

FILTRONIC PLC**INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 NOVEMBER 2006**

Filtronic plc ("Filtronic"), a leading designer and manufacturer of customised microwave electronic subsystems and components for the wireless telecommunications and defence industries, announces its Interim Results for the six months ended 30 November 2006.

Financial Highlights

- Revenue for continuing operations up 24% to £35.8m (2005: £28.9m)
- Operating loss for continuing operations before non-recurring items reduced to £4.2m (2005: £6.6m)
- Operating loss for continuing operations reduced to £5.9m (2005: £8.6m)
- Profit for discontinued operations of £82.6m mainly arising from sale of the Wireless Infrastructure business
- Profit for the period of £75.8m (2005: loss of £4.2m)
- Cash of £64.0m (2005: net debt of £12.0m)
- Holding 17.7m Powerwave Technologies Inc shares, valued at £57.6m at 30 November 2006
- Return of cash of £10m proposed for end of March 2007

Operational Highlights

- Compound Semiconductors has had a year of growth, reducing losses before non-recurring items, although it now expects demand to be lower than previously anticipated. As a consequence, the previously announced capital expenditure programme has been reduced to align with this demand and will not exceed £10m.
- Point to Point has achieved a step change in sales and has moved into profitability with 10% operating margin in the current period, so is well positioned to exploit a growing market.
- UK Defence has achieved solid underlying growth for its ongoing products and should be capable of double digit operating margins going forward.
- US Defence remains loss-making and the Board will complete its plans for an exit by the end of the financial year.
- Central R&D discontinued, and central costs reduced by £1m a year, with surplus property earmarked for disposal.
- First return of cash of £10m announced today uses the mechanism of the B Share scheme. This should allow shareholders to receive cash as either an income or a capital receipt. This return reflects the current level of the company's distributable reserves.
- The Board expects to announce a further return of cash no earlier than October 2007, reflecting the expiry of the principal warranty obligations given to Powerwave, once agreement has been reached on funding for the group's pension scheme and completion of the necessary approvals from shareholders and the court.
- 7.4m shares in Powerwave Technologies Inc, received as part of the consideration for the sale of the Wireless Infrastructure business in October 2006, have been sold since 30 November 2006, realising £24.2m.

Filtronic Chairman, John Poulter, said:

"Following the completion of the Wireless Infrastructure disposal, progress has been made in reducing the losses in the continuing group and in taking actions to achieve the goal of a profitable and cash-positive performance. However, much remains to be done, and the second half outlook is still for the group to be loss-making.

The delay in making a more substantial return of cash to shareholders is an unfortunate consequence of the company's current level of distributable reserves. However, the Board reaffirms the intentions expressed in the EGM circular."

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Chairman's Statement

The first half of 2006/7 has been eventful for Filtronic.

Revenue from continuing operations was £35.8 million for the six months ended 30 November 2006 (£28.9 million for the six months ended 30 November 2005), a growth of 24%. Net profit was £75.8 million (loss of £4.2 million for prior period), reflecting the sale of the Wireless Infrastructure business. For the continuing activities, the operating loss before non-recurring items reduced by 36% to a loss of £4.2 million for the period compared to the prior period.

I shall comment briefly on the current position and on the prospects for the continuing businesses, with the results for the half year being reviewed in more detail in the Group Chief Executive's report that follows.

The sale of the company's main Wireless Infrastructure business was completed in October, after some beneficial renegotiation in August and its approval at the EGM at the end of September. At the time of writing, we have disposed of 7.4 million Powerwave Inc shares out of 17.7 million received in part consideration, for proceeds of £24.2 million, having adopted a measured disposal strategy in the light of Powerwave's trading announcements in the autumn and market liquidity.

Since the AGM the Board has, as indicated on that occasion, been addressing the strategic positioning of the continuing businesses in the group with the objective of improving operating performance and profitability.

Compound Semiconductors expects demand to be lower than previously anticipated from its concentrated customer base. Production capacity is being aligned with our current view of these likely longer term requirements and the capital investment programme has been curtailed within the limitations of contractual commitments and logical steps in installing equipment, resulting in a provision of £7.0 million. As indicated in our trading update at the half year end, the commitment will not now exceed £10 million, including contract cancellation charges.

Our objective is to restructure this business to at least a consistent breakeven and cash-neutral position, which will not be achieved in the second half of this financial year.

Taking account of these trading prospects, the Board has decided to reduce the carrying value of the company's investment in Filtronic Compound Semiconductors Limited ("FCSL") to reflect the provision for its past losses. This has resulted in a non-cash charge in the company's accounts of £80.4 million, reducing the carrying value to the net asset value of £38.0 million.

The small US defence business seems unlikely to secure adequate new contracts in the foreseeable future to augment its sub-critical level of activity. As a result, the goodwill related to this business is now impaired and has been written off (£2.7 million charge). The Board will complete its plans for an exit by the end of the financial year.

The UK defence business has continued to make progress in restoring its order book and should be capable of double digit operating margins going forward.

Our Point-to-Point business will, after an excellent first half, experience a period of consolidation in the second half, and remains well positioned to exploit, profitably, a growing market.

The central R&D activity, which supported primarily the Wireless Infrastructure business before its sale, has been discontinued. Together with other cost adjustments, the central corporate overhead has been reduced by an annualised £1 million, as indicated in the trading update. Surplus freehold properties, including the main building in Shipley, have been earmarked for disposal.

In the shareholder circular covering the disposal of the Wireless Infrastructure business, the Board set out its expectations for return of cash to shareholders. The company intends to make a first return of cash to shareholders of £10 million by end of March, using the mechanism of the B Share scheme approved at the EGM. This is the level of return of cash that the Board considers prudent within the limit of the company's distributable reserves, after the reduction for the carrying value of the company's investment in FCSL. The B Share scheme should permit a shareholder to receive the return of cash as either income or capital.

Any further return of cash requires the company to undertake a reorganisation of its shareholders funds to have sufficient distributable reserves for a further implementation of the B Share scheme. As part of seeking the necessary approvals from shareholders and the court, the company would also wish to reach agreement with the Trustees of the company's defined benefit pension scheme on further funding for the scheme. Therefore, such return of cash is anticipated to be announced no earlier than October 2007, which also permits the expiry of the principal warranty obligations given to Powerwave.

The delay in making a more substantial return of cash to shareholders is an unfortunate consequence of the company's current level of distributable reserves. However, the Board reaffirms the intentions expressed in the EGM circular.

In the light of the proposed distribution, the Board is not declaring an interim dividend.

Changes to the board of the company have been the appointment of Charles Hindson to the position of Group Chief Executive after the retirement of David Rhodes at the AGM. Rhys Williams also retired at that time. Subsequently Chris Mobbs resigned with the discontinuance of the central R&D activity. Richard Blake will be retiring from the Board in March. Reg Gott and I were appointed to the board in July and our appointments were confirmed at the AGM.

For the six months ending 31 May 2007, revenue for the group is now foreseen to be flat compared to the first half of the financial year, with neither Compound Semiconductors nor Point to Point expecting to show revenue growth.

The overall outlook for the second half is that losses in Compound Semiconductors and the US Defence businesses, together with central costs, will exceed the operating profits from the UK Defence and Point to Point businesses. The Board remains clear that this is not an acceptable situation and will be pursuing further measures in the coming months.

John Poulter
Chairman
29 January 2007

Group Chief Executive's Review

Interim financial results

Revenue arising from continuing operations for the six months ended 30 November 2006 was £35.8m (2005: £28.9m), a growth of 24% compared with the prior period, and the operating loss including non-recurring costs was £5.9m compared with an operating loss of £8.6m for the prior period in 2005. The sale of the Wireless Infrastructure business in October 2006 has generated a profit for the period for discontinued operations of £82.6m, resulting in the retained profit for the period being £75.8m (2005: loss of £4.2m).

Continuing operations

The segmental analysis of the operating results for continuing operations is as follows:

Six months ended 30 November	Revenue		Operating (loss)/profit	
	2006 £m	2005 £m	2006 £m	2005 £m
Compound Semiconductors	15.1	8.5	(8.5)	(5.1)
Defence Electronics	11.6	15.3	(3.8)	(0.7)
Point to Point	10.5	5.7	1.0	(0.1)
Central Services	-	-	(3.0)	(2.1)
Inter segment	(1.4)	(0.6)	-	-
Unallocated pension credit/(charge)	-	-	8.4	(0.6)
	-----	-----	-----	-----
	35.8	28.9	(5.9)	(8.6)
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The operating result for the period has been affected by non-recurring items arising in the continuing businesses. These include the provision for fixed assets that will not be used and project cancellation costs arising from the curtailment of the capital expenditure programme in Compound Semiconductors of £7.0m, the impairment of goodwill for the US Defence business of £2.7m and reorganisation costs in Central Services incurred in the period of £0.2m.

In addition, the change of the pension scheme to a Career Average Revalued Earnings (CARE) basis has resulted in a credit in the consolidated income statement of £8.6m in the period reflecting a reduction in past service cost liabilities with the overall defined benefit pension liability reduced by £7.3m.

Excluding these non-recurring items the underlying operating loss reduced by 36%, compared with the prior period, to £4.2m.

Compound Semiconductors

Compound Semiconductors has achieved growth in revenue to £15.1m in the period compared with £8.5m in the prior period. This also represents a growth of 23% compared with the preceding six months ended 31 May 2006. This growth has mainly taken place in switches for cellular handsets supplied to US customers where the products are priced in US dollars, with some broadening of the customer base.

Underlying operating losses before non-recurring items have been reduced from £4.7m in the prior period to £1.4m in the current period. The break even run rate position achieved in the preceding period ended 31 May 2006 has not been sustained in the current period reflecting mainly the impact of product price reduction and exchange rate effects.

Production capacity is being aligned with the lower demand now expected. As a result, the expansion plan has been curtailed, reducing investment by £5m.

Defence Electronics

Overall, revenue in Defence has declined from £15.3m in the prior period to £11.6m for the current period, reflecting the effective completion of deliveries under three large contracts. This has also resulted in a reduction in overall performance, with an underlying operating loss of £1.1m (before the goodwill impairment charge for the US business of £2.7m) compared with an operating profit of £0.8m in the prior period (before impairment of inventory).

The UK Defence business has continued to improve order book cover and, excluding its large contracts substantially completed last financial year, revenue has grown by 19% compared with the prior period.

The US Defence business is not achieving a sustained recovery of its order book, and incurred an operating loss for the period of £1.2m on a sub-critical level of activity. As a result, goodwill of £2.7m has been written off, and the Board will complete its plans for an exit by the end of the financial year.

Point to Point

The Point to Point business's focus is transceiver modules and filters for backhaul microwave radios linking mobile base stations. Revenue increased very substantially from £5.7m in the prior period to £10.5m in the current period, along with moving from an operating loss of £0.1m in the prior period to an operating profit of £1.0m in the current period.

This step up in the level of activity is also reflected in performance compared with the preceding period, with sequential revenue growth of 78% and improvement of the operating profit margin from a loss of 5% to a profit of 10% in the current period. This strengthened operating performance reflects the benefit of product and customer diversification over the last two years.

Discontinued operations – Wireless Infrastructure

The sale of the Wireless Infrastructure business to Powerwave was completed on 16 October 2006 for a consideration of £96.9m (\$185m) cash and 17.7m Powerwave shares. This has resulted in a gain on sale of £86.0m, although there is a contingent liability arising under a notified product liability claim under investigation with the customer, for which no provision has yet been made.

On receipt of the cash portion of the proceeds of the sale of the Wireless Infrastructure business, the group's bank debt was fully repaid.

After 30 November 2006, 7.4m Powerwave shares have been sold to date, realising net proceeds of £24.2m. Our holding of Powerwave shares as at 26 January 2007 is 10.3m.

Group matters

In the latter part of the period following the disposal of the Wireless Infrastructure business, Central activities have been refocused with the discontinuance of the Central R&D function. Other activities have also been reduced to those that support the requirements of the ongoing quoted group. These changes, at a cost of £0.2m, provide an annualised cost saving of £1m going forward.

In addition, the freehold properties surplus to operational requirements in the UK have been earmarked for disposal. Therefore, our main freehold operational sites are in the UK at Newton Aycliffe, County Durham and Charlestown, Shipley.

The company is pleased to welcome Stephen Mole, who joined us as Director of Finance at the beginning of December.

Pension scheme

The group's UK pension scheme has been changed to a career average salary basis in August 2006 at which time an additional contribution of £4.6m was made by the company. As at 30 November 2006, the company has been notified of an actuarial deficit on a going concern basis of £5.5m of which it is committed to fund £3.5m over the current and next financial years as part of the arrangements for the move to the new benefit structure for the scheme. As at 30 November 2006 the defined benefit pension liability, on the IAS19 basis, is £13.3m compared with £20.6m at 31 May 2006. The main changes since 31 May 2006 are an £8.6m reduction in past service liabilities on the move to CARE basis and an additional contribution by the company of £4.6m offset by an actuarial loss of £6.6m.

Finance

Net finance costs were £0.9m (2005: £2.2m) including the benefit of interest received on the cash element of the proceeds on the sale of the Wireless Infrastructure business. Working capital facilities are now financed with the group's retained cash balances and the group does not have any net borrowing facilities.

Capital expenditure

Capital expenditure in the six months to 30 November 2006 was £9.4m (2005: £6.8m) including investment of £6.5m in Compound Semiconductors.

Cash flow and closing net debt

The Group's borrowings were repaid from the proceeds of the sale of the Wireless Infrastructure business. Net cash from operating activities was an outflow of £13.3m (2005: £5.1m) including the additional contribution to the pension scheme of £4.6m and underlying working capital increase, before non-recurring item accruals, of £6.7m (2005: £6.4m). Sale of the Wireless Infrastructure business generated £94.6m and £10.5m was received under the earn out from the sale of the Handset Products division. Capital expenditure net of disposals of £9.3m and financing payments of £21.5m including repayment of the bank revolving credit, resulted in closing cash of £64.0m (2005: net debt of £12.0m).

Charles Hindson
Group Chief Executive
29 January 2007

Independent Review Report to Filtronic plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 November 2006 which comprises the group income statement, the group statement of recognised income and expense, the group balance sheet, the group cash flow statement and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information. This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review of interim financial information issued by the Auditing Practices Board for use in the UK. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 November 2006.

KPMG Audit Plc
Chartered Accountants
Leeds
29 January 2007

Consolidated Income Statement

		6 months ended 30 November 2006 £000	6 months ended 30 November 2005 £000	Year ended 31 May 2006 £000
Continuing operations	note			
Revenue	1, 2	35,779	28,950	62,992
Operating loss before non-recurring items		(4,182)	(6,558)	(10,877)
Non-recurring items	3	(1,711)	(1,993)	732
Operating loss	1, 2	(5,893)	(8,551)	(10,145)
(Loss)/gain on sale of property		-	(376)	523
Finance income	9	1,610	835	1,706
Finance costs	10	(2,467)	(3,019)	(4,934)
Loss before taxation		(6,750)	(11,111)	(12,850)
Taxation		-	-	-
Loss for the period from continuing operations		(6,750)	(11,111)	(12,850)
Profit for the period from discontinued operations	11	82,577	6,875	18,861
Profit/(loss) for the period		75,827	(4,236)	6,011
Basic earnings/(loss) per share				
- continuing operations	19	(9.03)p	(14.85)p	(17.17)p
- discontinued operations	19	110.46p	9.19p	25.20p
Basic earnings/(loss) per share	19	101.43p	(5.66)p	8.03p
Diluted earnings/(loss) per share				
- continuing operations	19	(9.03)p	(14.85)p	(17.17)p
- discontinued operations	19	110.40p	9.19p	25.19p
Basic earnings/(loss) per share	19	101.37p	(5.66)p	8.02p

The profit/(loss) for the period is attributable to the equity shareholders of the parent company Filtronic plc.

Consolidated Statement of Recognised Income and Expense

	6 months ended 30 November 2006 £000	6 months ended 30 November 2005 £000	Year ended 31 May 2006 £000
Profit/(loss) for the period	75,827	(4,236)	6,011
Actuarial (loss)/gain on defined benefit pension scheme	(5,521)	1,304	(2,849)
Loss on investments	(2,322)	-	-
Transfer to income from translation reserve related to business disposal	61	(53)	(42)
Currency translation movement arising on consolidation	115	3,202	(531)
	(7,667)	4,453	(3,422)
Total recognised income and expense for the period	68,160	217	2,589

The total recognised income and expense for the period is attributable to the equity shareholders of the parent company Filtronic plc.

Consolidated Balance Sheet

		30 November	30 November	31 May
		2006	2005	2006
	note	£000	£000	£000
Non-current assets				
Goodwill	6	-	2,944	2,723
Property, plant and equipment		50,031	69,716	69,248
Deferred tax		-	2,433	2,249
		<u>50,031</u>	<u>75,093</u>	<u>74,220</u>
Current assets				
Inventories		12,685	33,808	33,623
Trade and other receivables		20,675	63,016	67,615
Income tax receivable		-	-	550
Investments	20	57,587	-	-
Cash and cash equivalents		63,983	3,955	5,293
		<u>154,930</u>	<u>100,779</u>	<u>107,081</u>
Total assets		<u>204,961</u>	<u>175,872</u>	<u>181,301</u>
Current liabilities				
Bank revolving credit		-	16,000	18,000
Trade and other payables		26,184	39,283	41,412
Income tax payable		1,482	2,387	1,764
		<u>27,666</u>	<u>57,670</u>	<u>61,176</u>
Non-current liabilities				
Defined benefit pension		13,281	15,700	20,585
Deferred income		3,308	9,168	4,475
Deferred tax		-	665	688
		<u>16,589</u>	<u>25,533</u>	<u>25,748</u>
Total liabilities		<u>44,255</u>	<u>83,203</u>	<u>86,924</u>
Net assets		<u>160,706</u>	<u>92,669</u>	<u>94,377</u>
Equity				
Share capital		7,432	7,484	7,484
Share premium		138,174	139,172	139,172
Capital redemption reserve	21	1,137	-	-
Translation reserve		727	4,011	698
Other reserve	22	-	6,024	6,237
Retained earnings/(accumulated losses)		13,236	(64,022)	(59,214)
Total equity		<u>160,706</u>	<u>92,669</u>	<u>94,377</u>

The total equity is attributable to the equity shareholders of the parent company Filtronic plc.

Consolidated Cash Flow Statement

		6 months ended 30 November 2006 £000	6 months ended 30 November 2005 £000	Year ended 31 May 2006 £000
Cash flows from operating activities				
Profit/(loss) for the period		75,827	(4,236)	6,011
Gain on sale of discontinued operation		(86,001)	(2,894)	(14,146)
Taxation		631	1,569	1,390
Finance costs		2,706	3,019	4,934
Finance income		(1,610)	(835)	(1,706)
Loss/(gain) on sale of property		-	376	(523)
		-----	-----	-----
Operating loss	25	(8,447)	(3,001)	(4,040)
Defined benefit pension (credit)/charge		(7,032)	1,849	3,624
Defined benefit pension contributions paid		(5,944)	(1,260)	(2,561)
Share-based payment		567	230	240
Goodwill impairment		2,716	-	-
Depreciation		5,121	5,866	11,744
Loss on sale of plant and equipment		144	278	402
Licence fee released to income		(1,167)	(1,167)	(2,335)
Government grants released to income		-	(395)	(3,920)
Movement in inventories		(5,271)	(2,010)	(3,215)
Movement in trade and other receivables		(3,222)	(2,248)	1,490
Movement in trade and other payables		9,171	(2,175)	1,086
		-----	-----	-----
Cash flow from operations		(13,364)	(4,033)	2,515
Taxation received/(paid)		79	(1,041)	(1,998)
		-----	-----	-----
Net cash from operating activities	25	(13,285)	(5,074)	517
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Consolidated Cash Flow Statement

		6 months ended 30 November 2006 £000	6 months ended 30 November 2005 £000	Year ended 31 May 2006 £000
Net cash from operating activities	25	(13,285)	(5,074)	517
Cash flows from investing activities				
Proceeds from sale of property		-	1,383	3,508
Proceeds from sale of plant and equipment		78	282	348
Interest received		449	94	172
Acquisition of property, plant and equipment		(9,391)	(6,776)	(14,422)
Sale of discontinued operations		105,107	42,523	44,138
Net cash from investing activities	25	96,243	37,506	33,744
Cash flows from financing activities				
Bank revolving credit (repaid)/drawn		(18,000)	16,000	18,000
Bank loan repaid		-	(44,000)	(44,000)
Bank loan renewal fee paid		(508)	(343)	(543)
Interest paid		(573)	(1,244)	(1,841)
Shares issued		87	-	-
Shares bought back		(1,137)	-	-
Dividends paid		(1,348)	(1,347)	(2,021)
Net cash from financing activities	25	(21,479)	(30,934)	(30,405)
Increase in cash and cash equivalents				
Currency exchange (loss)/gain on sale of discontinued operations		(2,784)	1,007	1,007
Currency exchange movement		(5)	845	(175)
Opening cash and cash equivalents		5,293	605	605
Closing cash and cash equivalents		63,983	3,955	5,293

Notes to the Interim Financial Information

1 Business segment analysis continuing operations

	6 months ended 30 November 2006 £000	6 months ended 30 November 2005 £000	Year ended 31 May 2006 £000
Revenue			
Compound Semiconductors	15,073	8,466	20,756
Defence Electronics	11,609	15,337	32,079
Point to Point	10,536	5,744	11,631
Inter segment	(1,439)	(597)	(1,474)
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	35,779	28,950	62,992
	=====	=====	=====
Operating (loss)/profit			
Compound Semiconductors	(8,525)	(5,055)	(5,114)
Defence Electronics	(3,794)	(668)	564
Point to Point	1,002	(87)	(382)
Central Services	(2,952)	(2,152)	(4,150)
Unallocated pension credit/(charge)	8,376	(589)	(1,063)
	-----	-----	-----
Operating loss	(5,893)	(8,551)	(10,145)
(Loss)/gain on sale of property	-	(376)	523
Finance income	1,610	835	1,706
Finance costs	(2,467)	(3,019)	(4,934)
	-----	-----	-----
Loss before taxation	(6,750)	(11,111)	(12,850)
Taxation	-	-	-
	-----	-----	-----
Loss for the period from continuing operations	(6,750)	(11,111)	(12,850)
	=====	=====	=====

The operating loss is stated after crediting the release of deferred income as follows:

Compound Semiconductors			
- licence fee	1,167	1,167	2,335
- government grants	-	363	3,440
Defence Electronics			
- government grants	-	1	64
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	1,167	1,531	5,839
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Notes to the Interim Financial Information

2 Geographical origin segment analysis continuing operations

	6 months ended 30 November 2006 £000	6 months ended 30 November 2005 £000	Year ended 31 May 2006 £000
Revenue			
United Kingdom	31,789	22,085	49,453
United States of America	4,121	7,122	14,026
Inter segment	(131)	(257)	(487)
	-----	-----	-----
	35,779	28,950	62,992
	-----	-----	-----
Operating loss			
United Kingdom	(2,038)	(6,787)	(8,803)
United States of America	(3,855)	(1,764)	(1,342)
	-----	-----	-----
Operating loss	(5,893)	(8,551)	(10,145)
(Loss)/gain on sale of property	-	(376)	523
Finance income	1,610	835	1,706
Finance costs	(2,467)	(3,019)	(4,934)
	-----	-----	-----
Loss before taxation	(6,750)	(11,111)	(12,850)
Taxation	-	-	-
	-----	-----	-----
Loss for the period from continuing operations	(6,750)	(11,111)	(12,850)
	=====	=====	=====

Notes to the Interim Financial Information

3 Non-recurring items

Operating loss is stated after charging/(crediting) non-recurring items as follows:

		6 months ended 30 November 2006 £000	6 months ended 30 November 2005 £000	Year ended 31 May 2006 £000
Reorganisation costs	4	7,217	1,918	1,922
Government grants released	5	-	-	(2,717)
Goodwill impairment	6	2,716	-	-
Share-based payments	7	333	75	63
Pension past service credit	8	(8,555)	-	-
		----- 1,711 =====	----- 1,993 =====	----- (732) =====

4 Reorganisation costs

		6 months ended 30 November 2006 £000	6 months ended 30 November 2005 £000	Year ended 31 May 2006 £000
- Closure of the Compound Semiconductor facility in California, USA		-	406	406
- Inventory write down in the US Defence Electronics business		-	1,512	1,516
- Capital charges at the UK Compound Semiconductor facility		7,000	-	-
- Central Services redundancy costs		217	-	-
		----- 7,217 =====	----- 1,918 =====	----- 1,922 =====

The capital charges relate to capital equipment that will not be used and project cancellation costs resulting from the curtailment of the expansion plan at the UK Compound Semiconductor facility.

The write down of the inventory in the US Defence Electronics business arose as a result of its strategic repositioning and after its move to a new facility.

5 Government grants released

		6 months ended 30 November 2006 £000	6 months ended 30 November 2005 £000	Year ended 31 May 2006 £000
Government grants released		-	-	2,717
		=====	=====	=====

Deferred Government grants of £2,717,000, related to the Compound Semiconductor facility at Newton Aycliffe, County Durham, were released to income following the renegotiation of their arrangements.

Notes to the Interim Financial Information

6 Goodwill impairment

	6 months ended 30 November 2006 £000	6 months ended 30 November 2005 £000	Year ended 31 May 2006 £000
Goodwill impairment	2,716	-	-

Following an impairment review the goodwill related to Sage Laboratories, Inc. was impaired. Sage Laboratories, Inc. is located in the United States of America and forms part of the Defence Electronics division.

7 Share-based payments

	6 months ended 30 November 2006 £000	6 months ended 30 November 2005 £000	Year ended 31 May 2006 £000
Share option expense:			
Compound Semiconductors	155	24	48
Central Services	178	51	15
	333	75	63

All outstanding share options vested on the completion of the sale of the Wireless Infrastructure business on 16 October 2006. Consequently all the remaining share-based payment cost was expensed in the period.

8 Pension past service credit

	6 months ended 30 November 2006 £000	6 months ended 30 November 2005 £000	Year ended 31 May 2006 £000
Pension past service credit	8,555	-	-

In August 2006 the defined benefits pension scheme was changed from a final salary basis to a career average revalued earnings basis. This resulted in a past service credit of £8,555,000 in the period, due to a reduction in the past service pension liabilities.

Notes to the Interim Financial Information

9 Finance income

	6 months ended 30 November 2006 £000	6 months ended 30 November 2005 £000	Year ended 31 May 2006 £000
Interest income	449	94	172
Expected return on pension scheme assets	1,161	741	1,534
	----- 1,610 =====	----- 835 =====	----- 1,706 =====

10 Finance costs

	6 months ended 30 November 2006 £000	6 months ended 30 November 2005 £000	Year ended 31 May 2006 £000
Interest expense	573	1,244	1,841
Bank loan renewal fee	508	343	543
Interest on pension scheme liabilities	1,312	1,007	2,058
Currency exchange losses	74	425	492
	----- 2,467 =====	----- 3,019 =====	----- 4,934 =====

Notes to the Interim Financial Information

11 Profit for the period from discontinued operations

		6 months ended 30 November 2006 £000	6 months ended 30 November 2005 £000	Year ended 31 May 2006 £000
Discontinued operations	note			
Revenue	12, 13	58,039	97,271	174,714
Operating (loss)/profit	12, 13, 14, 15	(2,554)	5,550	6,105
Finance costs	16	(239)	-	-
(Loss)/profit before taxation		(2,793)	5,550	6,105
Taxation		(631)	(1,569)	(1,390)
(Loss)/profit after taxation		(3,424)	3,981	4,715
Gain of sale of discontinued operations	17	86,001	2,894	14,146
Profit for the period from discontinued operations		82,577	6,875	18,861

Notes to the Interim Financial Information

12 Business segment analysis discontinued operations

	6 months ended 30 November 2006 £000	6 months ended 30 November 2005 £000	Year ended 31 May 2006 £000
Revenue			
Wireless Infrastructure	58,039	83,626	161,069
Handset Products	-	13,645	13,645
	-----	-----	-----
	58,039	97,271	174,714
	=====	=====	=====
Operating (loss)/profit			
Wireless Infrastructure	(2,554)	5,635	5,907
Handset Products	-	(85)	198
	-----	-----	-----
Operating (loss)/profit	(2,554)	5,550	6,105
Finance costs	(239)	-	-
	-----	-----	-----
(Loss)/profit before taxation	(2,793)	5,550	6,105
Taxation	(631)	(1,569)	(1,390)
	-----	-----	-----
(Loss)/profit after taxation	(3,424)	3,981	4,715
	=====	=====	=====

The operating loss is stated after crediting the release of deferred income as follows:

Wireless Infrastructure			
- government grants	-	31	416
	=====	=====	=====

Notes to the Interim Financial Information

13 Geographical origin segment analysis discontinued operations

	6 months ended 30 November 2006 £000	6 months ended 30 November 2005 £000	Year ended 31 May 2006 £000
Revenue			
United Kingdom	24,170	35,007	68,327
Finland	8,654	26,538	42,056
Hungary	7,427	18	3,402
United States of America	14,816	19,112	39,000
China	22,720	43,572	72,220
Australia	-	1,026	1,481
Inter segment	(19,748)	(28,002)	(51,772)
	-----	-----	-----
	58,039	97,271	174,714
	=====	=====	=====
Operating (loss)/profit			
United Kingdom	(4,331)	(2,652)	(6,856)
Finland	(1,201)	(433)	(1,751)
Hungary	2,206	(558)	(412)
United States of America	738	(647)	1,685
China	34	10,818	14,693
Australia	-	(978)	(1,254)
	-----	-----	-----
Operating (loss)/profit	(2,554)	5,550	6,105
Finance costs	(239)	-	-
	-----	-----	-----
(Loss)/profit before taxation	(2,793)	5,550	6,105
Taxation	(631)	(1,569)	(1,390)
	-----	-----	-----
	(3,424)	3,981	4,715
	=====	=====	=====

Notes to the Interim Financial Information

14 Reorganisation costs discontinued operations

Operating (loss)/profit from discontinued operations is stated after charging reorganisation costs:

	6 months ended 30 November 2006 £000	6 months ended 30 November 2005 £000	Year ended 31 May 2006 £000
Closure cost of the Wireless Infrastructure facility in Australia	-	560	1,080

15 Share-based payments discontinued operations

Operating (loss)/profit from discontinued operations is stated after charging/(crediting):

	6 months ended 30 November 2006 £000	6 months ended 30 November 2005 £000	Year ended 31 May 2006 £000
Share options expense:			
- Wireless Infrastructure	234	(26)	(4)
- Handset Products	-	181	181
	234	155	177

All outstanding share options vested on the completion of the sale of the Wireless Infrastructure business on 16 October 2006. Consequently all the remaining share-based payment cost was expensed in the period.

16 Finance costs discontinued operations

	6 months ended 30 November 2006 £000	6 months ended 30 November 2005 £000	Year ended 31 May 2006 £000
Currency exchange losses	239	-	-

Notes to the Interim Financial Information

17 Gain on sale of discontinued operations

	6 months ended 30 November 2006 £000	6 months ended 30 November 2005 £000	Year ended 31 May 2006 £000
Gain on sale of:			
Handset Products business	-	2,894	14,146
Wireless Infrastructure business	86,001	-	-
	-----	-----	-----
	86,001	2,894	14,146
	=====	=====	=====

On 16 October 2006 the Wireless Infrastructure business was sold for \$185,000,000 cash and 17,700,000 shares of Powerwave Technologies, Inc. common stock. The cash consideration was covered by forward foreign exchange contracts when the sale was agreed in September 2006. This fixed the cash consideration at £96,925,000. The sale is analysed as follows:

	£000
Consideration and costs	
Cash consideration	99,709
Currency exchange loss on consideration	(2,784)

Cash consideration after currency exchange loss	96,925
Powerwave shares consideration	59,909
Sale costs	(6,608)
Currency translation adjustment	(61)

	150,165
	=====
Assets and liabilities sold	
Property, plant and equipment	23,082
Deferred tax asset	2,269
Inventories	26,342
Trade and other receivables	39,506
Cash and cash equivalents	406
Trade and other payables	(26,306)
Income tax payable	(460)
Deferred tax liability	(675)

Net assets sold	64,164
Gain on sale of discontinued operation (see note 18)	86,001

	150,165
	=====

Notes to the Interim Financial Information

18 Contingent liability

Following completion of the sale of the Wireless Infrastructure business, the company has been notified of a potential product liability claim. This claim is currently under investigation with the customer. In the event that a financial settlement is required, this will reduce the gain on sale of the Wireless Infrastructure business.

19 Earnings/(loss) per share

	6 months ended 30 November 2006 £000	6 months ended 30 November 2005 £000	Year ended 31 May 2006 £000
Profit/(loss) for the period			
- continuing operations	(6,750)	(11,111)	(12,850)
- discontinued operations	82,577	6,875	18,861
	-----	-----	-----
Profit/(loss) for the period	75,827	(4,236)	6,011
	=====	=====	=====
	000	000	000
Weighted average number of shares	74,762	74,842	74,842
Dilution effect of share options	42	238	93
	-----	-----	-----
Diluted weighted average number of shares	74,804	75,080	74,935
	=====	=====	=====
Basic earnings/(loss) per share			
- continuing operations	(9.03)p	(14.85)p	(17.17)p
- discontinued operation	110.46p	9.19p	25.20p
	-----	-----	-----
Basic earnings/(loss) per share	101.43p	(5.66)p	8.03p
	=====	=====	=====
Diluted earnings/(loss) per share			
- continuing operations	(9.03)p	(14.85)p	(17.17)p
- discontinued operation	110.40p	9.19p	25.19p
	-----	-----	-----
Diluted earnings/(loss) per share	101.37p	(5.66)p	8.02p
	=====	=====	=====

Notes to the Interim Financial Information

20 Investments

	30 November	30 November	31 May
	2006	2005	2006
	£000	£000	£000
Investments	57,587	-	-

At 30 November 2006 investments were the 17,700,000 shares in Powerwave Technologies, Inc. common stock, which were received as part of the consideration for the sale of the Wireless Infrastructure business on 16 October 2006. The shares are held in the balance sheet at their market value on 30 November 2006.

Since 30 November 2006 a total of 7,421,000 Powerwave shares have been sold for £24,238,000.

21 Capital redemption reserve

	30 November	30 November	31 May
	2006	2005	2006
	£000	£000	£000
Capital redemption reserve	1,137	-	-

Following the authority given at the Extraordinary General Meeting on 29 September 2006, the company bought back and cancelled 576,965 of its own shares for £1,137,000 on 23 October 2006. An amount of £1,137,000 was transferred from retained earnings to the capital redemption reserve as required by the Companies Act 1985.

22 Other reserve

	30 November	30 November	31 May
	2006	2005	2006
	£000	£000	£000
Other reserve	-	6,024	6,237

The other reserve was undistributable surplus and additional capital of the Chinese subsidiary that was sold as part of the sale of the Wireless Infrastructure business on 16 October 2006. Following the sale the other reserve was transferred to retained earnings.

Notes to the Interim Financial Information

23 Dividends

The dividends recognised in equity and paid during the period were as follows:

		6 months ended 30 November 2006 £000	6 months ended 30 November 2005 £000	Year ended 31 May 2006 £000
Final dividend year ended 31 May 2005	1.80p	-	1,347	1,347
Interim dividend year ended 31 May 2006	0.90p	-	-	674
Final dividend year ended 31 May 2006	1.80p	1,348	-	-
		-----	-----	-----
		1,348	1,347	2,021
		=====	=====	=====

24 Reconciliation of movements in total equity

		6 months ended 30 November 2006 £000	6 months ended 30 November 2005 £000	Year ended 31 May 2006 £000
Opening total equity		94,377	93,569	93,569
Total recognised income and expense for the period		68,160	217	2,589
Share-based payments		567	230	240
Dividends		(1,348)	(1,347)	(2,021)
Shares issued		87	-	-
Shares bought back		(1,137)	-	-
		-----	-----	-----
Closing equity		160,706	92,669	94,377
		=====	=====	=====

Notes to the Interim Financial Information

25 Note to the consolidated cash flow statement

	6 months ended 30 November 2006 £000	6 months ended 30 November 2005 £000	Year ended 31 May 2006 £000
Operating loss			
- continuing operations	(5,893)	(8,551)	(10,145)
- discontinued operations	(2,554)	5,550	6,105
	-----	-----	-----
	(8,447)	(3,001)	(4,040)
	=====	=====	=====
Net cash from operating activities			
- continuing operations	(12,551)	(8,660)	(6,828)
- discontinued operations	(734)	3,586	7,345
	-----	-----	-----
	(13,285)	(5,074)	517
	=====	=====	=====
Net cash from investing activities			
- continuing operations	(6,749)	(1,827)	(4,257)
- discontinued operations	(2,115)	(3,190)	(6,137)
- sale of discontinued operations	105,107	42,523	44,138
	-----	-----	-----
	96,243	37,506	33,744
	=====	=====	=====
Net cash from financing activities			
- continuing operations	(21,479)	(30,934)	(30,405)
- discontinued operations	-	-	-
	-----	-----	-----
	(21,479)	(30,934)	(30,405)
	=====	=====	=====

Notes to the Interim Financial Information

26 Interim financial information

The interim financial information contained in this report does not constitute statutory financial statements.

The interim financial information has been prepared applying the accounting policies and presentation that were applied in the preparation of the financial statements included in the Filtronic plc Annual Report 2006 dated 31 July 2006, except for the presentation of discontinued operations. In this interim financial information the result of the discontinued operations has been included as a single item in the consolidated income statement. In the Annual Report 2006 the result of the discontinued operations was presented on the face of the consolidated income statement in a columnar format.

The financial information for the year ended 31 May 2006 has been extracted from the Filtronic plc Annual Report 2006 dated 31 July 2006. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

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