

FILTRONIC PLC**HALF-YEARLY FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 NOVEMBER 2009**

Filtronic plc (“Filtronic”), the designer and manufacturer of microwave electronics products for the wireless telecoms infrastructure market, announces its Half-Yearly Financial Report for the six months ended 30 November 2009 (“H1 2010”).

Financial Summary

- Revenue from continuing operations £9.6m (H1 2009: £18.3m)
- Operating profit before exceptional items £0.3m (H1 2009: £1.8m)
- Profit before tax from continuing operations for period £0.1m (H1 2009: £2.4m)
- Cash of £16.3m (H1 2009: £15.8m)
- £2.1m cash inflow from operating activities before exceptional items and capital expenditure (H1 2009: £0.5m)

Highlights

- Revenues broadly maintained at H2 2009 levels
- Achieved break even on profit before tax and net cash despite challenging market conditions
- Management of working capital generated £1.6m cash
- Major new customer signed; shipments due to begin next financial year
- Yorkshire Forward research grant of £1.25m awarded in December 2009, after the period end
- Dividend of 1p per share (£0.7m) paid to shareholders in November 2009
- Defined benefit pension scheme wound up
- Panmure Gordon appointed as corporate broker
- Howard Ford appointed Chairman and Mike Brennan Chief Financial Officer in September 2009

Commenting on the Outlook, Howard Ford, Chairman said:

The Board expects the reduced demand levels, which have prevailed since late 2008, to continue through the remainder of the financial year until a recovery in telecoms infrastructure expenditure materialises. The completion of last year’s measures to reduce overhead and other costs, as well as further actions implemented by the Board this year, have allowed the Group to deliver breakeven profit and positive cash performance in the first half. Expenditure on core technology and new product development has been maintained to enhance competitiveness and to position the business for growth.

Enquiries**Filtronic plc**

Howard Ford, Chairman
Hemant Mardia, CEO
Mike Brennan, CFO

Tel: 01325 306886
Tel: 01325 301111
Tel: 01325 306025

Walbrook PR Ltd.

Paul McManus

Tel: 020 7933 8787
Mob: 07980 541893
paul.mcmanus@walbrookpr.com

Panmure Gordon (UK) Ltd.

Dominic Morley
Ashton Clanfield

Tel: 020 76148388
Tel: 020 76148329

Interim Management Report

For the six months ended 30 November 2009 (H1 2010), the Group generated a pre-tax profit from continuing operations of £0.1m compared with a profit of £2.4m in the prior year period.

Revenue from continuing operations was £9.6m compared with £18.3m for H1 2009 and £10.5m for H2 2009. Operating profit from continuing operations before exceptional items was £0.3m, versus £1.8m for the comparable period.

As the business consists solely of the point to point business, no segmental analysis is provided.

An annual dividend of 1p (£0.7m) in respect of 2008/9 was paid to shareholders on 30 November. The Board will announce the annual dividend in respect of 2009/10 at the preliminary announcement in July 2010.

Net finance income was £0.1m (H1 2009: £1.3m) being primarily interest earned on cash deposits.

Capital expenditure in the six months was £0.5m compared with £0.7m (for continuing operations) in the prior period.

Net cash inflow from operating activities was £1.8m after exceptional costs of £0.3m relating to restructuring costs including termination payments, and a £0.1m final pension scheme settlement. After a dividend payment of £0.7m, £0.6m of tax related to the sale of discontinued activities, and £0.5m of capital expenditure, the closing cash balance at 30 November 2009 was £16.3m; an increase of £0.1m in the period.

No further cash contribution is required from the Group to the defined benefit pension scheme, which has now been wound up.

Panmure Gordon was appointed as corporate broker with effect from 1 December 2009.

On 18 September 2009 Howard Ford succeeded John Poulter as Chairman, and Mike Brennan joined the Board as Chief Financial Officer.

Business Review and Outlook

Expenditure on telecoms infrastructure has generally continued at the low ebb seen since the end of 2008. Restricted credit for large capital projects, and delays in the award of new spectrum licences have both contributed to slow the roll-out of network expansion in developing markets. In the developed economies, the rapidly expanding needs of mobile data users has led to a temporary hiatus in infrastructure expenditure. To address this pent up consumer demand, network operators are seeking to transition to a new generation of higher capacity, cost efficient and lower power consumption infrastructure equipment. Such products (containing Filtronic components) are now emerging, but many operators have yet to commit to their chosen solution.

The Group has sustained its expenditure on core technology and new product development to position itself with a competitive range of products to meet this demand. Progress has also been made in broadening the customer and product bases with a view to sustaining the Group's leading position in the sector. We are pleased to announce the signing of a strategic agreement with a new point to point OEM customer for the supply of a range of module products. Limited visibility currently persists but the business is planning for an upturn in activity next financial year.

Overhead and other cost reduction measures have already been taken with a view to delivering the current break even profitability and cash neutral position which remains the short term target. Expenditure on core technology and new product development is being maintained so as to both enhance competitiveness and position for growth. This is in line with the previously announced business strategy of addressing the opportunities presented by the growth in mobile broadband.

Despite current demand restrictions, the underlying drivers for growth in the point to point backhaul market remain robust. Ongoing mobile subscriber growth in developing regions and the growing demand for data hungry device usage in developed regions, are both supportive of substantial medium term growth in mobile broadband infrastructure demand. The business is continuing with activities to broaden its customer base and to pursue the development of a new product targeting the emerging market for 4G mobile broadband services.

Howard Ford, Chairman

Hemant Mardia, CEO

25 January 2010

The Board

The directors that served during the six months ended 30 November 2009 and their respective responsibilities are set out in the Annual Report 2009 except as indicated below.

John Poulter resigned as Chairman and as a director on 18 September 2009.
Stephen Mole resigned as a director on 18 September 2009.

Howard Ford was appointed as Chairman on 18 September 2009.
Mike Brennan was appointed as Chief Financial Officer on 1 September 2009 and director on 18 September 2009.

Responsibility Statement of the Directors

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union;
- the interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board
25 January 2010

Independent Review Report to Filtronic plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 November 2009 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in shareholders' equity, the condensed consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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 Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). 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 half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 November 2009 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union and the DTR of the UK FSA.

David Morrill
For and on behalf of KPMG Audit Plc
Chartered Accountants
Leeds
25 January 2010

Condensed Consolidated Income Statement

		6 months ended 30 November 2009 £000	6 months ended 30 November 2008 £000	Year ended 31 May 2009 £000
Continuing operations	note			
Revenue		9,612	18,300	28,779
		=====	=====	=====
Operating Profit before Exceptional Items		347	1,771	2,080
Exceptional Items	5	(337)	(646)	(937)
		-----	-----	-----
Operating Profit		10	1,125	1,143
Finance Income	6	82	1,376	1,255
Finance Costs	7	-	(60)	(132)
		-----	-----	-----
Profit before Taxation		92	2,441	2,266
Taxation		-	-	-
		-----	-----	-----
Profit for the period from continuing operations		92	2,441	2,266
Profit for the period from discontinuing operations	8	71	9,269	9,390
		-----	-----	-----
Profit for the period		163	11,710	11,656
		=====	=====	=====
Basic earnings per share (stated in pence)				
Continuing operations	10	0.12 p	3.28 p	3.05 p
Discontinued operations	10	0.10 p	12.47 p	12.63 p
		-----	-----	-----
Basic earnings per share	10	0.22 p	15.75 p	15.68 p
		=====	=====	=====
Diluted earnings per share				
Continuing operations	10	0.12 p	3.28 p	3.04 p
Discontinued operations	10	0.10 p	12.47 p	12.61 p
		-----	-----	-----
Diluted earnings per share	10	0.22 p	15.75 p	15.65 p
		=====	=====	=====

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

Condensed Consolidated Statement of Comprehensive Income

	6 months ended 30 November 2009 £000	6 months ended 30 November 2008 £000	Year ended 31 May 2009 £000
Profit for the period	163	11,710	11,656
	-----	-----	-----
Actuarial (loss)/gain on defined benefit pension scheme	-	923	929
Transfer to income from translation reserve related to business disposal	-	(65)	(340)
Currency translation movement arising on consolidation	-	(136)	139
	-----	-----	-----
	163	722	728
	-----	-----	-----
	-----	-----	-----
Total comprehensive income for the period	163	12,432	12,384
	=====	=====	=====

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

Condensed Consolidated Balance Sheet

	30 November	30 November	31 May
	2009	2008	2009
	£000	£000	£000
Non current assets			
Property, Plant and Equipment	2,066	2,221	1,996
	-----	-----	-----
Current assets			
Inventories	2,952	6,565	4,531
Trade and other receivables	4,271	7,744	4,779
Cash and cash equivalents	16,270	15,765	16,218
	-----	-----	-----
	23,493	30,074	25,528
	-----	-----	-----
Total assets	25,559	32,295	27,524
	-----	-----	-----
Current liabilities			
Trade and other payables	3,309	8,771	3,999
Income tax payable	-	526	635
Provision	1,137	1,382	1,314
	-----	-----	-----
	4,446	10,679	5,948
	-----	-----	-----
Long term liabilities			
Deferred income	89	-	-
	-----	-----	-----
	89	-	-
	-----	-----	-----
Total liabilities	4,535	10,679	5,948
	-----	-----	-----
Net assets	21,024	21,616	21,576
	=====	=====	=====
Equity			
Share Capital	7,432	7,432	7,432
Retained Earnings	13,592	14,184	14,144
	-----	-----	-----
Total equity	21,024	21,616	21,576
	=====	=====	=====

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

Condensed Consolidated Statement of Changes in Equity

		6 months ended 30 November 2009 £000	6 months ended 30 November 2008 £000	Year ended ended 31 May 2009 £000
Opening total equity		21,576	38,913	38,913
Total comprehensive income for the period		163	12,432	12,384
Share-based payments		28	-	8
Dividends	11	(743)	(29,729)	(29,729)
		-----	-----	-----
Closing total equity		21,024	21,616	21,576
		=====	=====	=====

Condensed Consolidated Cash Flow Statement

		6 months ended 30 November 2009 £000	6 months ended 30 November 2008 £000	Year ended 31 May 2009 £000
Cash flows from operating activities				
Profit for the period		163	11,710	11,656
Gain on sale of discontinued operations		(71)	(9,478)	(9,614)
Finance costs		-	60	132
Finance income		(82)	(1,376)	(1,255)
		-----	-----	-----
Operating profit / (loss)	12	10	916	919
Defined benefit pension contributions paid		-	(100)	(100)
Share based payments		28	-	8
Depreciation		391	487	920
Movement in inventories		1,579	(1,975)	59
Movement in trade and other receivables		508	2,493	4,721
Movement in trade and other payables		(526)	(1,813)	(5,646)
Movement in provision		(177)	(104)	(172)
		-----	-----	-----
Net cash from / (used in) operating activities	12	1,813	(96)	709
		-----	-----	-----
Cash flows from investing activities				
Interest received		82	1,065	1,213
Acquisition of plant and equipment		(461)	(736)	(945)
Sale of discontinued operations		(642)	13,728	13,418
		-----	-----	-----
Net cash from / (used in) investing activities	12	(1,021)	14,057	13,686
		-----	-----	-----
Cash flows from financing activities				
Dividends paid		(743)	(29,729)	(29,729)
		-----	-----	-----
Net cash used in financing activities	12	(743)	(29,729)	(29,729)
		-----	-----	-----
Movement in cash and cash equivalents				
		49	(15,768)	(15,334)
Currency exchange movements		3	82	101
Opening cash and cash equivalents		16,218	31,451	31,451
		-----	-----	-----
Closing cash and cash equivalents		16,270	15,765	16,218
		=====	=====	=====

Notes to the Condensed Financial Statements

1 Company information

Filtronic plc is a company registered and domiciled in the United Kingdom, and is listed on the London Stock Exchange. The company's registered number is 2891064. The address of the company's registered office is Filtronic plc, Unit 2 Acorn Park, Charlestown, Shipley, West Yorkshire, BD17 7SW.

Copies of the company's annual report and half-yearly financial report are available from the company's registered office or the company's website at www.filtronic.co.uk.

2 Basis of preparation

The half-yearly financial report, including the condensed consolidated financial statements for the six months ended 30 November 2009, has been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority and the requirements of IAS 34 Interim Financial Reporting as adopted by the European Union.

The half-yearly financial report for the six months ended 30 November 2009 was approved by the Board on 25 January 2010.

The condensed consolidated financial statements for the six months ended 30 November 2009 consolidate the financial statements of the company and all of its subsidiaries.

The condensed consolidated financial statements for the six months ended 30 November 2009 have not been audited.

The half-yearly financial report for the six months ended 30 November 2009 does not constitute financial statements, and does not include all of the information and disclosures required for annual financial statements. The half-yearly report should be read in conjunction with the annual report 2009, which includes annual financial statements for the year ended 31 May 2009.

The financial information for the year ended 31 May 2009 has been extracted from the annual financial statements included in the annual report 2009, which has been filed with the Registrar of Companies. The report of the auditors on those financial statements 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 498(2) or (3) of the Companies Act 2006.

The condensed consolidated financial statements for the six months ended 30 November 2009 have been prepared using the accounting policies set out in the annual financial statements for the year ended 31 May 2009 included in the annual report 2009. Those annual financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The risks and uncertainties faced by the company are the same as those disclosed in the annual report 2009.

The following new standards and amendments to standards have become effective from 1 January 2009:

- IAS 1 (revised), "Presentation of Financial Statements". The most significant change within IAS 1 (revised) is the requirement to produce a statement of comprehensive income setting out all items of income and expense relating to non-owner changes in equity. There is a choice between presenting comprehensive income in one statement or in two statements comprising an income statement and a separate statement of comprehensive income. The Group has elected to present an income statement and a separate statement of comprehensive income. In addition, IAS 1 (revised) requires the statement of changes in shareholders' equity to be presented as a primary statement.
- Amendments to IFRS 2, "Share Based Payments", clarifies the treatment of cancelled options, whereby if a grant of equity instruments is cancelled the Group shall account for the cancellation as an acceleration of vesting and shall recognise immediately the amount that would have been recognised over the remainder of the vesting period. The effect of this for the six months period to 30 November 2009 was not material.
- IFRS 8, "Operating Segments" replaces IAS 14, "Segment Reporting" and requires the disclosure of segment information on the same basis as the management information provided to the chief operating decision maker. The adoption of this standard has not resulted in a change in the group's reportable segments.

3 Accounting estimates and judgements

The preparation of the financial statements requires the use of accounting estimates and judgements, which affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses.

The estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of the future, which are believed to be reasonable under the circumstances. Actual results may differ from the expected results.

The accounting estimates and judgements that have a significant effect on the financial statements are the same as those applied and disclosed in the annual financial statements for the year ended 31 May 2009.

4 Operating Segments

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with IAS 14 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

In accordance with IFRS 8 the continuing operations for the current period form one business located in the United Kingdom. The business designs and manufactures transceiver modules and filters for backhaul microwave linking of base stations used in wireless telecommunication networks. Under IAS 14 there was also a single segment.

Notes to the Condensed Financial Statements

5 Exceptional items

Operating profit is stated after charging exceptional items as follows:

	6 months ended 30 November 2009 £000	6 months ended 30 November 2008 £000	Year ended 31 May 2009 £000
Directors resignation cost	146	383	383
Pension scheme closure costs	116	263	266
Redundancy / other costs	75	-	288
	-----	-----	-----
	337	646	937
	=====	=====	=====

6 Finance income

	6 months ended 30 November 2009 £000	6 months ended 30 November 2008 £000	Year ended 31 May 2009 £000
Interest income	82	1,065	1,213
Expected return on pension scheme assets	-	39	42
Currency exchange gains	-	272	-
	-----	-----	-----
	82	1,376	1,255
	=====	=====	=====

7 Finance costs

	6 months ended 30 November 2009 £000	6 months ended 30 November 2008 £000	Year ended 31 May 2009 £000
Interest on pension scheme liabilities	-	60	69
Currency exchange losses	-	-	63
	-----	-----	-----
	-	60	132
	=====	=====	=====

Notes to the Condensed Financial Statements

8 Profit for the period from discontinued operations

		6 months ended 30 November 2009 £000	6 months ended 30 November 2008 £000	Year ended 31 May 2009 £000
Discontinued operations	note			
Revenue		-	2,107	2,111
		=====	=====	=====
Operating loss		-	(209)	(224)
		-----	-----	-----
Loss before taxation		-	(209)	(224)
Taxation		-	-	-
		-----	-----	-----
Loss after taxation		-	(209)	(224)
Gain on sale of discontinued operations	9	71	9,478	9,614
		-----	-----	-----
Profit for the period from discontinued operations		71	9,269	9,390
		=====	=====	=====

Notes to the Condensed Financial Statements

9 Gain on sale of discontinued operations

		6 months ended 30 November 2009 £000	6 months ended 30 November 2008 £000	Year ended 31 May 2009 £000
Gain on sale:	note			
UK and Australian Wireless Infrastructure business		(7)	1,308	1,313
UK and Australian Defence Electronics business		78	8,170	8,388
United States Defence Electronics business		-	-	(87)
		-----	-----	-----
		71	9,478	9,614
		=====	=====	=====

Notes to the Condensed Financial Statements

10 Basic and diluted earnings per share

	6 months ended 30 November 2009 £000	6 months ended 30 November 2008 £000	Year ended 31 May 2009 £000
Profit for the period			
Continuing operations	92	2,441	2,266
Discontinued operations	71	9,269	9,390
	-----	-----	-----
Profit for the period	163	11,710	11,656
	=====	=====	=====
	000	000	000
Basic weighted average number of shares	74,323	74,323	74,323
Dilution effect of share options	74	-	120
	-----	-----	-----
Diluted weighted average number of shares	74,397	74,323	74,443
	=====	=====	=====
Basic earnings per share			
Continuing operations	0.12 p	3.28 p	3.05 p
Discontinued operations	0.10 p	12.47 p	12.63 p
	-----	-----	-----
Basic earnings per share	0.22 p	15.75 p	15.68 p
	=====	=====	=====
Diluted earnings per share			
Continuing operations	0.12 p	3.28 p	3.04 p
Discontinued operations	0.10 p	12.47 p	12.61 p
	-----	-----	-----
Diluted earnings per share	0.22 p	15.75 p	15.65 p
	=====	=====	=====

Notes to the Condensed Financial Statements

11 Dividends

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

		6 months ended 30 November 2009	6 months ended 30 November 2008	Year ended 31 May 2009
	Per share	£000	£000	£000
Special interim dividend year ended 31 May 2009	40.00p	-	29,729	29,729
Final dividend year ended 31 May 2009	1.00p	743	-	-
		-----	-----	-----
		743	29,729	29,729
		=====	=====	=====

12 Note to the condensed consolidated cash flow statement

		6 months Ended 30 November 2009	6 months ended 30 November 2008	Year ended 31 May 2009
	note	£000	£000	£000
Operating profit				
Continuing operations		10	1,125	1,143
Discontinued operations		-	(209)	(224)
		-----	-----	-----
		10	916	919
		=====	=====	=====
Net cash from/(used in) operating activities				
Continuing operations		1,813	(125)	689
Discontinued operations		-	29	20
		-----	-----	-----
		1,813	(96)	709
		=====	=====	=====
Net cash (used in)/from investing activities				
Continuing operations		(379)	410	349
Discontinued operations		-	(81)	(81)
Sale of discontinued operations	13	(642)	13,728	13,418
		-----	-----	-----
		(1,021)	14,057	13,686
		=====	=====	=====
Net cash used in financing activities				
Continuing operations		(743)	(29,729)	(29,729)
		=====	=====	=====

13 Net cash from sale of discontinued operations

	6 months ended 30 November 2009 £000	6 months ended 30 November 2008 £000	Year ended 31 May 2009 £000
Consideration received	-	14,869	14,616
Sale costs paid	-	(722)	(779)
Cash and cash equivalents sold	-	(419)	(419)
Legal cost of Wireless Infrastructure sale	(7)	-	-
Tax paid	(635)	-	-
	-----	-----	-----
	(642)	13,728	13,418
	=====	=====	=====