	$ 0.73

Weighted average common shares outstanding	42,419,473	43,203,511	52,796,680	52,721,048	52,652,524

(1) Effective January 1, 2003, we adopted FASB Statement No. 145, Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections. Accordingly, any gain or loss on extinguishment of debt that was previously classified as an extraordinary item in any of the periods presented above that does not meet the criteria in APB 30 for classification as an extraordinary item was reclassified to income before income taxes and extraordinary items.

	Year Ended December 31,			Three Months Ended March 31,	
	2000	2001	2002	2002	2003
			(in thousands)		
Other Financial Data:					
Funded backlog (at period end)	$1,862,529	$1,857,974	$1,983,125	$2,069,509	$2,209,028
Net cash from operating activities	95,906	90,321	179,299	(11,826)	50,578
Net cash (used in) from investing activities	2,308	(22,375)	(333,856)	(6,481)	(3,401)
Net cash (used in) from financing activities	(79,182)	(88,858)	157,153	(7,647)	479
Capital expenditures	19,721	22,375	22,772	2,346	3,401

	As of December 31,		
	2000	2001	2002
		(in thousands)	
Balance Sheet Data:			
Cash and cash equivalents	$113,357	$ 90,535	$ 106,802
Working capital	(59,332)	(49,903)	(26,932)
Total assets	894,770	928,118	1,453,970
Long-term debt, including current portion	269,577	430,900	590,000
Stockholders equity (deficit)	41,901	(166,366)	(29,705)

RISK FACTORS

Investing in our common stock involves risks. You should carefully consider the risk factors set forth below, as well as the other information contained in this prospectus supplement and the accompanying prospectus and the documents incorporated or deemed to be incorporated by reference in this prospectus supplement and in the accompanying prospectus, before buying securities in this offering. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. Any of the following risks could materially adversely affect our business, financial condition or results of operations.

Risks Related to Our Business and Industry

Our government contracts entail risks.

We are a sole-source, prime contractor for many different military programs with the DoD. We depend heavily on the government contracts underlying these programs. Over its lifetime, a program may be implemented by the award of many different individual contracts and subcontracts. The funding of government programs is subject to congressional appropriation. Although multi-year contracts may be authorized in connection with major procurements, Congress generally appropriates funds on a fiscal year basis even though a program may continue for several years. Consequently, programs are often only partially funded and additional funds are committed only as Congress makes further appropriations. The government s termination of, or failure to fully fund, one or more of the contracts for our programs would have a negative impact on our operating results and financial condition. We also serve as a subcontractor on several military programs that, in large part, involve the same risks as prime contracts.

We rely on key contracts with U.S. Government entities for a significant portion of our sales. A substantial reduction in these contracts would materially adversely affect our operating results.

We derive revenues predominantly from contracts with agencies of, and prime contractors to, the DoD. Approximately 76% of our sales for the six months ended June 30, 2003, were made directly or indirectly to agencies of the U.S. Government, excluding U.S. Foreign Military Sales contracts. Any significant disruption or deterioration in our relationship with the U.S. Government and a corresponding reduction in these contracts would significantly reduce our revenues. Our largest production program is the Bradley Fighting Vehicle. Our Bradley contracts provided 20.9%, or $141.0 million, of our sales for the six months ended June 30, 2003. The termination or reduction in scope of this program or the loss of all or a substantial portion of our sales to the U.S. Government would have a material adverse effect on our financial condition and operating results. See, Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations U.S. Army Transformation in our Form 10-K for the fiscal year ended December 31, 2002, which is incorporated by reference into this prospectus supplement.

Changes in defense procurement models may make it more difficult for us to successfully bid on projects as a prime contractor and limit sole-source opportunities available to us.

In recent years, the trend in combat system design and development appears to be evolving towards the technological integration of various battlefield components, including combat vehicles, command and control network communications, advanced technology artillery systems and robotics. If the U.S. military procurement approach continues to require this kind of overall battlefield combat system integration, we expect to be subject to increased competition from aerospace and defense companies who have significantly greater resources than we do. This trend could create a role for a prime contractor with broader capabilities that would be responsible for integrating various battlefield component systems and potentially eliminating or reducing the role of sole-source providers or prime contractors of component weapon systems. For example, the U.S. Army awarded the prime contractor role in its FCS program to The Boeing Company in the capacity of overall integrator for FCS, instead of awarding separate prime contracts for major FCS elements such as ground vehicles, air vehicles, and network electronics.

The ultimate results of the U.S. Army s transformation effort are uncertain, and the scale of the effort may impair funding for other important U.S. Army programs in which we participate.

In 1999 the Army announced its intention to transform its principal combat systems over the next 20 to 30 years by supplementing its existing force with an Interim Armored Vehicle, or IAV, and then ultimately replacing the existing force with what is known as the Future Combat Systems, or FCS, program. To date our participation in the IAV program has been limited to a subcontract to provide armor components for certain vehicles. However, the Army has selected us for a major role in the development of the manned ground combat vehicle portion of the FCS program. In connection with the Administration s proposed FY04 budget, the Army s announced spending plans essentially envisioned the discontinuance of further production or upgrades of existing ground combat systems, the continuation of IAV procurements, and the continued pursuit of FCS development. If, as a result of this spending plan, insufficient funds were to be appropriated for continued Bradley production, we would most likely experience a gap in ground combat systems production for the Army during the middle of this decade, between the discontinuance of production of existing systems and the anticipated commencement of production for NLOS-C and other FCS programs. A prolonged suspension of production could reduce our workforce and employee skill base and necessitate the contraction of our manufacturing facilities which, in turn, would have a material adverse effect on our financial condition and operating results. Additionally, as with military programs in general, there is the risk that the FCS program could be terminated or significantly reduced in scale, either of which could have a material adverse effect on our financial condition and operating results.

See, Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations U.S. Army Transformation in our Form 10-K for the fiscal year ended December 31, 2002, which is incorporated by reference into this prospectus supplement for additional discussion of the potential impact of the Army s transformation effort on our other U.S. Army programs and our overall business prospects.

Government contracts contain termination provisions unfavorable to us and are subject to audit and modification by the government at its sole discretion.

As a company engaged primarily in supplying defense-related equipment and services to the U.S. Government, we are subject to business risks specific to our industry. These risks include the ability of the U.S. Government to unilaterally:

- suspend or permanently prevent us from receiving new contracts or extending existing contracts based on violations or suspected violations of procurement laws or regulations;
- terminate our existing contracts;
- reduce the value of our existing contracts;
- audit and object to our contract-related costs and fees, including allocated indirect costs;
- control and under certain circumstances prohibit the export of our products; and
- change certain terms and conditions in our contracts.

The U.S. Government can terminate any of its contracts with us either for its convenience or if we default by failing to perform. Termination for convenience provisions generally enable us to recover only our costs incurred or committed, and settlement expenses and profit on the work completed, prior to termination. Termination for default provisions do not permit these recoveries and make us liable for excess costs incurred by the U.S. Government in procuring undelivered items from another source. Where we are a subcontractor on a U.S. Government program, our subcontract typically contains similar termination provisions. Our contracts with foreign governments may also contain similar provisions.

As a U.S. Government contractor, we are subject to financial audits and other reviews by the U.S. Government of our costs and performance, accounting and general business practices relating to these contracts. Like most large government contractors, we are audited and reviewed on a continual basis. Based on the results of its audits, the U.S. Government may adjust our contract-related costs and fees, including allocated indirect costs. Although adjustments arising from government audits and reviews have not had a material adverse effect on our results of operations in the past, there can be no assurance that future audits and reviews would not have

such effects. In addition, under U.S. Government purchasing regulations, some of our costs, including most financing costs, amortization of goodwill and other intangible assets, portions of our research and development costs, and some marketing expenses may not be reimbursable or allowed in our negotiation of fixed-price contracts. Further, as a U.S. Government contractor, we are subject to an increased risk of investigations, criminal prosecution, civil fraud, whistleblower lawsuits and other legal actions and liabilities to which purely private sector companies are not, the results of which could have a material adverse effect on our operations.

Our policy is to cooperate with governmental investigations and inquiries regarding compliance matters, and we also make voluntary disclosure of compliance issues to governmental agencies as appropriate. We are currently providing information on compliance matters to various agencies, and we expect to continue to do so in the future. For example, on August 8, 2002 we were served with a grand jury subpoena issued by the United States District Court for the Eastern District of Virginia. The subpoena seeks information relating to a contract entered into in 2000 between us and the Italian government for the upgrading of certain amphibious assault vehicles. We believe that the grand jury investigation is directed toward ascertaining whether any violation of the Foreign Corrupt Practices Act occurred in connection with the Italian contract. While we are not aware of any such violation, it is too early for us to determine whether the ultimate outcome of the investigation would have a material adverse impact on our results of operations or financial position.

Government contracts are subject to competitive bidding.

We obtain many of our U.S. Government contracts through a competitive bidding process that subjects us to risks associated with:

- the frequent need to bid on programs in advance of the completion of their design, that may result in unforeseen technological difficulties and/or cost overruns;

- the substantial time and effort, including design, development and marketing activities, required to prepare bids and proposals for contracts that may not be awarded to us, such as the contract for the U.S. Army s Interim Armored Vehicle program (now known as the Stryker program); and

- the design complexity and rapid rate of technological advancement of defense-related products.

In addition, in order to win the award of developmental programs, we must be able to align our research and development and product offerings with the government s changing concepts of national defense and defense systems. For example, in recent years, there has been a trend in military procurement toward increasing the use of wheeled combat vehicles, exemplified in the U.S. Army s announced procurement of over 2,000 wheeled vehicles in November 2000 for the Stryker program, a competition in which we unsuccessfully offered tracked vehicle candidates. To the extent that future armored vehicle procurements emphasize wheeled designs, we may be at a competitive disadvantage if we are unable to offer a competitive wheeled vehicle design. Moreover, there is no assurance that we will continue to win competitively awarded contracts or that awarded contracts will generate sales sufficient to result in profits.

Our fixed-price and cost-plus contracts may commit us to unfavorable terms.

We provide our products and services primarily through fixed-price, cost-plus and time and materials contracts. For the six months ended June 30, 2003, fixed-price contracts provided 69% of our revenues, and cost-plus contracts, including time and material contracts, provided 31%.

In a fixed-price contract, we must fully absorb cost overruns, notwithstanding the difficulty of estimating all of the costs we will incur in performing these contracts and in projecting the ultimate level of sales that we may achieve. Our failure to anticipate technical problems, estimate costs accurately or control costs during performance of a fixed-price contract may reduce the profitability of a fixed-price contract or cause a loss.

In a cost-plus contract, we are allowed to recover our approved costs plus a fee. The total price on a cost-plus contract is based primarily on allowable costs incurred, but generally is subject to a maximum contract funding limit. U.S. Government regulations require us to notify our customer of any cost overruns or underruns on a cost-plus contract. If we incur costs in excess of the funding limitation specified in the contract, we may not be able to recover those cost overruns.

On our time and materials contracts, we recover a specific amount per hour worked, the cost of direct materials and subcontracts, and a mark-up on direct materials and subcontracts. Time and materials contracts may provide for not-to-exceed price ceilings as well as the potential that we must partially absorb cost overruns.

Although we believe that we have recorded adequate provisions in our financial statements for losses on our fixed-price and cost-plus contracts, as required under U.S. generally accepted accounting principles, there is no assurance that our contract loss provisions will be adequate to cover all actual future losses.

Intense competition could limit our ability to win and retain government contracts.

The defense and private-sector ship repair industries are highly competitive and we encounter significant domestic and international competition for government contracts from other companies, some of which have substantially greater financial, technical, marketing, manufacturing and distribution resources than we do. Our ability to compete for these contracts depends on:

- the effectiveness of our research and development programs;
- our ability to offer better program performance than our competitors at a lower cost to the U.S. Government;
- the location of our ship repair facilities in relation to U.S. Navy homeports; and
- the readiness of our facilities, equipment and personnel to undertake the programs for which we compete.

Additionally, our U.S. Government programs must compete with programs managed by other defense contractors for limited funding. Our competitors continually engage in efforts to expand their business relationship with the U.S. Government and are likely to continue these efforts in the future. For example, in the private-sector ship repair industry, as the U.S. Navy moves toward greater use of multi-ship, multi-year contracts, the larger size of the contracts to be awarded may attract additional competitors to our market, including companies that have traditionally focused on shipbuilding rather than repair. The U.S. Government may choose to use other defense contractors for its limited number of defense programs. In addition, defense programs compete with non-defense spending of the U.S. Government for funding. Budget decisions made by the U.S. Government are outside of our control and can have long-term consequences for our size and structure.

In some instances, the U.S. Government directs to a single supplier all work for a particular program, commonly known as a sole-source program. In those instances, other suppliers who might otherwise be able to compete for various components of the program can only do so if the U.S. Government chooses to reopen the program to competition. While we have derived most of our historical revenues from sole-source programs, we derive and expect to derive a portion of our sales through competitive bidding. In addition, although the U.S. Government has historically awarded certain programs to us on a sole-source basis, it may in the future determine to open such programs to a competitive bidding process. There is no assurance that we will continue to be the sole-source contractor on various programs, that we will compete successfully for specific program opportunities or, if we are successful, that awarded contracts will be profitable. The failure or failures to do so would have a material adverse effect on our business, prospects, financial condition and results of operations.

We cannot guarantee the success of our strategy to pursue multi-ship, multi-year contracts awarded by the U.S. Navy for work on Atlantic Fleet surface ships.

We expect the U.S. Navy to increase the use of multi-ship, multi-year contracts for the repair and maintenance of the Atlantic Fleet, and the pursuit of these contracts is an important part of our business strategy. Our ability to win these contracts will depend on a variety of factors, including our cost structure, past performance under these types of contracts on both the East and West Coasts, and our working relationship with teaming partners.

The maintenance and establishment of teaming agreements is important to our business.

In our Ship Repair and Maintenance segment, we currently engage in teaming agreements that involve either general arrangements with other ship repair companies to allow us access to facilities and employees or specific teaming agreements which allow us to access dry docks or other facilities, or whereby we take subcontracting

responsibility for a specific aspect of a larger prime contract. We recently acquired a second dry dock at our Norfolk facility from one of our teaming partners. The acquisition permits the continued use of the dry dock by our teaming partner and also provides that the U.S. Navy may require us to unwind the acquisition if the subsequent dry dock use does not achieve expected efficiencies. We believe that the ability to participate in many of the U.S. Navy s future contracts will depend on our ability to maintain and enter into successful teaming agreements. We cannot guarantee that our current teaming partners will not terminate existing teaming arrangements or that they will renew these arrangements when they expire.

In our Defense Systems segment, we also make frequent use of teaming agreements. For example, we entered into a teaming agreement with The Boeing Company and a unit of General Dynamics Corporation regarding our role on the manned ground combat vehicle portion of the FCS program. We cannot assure you that we will continue to be selected as a teaming participant, or that we will be able to identify and successfully work with other companies. Failure to maintain or enter into future teaming agreements may have a material adverse effect on our business and future prospects.

Our operating performance is heavily dependent upon the timing of manufacturing and delivery of products under our U.S. Government contracts.

Our operating results and cash flow are dependent, to a material extent, upon the timing of manufacturing and delivery of products under our government contracts. For example, under recent Bradley production contracts, we do not recognize sales on a unit until we deliver or field such unit. This extends the period of time during which we carry these vehicles as inventory and may result in an uneven distribution of revenue from these contracts between periods.

As a result, our period-to-period performance may fluctuate significantly, and you should not consider our performance during any particular period as necessarily indicative of longer-term results. See, Management s Discussion and Analysis of Financial Condition and Results of Operations Overview in our Form 10-K for the fiscal year ended December 31, 2002, which is incorporated by reference into this prospectus supplement.

The operating performance of our Ship Repair and Maintenance business is heavily dependent on the deployment and maintenance schedules of the U.S. Navy, as well as the U.S. Government budgetary cycle.

The timing and extent of the maintenance and repair of U.S. Navy vessels depends on the maintenance and deployment schedules established by the U.S. Navy for each vessel. While the U.S. Navy tries to evenly distribute repairs throughout the year in a given port, this is not always possible. Therefore, the level of activity in our repair and maintenance facilities and the financial results of our Ship Repair and Maintenance business can vary significantly from period to period. In addition, U.S. defense-related agencies, including the U.S. Navy, have historically allocated the majority of their budgets during their first and second fiscal quarters, which correspond with our fourth and first fiscal quarters. The timing of these allocations has caused and will likely continue to cause fluctuations in our revenues, profitability, and cash flows.

A reduction in the U.S. defense budget could result in a decrease in our revenue.

The reduction in the U.S. defense budget that began in the early 1990s caused most defense-related government contractors, including our predecessor company, to experience decreased sales, reduced operating margins and, in some cases, net losses. A significant decline in U.S. military expenditures in the future could materially adversely affect our sales and earnings. The loss or significant reduction in government funding for any large program in which we participate could also materially adversely affect our sales and earnings and thus our ability to meet our financial obligations.

If we are not successful in integrating the new and complex technologies to be used in our products, our business could be materially and adversely affected.

The integration of diverse technologies involved in producing our products is a complex task, which in many instances has not been previously attempted.

In addition, our ability to integrate the new and complex technologies involved in our products is subject to risks associated with uncertain costs and availability of resources, including:

- frequent need to bid on programs before their design is completed, which may result in unforeseen engineering difficulties and/or cost overruns;
- delays in delivery of necessary components or their scarcity; and
- limitations on the availability of human resources, such as software engineers and information technology professionals.

Our international operations and foreign joint ventures subject us to risks that could materially adversely affect our financial condition and results of operations.

We participate in an unconsolidated joint venture in Turkey and in co-production programs in several other countries. We recognized earnings from our joint ventures of $11.7 million for the six months ended June 30, 2003. Our export sales, which include U.S. direct foreign sales, U.S. Foreign Military Sales and our revenues from our Bofors Defence subsidiary, totaled $216.6 million for the six months ended June 30, 2003 representing approximately 21% of our total revenues for that period. Our strategy includes expansion of our international operations and export sales. In connection with these international operations and sales we are subject to risks, including the following:

- devaluations and fluctuations in currency exchange rates;
- the ability to obtain distributions of cash which require the approval of joint venture partners;
- changes in, or changes in interpretations of, foreign regulations that may adversely affect our ability to sell certain products or repatriate profits to the United States;
- imposition of limitations on conversions of foreign currencies into U.S. dollars;
- imposition or increase of withholding and other taxes on remittances and other payments by foreign subsidiaries;
- hyperinflation or political instability in the countries in which we operate or sell;
- imposition or increase of investment and other restrictions by foreign governments;
- the potential imposition of trade or foreign exchange restrictions or increased tariffs;
- U.S. arms export control regulations and policies that restrict our ability to supply foreign affiliates and customers;
- local political pressure to shift from majority to minority ownership positions in joint ventures, which could further reduce our ability to influence the conduct, strategy and profitability of these ventures; and
- changes in the overall diplomatic and security relationships between the United States and various foreign countries, such as the strains that emerged with respect to Turkey in the context of the U.S. conflict with Iraq.

If we expand our international operations, these and other associated risks are likely to become more significant to us. Although these risks have not had a material adverse effect on our financial condition or results of operations in the past, there is no assurance that these risks will not have a material adverse effect on our financial position and results of operations in the future.

We may not have the ability to make acquisitions, develop strategic alliances, expand or implement new joint ventures, or successfully implement and maintain co-production programs.

As part of our growth strategy, we intend to expand our current joint ventures and pursue new strategic alliances, selected acquisitions and co-production programs. We consider strategic transactions from time to time and may be evaluating acquisitions, alliances or co-production programs or engaged in negotiations at any time. We compete with other ship repair and defense-related businesses for these opportunities. There is no assurance,

therefore, that we will be able to effect transactions with strategic alliance, acquisition or co-production program candidates on commercially reasonable terms or at all. If we enter into these transactions, we also cannot be sure that we will realize the benefits we anticipate. In addition, we cannot be sure that we will be able to obtain additional financing for these transactions.

The integration of any strategic alliances, acquisitions, teaming agreements or co-production programs into our business may result in unforeseen operating difficulties and may require significant financial and managerial resources that would otherwise be available for the ongoing development or expansion of our existing operations. Consummating these transactions could result in the incurrence of additional debt and related interest expense, as well as unforeseen contingent liabilities, all of which could have a material adverse effect on our financial condition and operating results. In addition, we may be required to enter into novation agreements with the U.S. Government in order to succeed to the U.S. Government contracts of any acquired entity. Novation can be a lengthy process that often occurs after the consummation of an acquisition. Accordingly, our failure to obtain any required novation could have a material adverse effect on the value to us of an acquired business.

Significant risks are inherent in the day-to-day operations of our Ship Repair and Maintenance business.

The day-to-day activities of our Ship Repair and Maintenance business involve the repair, maintenance and modernization of large steel structures, the operation of cranes and other heavy machinery and other operating hazards. As a result, our operations can cause personal injury or loss of life, severe damage to and destruction of property and equipment, and interruption of our business. The structural or mechanical failure of a vessel after it leaves one of our shipyards can result in similar injuries and damages and could result in liabilities to us. We could be named as a defendant in a lawsuit asserting large claims on the occurrence of any of these events. Although we maintain insurance protection in amounts we consider to be adequate, we cannot assure you that this insurance will be sufficient in coverage or effective under all circumstances or against all hazards to which we may be subject. If we are not fully insured against a successful claim, there could be a material adverse effect on our financial condition and result of operations.

We may experience labor disruptions associated with the expiration of our collective bargaining agreements.

As of June 30, 2003, we had approximately 6,898 employees and 237 contract workers. Approximately 1,800 of our employees are covered by collective bargaining agreements with various unions. Our agreement with the unions to which our workers in our Ship Repair and Maintenance facility in Norfolk, Virginia belong covers approximately 750 employees and expires in February 2004 and our agreement with the unions to which our workers at our Louisville, Kentucky facility belong covers approximately 160 bargaining unit employees and will be re-negotiated in 2003. The labor agreement to which 86 of our Steel Products Division hourly employees at our facility in Anniston, Alabama belong expires in February 2004 and our labor agreement to which approximately 115 workers at our Fridley, Minnesota facility belong will expire in September 2004. Although we believe that our relationships with these unions are good, there can be no assurance that we will not experience labor disruptions associated with the expiration or renegotiation of collective bargaining agreements or otherwise.

We may not be able to receive or retain the necessary licenses or authorizations required for us to sell our products overseas.

U.S. Government licenses are required for us to export our products. In the case of certain sales of defense equipment to foreign governments, the U.S. Government s Executive Branch must notify Congress at least 15 to 30 days, depending on the location of the sale, prior to authorizing these sales. During this time, Congress may take action to block the proposed sale. We cannot be sure of our ability to obtain any licenses required to export our products or to receive authorization from the Executive Branch for sales to foreign governments. Failure to receive required licenses or authorization would hinder our ability to sell our products outside the United States.

Our significant level of debt may adversely affect our financial and operating activity.

On July 2, 2002, we amended and restated our existing secured credit facility for an additional loan of $300.0 million to acquire USMR. In the future, we may borrow more money, subject to the limitations imposed on us by our senior secured credit facility.

Our level of indebtedness has important consequences to investors in our common stock. For example, our level of indebtedness may:

- require us to use a substantial portion of our cash flow from operations to pay interest and principal on our debt, thereby reducing the availability of that cash flow for other purposes such as capital expenditures, research and development, and other investments;
- limit our ability to obtain additional financing for acquisitions, investments, working capital and other expenditures, which may limit our ability to carry out our business strategy;
- result in higher interest expense if interest rates increase on our floating rate borrowings;
- heighten our vulnerability to downturns in our business or in the general economy and restrict us from making acquisitions, introducing new technologies and products, or exploiting business opportunities; or
- subject us to covenants that limit our ability to borrow additional funds, dispose of assets or pay cash dividends, or that require us to maintain or meet specified financial ratios or tests, with any failure by us to comply with those covenants potentially resulting in an event of default on that debt and a foreclosure on the assets securing that debt, which would have a material adverse effect on our financial position and results of operations.

We depend on key management and personnel and may not be able to retain those employees or recruit additional qualified personnel.

We believe that our future success will be due, in part, to the continued services of our senior management team. Losing the services of one or more members of our management team could adversely affect our business and our expansion efforts. In addition, competition for some qualified employees, such as software engineers or other advanced engineering professionals, has intensified in recent years and may become even more intense in the future. Our ability to implement our business plan is dependent on our ability to hire and retain technically skilled workers. Our failure to recruit and retain qualified employees could adversely affect our results of operations, and may impair our ability to obtain future contracts.

Environmental laws and regulations may subject us to significant liabilities.

Our operations are subject to U.S. federal, state and local environmental laws and regulations, as well as environmental laws and regulations in the various countries in which we operate, relating to the discharge, storage, treatment, handling, disposal and remediation of certain materials, substances and wastes. New laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new clean-up requirements may require us to incur substantial costs in the future. Although a significant portion of our ongoing environmental costs are recoverable from other parties or allowable as costs under the terms of many of our contracts, there is no assurance that we will not incur material unrecoverable or unallowable costs in the future. In addition, there is no assurance that environmental costs we expect to be reimbursed by other parties or allowed as charges in U.S. Government contracts will be reimbursed or allowed. A decline in such reimbursement or allowability could have a material adverse effect on our financial condition and results of operations.

Stringent fines and penalties may be imposed for non-compliance and many environmental laws impose joint and several strict liability for remediation of spills and releases of oil and hazardous substances, without regard to negligence or fault on the part of the person being held responsible. Financial responsibility for the clean-up or other remediation of contaminated property or for natural resource damages can extend to previously owned or used properties, waterways and properties owned by unrelated companies or individuals, as well as properties currently owned and used by us regardless of whether the contamination is attributable to other potentially responsible parties. For decades, some of our facilities have been used for manufacturing operations while other facilities have been used for ship repair and related activities. The nature of such operations involves the storage, use and handling of hazardous materials. The extensive use and handling of these materials has resulted in their release in or from our facilities, and in the case of our shipyards, the adjacent waterways as well, and may do so in the future. Accordingly, we may make capital expenditures and incur operating expenses for

clean-up, mitigation and other environmental matters arising from the condition of our facilities and the adjacent waterways and from our daily operations.

We may need to raise additional capital on terms unfavorable to our stockholders.

Based on our current level of operations, we believe that our cash flow from operations, together with amounts we are able to borrow under our senior secured credit facility, will be adequate to meet our anticipated operating, capital expenditure and debt service requirements for the foreseeable future. We do not have complete control over our future performance because it is subject to economic, political, financial, competitive, regulatory and other factors affecting the defense industry. It is possible that our business may not generate sufficient cash flow from operations and we may not otherwise have the capital resources to allow us to service our debt and make necessary capital expenditures. If this occurs, we may have to sell assets, restructure our debt or obtain additional equity capital, which could be on terms dilutive to our stockholders. We cannot be sure that we would be able to take any of the foregoing actions or that we could do so on terms favorable to us or you.

Acting in a subcontractor role on FCS may reduce our control over and financial results from the program.

On most of our programs with the Army, we have historically participated in the role of the prime contractor, meaning that we have overall contractual responsibility for the final product or system sold to the DoD, and subcontract to others for various components and services which we incorporate in the final product. For example, we are or have been the prime contractor on the U.S. Army s Bradley, Crusader, M109/ FAASV, M113, M88 Hercules, and ACE programs. By contrast, on the FCS program we are expected to participate as a subcontractor, at least during the development phases of the program, which are expected to last several years. Historically, we have sought the role of prime contractor on our military programs because of both the heightened visibility and extensive customer interface which prime contractors tend to have. The overall effect of participating in FCS as a subcontractor rather than as a prime contractor is uncertain, but it may lessen our ability to obtain adequate funding for elements of the program in which we participate, and/or to influence the technological direction, nature, scope, and ultimate production and fielding of those elements in which we participate. Any such diminution could reduce our revenues and profits from FCS participation, and/or render us subject to greater competition from other current or potential participants in the program.

Decline in the value of the securities held by our employee retirement plans would adversely affect our retiree benefit expense and funding levels.

Our employee retirement benefit plans hold a significant amount of equity securities. Declines in the market values of these securities would increase our retiree benefit expense and, as a result, adversely affect our profitability. In addition, a continued decline in such asset values could cause our plans, which in the aggregate were adequately funded as of June 30, 2003, to become underfunded.

Risks Related to this Offering

Our principal stockholder owns a controlling interest in our voting securities and will realize substantial benefits upon its sale of shares in this offering.

Entities controlled by The Carlyle Group hold substantially all of the voting power of Iron Horse Investors, L.L.C., our largest stockholder. Prior to this offering Iron Horse beneficially owned 46.75% of our outstanding shares of common stock and after this offering Iron Horse will own 26.37% of our outstanding shares of common stock. Consequently, Carlyle has the ability to influence the election of our directors, the appointment of new management and the potential outcome of all matters submitted to a vote of our stockholders. In addition, pursuant to certain agreements we have entered into with Carlyle, we have agreed to nominate for election as directors each year four individuals designated by Carlyle. This concentration of ownership and such agreements to nominate directors may delay or deter possible changes in control of our company, which may reduce the market price of our common stock. The interests of Carlyle may conflict with the interests of other holders of our common stock. Carlyle will realize substantial benefits from the sale of their shares in this offering. A sale of a substantial number of shares of our stock by Carlyle could cause our stock price to decline.

Future sales of our common stock in the public market could lower our stock price.

In the future, we, or our stockholders, may sell additional shares of our common stock in subsequent public offerings. We may also issue additional shares of our common stock to finance future acquisitions. Additionally, a substantial number of shares of our common stock is available for future sale pursuant to stock options that we granted to our employees to purchase shares of our common stock and also pursuant to registration rights agreements with certain of our stockholders, including Carlyle. We cannot predict the size of future issuances of our common stock or the effect, if any, that future sales and issuances of shares of our common stock would have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares issued upon the exercise of stock options or acquisition financing), or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock.

Delaware law and our charter documents may impede or discourage a takeover, which could cause the market price of its shares to decline.

We are a Delaware corporation and the anti-takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of us, even if a change in control would be beneficial to our existing stockholders. In addition, our board of directors has the power, without shareholders approval, to designate the terms of one or more series of preferred stock and issue shares of preferred stock, which could be used defensively if a takeover is threatened. All options issued under our stock option plans automatically vest upon a change in control of United Defense. Our incorporation under Delaware law, the ability of our board of directors to create and issue a new series of preferred stock , the acceleration of the vesting of the outstanding stock options that we have granted upon a change in control of United Defense, and certain provisions of our certificate of incorporation and by-laws could impede a merger, takeover or other business combination involving United Defense or discourage a potential acquiror from making a tender offer for the common stock of United Defense, which, under certain circumstances, could reduce the market value of our common stock.

The market price for our equity securities may be volatile.

The market price of our publicly traded equity securities could fluctuate substantially in the future in response to a number of factors, including the following:

- our quarterly operating results and the operating results of other similarly situated companies in the defense industry;
- changes in general conditions in the economy, the financial markets or the defense industry;
- changes in financial estimates or recommendations by stock market analysts regarding us or our competitors;
- announcements by us or our competitors of significant acquisitions;
- increases in labor and other costs; and
- natural disasters, riots, wars, geopolitical events or other developments affecting us or our competitors.

In addition, in recent years the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market prices of securities issued by many companies for reasons unrelated to their operating performance. These broad market fluctuations may materially adversely affect our stock price, regardless of our operating results.

USE OF PROCEEDS

We will not receive any of the proceeds from the sale of shares by the selling stockholders. The selling stockholders will receive all net proceeds from the sale of shares of our common stock offered in this prospectus supplement.

MARKET PRICE OF AND DISTRIBUTIONS ON COMMON STOCK

Our sole class of common equity is our $0.01 par value common stock, which is traded on the New York Stock Exchange, or NYSE, under the symbol UDI. Trading in our common stock commenced on the NYSE on December 14, 2001. As of July 14, 2003, there were 51 shareholders of record and approximately 11,004 beneficial shareholders of our common stock.

The table below shows, for the quarters indicated, the reported high and low trading prices of our common stock on the NYSE.

	Sales Price	
	High	**Low**
2001		
Fourth Quarter (beginning December 14, 2001)	$21.94	$18.99
2002		
First Quarter	$28.47	$19.60
Second Quarter	$29.85	$19.70
Third Quarter	$24.35	$17.60
Fourth Quarter	$24.35	$18.65
2003		
First Quarter	$24.75	$20.06
Second Quarter	$27.12	$21.00
Third Quarter (as of July 31, 2003)	$28.68	$25.19

DIVIDEND POLICY

Prior to our initial public offering, as part of the recapitalization transaction described in Management s Discussion and Analysis of Financial Condition and Results of Operations in our Form 10-K for the fiscal year ended December 31, 2002, which is incorporated by reference into this prospectus supplement, we paid two dividends in 2001. The first dividend of $289.7 million at $7.11 per share was paid on August 13, 2001. The second dividend of $92.0 million, or $2.22 per share was paid on November 26, 2001. We did not pay any dividends in 2002 and do not anticipate paying any dividends in the foreseeable future. In addition, our amended and restated senior secured credit agreement of July 2, 2002 includes provisions restricting our ability to pay dividends in the future.

SELLING STOCKHOLDERS

Approximately 47% of our common stock is owned by The Carlyle Group, which is selling a portion of the shares of our common stock that it beneficially owns. After this offering, Carlyle will hold approximately 26% of our common stock. Carlyle has informed us that in connection with its sale of our common stock in this offering, it intends to reduce its representation on our board to a level commensurate with its post sale ownership upon our identification of a qualified independent director or directors, as the case may be, to replace any departing Carlyle directors.

The table below presents certain information regarding the ownership of our common stock outstanding as of June 30, 2003 (but without giving effect to the underwriters exercise of the over-allotment options) by the selling stockholders.

Name of Selling Stockholder	Shares Owned Prior to the Offering		Shares Being Sold in the Offering	Shares Owned After the Offering	
	Number	Percentage		Number	Percentage
TCG Holdings, L.L.C.(1)	24,284,393	46.75%	10,569,808	13,714,585	26.37%
Thomas Rabaut(2)	371,250	*	60,000	311,250	*
Cammack Holdings(3)	146,282	*	63,008	83,274	*
Orange Crimson Holdings Corporation(3)	146,282	*	63,008	83,274	*
Peter J. Clare(4)	45,000	*	10,000	35,000	*
Allan M. Holt(4)	45,000	*	10,000	35,000	*
Frank C. Carlucci(5)	45,000	*	10,000	35,000	*
Jerome H. Powell(6)	10,971	*	4,726	6,245	*
Morris Menken	7,314	*	3,150	4,164	*
Gene Dotson	3,657	*	1,575	2,082	*
John F. Harris(7)	3,657	*	1,575	2,082	*
Miriam Renee Jurgens Dupree	3,657	*	1,575	2,082	*
Sharon & Brian Hall(8)	3,657	*	1,575	2,082	*

(*) Denotes less than 1% beneficial ownership.

(1) Carlyle Partners II, L.P., a Delaware limited partnership, Carlyle SBC Partners II, L.P., a Delaware limited partnership, Carlyle International Partners II, L.P., a Cayman Islands limited partnership, Carlyle International Partners III, L.P., a Cayman Islands limited partnership, and certain additional partnerships formed by Carlyle (collectively, the Investment Partnerships) and certain investors with respect to which TC Group, L.L.C. or an affiliate exercises investment discretion and management constitute all of the members of Iron Horse Investors, LLC the record owner of these shares. TC Group, L.L.C. exercises investment discretion and control over the shares held by the Investment Partnerships directly through its capacity as the sole general partner of certain of the Investment Partnerships or indirectly through its wholly-owned subsidiary TC Group II, L.L.C., the sole general partner of certain of the Investment Partnerships. TCG Holdings, L.L.C., a Delaware limited liability company, is the sole managing member of TC Group, L.L.C. William E. Conway, Jr., Daniel A. D Aniello, and David M. Rubenstein, as the managing members of TCG Holdings, L.L.C., may be deemed to share beneficial ownership of the shares shown as beneficially owned by TCG Holdings, L.L.C. Such persons disclaim such beneficial ownership. The address of The Carlyle Group is: 1001 Pennsylvania Avenue, NW, Washington, D.C. 20004.

(2) Mr. Rabaut is our President and Chief Executive Officer. The number of shares owned represents 371,250 shares of common stock subject to vested options which are currently exercisable. Mr. Rabaut will exercise 60,000 of such shares to sell in this offering, resulting in a remainder of 311,250 shares of common stock subject to vested options currently exercisable.

(3) William E. Conway, Jr., David M. Rubenstein, Daniel A. D Aniello and certain family members own the equity of this entity. Mr. Conway is our Chairman of the Board. Messrs. Conway, Rubenstein and D Aniello are Managing Directors of our affiliate, The Carlyle Group and the managing members of TCG Holdings, L.L.C. Mr. Conway is President and Managing Director of Iron Horse Investors, L.L.C., or Iron Horse, and Messrs. Rubenstein and D Aniello are each a Vice President and Managing Director of Iron Horse.

(4) Messrs. Clare and Holt are each one of our directors and each a Managing Director of our affiliate, The Carlyle Group and a member of TCG Holdings, L.L.C. Mr. Clare is Vice President and Managing Director of Iron Horse and Mr. Holt is also a Managing Director of Iron Horse.

(5) Mr. Carlucci is one of our directors, Chairman Emeritus of our affiliate, The Carlyle Group and a member of TCG Holdings, L.L.C.

(6) Mr. Powell is a Managing Director of our affiliate, The Carlyle Group and a Managing Director of Iron Horse and a member of TCG Holdings, L.L.C.

(7) Mr. Harris is a Managing Director and the Chief Financial Officer of our affiliate, The Carlyle Group and a member of TCG Holdings, L.L.C.

(8) Mrs. Hall is the sister of Mr. Conway and Mr. Hall is Mr. Conway s brother-in-law.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES FOR NON-U.S. HOLDERS

The following summary describes the material U.S. federal income tax consequences relating to the purchase, ownership and disposition of the common stock applicable to non-U.S. holders, as defined below. This summary is based on the Internal Revenue Code of 1986, as amended, or the Code, and Treasury regulations promulgated thereunder, administrative pronouncements and judicial decisions, changes to any of which subsequent to the date of this prospectus supplement may affect the tax consequences described herein. We undertake no obligation to update this tax summary in the future. This summary applies only to non-U.S. holders that will hold the common stock as capital assets within the meaning of Section 1221 of the Code. It does not purport to be a complete analysis of all the potential tax consequences that may be material to a non-U.S. holder based on his or her particular tax situation. This summary does not address tax consequences applicable to non-U.S. holders that may be subject to special tax rules, such as banks, financial institutions, tax-exempt organizations, pension funds, insurance companies or dealers in securities or foreign currencies, persons that have a functional currency other than the U.S. Dollar, controlled foreign corporations, passive foreign investment companies, foreign personal holding companies, corporations that accumulate earnings to avoid U.S. federal income tax, or persons holding our common stock as part of a hedge, straddle, conversion or other risk reduction transaction. Such persons should consult their own tax advisors to determine the U.S. federal tax consequences that may be relevant to them. This discussion does not address the tax treatment of partnerships or persons who hold their interests through partnerships or other pass-through entities. If you are a partner in a partnership holding our common stock, you should consult your tax advisor regarding the tax consequences of the ownership and disposition of our common stock. This discussion does not consider the effect of any applicable state, local, foreign or other tax laws, including gift and estate tax laws.

When we refer to a non-U.S. holder, we mean a beneficial owner of common stock that for U.S. federal income tax purposes, is other than:

- a citizen or resident of the United States, as determined for federal income tax purposes;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any State thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that is subject to the primary supervision of a U.S. court and to the control of one or more U.S. persons, or that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

Taxation of Distributions and Dispositions

Distributions on Common Stock

In general, if distributions were made with respect to our common stock, such distributions would be treated as dividends to the extent of our current and accumulated earnings and profits as determined under the Code. Any portion of a distribution that exceeds our current and accumulated earnings and profits will first be applied to reduce the non-U.S. holder s basis in common stock, and, to the extent such portion exceeds the non-U.S. holder s basis, the excess will be treated as gain from the disposition of the common stock, the tax treatment of which is discussed below under Dispositions of Common Stock.

Generally, dividends paid to a non-U.S. holder will be subject to U.S. withholding tax at a 30% rate, subject to the two following exceptions.

- Dividends effectively connected with a trade or business of a non-U.S. holder within the United States generally will not be subject to withholding if the non-U.S. holder complies with applicable IRS certification requirements and generally will be subject to U.S. federal income tax on a net income basis at regular graduated rates. In the case of a non-U.S. holder that is a corporation, such effectively connected income also may be subject to the branch profits tax at a 30% rate (or such lower rate as may be prescribed by an applicable tax treaty).

The withholding tax might not apply, or might apply at a reduced rate, under the terms of an applicable tax treaty. Under Treasury regulations, to obtain a reduced rate of withholding under a tax treaty, a non-U.S. holder generally will be required to satisfy applicable certification and other requirements.

A non-U.S. holder of common stock eligible for a reduced rate of U.S. withholding tax may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the Internal Revenue Service.

Dispositions of Common Stock

Generally, a non-U.S. holder will not be subject to U.S. federal income tax with respect to gain recognized upon the disposition of such holder s shares of common stock unless:

- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are met;
- such gain is effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States or, if certain tax treaties apply, the gain is effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States and is attributable to a U.S. permanent establishment maintained by the non-U.S. holder; or
- we are or have been a U.S. real property holding corporation for U.S. federal income tax purposes and, assuming that our common stock is deemed to be regularly traded on an established securities market, the non-U.S. holder held, directly or indirectly at any time during the five-year period ending on the date of disposition or such shorter period that such shares were held, more than five percent of our common stock.

An individual non-U.S. holder described in the first bullet point above will be subject to a flat 30% tax on the gain derived from the sale, which may be offset against U.S. source capital losses (even though the individual is not considered a resident of the United States). A non-U.S. holder described in the second bullet point above will be subject to tax on the gain derived from the sale under regular graduated U.S. federal income tax rates and, if it is a corporation, may be subject to the branch profits tax at a rate equal to 30% (or such lower rate as may be prescribed by an applicable treaty).

We do not believe we have been or currently are, and we do not currently anticipate becoming, a U.S. real property holding corporation for U.S. federal income tax purposes.

Information Reporting and Backup Withholding

Information Reporting

We must report annually to the IRS and to each non-U.S. holder the entire amount of any distribution irrespective of any estimate of the portion of the distribution that represents a taxable dividend paid to such holder and the tax withheld with respect to such distribution regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty.

The payment of proceeds from the sale of common stock by a broker to a non-U.S. holder is generally not subject to information reporting if:

- the beneficial owner of the common stock certifies its non-U.S. status under penalties of perjury, or otherwise establishes an exemption; or
- the sale of the common stock is effected outside the United States by a foreign office, unless the broker is:
  - a U.S. person as defined in the Code;
  - a foreign person that derives 50% or more of its gross income for certain periods from activities that are effectively connected with the conduct of a trade or business in the United States;

a controlled foreign corporation for U.S. federal income tax purposes; or

a foreign partnership, if, at any time during its tax year, one or more of its partners are U.S. persons as defined in Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership or if, at any time during its tax year, the foreign partnership is engaged in a U.S. trade or business.

Backup Withholding

Dividends paid to a non-U.S. holder of common stock generally will be exempt from backup withholding if the non-U.S. holder provides a properly executed IRS Form W-8BEN or otherwise establishes an exemption. The payment of proceeds from a disposition of common stock effected by a non-U.S.holder outside the United States by or through a foreign office or a broker generally will not be subject to backup withholding. Payment of the proceeds from a disposition by a non-U.S. holder of common stock made by or through the U.S. office of a broker is generally not subject to backup withholding if the non-U.S. holder provides a properly executed IRS Form W-8BEN or otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amount withheld from a payment to a non-U.S. holder under these rules will be allowed as a credit against such holder s U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is furnished timely to the IRS.

The U.S. federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a holder s particular situation. Potential investors should consult their own tax advisors with respect to the tax consequences to them of the purchase, ownership and disposition of the common stock, including the tax consequences under U.S. federal, state, local, foreign and other tax laws, including gift and estate tax laws, and the possible effects of changes in federal or other tax laws.

UNDERWRITING

Under the terms of an underwriting agreement, which will be filed as an exhibit to a current report on Form 8-K and incorporated by reference in this prospectus supplement and accompanying prospectus, each of Lehman Brothers Inc., J.P. Morgan Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bear, Stearns & Co. Inc., Deutsche Bank Securities Inc. and Goldman, Sachs & Co. have severally agreed to purchase from the selling stockholders the number of shares of common stock shown opposite its name below. Subject to the terms and conditions of the underwriting agreement, the underwriters are obligated to purchase all of the shares to which they initially committed to purchase (other than those covered by the over-allotment option described below) if they purchase any of the shares.

Underwriter	Number of Shares
Lehman Brothers Inc.	3,920,400
J.P. Morgan Securities Inc.	1,960,200
Merrill Lynch, Pierce, Fenner & Smith Incorporated	1,679,400
Bear, Stearns & Co. Inc.	1,080,000
Deutsche Bank Securities Inc.	1,080,000
Goldman, Sachs & Co.	1,080,000
Total	10,800,000

The underwriting agreement provides that the underwriters obligation to purchase shares of our common stock from the selling stockholders depends upon our and the selling stockholders satisfaction of the conditions contained in the underwriting agreement, which include:

the representations and warranties made by us and the selling stockholders to the underwriters in the underwriting agreement being true;

that no material change occurs in the financial markets; and

our delivery of customary closing documents to the underwriters.

Over-Allotment Option

The selling stockholders have granted to the underwriters an option to purchase up to an aggregate of 1,080,000 shares of our common stock, exercisable to cover over-allotments, if any, at the public offering price less the underwriting discounts and commissions shown on the cover page of this prospectus supplement. The underwriters may exercise this option at any time until 30 days after the date of the underwriting agreement. To the extent the underwriters exercise this option, the underwriters will be committed, so long as the conditions of the underwriting agreement are satisfied, to purchase the number of additional shares for which the option is exercised.

Commissions and Expenses

The underwriters have advised us that they will offer the common stock directly to the public at the public offering price presented on the cover page of this prospectus supplement, and to selected dealers, who may include the underwriters, at the public offering price less a selling concession not in excess of $.60 per share. The underwriters may allow, and the selected dealers may reallow, a concession not in excess of $.10 per share to brokers and dealers. After the offering, the underwriters may change the offering price and other selling terms.

The following table summarizes the underwriting discounts and commissions the selling stockholders will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters over-allotment option to purchase up to 1,080,000 shares. The underwriting fee is the difference

between the initial price to the public and the amount the underwriters pay the selling stockholders for the shares.

	No Exercise	Full Exercise
Per share	$ 1.00	$ 1.00
Total	$ 10,800,000	$ 11,880,000

We estimate that the total expenses of the offering payable by us, including registration, filing and listing fees, printing fees, legal and accounting fees and other fees and expenses, excluding underwriting discounts and commissions, will be approximately $1.0 million. We have agreed to pay the expenses incurred by the selling stockholders in connection with the offering, other than the underwriting discounts and commissions applicable to the shares they are selling.

Listing

Our common stock is listed on the New York Stock Exchange under the symbol UDI.

Stabilization, Short Positions and Penalty Bids

The underwriters may engage in over-allotment, stabilizing transactions, syndicate short covering transactions, and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the common stock, in accordance with Regulation M under the Securities Exchange Act of 1934:

Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any short position by either exercising their over-allotment option, in whole or in part, or purchasing shares in the open market.

Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

Syndicate short covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters create a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

Neither we nor the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither

we nor the underwriters make any representation that the underwriters will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

Lock-up Agreements

We, our directors, officers and the selling stockholders have agreed that, without the prior written consent of Lehman Brothers Inc. and J.P. Morgan Securities Inc., we will not, directly or indirectly, offer, sell or dispose of any shares of our common stock or any securities that may be converted into or exchanged for any common stock for a period of 90 days from the date of this prospectus supplement; provided, however, that certain of our officers and directors will be permitted to: (i) sell shares pursuant to their respective 10b5-1 plans; and (ii) sell no more than 10% of such officer s or director s holdings (limited to an aggregate of 200,000 shares as a group).

Indemnification

We and the selling stockholders, subject to certain exceptions, have agreed to indemnify the underwriters against liabilities relating to the offering, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make for these liabilities.

Stamp Taxes

Purchasers of the shares of our common stock offered by this prospectus supplement may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover of this prospectus supplement.