

FILTRONIC PLC**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2008**

Filtronic plc, the wireless communications and electronic defence equipment company, announces its Preliminary results for the year ended 31 May 2008.

Revenue from continuing operations was £54.6m (2007 £38.4m), with an operating profit before exceptional items of £3.9m (2007 operating loss £1.8m). Operating loss after exceptional items was £22.1m (2007 operating profit £5.9m). Discontinued operations recorded a profit of £0.2m (2007 £43.2m).

Highlights

- Strong revenue growth from continuing operations £54.6m (2007 £38.4m), driven by Point to Point
- Operating profit from continuing operations before exceptional items improved to £3.9m (2007 loss £1.8m)
- Special dividend 120p per share (£89.2m) paid
- Year end cash £31.5m (2007 £118.3m)
- Group substantially reorganised
 - US defence business sold
 - Compound Semiconductor business sold
 - Surplus properties sold
 - Pension scheme funded and in process of wind up
- Process for sale of Defence business well advanced

Enquiries**Filtronic plc**

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Chairman's Statement

The year ended 31 May 2008 produced revenue from continuing operations of £54.6m and operating profit before exceptional items of £3.9m compared with the prior year revenue of £38.4m and £1.8m loss. The group loss for the period was £14.6m after pension settlement compared to £45.0m profit in the prior year. Cash at the year end was £31.5m compared with £118.3m at 31 May 2007 after payment of the £89.2m special dividend. A full breakdown of the year is shown in the financial statements, notes and narratives which follow.

Having detailed the events impacting the performance of Filtronic in my report to shareholders at the half year stage, I shall concentrate in this commentary on the activities of the second half of the year to avoid repetition. It is pleasing to note that the intentions described in the half yearly financial report have been delivered.

The sale of Filtronic Compound Semiconductors Limited to RF Micro Devices was completed on 29 February 2008. Including the disposal proceeds, this business generated £17.1m of cash during the period from 30 November 2007 to disposal.

On the same day, 29 February 2008, the company paid a top up amount to Paternoster which, along with the proceeds of the liquidation of the defined benefit pension scheme assets, secured the past service liabilities relating to scheme members by means of annuity purchase. Wind up of the scheme continues with an expectation of completion by the end of 2008 and subject to further cash funding of around £1m.

Following Court confirmation of the capital reorganisation approved by shareholders, a special dividend of 120p per share (£89.2m) was paid to shareholders on 30 May 2008. This left the group with a closing cash balance of £31.5m.

Of the two continuing operations, the Point to Point business performed strongly and the UK Defence business showed some improvement over the first half. Point to Point recorded revenue similar to the first half year and produced a very encouraging 79% year on year growth in revenue and 176% growth in operating profit. Point to Point has had a strong start to the year.

Following the exercise referred to in the year-end trading update, several attractive offers have been received for the company's Defence business. Detailed discussions with the preferred bidder are well advanced. As a result, the decision has been taken to streamline the Board and reduce corporate overheads in anticipation of a single focus around the high-growth Point to Point business, under the leadership of Hemant Mardia. It has been agreed that Charles Hindson, the present Chief Executive, and Professor Stephen Burbank and Ian Hardington, both non-executive directors, will step down from the Board at the AGM on 19 September 2008. I should like to record the Board's thanks to the departing directors for their respective and substantial contributions to the past two challenging years of recovery and reorganisation.

In addition to these anticipated Board changes, Stephen Mole was appointed to the Board as Finance Director on 13 June 2008.

I should like to thank all staff in the business who have had to accommodate the changes in the group over the period.

John Poulter
Chairman
28 July 2008

Business Review
Chief Executive's Operating Review

Summary

Once again, the year has been eventful with a number of major changes for the group with the disposal of the Compound Semiconductors and US Defence businesses, and the closure of the defined benefit pension scheme. Point to Point delivered another year of outstanding growth and Defence Electronics produced an unchanged operating profit despite reduced revenues.

Continuing operations

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

Year ended 31 May	Revenue		Operating profit/(loss) before exceptional items	
	2008 £m	2007 £m	2008 £m	2007 £m
Point to Point	40.1	22.3	6.2	2.2
Defence Electronics	14.5	16.1	1.3	1.3
Central Services	-	-	(3.0)	(4.8)
Unallocated pension charge	-	-	(0.6)	(0.5)
	-----	-----	-----	-----
	54.6	38.4	3.9	(1.8)
	-----	-----	-----	-----

Point to Point

The Point to Point business designs and manufactures customised microwave electronic sub assembly components that are integrated by OEMs into point to point (PTP) radios. These radios provide the backhaul links for telecom networks particularly for the mobile basestation market. Customers require a broad radio portfolio in order to provide global coverage of the licensed communication bands.

Point to Point applies specialised microwave technology and radio expertise to develop custom solutions for each OEM customer. It provides a broad product range of frequency bands underpinned by cost effective designs in order to offer highly competitive volume supply across two product lines – microwave transceiver modules and filters. These products are integrated by the customer into the radio.

The business has developed proprietary semiconductor technology that enables a high level of product integration. These devices have been developed on large scale semiconductor foundries and are manufactured for Point to Point by key semiconductor partners. This provides significant cost advantage compared to the normal level of product integration by reducing the complexity of manufacture of transceiver modules. Point to Point also offers a full portfolio of filters required to channelise the licensed frequency bands in the radio. These products are optimised to meet market needs for high volume supply with short lead times.

Point to Point has invested in a world class automated manufacturing facility co-located with its development teams and offering a unique volume supply capability with the high degree of flexibility demanded by the mobile telecoms market.

Point to Point is the leading merchant supplier of transceivers and diplex filters. Several additional products have been developed and qualified during this financial year. Expansion of its product portfolio and significant volume demand from these customers has enabled Point to Point to increase its revenue 79% compared with last financial year and achieve operating margins of 15% in the year.

Defence Electronics

The Defence Electronics business supplies complex components, sub-assemblies or major subsystems for use in military communications, radar and sensing equipment. Its customers are typically the prime contractors for defence equipment and its products are used to intercept, identify, analyse, generate and transmit radio frequency, microwave and millimetre wave signals.

Defence Electronics was affected throughout the year by weaker order intake, largely as a result of customers facing delays to major projects. Whilst this reduced the overall sales revenue, efficiencies achieved throughout the year enabled the business to achieve an overall margin improvement. Significant new product advances were made both in the UK and in Australia.

The UK new product launches led directly to the award of a major contract from Thales for the supply of receiver subsystems for SMART, the radar electronic support measures suite upgrade for the UK submarine fleet. In Australia, a successful demonstration of a new radar concept has assisted the securing of follow on research contracts for stand off security imaging hardware and a UAV Collision Avoidance system.

Revenue was down 10% year on year but operating profit was unchanged at £1.3m.

Discontinued operations

US Defence

Sale of this business was completed in October 2007 producing cash proceeds of £1.4m and a loss of £0.7m.

Compound Semiconductors

Sale of the Compound Semiconductors business was completed in February 2008. Disposal proceeds net of working capital adjustments were £10.3m and, in addition, the business generated a cash flow of £6.8m up to disposal.

Group matters

Central costs before exceptional items again reduced in the year to £3.0m (2007 £4.8m)

The properties at Saltaire and Stewarton were disposed of in the year producing proceeds of £6.1m and a £0.1m loss on disposal.

Capital expenditure

The group's capital expenditure in the year was £2.3m, of which £0.4m was incurred in discontinued operations.

Employees

At 31 May 2008, the group employed 392 people (2007 801)

Pension scheme

Past service liabilities for the defined benefit pension scheme have been secured by purchasing annuities with Paternoster. The scheme is now in the process of being wound up with an anticipated completion by the end of calendar year 2008. There are provisions for £1.0m of liability left on the balance sheet which the company anticipates funding prior to completion of the remaining wind up process.

Charles Hindson
Chief Executive
28 July 2008

Consolidated Income Statement
for the year ended 31 May 2008

		2008	2007
Continuing operations	note	£000	£000
Revenue	1,2	54,651	38,434
		=====	=====
Operating profit/(loss) before exceptional items		3,860	(1,853)
Exceptional items	3	(26,029)	7,748
		-----	-----
Operating (loss)/profit	1,2	(22,169)	5,895
Loss on sale of property		(115)	(415)
Loss on sale of investments	10	-	(6,518)
Finance income	11	9,110	5,221
Finance costs	12	(1,688)	(3,839)
		-----	-----
(Loss)/profit before taxation		(14,862)	344
Taxation		-	1,491
		-----	-----
(Loss)/profit for the period from continuing operations		(14,862)	1,835
Profit for the period from discontinued operations	13	247	43,160
		-----	-----
(Loss)/profit for the period		(14,615)	44,995
		=====	=====
Basic and diluted (loss)/earnings per share			
Continuing operations	27	(20.00) p	2.46 p
Discontinued operations	27	0.33 p	57.90 p
		-----	-----
Basic and diluted (loss)/earnings per share	27	(19.67) p	60.36 p
		=====	=====

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

Consolidated Statement of Recognised Income and Expense
for the year ended 31 May 2008

	2008	2007
	£000	£000
(Loss)/profit for the period	(14,615)	44,995
	-----	-----
Actuarial gain on defined benefit pension scheme	4,964	562
Transfer to income from translation reserve related to business disposal	(453)	61
Currency translation movement arising on consolidation	(6)	47
	-----	-----
	4,505	670
	-----	-----
	-----	-----
Total recognised income and expense for the period	(10,110)	45,665
	=====	=====

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

Consolidated Balance Sheet
at 31 May 2008

	note	2008 £000	2007 £000
Non-current assets			
Property, plant and equipment		4,045	26,089
Current assets			
Inventories		6,245	10,625
Trade and other receivables		12,999	16,268
Cash and cash equivalents		31,451	118,267
		50,695	145,160
Total assets		54,740	171,249
Current liabilities			
Trade and other payables		12,673	23,944
Provision	28	2,152	-
		14,825	23,944
Non-current liabilities			
Defined benefit pension		1,002	6,954
Deferred income		-	2,140
		1,002	9,094
Total liabilities		15,827	33,038
Net assets		38,913	138,211
Equity			
Share capital		7,432	7,432
Share premium	29	-	139,253
Capital redemption reserve	29	-	58
Translation reserve		201	660
Retained earnings/(accumulated losses)	31	31,280	(9,192)
Total equity		38,913	138,211

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

Consolidated Cash Flow Statement
for the year ended 31 May 2008

	note	2008 £000	2007 £000
Cash flows from operating activities			
(Loss)/profit for the period		(14,615)	44,995
Gain on sale of discontinued operations		(3,596)	(80,139)
Taxation		-	(860)
Finance costs		1,688	4,078
Finance income		(9,110)	(5,221)
Loss on sale of investments		-	6,518
Loss on sale of property		115	415
		-----	-----
Operating loss	33	(25,518)	(30,214)
Defined benefit pension charge/(credit)		27,010	(5,649)
Defined benefit pension contributions paid		(27,701)	(7,695)
Share-based payments		-	567
Goodwill impairment		-	2,653
Property, plant and equipment impairment		6,300	17,511
Depreciation		2,040	8,252
Loss on sale of plant and equipment		87	7,316
Licence fee released to income		(1,751)	(2,335)
Movement in inventories		1	(3,201)
Movement in trade and other receivables		2,079	381
Movement in trade and other payables		(323)	1,719
Movement in provision		1,704	-
Taxation received		-	88
		-----	-----
Net cash used in operating activities	33	(16,072)	(10,607)
		-----	-----

Consolidated Cash Flow Statement

for the year ended 31 May 2008

	note	2008 £000	2007 £000
Net cash used in operating activities	33	(16,072)	(10,607)
Cash flows from investing activities			
Proceeds from sale of property		6,044	2,750
Proceeds from sale of plant and equipment		50	334
Interest received		6,724	2,850
Acquisition of plant and equipment		(2,309)	(16,605)
Sale of discontinued operations		7,413	105,252
Proceeds from sale of investments		-	53,391
Net cash from investing activities	33	17,922	147,972
Cash flows from financing activities			
Bank revolving credit repaid		-	(18,000)
Bank loan renewal fee paid		-	(508)
Interest paid		-	(575)
Shares issued		-	87
Shares bought back		-	(1,137)
Dividends paid		(89,188)	(1,348)
Net cash used in financing activities	33	(89,188)	(21,481)
(Decrease)/increase in cash and cash equivalents		(87,338)	115,884
Currency exchange loss on sale of discontinued operations		-	(2,784)
Currency exchange movement		522	(126)
Opening cash and cash equivalents		118,267	5,293
Closing cash and cash equivalents		31,451	118,267

Notes to the Preliminary Financial Information

for the year ended 31 May 2008

1 Business segment analysis continuing operations

	2008	2007
	£000	£000
Revenue		
Point to Point	40,133	22,364
Defence Electronics	14,518	16,070
	-----	-----
	54,651	38,434
	=====	=====
Operating (loss)/profit		
Point to Point	6,157	2,234
Defence Electronics	1,338	1,125
Central Services	(3,328)	(5,208)
Unallocated pension (charge)/credit	(26,336)	7,744
	-----	-----
Operating profit	(22,169)	5,895
Loss on sale of property	(115)	(415)
Loss on sale of investments	-	(6,518)
Finance income	9,110	5,221
Finance costs	(1,688)	(3,839)
	-----	-----
(Loss)/profit before taxation	(14,862)	344
Taxation	-	1,491
	-----	-----
(Loss)/profit for the period from continuing operations	(14,862)	1,835
	=====	=====

Notes to the Preliminary Financial Information

for the year ended 31 May 2008

2 Geographical origin segment analysis continuing operations

	2008	2007
	£000	£000
Revenue		
United Kingdom	53,701	37,815
Australia	950	619
	-----	-----
	54,651	38,434
	-----	-----
Operating (loss)/profit		
United Kingdom	(22,400)	5,721
Australia	231	174
	-----	-----
Operating (loss)/profit	(22,169)	5,895
Loss on sale of property	(115)	(415)
Loss on sale of investments	-	(6,518)
Finance income	9,110	5,221
Finance costs	(1,688)	(3,839)
	-----	-----
(Loss)/profit before taxation	(14,862)	344
Taxation	-	1,491
	-----	-----
(Loss)/profit for the period from continuing operations	(14,862)	1,835
	=====	=====

Notes to the Preliminary Financial Information

for the year ended 31 May 2008

3 Exceptional items continuing operations

Operating (loss)/profit is stated after charging/(crediting) exceptional items as follows:

		2008	2007
	note	£000	£000
Redundancy costs	4	-	389
Share-based payments	5	-	178
Enhanced pension transfer value offer costs	6	311	-
Pension settlement charge	7	24,868	-
Pension past service cost	8	850	-
Pension past service credit	9	-	(8,315)
		-----	-----
		26,029	(7,748)
		=====	=====

4 Redundancy costs continuing operations

		2008	2007
		£000	£000
Defence Electronics		-	158
Central Services		-	231
		-----	-----
		-	389
		=====	=====

5 Share-based payments continuing operations

		2008	2007
		£000	£000
Share option expense:			
Central Services		-	178
		=====	=====

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 charged in the year ended 31 May 2007.

Notes to the Preliminary Financial Information

for the year ended 31 May 2008

6 Enhanced pension transfer value offer costs continuing operations

	2008	2007
	£000	£000
Enhanced pension transfer value offer costs:		
Central Services	311	-
	<u> </u>	<u> </u>

Professional fees were incurred in connection with the enhanced pension transfer value offer made during the period 1 June 2007 to 31 January 2008.

7 Pension settlement charge continuing operations

	2008	2007
	£000	£000
Enhanced transfer values	3,206	-
Fully funding past service liabilities with annuities	21,662	-
	<u> </u>	<u> </u>
	24,868	-
	<u> </u>	<u> </u>

A pension settlement charge of £3,206,000 resulted from the settlement of the enhanced transfer values paid out during the period 1 June 2007 to 31 January 2008. The company paid £6,027,000 of additional contributions to the pension scheme to fund the settlement of the enhanced transfer values.

A pension settlement charge of £21,662,000 resulted from the settlement of past service liabilities with annuities at 29 February 2008. Pension benefits ceased accruing from 29 February 2008, and the defined benefits scheme is in the process of being closed. The company paid £21,000,000 of additional contributions to the pension scheme to fund the settlement of past service liabilities with annuities.

8 Pension past service cost

	2008	2007
	£000	£000
Pension past service cost	850	-
	<u> </u>	<u> </u>

The past service cost was the cost of providing for the equalisation of retirement ages for male and female members of pension schemes that were transferred into the defined benefit pension scheme in 1994 and 1998.

9 Pension past service credit continuing operations

	2008	2007
	£000	£000
Pension past service credit	-	(8,315)
	<u> </u>	<u> </u>

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 due to a reduction in the past service pension liabilities. The company paid £5,600,000 of additional contributions to the pension scheme in connection with the change in the benefits basis.

Notes to the Preliminary Financial Information

for the year ended 31 May 2008

10 Loss on sale of investments continuing operations

	2008	2007
	£000	£000
Proceeds from sale of Powerwave shares	-	53,391
Value of Powerwave shares consideration at completion of the sale of Wireless Infrastructure business	-	(59,909)
	-----	-----
	-	(6,518)
	=====	=====

On 16 October 2006 the company received 17,700,000 shares in Powerwave Technologies, Inc. common stock, as part of the consideration for the sale of the Wireless Infrastructure business. All the shares were sold in the six months ended 31 May 2007.

11 Finance income continuing operations

	2008	2007
	£000	£000
Interest income	6,724	2,850
Expected return on pension scheme assets	1,985	2,371
Currency exchange gains	401	-
	-----	-----
	9,110	5,221
	=====	=====

12 Finance costs continuing operations

	2008	2007
	£000	£000
Interest expense	-	575
Bank loan renewal fee	-	508
Interest on pension scheme liabilities	1,688	2,646
Currency exchange losses	-	110
	-----	-----
	1,688	3,839
	=====	=====

Notes to the Preliminary Financial Information

for the year ended 31 May 2008

13 Profit for the period from discontinued operations

		2008	2007
Discontinued operations	note	£000	£000
Revenue	14, 15	29,775	96,521
Operating profit/(loss) before exceptional items		3,126	(5,767)
Exceptional items	16	(6,475)	(30,342)
Operating loss	14, 15	(3,349)	(36,109)
Finance costs	22	-	(239)
Loss before taxation		(3,349)	(36,348)
Taxation		-	(631)
Loss after taxation		(3,349)	(36,979)
Gain on sale of discontinued operations	23	3,596	80,139
Profit for the period from discontinued operations		247	43,160

Notes to the Preliminary Financial Information

for the year ended 31 May 2008

14 Business segment analysis discontinued operations

	2008	2007
	£000	£000
Revenue		
Wireless Infrastructure	-	58,039
Defence Electronics	2,462	8,159
Compound Semiconductors	27,313	30,323
	-----	-----
	29,775	96,521
	=====	=====
Operating loss		
Wireless Infrastructure	-	(2,554)
Defence Electronics	(1,016)	(4,556)
Compound Semiconductors	(2,333)	(28,999)
	-----	-----
Operating loss	(3,349)	(36,109)
Finance costs	-	(239)
	-----	-----
Loss before taxation	(3,349)	(36,348)
Taxation	-	(631)
	-----	-----
Loss after taxation	(3,349)	(36,979)
Gain on sale of discontinued operations	3,596	80,139
	-----	-----
Profit for the period from discontinued operations	247	43,160
	=====	=====
The operating loss is stated after crediting the release of deferred income as follows:		
Compound Semiconductors licence fee	1,751	2,335
	=====	=====

Notes to the Preliminary Financial Information

for the year ended 31 May 2008

15 Geographical origin segment analysis discontinued operations

	2008	2007
	£000	£000
Revenue		
United Kingdom	27,313	54,493
Finland	-	8,654
Hungary	-	7,427
United States of America	2,462	22,975
China	-	22,720
Inter segment	-	(19,748)
	<u>29,775</u>	<u>96,521</u>
Operating (loss)/profit		
United Kingdom	(2,333)	(33,330)
Finland	-	(1,201)
Hungary	-	2,206
United States of America	(1,016)	(3,818)
China	-	34
	<u>(3,349)</u>	<u>(36,109)</u>
Operating loss	(3,349)	(36,109)
Finance costs	-	(239)
	<u>(3,349)</u>	<u>(36,348)</u>
Loss before taxation	(3,349)	(36,348)
Taxation	-	(631)
	<u>(3,349)</u>	<u>(36,979)</u>
Loss after taxation	(3,349)	(36,979)
Gain on sale of discontinued operations	3,596	80,139
	<u>247</u>	<u>43,160</u>
Profit for the period from discontinued operations	247	43,160

Notes to the Preliminary Financial Information

for the year ended 31 May 2008

16 Exceptional items discontinued operations

Operating loss is stated after charging exceptional items as follows:

		2008	2007
	note	£000	£000
Compound Semiconductors assets impairment	17	6,300	20,111
Loss on disposal of plant and equipment	18	-	7,057
Goodwill impairment	19	-	2,653
Redundancy costs	20	175	132
Share-based payments	21	-	389
		-----	-----
		6,475	30,342
		=====	=====

17 Compound Semiconductors assets impairment discontinued operations

		2008	2007
		£000	£000
Property, plant and equipment impairment		6,300	17,511
Inventory impairment		-	2,600
		-----	-----
		6,300	20,111
		=====	=====

Following an impairment review at 31 May 2007, the plant and equipment and inventory at the Compound Semiconductors facility was impaired. The impairment resulted from the reduction in the scale of the business, due to the decision of the principal customer to in-source its switch production from September 2007.

Following a further impairment review at 30 November 2007 the property at the Compound Semiconductors facility was impaired.

18 Loss on disposal of plant and equipment discontinued operations

		2008	2007
		£000	£000
Loss on disposal of plant and equipment		-	7,057
		=====	=====

The loss on disposal of plant and equipment at the Compound Semiconductors facility was incurred as a result of the curtailment of the expansion plan at the facility.

Notes to the Preliminary Financial Information

for the year ended 31 May 2008

19 Goodwill impairment discontinued operations

	2008	2007
	£000	£000
Goodwill impairment	-	2,653
	=====	=====

Following an impairment review at 30 November 2006 the goodwill related to Sage Laboratories, Inc. was impaired. Sage Laboratories, Inc. was located in the United States of America and formed part of the Defence Electronics division.

20 Redundancy costs discontinued operations

	2008	2007
	£000	£000
Compound Semiconductors	175	132
	=====	=====

21 Share-based payments discontinued operations

	2008	2007
	£000	£000
Share options expense:		
Wireless Infrastructure	-	234
Compound Semiconductors	-	155
	-----	-----
	-	389
	=====	=====

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 charged in the period.

22 Finance costs discontinued operations

	2008	2007
	£000	£000
Currency exchange losses	-	239
	=====	=====

Notes to the Preliminary Financial Information

for the year ended 31 May 2008

23 Gain on sale of discontinued operations

		2008	2007
	note	£000	£000
Gain/(loss) on sale of:			
Wireless Infrastructure business	24	2,805	80,139
Defence Electronics business	25	(667)	-
Compound Semiconductors business	26	1,458	-
		-----	-----
		3,596	80,139
		=====	=====

24 Gain on sale of the Wireless Infrastructure business

	2008
	£000
Additional consideration	2,675
Adjustment to sale costs	130

	2,805
	=====

The Wireless Infrastructure business was sold on 16 October 2006. The sale was analysed in the financial statements for the year ended 31 May 2007. Additional cash consideration of £2,675,000 was received in the year ended 31 May 2008, which had not been recognised in the year ended 31 May 2007. An adjustment was made for sale costs overprovided of £130,000 in the year ended 31 May 2007.

Notes to the Preliminary Financial Information

for the year ended 31 May 2008

25 Loss on sale of the Defence Electronics business

The Defence Electronics business of Sage Laboratories, Inc. in the United States of America was sold on 12 October 2007. The initial consideration was \$3,556,000 and a further \$1,000,000 of deferred consideration is due in January 2009. Also there may be a further \$500,000 of contingent consideration due in January 2009, depending on the revenue performance of the business, which has not yet been recognised. The sale is analysed as follows.

	2008
	£000
Consideration and costs	
Initial consideration	1,712
Deferred consideration	481
Sale costs	(692)
Currency translation adjustment	453

	1,954
	=====
Assets and liabilities sold	
Property, plant and equipment	1,130
Inventories	1,240
Trade and other receivables	803
Trade and other payables	(552)

Net assets sold	2,621
Loss on sale of the Defence Electronics business	(667)

	1,954
	=====

Notes to the Preliminary Financial Information

for the year ended 31 May 2008

26 Gain on sale of the Compound Semiconductors business

On 29 February 2008 the Compound Semiconductors business was sold. The sale is analysed as follows.

	2008
	£000
Consideration and costs	
Gross consideration	12,500
Adjustment for working capital	(1,832)

Net consideration	10,668
Sale costs	(395)

	10,273
	=====
Assets and liabilities sold	
Property, plant and equipment	8,533
Inventories	3,083
Trade and other receivables	926
Cash and equivalents	3
Trade and other payables	(3,341)
Deferred income	(389)

Net assets sold	8,815
Gain on sale of the Compound Semiconductors business	1,458

	10,273
	=====

Notes to the Preliminary Financial Information
for the year ended 31 May 2008

27 Basic and diluted (loss)/earnings per share

	2008	2007
	£000	£000
(Loss)/profit for the period		
Continuing operations	(14,862)	1,835
Discontinued operations	247	43,160
	-----	-----
(Loss)/profit for the period	(14,615)	44,995
	=====	=====
	000	000
Basic and diluted weighted average number of shares	74,323	74,543
	=====	=====
Basic and diluted (loss)/earnings per share		
Continuing operations	(20.00) p	2.46 p
Discontinued operations	0.33 p	57.90 p
	-----	-----
Basic and diluted (loss)/earnings per share	(19.67) p	60.36 p
	=====	=====

Notes to the Preliminary Financial Information

for the year ended 31 May 2008

28 Provision

	2008	2007
	£000	£000
Warranty provision		
Opening balance	-	-
Transfer from accruals	448	-
Charge for the year	1,704	-
	-----	-----
Closing balance	2,152	-
	=====	=====

29 Reserves

	Share premium	Capital redemption reserve
	£000	£000
At 31 May 2007	139,253	58
Transfer to accumulated losses	(139,253)	(58)
	-----	-----
At 31 May 2008	-	-
	=====	=====

The share premium and capital redemption reserve were cancelled by special resolutions passed at the general meeting held on 28 March 2008. The capital reduction was confirmed by the High Court of England and Wales on 18 April 2008. The capital reduction became effective on 21 April 2008 when the Court Order was registered with the Registrar of Companies.

30 Dividends

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

		2008	2007
	Per share	£000	£000
Final dividend year ended 31 May 2006	1.80p	-	1,348
Special interim dividend year ended 31 May 2008	120.00p	89,188	-
		-----	-----
		89,188	1,348
		=====	=====

Notes to the Preliminary Financial Information
for the year ended 31 May 2008

31 Retained earnings/(accumulated losses)

	£000
At 1 June 2006	(59,214)
Profit for the period	44,995
Actuarial gain on defined benefit pension scheme	562
Share-based payments	567
Transfer from other reserve	6,383
Dividends	(1,348)
Shares bought back	(1,137)

At 31 May 2007	(9,192)
Loss for the period	(14,615)
Actuarial gain on defined benefit pension scheme	4,964
Transfer from share premium	139,253
Transfer from capital redemption reserve	58
Dividends	(89,188)

At 31 May 2008	31,280
	=====

32 Reconciliation of movements in total equity

	2008	2007
	£000	£000
Opening total equity	138,211	94,377
Total recognised income and expense for the period	(10,110)	45,665
Share-based payments	-	567
Dividends	(89,188)	(1,348)
Shares issued	-	87
Shares bought back	-	(1,137)
	-----	-----
Closing total equity	38,913	138,211
	=====	=====

Notes to the Preliminary Financial Information
for the year ended 31 May 2008

33 Note to the consolidated cash flow statement

	note	2008 £000	2007 £000
Operating loss			
Continuing operations		(22,169)	5,895
Discontinued operations		(3,349)	(36,109)
		-----	-----
		(25,518)	(30,214)
		=====	=====
Net cash used in operating activities			
Continuing operations		(22,354)	(7,144)
Discontinued operations		6,282	(3,463)
		-----	-----
		(16,072)	(10,607)
		=====	=====
Net cash from investing activities			
Continuing operations		10,843	58,097
Discontinued operations		(334)	(15,377)
Sale of discontinued operations	34	7,413	105,252
		-----	-----
		17,922	147,972
		=====	=====
Net cash used in financing activities			
Continuing operations		(89,188)	(21,481)
		=====	=====

34 Net cash from sale of discontinued operations

	2008 £000	2007 £000
Consideration received	14,964	110,622
Sale costs paid	(1,801)	(5,370)
Product liability costs paid	(5,750)	-
	-----	-----
	7,413	105,252
	=====	=====

Notes to the Preliminary Financial Information

for the year ended 31 May 2008

These preliminary results have been prepared on the basis of the accounting policies which are to be set out in Filtronic plc's annual report and financial statements for the year ended 31 May 2008.

EU Law (IAS Regulation EC1606/2002) requires that the consolidated financial statements of the group for the year ended 31 May 2008 be prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted for use in the EU ('adopted IFRSs').

The financial information set out above does not constitute the company's statutory financial statements for the years ended 31 May 2008 or 2007 but is derived from those financial statements. Statutory financial statements for 2007 have been delivered to the registrar of companies, and those for 2008 will be delivered in due course. The auditors have reported on those financial statements; their report 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.