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**If you are in any doubt about the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, solicitor, accountant, bank manager or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom, or from another appropriate independent financial adviser if you are resident in any territory outside the United Kingdom.**

If you have sold or transferred your Ordinary Shares in Filtronic plc, please send this Circular, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale was effected for onward transmission to the purchaser or transferee. If you have sold or transferred, or sell or transfer as above, part only of your holding of Ordinary Shares in Filtronic plc, please consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

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# **Filtronic plc**

*(Registered in England and Wales with registered number 02891064)*

## **Proposed Capital Reduction and Notice of General Meeting**

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Your attention is drawn to the letter from the Chairman of Filtronic plc which is set out on pages 3 to 5 of this document which contains your Board's recommendation to vote in favour of the resolutions to be proposed at the General Meeting referred to below.

Notice of the General Meeting of the Company to be held at 11 a.m. on 28 March 2008 at the offices of Pinsent Masons LLP, CityPoint, One Ropemaker Street, London EC2Y 9AH is set out at the end of this document.

To be valid, the Form of Proxy for use at the General Meeting, which is enclosed with this document, must be completed and returned so as to be received by Capita Registrars not later than 11 a.m. on 26 March 2008. In CREST, you may appoint a proxy or proxies by completing and transmitting a CREST Proxy Instruction to Capita Registrars so that it is received by no later than 11 a.m. on 26 March 2008. You can return your Form of Proxy by post to Capita Registrars, Proxy Department, The Registrars, 34 Beckenham Road, Beckenham, Kent BR3 4TU. The completion and return of the Form of Proxy or the transmission of a CREST Proxy Instruction will not prevent you from attending and voting at the meeting in person, if you so wish (and are so entitled).

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### EXPECTED TIMETABLE OF EVENTS

Latest time and date for receipt of Forms of Proxy	11.00 a.m. on 26 March 2008
General Meeting	11.00 a.m. on 28 March 2008
Expected date for confirmation of the Capital Reduction by the Court	18 April 2008
Expected effective date for the Capital Reduction	21 April 2008
Expected date for payment of special dividend	By no later than 31 May 2008

#### Notes

These dates (except those of the receipt of Forms of Proxy and of the General Meeting) are estimates only, being subject to agreement of hearing dates with the Court. The timetable assumes that the General Meeting is not adjourned as a result of there being no quorum, or for any other reason. If there is an adjournment, all subsequent dates are likely to be later than those shown.

References to time in this document are to London time.

## LETTER FROM THE CHAIRMAN

# Filtronic plc

(Registered in England and Wales No. 02891064)

*Directors:*

John Poulter (*Chairman*)  
Charles Hindson (*Chief Executive*)  
Hemant Mardia (*Executive Director*)  
Stephen Burbank (*Non-executive Director*)  
Ian Hardington (*Non-executive Director*)  
Graham Meek (*Non-executive Director*)  
Reginald Gott (*Non-executive Director*)

*Registered Office:*

Airedale House  
Royal London Industrial Estate  
Acorn Park  
Charlestown  
Shipley  
West Yorkshire  
BD17 7SW

5 March 2008

*To all Shareholders of Filtronic plc (the "Company") and, for information only, to participants in the Share Option Schemes.*

Dear Shareholder

### **PROPOSED CANCELLATION OF SHARE PREMIUM ACCOUNT AND CAPITAL REDEMPTION RESERVE**

#### **1. INTRODUCTION**

The Board most recently announced on 21 January 2008 that the Company intends, subject to the approval of Shareholders and the Court, to cancel its share premium account, in order to increase the level of the Company's distributable reserves and to allow the payment of dividends. I am writing to you to provide further details of this proposal (and of a proposal to cancel the Company's capital redemption reserve) and to seek the approval of Shareholders at a General Meeting at the offices of Pinsent Masons LLP, CityPoint, One Ropemaker Street, London EC2Y 9AH to be held on 28 March 2008. Notice of the General Meeting is set out at the end of this document.

#### **2. BACKGROUND TO AND REASONS FOR THE CANCELLATION OF SHARE PREMIUM ACCOUNT AND CAPITAL REDEMPTION RESERVE**

As stated in the Company's Interim Results, the Group had approximately £117 million in cash at 30 November 2007 and the Board reiterated its commitment to pursuing a return of cash to Shareholders.

The reduction in the carrying value of the Company's investment in Filtronic Compound Semiconductors Limited announced in January 2007 resulted in a significant reduction of the Company's distributable reserves. Thus the Company has been unable so far to effect the intended return of cash. On 29 January 2007, the Board stated its intention to increase the distributable reserves of the Company through a reduction in the Company's share capital provided always the Company's creditors (including the Company's Defined Benefit Pension Scheme ("the Pension Scheme")) would not be adversely affected. Since January 2007, the Company has been in consultation with the Trustees of the Pension Scheme (the "Scheme Trustees") in relation to securing the past service liabilities of the Pension Scheme in advance of the proposal to reduce the Company's capital.

In January 2008, the Company notified the Scheme Trustees that it would cease contributions to the Scheme from 29 February 2008 and that it would fully fund past service liabilities with annuities to that cessation date. As a result, the Scheme Trustees notified the Company that they would terminate the Pension Scheme upon receipt of additional funding from the Company. The terms agreed by the Scheme Trustees with an assurer for the purchase of annuities for the Pension Scheme's past service liabilities (such agreement being announced on 28 February 2008) require the Company to contribute approximately £25 million in cash to the Pension Scheme.

On 16 October 2007 the product liability obligations to Powerwave Technologies, Inc (arising from the sale of the Wireless Infrastructure business) expired and on 12 December 2007 Powerwave Technologies, Inc provided its irrevocable consent to the Company's proposed cancellation of its share premium account.

The Company completed the disposal of its shareholding in Filtronic Compound Semiconductors Limited to RF Micro Devices (Holland) BV on 29 February 2008 for a gross consideration of £12.5 million. On that date RF Micro Devices (Holland) BV provided its irrevocable consent to the Company's proposed cancellation of its share premium account.

As at 30 November 2007, the balance on the Company's profit and loss account stood at a surplus of £0.09 million while the balance of the Share Premium Account stood at approximately £139 million and of the Capital Redemption Reserve at £0.058 million. The balance on the Share Premium Account is attributable to the difference, or 'premium', between the nominal value of the Ordinary Shares issued by the Company and the price at which the Ordinary Shares were issued. The Capital Redemption Reserve arose upon the purchase and cancellation by the Company of 576,965 of its own shares following the authority given at the General Meeting held on 29 September 2006.

### ***REASONS FOR REDUCTION***

The Board has therefore concluded that it would now be prudent to undertake a cancellation of the Share Premium Account to enable the Company to pay dividends, so that a return of cash to Shareholders (by way of dividend) may be effected. Subject to the cancellation taking effect and subject to the creditor protections (if any) which the Court imposes, the cancellation will give rise to realised profits which will be credited to the profit and loss account of the Company. The Board also wishes to take this opportunity to simplify the reserves on the balance sheet through cancelling the Capital Redemption Reserve, thereby modestly further enhancing the profit and loss account of the Company (subject again to any creditor protections which the Court imposes).

### **3. CAPITAL REDUCTION**

Under the Act, a company may reduce or cancel its share premium account or its capital redemption reserve if so authorised by its articles of association provided that it obtains the approval of its shareholders by special resolution in general meeting and that the Court confirms the cancellation.

The Company is therefore seeking the approval of Shareholders to cancel its Share Premium Account and Capital Redemption Reserve ("the Capital Reduction"). Following the Capital Reduction (and subject to any creditor protections which the Court imposes), the profit and loss account will be credited by the amount standing to the Share Premium Account and the Capital Redemption Reserve respectively. It should be noted that neither the cancellation of the Share Premium Account nor the cancellation of the Capital Redemption Reserve will, in itself, involve any distribution or repayment of capital by the Company to any Shareholder or involve any reduction in the Company's underlying assets. In order to obtain the approval of the Court for the Capital Reduction it is likely that the Company will be required to provide security acceptable to the Court in respect of those creditors of the Company who do not consent to the Capital Reduction. The Company will put into place such form of creditor protection as it may be advised is appropriate to obtain the confirmation of the Court to the Capital Reduction.

It is expected that the Court Order confirming the cancellation of the Capital Reduction will be made on 18 April 2008, with the cancellation of the Share Premium Account and Capital Redemption Reserve becoming effective on 21 April 2008 (upon registration of the Court Order with the Registrar of Companies). The Board reserves the right to abandon or discontinue (in whole or in part) any application to the Court if the Board believes that the terms required to obtain confirmation are unsatisfactory to the Company.

### **4. SUBSEQUENT BOARD INTENTIONS**

If the Capital Reduction becomes effective (and subject to the continued availability of the applicable distributable reserves), the Board intends to effect a return of cash to shareholders as soon as practicable by way of special dividend, so as to return the significant majority of the Company's cash. It is currently expected that the amount of the special dividend will be announced by the middle of May 2008. Shareholders should note that, despite the proposed Capital Reduction, the reserves would be insufficient for the Company to offer shareholders the option to receive this return of cash by way of capital receipt.

It is currently expected that the special dividend (which would take the form of an interim dividend declared by the Board) will be paid to Shareholders before 31 May 2008. It is intended that the record date and

payment date for this special dividend, and the amount of the special dividend, will be announced through a Regulatory Information Service by the middle of May 2008.

#### **5. GENERAL MEETING**

Set out at the end of this document is a notice convening a General Meeting of the Company to be held at 11 a.m. on 28 March 2008. At the General Meeting, special resolutions will be proposed to approve the cancellation of the Share Premium Account and the Capital Redemption Reserve.

The proposed special resolutions will be passed if at least 75 per cent. of the votes cast are in favour.

#### **6. ACTION TO BE TAKEN**

Enclosed with this Circular is a form of proxy for use in relation to the General Meeting. Whether or not you intend to be present at the General Meeting, you are requested to complete and return the Form of Proxy, in accordance with the instructions printed thereon, to the Company's registrars, Capita Registrars, as soon as possible and in any event to arrive not later than 11 a.m. on 26 March 2008. You can return your Form of Proxy by post to the registrars at Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. The completion and return of the Form of Proxy will not prevent you from attending and voting at the General Meeting in person, if you so wish.

#### **7. RECOMMENDATION**

**The Directors consider the proposals described in this document to be in the best interests of the Company and of Shareholders as a whole. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the resolutions to be proposed at the General Meeting as they intend to do in respect of the 38,787 Ordinary Shares in which they are beneficially interested (representing approximately 0.05 per cent. of the issued voting share capital of the Company).**

Yours faithfully

John Poulter  
*Chairman*

## DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

<b>“Board” or “Directors”</b>	the board of directors of the Company
<b>“Capital Redemption Reserve”</b>	the capital redemption reserve of the Company
<b>“Capita Registrars”</b>	a trading division of Capita IRG Plc
<b>“Capital Reduction”</b>	the proposed cancellation by the Company of its Share Premium Account and its Capital Redemption Reserve, as described in this document
<b>“Circular”</b>	this circular to shareholders of the Company
<b>“Companies Act” or “Act”</b>	the Companies Act 1985, as amended and, to the extent applicable, the Companies Act 2006
<b>“Company” or “Filtronic”</b>	Filtronic plc
<b>“Court”</b>	the High Court of England and Wales
<b>“CREST Manual”</b>	the rules governing the operation of CREST consisting of the CREST Reference Manual, the CREST International Manual, the CREST Central Counterpart Service Manual, the CREST Rules, the CCSS Operations Manual, the Daily Timetable, the CREST Application Procedures and the CREST Glossary of Terms (as updated in November 2001)
<b>“CREST Proxy Instruction”</b>	a properly authenticated CREST message appointing and instructing a proxy to attend and vote in the place of the Shareholder at the General Meeting and containing the information required to be contained therein by the CREST Manual
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended
<b>“CREST”</b>	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and the holding of shares in uncertificated form in respect of which Euroclear UK & Ireland is the operator (as defined in the CREST Regulations)
<b>“Effective Date”</b>	the date on which the order of the Court confirming the cancellation of the Share Premium Account (and the Capital Redemption Reserve) has been registered by the Registrar of Companies
<b>“Euroclear UK &amp; Ireland”</b>	Euroclear UK & Ireland Limited, the operator of CREST (formerly CRESTCo Limited)
<b>“Form of Proxy”</b>	the form of proxy for use at the General Meeting enclosed with this document
<b>“General Meeting”</b>	the General Meeting of the Company to be held on 28 March 2008 at 11 a.m., notice of which is set out on page 7 of this document
<b>“Group”</b>	the Company and its subsidiaries from time to time
<b>“Interim Results”</b>	the interim results of the Company for the six months ended 30 November 2007
<b>“Ordinary Share”</b>	a fully paid ordinary share in the capital of the Company
<b>“Share Option Schemes”</b>	the existing share option schemes of the Company as at the date of this document
<b>“Share Premium Account”</b>	the share premium account of the Company
<b>“Shareholders”</b>	holders of Ordinary Shares

# Filtronic plc

(Registered in England and Wales No. 02891064)

## NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of Filtronic plc (the “**Company**”) will be held at 11 a.m. on 28 March 2008 at the offices of Pinsent Masons LLP, CityPoint, One Ropemaker Street, London EC2Y 9AH for the purpose of considering and, if thought fit, passing the following resolutions, which will be proposed as special resolutions:

### SPECIAL RESOLUTIONS

1. **THAT** the share premium account of the Company be and is hereby cancelled.
2. **THAT** the capital redemption reserve of the Company be and is hereby cancelled

By order of the Board  
Maura Moynihan  
Company Secretary

5 March 2008

#### *Registered Office:*

Airedale House  
Royal London Industrial Estate  
Acorn Park  
Charlestown  
Shipley  
West Yorkshire  
BD17 7SW

#### Notes:

- (i) Only shareholders are entitled to attend and vote at the General Meeting. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend, speak and vote instead of him/her. A shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a member of the Company. A form of proxy is enclosed with this notice and instructions for completion are shown on the form. Forms of proxy need to be deposited with the Company’s registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the start of the General Meeting. Completion of a form of proxy does not preclude members attending and voting in person at the General Meeting, should they so wish.
- (ii) A shareholder which is a company (a corporation) and which wishes to be represented at the General Meeting by a corporate representative must appoint such a person by resolutions of its directors. A corporate representative has the same powers on behalf of the corporation he/she represents as that corporation could exercise if it were an individual member of the Company.
- (iii) The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 6 p.m. on 26 March 2008 shall be entitled to attend or vote at the General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 6 p.m. on 26 March 2008 shall be disregarded.
- (iv) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and for any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.
- (v) In order for a proxy appointment or instruction made using the CREST service to be valid, a CREST Proxy Instruction must be properly authenticated in accordance with Euroclear UK & Ireland’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer’s agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this notice. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- (vi) CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers, are referred in particular to those sections of the CREST Manual concerning the practical limitations of the CREST system and timings.
- (vii) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35 of the Uncertificated Securities Regulations 2001.

