THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice as soon as possible from your stockbroker, bank manager, fund manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if you reside elsewhere, by another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all your Ordinary Shares, please send this document and the accompanying form of proxy to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. Any person (including without limitation, custodians, nominees and trustees) who may have a contractual or legal obligation or may otherwise intend to forward this document to any jurisdiction outside the United Kingdom should seek appropriate advice before taking any action.

Panmure Gordon, which is regulated in the United Kingdom by the FSA, is acting exclusively for Filtronic in relation to the Acquisition and for no-one else, and will not be responsible to any other person for providing the protections afforded to clients of Panmure Gordon or for providing advice in connection with the matters contemplated in this document.

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of Filtronic which is set out in Part I of this document in which the Board of Filtronic recommends that you vote in favour of the Resolutions to be proposed at the General Meeting.

FILTRONIC PLC

(incorporated in England and Wales with registered number 02891064)

Proposed Acquisition of Isotek (Holdings) Limited
and
Notice of General Meeting

For a discussion of the risks that might affect the value of your shareholding in Filtronic, see “Risk Factors” in Part II of this document. In particular, this document contains forward-looking statements which are subject to assumptions, risks and uncertainties. All such statements should be considered in the light of the cautionary statement set out on page 2 of this document. Filtronic does not undertake any obligation to update or revise any forward-looking statement as a result of new information, future events or other information, unless required by the Listing Rules, applicable regulations or by law.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been so authorised. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in it is correct as of any subsequent time.

Notice of a General Meeting of Filtronic plc, to be held at the offices of Filtronic Broadband Limited at Heighington Lane Business Park, Newton Aycliffe, County Durham DL5 6JW at 10.00 a.m. on 15 November 2010, is set out at the end of this document. A form of proxy for use at the General Meeting is enclosed and, to be valid, should be completed and returned as soon as possible, and in any event so as to be received by the Company’s registrars, Capita Registrars at Capita Registrars (Proxies), 34 Beckenham Road, Beckenham, Kent BR3 4TU, no later than 10.00 a.m. on 11 November 2010. If you hold your Ordinary Shares in uncertificated form (i.e. in CREST), you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Registrars (under CREST participant ID RA10) by no later than 10.00 a.m. on 11 November 2010. The time of receipt will be taken to be the time from which the Registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The completion and return of a form of proxy or completion and transmission of a CREST Proxy Instruction will not prevent you from attending and voting in person at the General Meeting if you wish to do so.

CAUTION

Cautionary note regarding forward-looking statements

This document and the information incorporated by reference into this document include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "annualised", "goal", "target", "targeted", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and the information incorporated by reference into this document and they include statements regarding the intentions, beliefs or current expectations of the Directors, the Company or the Group concerning, amongst other things, the results of operations, expectations in respect of the Acquisition, the financial condition, prospects, growth, strategies and dividend policy of the Group and the industries and markets in which it operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Company's ability to control or predict. Forward-looking statements are not guarantees of future performance. The Group's actual results of operations, financial condition, dividend policy and the development of the industries and markets in which it operates may differ materially from the impression created by the forward-looking statements contained in this document and/or the information incorporated by reference into this document. In addition, even if the results of operations, financial condition and dividend policy of the Group, and the development of the industries and markets in which it operates, are consistent with the forward-looking statements contained in this document and/or the information incorporated by reference into this document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to, general economic and business conditions, industry trends, competition, changes in government and other regulation, including in relation to the environment, health and safety and taxation, labour relations and work stoppages, changes in political and economic stability and changes in business strategy or development plans and other risks, including in particular those Risk Factors described in Part II of this document (all such factors, and cautionary statements with respect thereto, collectively, "Cautionary Statements"). All subsequent written and oral forward-looking statements attributable to the Group or persons acting on behalf of the Group are expressly qualified in their entirety by such Cautionary Statements.

Except as required by the Listing Rules, the Disclosure and Transparency Rules, the Prospectus Rules, the London Stock Exchange or otherwise required by law or regulation, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

You are advised to read this document in its entirety for a further discussion of the factors that could affect the Group's future performance and the industries and markets in which it operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document and/or the information incorporated by reference into this document may not occur. Investors should note that the contents of these paragraphs relating to forward-looking statements are not intended to qualify the statements made as to sufficiency of working capital in this document.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2010
Latest time and date for receipt of forms of proxy and CREST Proxy Instructions for the General Meeting	10.00 a.m. on 11 November
General Meeting	10.00 a.m. on 15 November
Admission of Consideration Shares to the Official List	16 November
Completion of the Acquisition	16 November

References to times in this document are to London time. Each of the times and dates in the above timetable is subject to change. If any of the above times and/or dates change, the revised times and/or dates will be notified to Shareholders by announcement on a Regulatory Information Service.

DEFINITIONS

In this document, where the context permits, the expressions set out below shall have the following meanings:

"Acquisition"	the proposed acquisition of the entire issued and to be issued share capital of Isotek pursuant to the Offer
"Board" or **"Directors"**	the directors of the Company and the Proposed Director whose names appear on page 8 of this document
"Business"	the business as carried on by the Group as at the date of this document
"Companies Act"	the United Kingdom Companies Act 2006, as amended
"Company Share Schemes"	The Filtronic plc Sharesave Plan, The Filtronic plc Performance Share Plan and the ESOP
"Completion"	the Offer becoming or being declared unconditional in all respects
"Consideration Shares"	18,550,000 Ordinary Shares to be issued and allotted subject to the terms of the Offer
"CREST"	the relevant system (as defined in the CREST Regulations) for the paperless settlement of trades in listed securities in the United Kingdom, of which Euroclear is the operator (as defined in the CREST Regulations)
"CREST Manual"	the manual, as amended from to time, produced by CRESTCo describing the CREST system and supplied by CRESTCo to users and participants thereof
"CREST Proxy Instruction"	a properly authenticated CREST message appointing and instructing a proxy to attend and vote in place of a shareholder at the General Meeting and containing the information required to be contained therein by the CREST Manual
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (as amended) (SI 2001/3755) of the UK
"Disclosure and Transparency Rules"	the Disclosure Rules and Transparency Rules made by the FSA under Part VI of FSMA
"Enlarged Group"	the Group immediately following the Acquisition
"Escrow Shares"	such number of Consideration Shares issued to those Isotek Shareholders who have accepted the Offer
"ESOP"	The Filtronic plc Employee Share Option Plan 2010, a summary of the main provisions of which is set out in Part VIII of this document
"Euroclear"	Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales and the operator of CREST
"Filtronic" or **"Company"**	Filtronic plc
"FSA"	the Financial Services Authority of the United Kingdom
"FSMA"	the Financial Services and Markets Act 2000 (as amended)

"FY08"	the financial year ended 31 May 2008
"FY09"	the financial year ended 31 May 2009
"General Meeting"	the general meeting of Filtronic to be held at 10.00 a.m. on 15 November 2010 (or any reconvened meeting following any adjournment thereof), notice of which is set out at the end of this document
"Group"	Filtronic and its subsidiaries and subsidiary undertakings and, where the context requires, its associated undertakings
"IFRS"	International Financial Reporting Standards and International Accounting Standards, as adopted for use in the European Union
"Isotek"	Isotek (Holdings) Limited, a company registered in England and Wales under company number 03398090 or, where the context admits, the relevant company within the Isotek Group
"Isotek Group"	Isotek and its subsidiaries and subsidiary undertakings
"Isotek Shareholders"	the holders of ordinary shares of 1 pence each in the capital of Isotek
"Issue"	the issue of the Consideration Shares in connection with the Acquisition
"Listing Rules"	the listing rules of the UK Listing Authority
"London Stock Exchange"	London Stock Exchange plc
"OEM"	original equipment manufacturer
"Offer"	the offer made by Filtronic to acquire the entire issued and to be issued share capital of Isotek on and subject to the terms and conditions set out in the Offer Document and the form of acceptance and (where the context permits) any subsequent revision, variation, extension or renewal thereof
"Offer Conditions"	the conditions relating to the Offer as set out in the Offer Document
"Offer Document"	the offer document dated on the date of this document pursuant to which Filtronic makes the Offer together with the accompanying form of acceptance
"Official List"	the official list of the UK Listing Authority
"Ordinary Shares" or **"Shares"**	ordinary shares of 10 pence each in the share capital of the Company
"Panmure Gordon"	Panmure Gordon (UK) Limited
"Proposed Director"	Alan Needle, who shall be invited to join the Board as an executive director of Filtronic on Completion
"Prospectus"	the prospectus issued by the Company on the date of this document in respect of the Issue, together with any supplements or amendments thereto
"Registrar"	Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire, HD8 0LA

"Regulatory Information Service"	the regulatory information service as defined by the Listing Rules
"Resolutions"	the ordinary resolutions relating to the authority (a) to allot equity securities pursuant to, and the approval of, the Acquisition and (b) to establish the ESOP and establish schedules to, or further share plans based on, the ESOP to be considered by Shareholders, as set out in the notice of General Meeting at the end of this document
"RF"	radio frequency
"Shareholders"	holders of Ordinary Shares
"UK" or **"United Kingdom"**	the United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority"	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
"uncertificated" or **"in uncertificated form"**	a share or other security which is, for the time being, recorded on the relevant register of members as being held in uncertificated form in CREST, and title to which may, by virtue of the CREST Regulations, be transferred by means of CREST
"US" or **"United States"**	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
"Warrantors"	David Rhodes, Alan Needle and Christopher Mobbs
"Warranty and Indemnity Deed"	the deed dated 30 July 2010 between the (1) Warrantors (2) the Company and (3) Isotek relating to the implementation of the Offer
"Wireless Telecoms Business"	the wireless telecoms business carried on by Isotek as at the date of this document

DIRECTORS, SECRETARY AND ADVISERS

Board of Directors

Name	*Position*
Howard Ford	Non-Executive Chairman
Dr Hemant Kumar Mardia	Chief Executive
Michael Peter Brennan	Finance Director
Reginald Lawrence Gott	Non-Executive Director
Edwin Graham Meek	Non-Executive Director
Alan Needle	Proposed Executive Director

Each of the Directors' business address is the Company's UK office address at Unit 2, Acorn Park, Charlestown, Shipley BD17 7SW

Company Secretary	Maura Eilis Moynihan
Registered Office	Filtronic plc Unit 2, Acorn Park Charlestown Shipley BD17 7SW
Telephone	+44 (0) 1325 306 886
Sponsor, Broker and Financial Adviser	Panmure Gordon (UK) Limited Moorgate Hall 155 Moorgate London EC2M 6XB
Auditor and Reporting Accountants to the Company	KPMG Audit Plc 1 The Embankment Neville Street Leeds LS1 4DW
Legal advisers to the Company as to English law	Pinsent Masons LLP 1 Park Row Leeds LS1 5AB
Registrar	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA

PART I

LETTER FROM CHAIRMAN OF FILTRONIC

(Incorporated in England and Wales with registered number 02891064)

Directors:	
Howard Ford *(Non-Executive Chairman)*	Filtronic
Dr Hemant Kumar Mardia *(Chief Executive)*	Unit 2
Michael Peter Brennan *(Finance Director)*	Acorn Park
Reginald Lawrence Gott *(Non-Executive Director)*	Charlestown
Edwin Graham Meek *(Non-Executive Director)*	Shipley
Alan Needle *(Proposed Executive Director)*	BD17 7SW

28 October 2010

Dear Shareholder

1. Introduction

The Board announced on 30 July 2010 that the Company had entered into an agreement governing the terms of a proposed offer for the entire issued share capital of Isotek (Holdings) Limited. Isotek develops and markets leading-edge telecoms products for a range of wireless telecoms applications.

The Acquisition will be made by way of offer under Part 28 of the Companies Act and the Offer Document has today been posted to Isotek Shareholders with the Prospectus.

In view of its relative size and as required by the Listing Rules, the Acquisition is conditional upon the approval of Shareholders, which approval is to be sought at a General Meeting of the Company to be held at the offices of Filtronic Broadband Limited at Heighington Lane Business Park, Newton Aycliffe, County Durham DL5 6JW at 10.00 a.m. on 15 November 2010. In addition, the Board is seeking your authority (as required under the Companies Act and the Listing Rules) to establish a new share plan, The Filtronic plc Employee Share Option Plan 2010, further details of which are set out at paragraph 8 of this letter. At the General Meeting, the Resolutions will be proposed as set out at the end of this document.

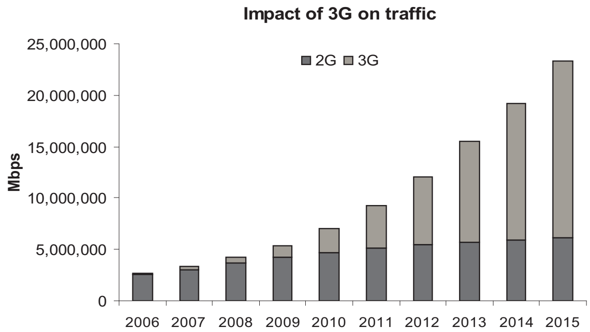
The purpose of this document is to provide you with details of the Acquisition and the ESOP and to explain why the Directors consider that the Acquisition and the establishment of the ESOP are in the best interests of the Shareholders taken as a whole and to seek your support for the Acquisition and the establishment of the ESOP by asking you to vote in favour of the Resolutions.

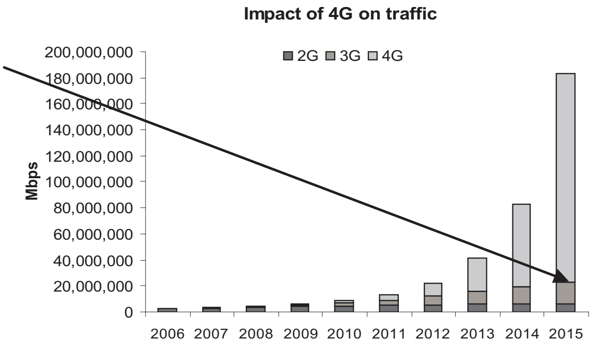
The notice convening the General Meeting is set out at the end of this document. A summary of the actions you need to take is set out in the form of proxy that accompanies this document.

2. Information on Isotek and its market

Isotek develops and markets leading-edge telecoms products for a range of wireless telecoms applications. These products, comprising innovative filters and combiners, enable operators to use their existing 2G infrastructure to deliver additional 3G and 4G services simultaneously, with a minimum of switch-over downtime. This can bring significant cost savings by eliminating the need to upgrade or replicate network infrastructure in some cases, as well as improving the use of the available spectrum.

The mobile wireless network consists of a large number of base station sites throughout a given region. These base stations may communicate with mobile phones, PDAs and portable computers, connecting a subscriber into the system. In many countries there are several major mobile operators, each of which may have several thousands of base stations with the majority located in large urban areas and major trunk routes. Each operator has bought one or more licences to use a specific frequency band within which they are allowed to transmit and receive RF signals and are not allowed to cause interference outside the frequency band within which they operate.





Source: Ovum 2010

The need to avoid interference requires a portion of the valuable licensed band to be consumed as a buffer against the adjacent user spectrum. As use of spectrum intensifies, this is leading to demand for products improving spectrum utilisation. The move rapidly to overlay 3G and 4G data services with differing protocols onto existing 2G voice networks also sets new challenges for network upgrades by operators to be delivered without disruption. In order to speed the rollout of new services, whilst minimising costs, it is important to optimise spectrum utilisation across the network of existing base station sites. Furthermore, as additional frequency bands are released for mobile use, the proximity of existing systems such as high power digital TV broadcast will require increasingly technically complex combining and interference mitigation solutions.

Strong growth of data traffic globally presents mobile operators with a pressing need to address these challenging service issues, which in turn creates new opportunities for mobile telecoms equipment providers such as Filtronic and Isotek. The Directors believe that there is a significant worldwide addressable market for base station filters, estimated (by a Filtronic commissioned external consultant's report[1]) to total around £370 million in 2012 and that this market will show rapid growth over the next few years driven by the adoption of 4G services. The Directors believe that this provides a long-term opportunity for continuing growth in this market, focused on the customisation of technically advanced products.

In the year ended 31 May 2010, Isotek made a pre-tax loss of £1.9 million on turnover of £0.8 million and had gross assets of £0.8 million at that date. The revenues, which all related to the same wireless telecoms activity, were split between two geographic segments; United Kingdom (£0.4 million) and United States (£0.4 million). The US segment was established towards the end of FY09 and accordingly turnover in FY09 (£0.4 million) and FY08 (£0.1 million) were wholly related to the UK segment (Source: note 3 on financial information on Isotek in Part IV of this document).

Over the last 3 years Isotek has invested more than £5 million in the development of its wireless telecoms business.

The Company's market position is expected to improve Isotek's ability to take advantage of the strong growth in 3G and 4G mobile data traffic with its new customized microwave filter solutions.

3. Reasons for the Offer

On 16 October 2006, Filtronic announced that it had completed the disposal of the majority of its wireless infrastructure division, comprising transmit/receive filters, integrated remote radio heads and power amplifier products, all for use in commercial wireless infrastructure base station equipment, for shares and cash then worth $298 million. The market for these products had at that time reached a stage of relative maturity driven by increasing commoditisation of product and margin pressure.

Since that disposal Filtronic has watched the rapid development of the wireless telecoms market with interest (whilst continuing to develop and supply products into the wireless infrastructure backhaul market) and has

1 Tribute to Innovation, Cellular RF Filter Market, 15 May 2010.

recently evaluated opportunities to transform the range and size of the Group's business by acquiring a business operating in a different segment of the base station market.

Isotek is a developer and marketer of leading-edge wireless telecoms products. It is run and owned primarily by members of Filtronic's former senior management, who had previously delivered the successful growth of Filtronic from start up and through flotation. Isotek would be fully integrated as a separately-branded subsidiary of the Group, with its management team remaining in place. Isotek has developed an established reputation, and significant goodwill, in the wireless telecoms market and consequently the Isotek brand would be retained and used, at least in the short to medium term, to market and develop Isotek's wireless telecoms business.

Alan Needle (formerly an executive director of Filtronic), and Dr Christopher Mobbs (former executive director and former CTO of Filtronic) will continue to run this business segment following Completion. Professor David Rhodes (Filtronic's founder and a former CEO) will have an honorary position providing external technical consultancy to the business segment. Isotek has made significant investments in innovative new technology, resulting in the creation of new intellectual property, which the Directors believe provides Isotek with a significant competitive advantage. It is proposed that, on Completion, Alan Needle will be invited to join the board of Filtronic as an executive director. A summary of the terms of Alan Needle's service agreement is set out in paragraph 4 of Part IX of this document.

The Acquisition is in line with Filtronic's strategy to create a differentiated, high growth wireless telecoms business through organic growth and selective acquisitions. The Directors believe that the Acquisition will deliver significant opportunities in the base station market, by combining the Group's resources, experience and operational expertise with Isotek's highly differentiated intellectual property, brand and products.

The Directors believe that the Acquisition is likely to increase the Group's turnover in the year ending 31 May 2012 ("FY12") by around £15 million. The deal is expected to be earnings enhancing in FY12 and significantly earnings enhancing in the second full year of ownership. Pro forma net assets would have increased by £5.5 million to £25.4 million had the transaction occurred on 31 May 2010, as set out in the unaudited pro forma statement of net assets of the Enlarged Group in Part VI of this document.

In the longer term the Directors believe that as a result of the Enlarged Group's greater critical mass, it will be well positioned to take advantage of further opportunities in future industry restructuring.

4. Principal terms of the Acquisition

Due to the size of Isotek's shareholder base the Acquisition will be made by way of the Offer and the Offer Document has today been posted to Isotek Shareholders.

The consideration payable under the Offer comprises cash consideration and the issue of the Consideration Shares. On 30 July 2010, being the date of the Warranty and Indemnity Deed, the cash consideration was agreed at £4,350,000 on the assumption of net debt in Isotek at Completion of £1,400,000.

Based on the closing mid-price per Ordinary Share of 35.75 pence as at 27 October 2010, this implies an aggregate consideration of approximately £11.0 million[1].

On this basis, and assuming a fully diluted share capital of Isotek of 14,889,114 ordinary shares of 1p each, the consideration payable on Completion will equate to £0.2921597 and 1.2458766 Ordinary Shares for each ordinary share of Isotek.

The Consideration Shares will, when issued, represent circa 20.0 per cent. of the enlarged share capital of the Company and will rank *pari passu* in all respects with the existing Ordinary Shares. Applications will be made to the UKLA for the Consideration Shares to be admitted to the Official List and to the London Stock Exchange for the Consideration Shares to be admitted to trading on the London Stock Exchange's market for listed securities.

1 The Directors believe that the net debt in Isotek at Completion is likely to be approximately £1,520,000. Based on this assumption (and that there are no other adjustments as at Completion), the cash consideration would be £4,230,000 which will equate to £0.2841001 and 1.2458766 Ordinary Shares for each ordinary share of Isotek.

The consideration payable under the Offer will be subject to the adjustments set out in the Warranty and Indemnity Deed and the Offer Document, further details of which are summarised in Part VII of this document.

The Offer is subject, *inter alia*, to acceptance by not less than 90 per cent. of the shares to which the Offer relates, the approval of Shareholders and admission of the Consideration Shares to the Official List. Filtronic has received irrevocable undertakings from over 90 per cent. of the Isotek Shareholders (on a fully diluted basis) to accept the Offer.

The key vendors of Isotek have given Filtronic customary warranties and indemnities and have entered into a restrictive covenant not to compete with the business of Isotek for a period of three years.

The Consideration Shares issued to accepting Isotek Shareholders on Completion will be subject to escrow arrangements in the event of any shortfall in the working capital or increase in net debt or claims under the acquisition documents. During the relevant escrow period, Filtronic shall be entitled to sell such number of Escrow Shares to satisfy the relevant claim. Further details of the escrow arrangements are set out at paragraph 8 (Share Escrow) of Part VII of this document. Following the expiry of six months from Completion, 50 per cent. of such Escrow Shares (assuming no working capital or net debt adjustments or claims under the Acquisition documents) will be released from these arrangements; and the remaining Escrow Shares, (assuming no claims under the Acquisition documents) will be released from these escrow arrangements following the expiry of 24 months from Completion.

The Consideration Shares will be capable of being held in uncertificated form.

A summary of the terms of and conditions to the Acquisition is set out in Part VII of this document.

5. Financial effects of the Acquisition on Filtronic

Upon completion of the Issue, the Consideration Shares will represent approximately 20 per cent. of the Company's enlarged issued ordinary share capital.

The Directors believe that the Acquisition is likely to increase the Group's turnover in the year ending 31 May 2012 ("FY12") by around £15 million. The deal is expected to be earnings enhancing in FY12 and significantly earnings enhancing in the second full year of ownership. As at 31 May 2010, pro forma net assets were £25.4 million, compared to Filtronic's net assets of £19.9 million (Source: pro forma statement of net assets of the Enlarge Group in Part VI of this document).

6. Current trading and outlook

Filtronic

As expected, trading conditions for Filtronic's existing point-to-point business have remained difficult into this financial year. Trading in the first quarter has however improved from the weak final quarter of last year, with sales of around £1.0 million per month being in line with the monthly run rate in the second half of last year. Whilst revenues for September will show an improvement on this level, this does not affect the Directors' assessment of the likely result for the year as a whole.

Isotek

Isotek has continued to develop its sales prospects, progressing to production volumes with two customers. Sales outlook remains consistent with Filtronic's previously disclosed expectations of £5 million for the post-Completion period to 31 May 2011.

Clarification regarding Evening Gazette and The Journal, Newcastle articles dated 3 August 2010

On 3 August 2010, following publication of Filtronic's preliminary results for the period to 31 May 2010, The Evening Gazette reported the Company as stating that "*it expected further losses in the first half of the next financial year amid subdued market activity*". The quote does not accurately reflect the Company's statement of 2 August 2010, nor were there any conversations between the Company and the Evening

Gazette. The Company, in its statement of 2 August 2010 stated that "*demand outlook through the summer remains constrained due to customer inventory overhang. Consequently further small operating losses are expected into the first half of the next financial year*". The Company did not wish to attribute either losses or earnings to any particular period or periods, only to indicate that for some unspecified part of the first half the Company would make an unspecified level of operating losses but that this did not imply any level of profitability for the first half of 2011 in total, nor for any specific part of the first half. This does not constitute a profit forecast.

The Journal, Newcastle, reported on 3 August 2010 that Filtronic "*said that it expected to be back in profit in the second half of next year*". The article includes quotes from both Mr Ford and Mr Mardia but the key words reproduced above are not quotes nor are they attributed. This statement does not accurately reflect the Company's announcement of 2 August 2010, nor the discussion between representatives of the Company and the Journal held on that day. These discussions included reference to other elements of the Company's statement including "market expectations of a 2011 demand recovery" from the Chairman's statement and are expected to add significantly to revenue during calendar year 2011. In the same time frame, market expectations are for robust underlying drivers to initiate substantial growth in mobile broadband infrastructure demand from the Operating Review. The Company did not wish to attribute either losses or earnings to any particular period or periods but instead to provide a background as to expected demand for its products and the underlying drivers behind the business (without stating the impact on earnings in any particular year or period). This does not constitute a profit forecast.

7. Significant Change

Prior to 31 May 2010 Isotek sales were of prototype units and small trial runs (tens rather than hundreds of units). Since 31 May 2010 such sales have continued but have also progressed to area trials involving sales with 2 significant customers in the hundreds of units. As a result the sales, margin and profitability of the business have increased significantly. Sales in the three months to 31 May 2010 totalled £0.2 million, aggregate sales for the three months to 31 August 2010 were £0.4 million. Whilst sales have increased they remain consistent with Filtronic's previously disclosed expectation of £5 million for the post completion period to 31 May 2011.

Post 31 May 2010, Isotek has raised a further £1.4 million of debt funding. In consideration for the debt funding an additional 1.4 million share options at an exercise price of 20p have been issued.

Apart from these changes, there has been no significant change in the financial or trading position of Isotek or Filtronic since 31 May 2010.

8. Proposed New Share Option Plan

The new share option plan which is being proposed is the Filtronic plc Employee Share Option Plan 2010 ("ESOP"), a summary of which is set out in Part VIII to this document. The ESOP is being introduced with the aim of motivating, retaining and recruiting key employees of the Enlarged Group by giving them an opportunity to acquire Shares in the Company, which may be subject to achieving certain performance targets. All awards under the ESOP will be made at the discretion of the Remuneration Committee of the Company. The Directors consider that the ESOP is in the best interests of the Shareholders taken as a whole and seek your support for establishing the ESOP by asking you to vote in favour of the Resolutions.

9. Additional Information

Your attention is drawn to the additional information set out in Parts II to IX of this document.

10. General Meeting

A notice convening a General Meeting of the Company to be held at the offices of Filtronic Broadband Limited at Heighington Lane Business Park, Newton Aycliffe, County Durham DL5 6JW at 10.00 a.m. on 15 November 2010 at which the Resolutions will be proposed as set out at the end of this document. At the General Meeting, resolutions will be proposed to:

(a) subject to the passing of the resolution set out in (b) below, authorise the Directors, in accordance with section 551 of the Companies Act, to exercise all powers of the Company to allot Shares up to an aggregate nominal amount of £1,855,000 in connection with the shares to be issued pursuant to the Acquisition;

(b) approve the proposed Acquisition on the terms and subject to the conditions contained in the Warranty and Indemnity Deed and in the Offer Document (as defined in the Circular) and authorise the Directors (or any duly constituted committee thereof) to vary, amend, revise waive or extend any of such terms and conditions (not being of a material nature in the context of the Acquisition taken as a whole) as they think fit and take such steps on behalf of Filtronic as they may in their absolute discretion consider necessary, expedient or desirable to complete and give effect to the Acquisition;

(c) authorise the Directors to establish the ESOP; and

(d) subject to the passing of the resolution set out in resolution (c) above, authorise the Directors to establish schedules to or further share plans based on the ESOP but modified to take account of local tax, exchange control or securities laws in overseas territories provided that any shares made available under any such schedules or further plans are treated as counting against the limits on individual and overall participation in the ESOP.

The Directors are proposing the Resolutions to (1) give them authority to allot shares in connection with the Acquisition and to approve the Acquisition on the terms and conditions of the Warranty and Indemnity Deed and the Offer Document and (2) to give them authority to establish the ESOP and to establish schedules to, or further share plans based on, the ESOP. The authority and approval referred to in (a) and (b) above is required by Shareholders pursuant to the Companies Act and the Listing Rules.

11. Action to be taken

You will find enclosed with this document a form of proxy for use at the General Meeting or at any adjournment thereof. Whether or not you propose to attend the meeting in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and to return it as soon as possible, but in any event so as to be received by the Company's registrars, Capita Registrars (Proxies), 34 Beckenham Road, Beckenham, Kent BR3 4TU, no later than 10.00 a.m. on 11 November 2010. If you hold your Ordinary Shares in uncertificated form (i.e. in CREST), you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Registrars (under CREST participant ID RA10) by no later than 10.00 a.m. on 11 November 2010. The time of receipt will be taken to be the time from which the Registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The return of the form of proxy or the transmission of a CREST Proxy Instruction will not preclude you from attending and voting at the meeting in person if you so wish. If you wish to appoint a proxy online, you should visit www.capitashareportal.com and follow the instructions on screen.

12. Recommendation

The Board, which has been so advised by Panmure Gordon, considers that the Acquisition and the proposed Resolutions are in the best interests of Shareholders as a whole and, accordingly, unanimously recommends that you vote in favour of the Resolutions, as the Directors intend to do in respect of their own beneficial holdings of, in aggregate, 123,025 Ordinary Shares, representing 0.16 per cent. of the issued share capital of the Company.

Yours faithfully,

Howard Ford
Chairman

PART II

RISK FACTORS

The Enlarged Group's business, financial condition and/or results of operations could be materially and adversely affected by any of the risks described below. In such cases, the market price of the Ordinary Shares may decline and investors may lose all or part of their investment. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Enlarged Group. The Directors consider the following risks to be the most significant for investors in the Company, but the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in order of priority.

1. RISKS ASSOCIATED WITH THE PROPOSED ACQUISITION

Satisfaction of conditions

There are a number of conditions the parties must meet before the Acquisition can complete. Obtaining the approval of the Shareholders is just one of those conditions. Some of the conditions are the absence of certain changes having a material adverse impact on the business being acquired or the business affairs or prospects of the Isotek group. If the parties do not meet all the conditions, or those conditions are not waived by Filtronic, completion will not occur.

If the Warranty and Indemnity Deed is terminated Filtronic may be required to pay a break fee

The Warranty and Indemnity Deed contains certain provisions relating to the payment, in cash, of a fee should the Acquisition not proceed. This fee would be payable in the event that Filtronic withdraws the Offer, unless such withdrawal is due to a material adverse change in the business being acquired or there is a material breach of the Warranty and Indemnity Deed. In such event, the fee payable is the lower of Warrantors' costs incurred in connection with the proposed Acquisition and the maximum amount which Filtronic can pay by way of a break fee in accordance with the Listing Rules without requiring shareholder approval (being 1 per cent. of the market capitalisation of Filtronic as at the date of the Warranty and Indemnity Deed).

2. RISKS ASSOCIATED WITH FILTRONIC'S EXISTING POINT-TO-POINT BUSINESS

Reliance on customers

Filtronic's point-to-point business depends, and expects to continue to depend, on a relatively small number of key customers and prospective customers for a significant part of its revenues. These key customers and prospective customers together represent more than 75% of the addressable market for Filtronic's point-to-point business. The loss of any of these customers, or any material reduction in orders from any such customers, would have a material adverse effect on Filtronic's point-to-point business and on Filtronic's financial condition and results of operations. To mitigate this risk, Filtronic's point-to-point business is focused on diversifying its customer base by contracting with another second tier OEM and possibly one or two other first tier OEMs.

Reliance on suppliers

The point-to-point business is reliant on several semiconductor manufacturers for monolithic microwave integrated circuit supplies. Mitigation actions include a supply agreement with RF Micro Devices ("RFMD") which has an initial term to 29 February 2011 and which may thereafter be terminated upon 12 months' written notice. In the event of the closure of RFMD's Newton Aycliffe facility, the Business has contractual rights for a last time buy opportunity (within a minimum of a 12 month last time buy notice period, such notice period not to commence before expiry of the initial term).

3. RISKS RELATING TO ISOTEK

Isotek has a history of losses and may continue to be unprofitable in the future

In the year ended 31 May 2010, Isotek made an unaudited pre-tax loss of £1.9 million on turnover of £0.8 million. Although Isotek has made significant investments in innovative new technology, resulting in the creation of new intellectual property, which Filtronic believes provides Isotek with a significant competitive advantage, there is no guarantee that Isotek will achieve or maintain profitability in the future.

Isotek depends on the mobile communication industry for all of its revenues

Isotek depends on the mobile communication industry for all of its revenues. The global economic downturn has impacted the mobile communication industry. If the downturn persists, its revenues may suffer.

Customers

Isotek relies on a few large OEM customers (as well as a large number of prospective telecoms operators) for the majority of its revenues and the loss of any one of those customers, or a significant reduction in orders from any of these customers may have a material effect on its business, results of operations and financial condition.

Suppliers

Isotek relies on a small number of suppliers and in common with other telecoms entities relies for the manufacture of its products on a large Chinese turnkey manufacturer that provides favourable supply and financing terms. The loss of this manufacturer or of other key suppliers, or a material change to supply terms, would have a material effect on Isotek's business, results of operations and financial condition.

Key employees

Isotek's future success will depend greatly upon the expertise and continued services of certain key individuals and technical personnel. The Enlarged Group will have employment or service contracts with its key individuals and technical personnel going forward and, for certain senior executives, such contracts contain an initial 2 year term from the date of Completion. Further, each of the senior executives has agreed (subject to certain exceptions) not to make any disposals of Consideration Shares prior to the first anniversary of Completion, and for the next 12 months, not to make disposals other than through Filtronic's broker from time to time and in accordance with such broker's request so as to ensure an orderly market for the shares.

Intellectual property

Isotek has a significant intellectual property portfolio, with patent applications having been filed in a number of jurisdictions across the world, including, but not limited to the United Kingdom, the United States, India and China, with another patent application pending approval. Whilst Isotek does not believe that any of its products infringe the valid intellectual property rights of third parties, it may be unaware of intellectual property rights of others that may cover some of its technology, products and services and as a result the Enlarged Group could suffer litigation expenses or could be prevented from selling certain products as a result of third party infringement claims being made against Isotek.

4. RISKS RELATING TO THE ENLARGED GROUP

Development of the wireless telecoms market

The wireless telecoms market may not develop as expected, which could limit Filtronic's opportunity to continue its expansion. This could affect both the volume achieved and the pricing sought by Filtronic and could therefore affect its longer term financial performance.

Economic downturn

Any deterioration in the global economic situation could have an adverse impact on the Enlarged Group. As a global financial and economic crisis cannot be predicted, such risks are outside of the Enlarged Group's control. Any market disruption and volatility may cause the Enlarged Group to experience reductions in trading activity, the financial failure of one or more of its key customers (which could cause a material reduction in orders from such customers affecting the Enlarged Group's revenue and profitability) and/or suppliers (which could create problems with the manufacturing of products to meet customers' requirements affecting the Enlarged Group's revenue and profitability) and consequently lower profitability. A global recession or deep recessionary conditions which affect the Enlarged Group's business could have a material adverse effect on the Enlarged Group's business, results of operations and overall financial condition.

If Filtronic is not successful in integrating the Wireless Telecoms Business its operations may be adversely affected

Filtronic's ability to realise some of the anticipated benefits of the Acquisition will depend in part on Filtronic's ability to convert the Wireless Telecoms Business to its operational infrastructure and systems in a timely and efficient manner. If Filtronic cannot successfully convert the Wireless Telecoms Business to its operational practices, it may not realise some of the expected benefits of the Acquisition, which could materially and adversely affect its business, financial condition and results of operations.

Law and regulation

The Enlarged Group is subject to various international, federal, state and local regulations currently in effect and scheduled to become effective in the near future, including environmental and health and safety laws and regulations. These regulations are complex, change frequently, can vary from country to country, and have increased over time. Any breach of these obligations, or incidents relating to them, may have an adverse effect on the Enlarged Group's business, financial condition and results of operations.

Exchange rates

The Enlarged Group conducts business internationally and needs to translate foreign assets and liabilities, income and expenses into Sterling. Consequently, the Enlarged Group is subject to the risk of fluctuations in currency exchange rates which could adversely affect the Enlarged Group's business, financial condition and/or results of operation. The US dollar is the major currency to which the Enlarged Group will be exposed.

Competition

The Enlarged Group faces competition in all of its businesses. To stay competitive it will need to introduce successful new products and may also have to adjust prices of some products. The Enlarged Group's business, financial condition and results of operations may suffer if it does not compete effectively.

Intellectual property

While neither Filtronic nor Isotek believes that any of their products infringe the valid intellectual property rights of third parties, either of them may be unaware of intellectual property rights of others that may cover some of their technology, products and services. As a result the Enlarged Group could suffer litigation expenses or could be prevented from selling certain products as a result of third party infringement claims. The success of the Enlarged Group depends in part on proprietary technology. Should the Enlarged Group fail to maintain or enforce intellectual property rights, or competitors design around its technology or develop competing technologies, its competitive position could suffer and its operating results may be harmed.

Competitors

The Enlarged Group competes with merchant suppliers in the mobile communication market who provide integrated transceivers and base station filters to radio OEMs and operators. Additionally, there are mobile communication OEMs that use their own captive resources for the design and manufacture of their transceiver modules and base station filters, rather than using merchant suppliers like Filtronic. To the extent that mobile communication OEMs presently, or may in the future, produce their own transceiver modules and/or base station filters, the Enlarged Group will lose the opportunity to provide its equipment to them.

Retention of key staff

The Enlarged Group's success is dependent on attracting and retaining highly qualified and skilled employees. There is intense competition from other organisations for personnel and the loss of key employees, or the failure to attract and retain other highly skilled employees, may impair the Enlarged Group's ability to operate its business effectively.

5. RISKS RELATING TO THE ISSUE OF THE CONSIDERATION SHARES

Possible volatility of the price of Ordinary Shares

The market price of the Ordinary Shares may be affected by a variety of factors, including, but not limited to, changes in sentiment regarding the Ordinary Shares, variations in the Enlarged Group's operating results compared with the expectations of market analysts and investors, its business development or those of its competitors, the operating performance of its competitors or speculation about the Enlarged Group's business. Shareholders should therefore be aware that the value of the Ordinary Shares can go down as well as up.

Sale of Consideration Shares pursuant to the Offer

It is a term of the Acquisition that, in the event of an agreed (or determined) claim under the Warranty and Indemnity Deed and in certain other situations, Filtronic has the right to sell such number of Consideration Shares claimed, save that from 6 months to 24 months following Completion only half of the Consideration Shares will be available for this purpose (and thereafter none). The proceeds received by Filtronic on a sale of Consideration Shares will depend on the price achieved in the market at the time the Board decide to sell the Consideration Share. The market price of the Shares may be affected by the announcement of a claim under the warranties and the proposed disposal of the Consideration Shares. Accordingly, the value of the Ordinary Shares could go down. Additionally, Filtronic, for whatever reason, may not have available (or may be unable to sell) a sufficient number of the Consideration Shares to settle the amount of a claim.

6. GENERAL RISKS

Impact of further issues of Shares and significant disposals

Although there is no current intention to do so (other than under the Company Share Schemes), it is possible that the Company may decide to offer additional Shares in the future. In addition, the granting of employee share options in respect of Shares is an integral element of the Enlarged Group's remuneration policies. An additional offering of Shares by the Company, significant sales of Shares by employees or major Shareholders, or the public perception that an offering or sales may occur, could have an adverse effect on the market price of Ordinary Shares.

Ability to pay dividends

The ability of the Company to pay dividends to Shareholders is a function of the profitability of the Enlarged Group and the extent to which, as a matter of law, the Company has available to it sufficient distributable reserves out of which any proposed dividend may be paid. Whilst the Enlarged Group can give no assurances to Shareholders that it will be able to pay a dividend going forward, the Board recognises the importance of dividends to Shareholders.

The Shares will trade in pounds sterling and any dividends will be paid in pounds sterling

The Shares are traded in pounds sterling and any dividends will be paid in pounds sterling. An investor in the Shares whose principal currency for accounting and/or tax purposes is not pounds sterling will be exposed to fluctuations in the exchange rate between the particular currency in question and pounds sterling.

7. FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements concerning the Enlarged Group. Forward-looking statements are based on current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties, and assumptions about the Enlarged Group. Subject to Filtronic's continuing obligations under the Prospectus Rules, the Listing Rules, the Disclosure and Transparency Rules and the UK Corporate Governance Code or to any law or regulation, the Enlarged Group undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART III

ACCOUNTANT'S REPORT ON THE FINANCIAL INFORMATION ON ISOTEK

KPMG

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

The Directors
Filtronic plc
Unit 2, Acorn Park
Charlestown
Shipley
West Yorkshire
BD17 7SW

28 October 2010

Dear Sirs

Isotek (Holdings) Limited

We report on the financial information set out on pages 21 to 43 of this document. This financial information has been prepared for inclusion in the Class 1 circular relating to the acquisition of Isotek (Holdings) Limited dated 28 October 2010 by Filtronic plc on the basis of the accounting policies set out in note 1. This report is required by paragraph 13.5.21R of the Listing Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of Filtronic plc are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to Ordinary shareholders as a result of the inclusion of this report in the Class 1 circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6), consenting to its inclusion in the Class 1 circular.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Class 1 circular dated 28 October 2010, a true and fair view of the state of affairs of Isotek (Holdings) Limited as at the dates stated and of its losses, cash flows, comprehensive income and changes in parent company net investment for the periods then ended in accordance with the basis of preparation set out in note 1 and has been prepared in a form that is consistent with the accounting policies adopted in Filtronic plc's latest annual accounts.

Yours faithfully

KPMG Audit Plc
Chartered Accountants

PART IV

FINANCIAL INFORMATION ON ISOTEK

Income statement
for the year ended 31 May 2010

	Note	*2010* £	*2009* £	*2008* £
Revenue	3	789,193	433,330	124,100
Cost of sales		(436,684)	(102,000)	(62,000)
Gross profit		352,509	331,300	62,100
Administrative expenses				
Before goodwill impairment		(2,226,731)	(1,606,868)	(963,290)
Goodwill impairment		–	(181,161)	–
Administrative expenses		(2,226,731)	(1,788,029)	(963,290)
Operating loss	4	(1,874,222)	(1,456,729)	(901,190)
Finance income	7	–	12,427	10,032
Finance costs	8	(30,597)	(1,512)	–
Loss before taxation		(1,904,819)	(1,445,814)	(891,158)
Taxation	9	209,789	190,142	174,572
Loss for the financial year		(1,695,030)	(1,255,672)	(716,586)

Statement of comprehensive income
for the year ended 31 May 2010

	Note	*2010* £	*2009* £	*2008* £
Loss for the financial year		(1,695,030)	(1,255,672)	(716,586)
Currency translation movement arising on consolidation		(129,286)	–	–
Total comprehensive income for the period		(1,824,316)	(1,255,672)	(716,586)

Statement of changes in parent company net investment
for the year ended 31 May 2010

	2010	*2009*	*2008*
	£	£	£
Opening parent company net investment	303,016	664,963	773,180
Total comprehensive income for the period	(1,824,316)	(1,255,672)	(716,586)
New ordinary shares issued	430,000	–	200,000
Quasi-equity funding by Oil & Gas division (see note 1)	785,783	893,725	408,369
Closing parent company net investment	(305,517)	303,016	664,963

Balance sheet
As at 31 May 2010

	Note	*2010* £	*2009* £	*2008* £
Non current assets				
Property, plant and equipment	11	96,280	84,394	84,688
Intangible assets	12	–	–	–
		96,280	84,394	84,688
Current assets				
Inventories	13	22,209	6,500	–
Trade and other receivables	14	378,456	266,026	209,459
Cash and cash equivalents		260,307	214,186	385,252
		660,972	486,712	594,711
Total assets		757,252	571,106	679,399
Current liabilities				
Trade and other payables	15	(931,308)	(150,790)	(14,436)
Interest bearing loans and borrowings	16	(131,461)	(117,300)	–
Total liabilities		(1,062,769)	(268,090)	(14,436)
Net (liabilities)/assets		(305,517)	303,016	664,963
Parent company net investment		(305,517)	303,016	664,963

Cash flow statement
for the year ended 31 May 2010

	Note	2010 £	2009 £	2008 £
Cash flows from operating activities				
Loss before taxation		(1,904,819)	(1,445,814)	(891,158)
Finance costs		30,597	1,512	–
Finance income		–	(12,427)	(10,032)
Operating loss		(1,874,222)	(1,456,729)	(901,190)
Depreciation		61,284	34,383	25,076
Goodwill impairment		–	181,161	–
Movement in inventories		(15,709)	(6,500)	–
Movement in trade and other receivables		(89,969)	(13,518)	(87,724)
Movement in trade and other payables		395,980	56,774	9,900
Net income taxes received		109,791	72,269	–
Net cash from operating activities		(1,412,845)	(1,132,160)	(953,938)
Cash flows from investing activities				
Interest received		–	–	10,032
Acquisitions	19	–	(12,765)	-
Purchase of property, plant and equipment		(73,170)	(747)	(69,994)
Net cash inflow from parent company net investment		734,034	976,118	461,206
Cash flows from investing activities		660,864	962,606	401,244
Cash flows from financing activities				
Share issue		430,000	–	200,000
Interest paid		(6,814)	(1,512)	–
Financing received from O&G	15	374,916	–	–
Net cash used in financing activities		798,102	(1,512)	200,000
Increase/(decrease) in cash and cash equivalents		46,121	(171,066)	(352,694)
Opening cash and cash equivalents		214,186	385,252	737,946
Closing cash and cash equivalents		260,307	214,186	385,252

Notes
(forming part of the financial statements)

1 Accounting policies

During the three years ended 31 May 2010 the group headed by Isotek (Holdings) Limited (the 'Group') operated two distinct businesses – 'wireless telecoms' ("WT") and 'Oil & Gas' ("O&G"). The principal subsidiaries within the Group are listed in note 20. Isotek Electronics Limited operated within both WT and O&G, though the assets, liabilities and income and expenses from the two businesses generally were distinguishable. All other Group companies operated solely within the WT business.

Isotek (Holdings) Limited has not previously prepared consolidated financial statements on the grounds of its size. This non-statutory Combined Financial Information, in respect of the proposed acquisition by Filtronic plc of the entire share capital of the Group headed by Isotek (Holdings) Limited, is the responsibility of the directors of Filtronic plc. With effect from 31 March 2010 and prior to the proposed acquisition, the trade and assets of the O&G business within Isotek Electronics Limited were sold to Isotek Oil and Gas Limited at their book values (see note 15). It was agreed that an amount would also be payable by Isotek Electronics Limited to O&G for O&G to assume responsibility for certain potential tax exposures within Isotek Electronics Limited (see note 24). Accordingly and as further explained below, these non-statutory combined financial statements seek to reflect only the financial record of the WT business of Isotek (Holdings) Limited.

Basis of preparation of combined financial information

The combined financial information presents the financial record of the WT business of the Group for the three years ended 31 May 2010, being those businesses that will be held by Isotek (Holdings) Limited at the date of the proposed acquisition (including Isotek (Holdings) Limited).

For the purpose of the historical combined financial information, in order to present the historical results of the WT business, the various WT businesses have been aggregated (see below) to present them as a single group (referred to as the "Aggregated Group"). In preparing that aggregation transactions between entities that are included in the aggregation have been eliminated.

Amounts due by the Aggregated Group to / from the O&G business are included in trade debtors / creditors to the extent they are deemed recoverable/payable from/by O&G. As described below the full cash balances within the Group are included within the combined financial information. The net cash inflow resulting from O&G trading will be reflected in the cash balance. This quasi-equity funding by O&G does not have the characteristics of debt and is reflected in the movements within the parent company net investment.

Due to the exclusion of O&G from the Combined financial information, it is not meaningful to show share capital or an analysis of reserves for the Aggregated Group. The net assets of the Aggregated Group are represented by the cumulative investment within the companies within the Aggregated Group ("Parent company net investment").

All of the companies within the Aggregated Group, with the exception of Isotek Inc, which was incorporated on 12 August 2008, have been in existence throughout the three years ended 31 May 2010 and are presented in the Aggregated Financial Information.

The combined financial information has been prepared in accordance with the requirements of the Prospectus Directive, the Listing Rules and in accordance with this basis of preparation. The basis of preparation describes how the combined financial information has been prepared in accordance with IFRS (except as disclosed below).

International Financial Reporting Standards ("**IFRS**") as adopted by the EU do not provide for the preparation of Combined Financial Information or for the specific accounting treatments set out below, and accordingly in preparing the Combined Financial Information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in an investment circular as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information), issued by the UK Auditing Practices Board, have been applied. The application of these conventions results in the following material departures from IFRS. In other respects IFRS as adopted by the EU has been applied.

- As explained above, the Combined Financial Information is prepared on a combined basis and therefore does not comply with the requirements of IAS 27 'Consolidated and Separate Financial Statements. The financial information has therefore been prepared on a combined basis by applying the principles underlying the consolidation principles of IAS 27.

- The combined financial information has not included the disclosure requirements prescribed by IFRS 2 'Share Based Payments'. Details of the share options in existence are provided in note 10, which resulted in no charge in the three years ended 31 May 2010.

Basis of accounting

The accounting policies adopted by the Aggregated Group in the preparation of the combined financial information are consistent with the accounting policies that will be applied by prospective acquirer, Filtronic plc, in its next set of financial statements, being its financial statements for the year ended 31 May 2011.

These pronouncements either had no material impact on the combined financial information or resulted in changes to presentation and disclosure only.

The following summarises the accounting and other principles applied in preparing the Combined Financial Information:

- The assets, liabilities, income and expenses, and cash flows of the WT businesses of the individual entities have been aggregated;

- Transactions and balances between entities included within the Combined Financial Information have been eliminated.

- Subsidiary undertakings acquired by the Aggregated Group during the period presented have been included in the Combined Financial Information from and up to the date control was passed.

- All cash and other movements in capital amounts, for example shares issued, in respect of Isotek (Holdings) Limited's subsidiaries have been reflected in the cash flow and as movements in the parent company net investment.

- The Aggregated Group has historically operated a central cash account, which has been used for both the WT and O&G businesses. For the purposes of preparation of the Combined Financial Information, the full cash balance at each reporting date is included as this bank account will remain within the Aggregated Group to be acquired following the disposal of the O&G business (see note 15). The movements in the cash balance that relate to O&G will be reflected within movements in the parent company net investment as these transactions do not have the characteristics of debt. This quasi-equity funding by O&G is reflected in the movements in the parent company net investment.

- Any funding of companies in the Aggregated Group by Isotek (Holdings) Limited during the period of the Combined Financial Information which comprises equity holdings and quasi-equity funding has been treated as part of the parent company net investment. All changes in such funding are shown as movements in the parent company net investment.

- The tax credits within the combined financial information represent the tax receivable arising from losses created from research and development (R&D) expenditure that would have been available to the Aggregated Group if it were a standalone entity. It has been assumed that the full losses of WT for each period, to the extent they relate to enhanced R&D expenditure, have been surrendered in return for a cash payment at the applicable percentage rate applied to the enhanced R&D expenditure. The residual losses were used to offset the taxable profits of the O&G division and as such the tax credits will not be representative of the tax credits recorded by in the financial statements of Isotek Electronics Limited. No asset has been recognised for these tax losses used by O&G as these are not considered recoverable from O&G. The R&D credits are only available to the extent that the WT division is loss making. The tax credits in the combined financial information are therefore not necessarily representative of the tax credits that may arise in the future.

Accounting convention and basis of combination

The Combined Financial Information has been prepared in sterling which is determined as the functional currency of the Aggregated Group.

The combined financial information has been prepared on a going concern basis, notwithstanding the net liabilities at 31 May 2010, and trading losses in each of the three years ended 31 May 2010, which the directors believe to be appropriate for the following reasons.

Throughout the three years ended 31 May 2010 the wireless infrastructure division has been partially funded by the profitable Oil & Gas division. Following the sale of the Oil & Gas division on 31 March 2010 the wireless infrastructure division has been provided with short-term interest free funding by the Oil & Gas division. Refer to note 15 for further details.

Additionally, in June 2010 the Aggregated Group agreed with HM Revenue and Customs to defer £120,905 of pay as you earn balances. Repayments commenced in July 2010. To date the Aggregated Group has complied fully with all repayments in respect of this agreement. The R&D tax credit receivable is expected to part extinguish this liability.

Subsequent to 31 May 2010 additional debt funding of £1.4 million has been received. Further details are provided in note 24.

The Aggregated Group currently have no overdraft facility. Key management have commenced discussions with its bankers about setting up additional facilities but these discussions are ongoing.

The directors' consider that the outlook presents significant challenges in terms of sales growth that is required to cover the significant cost base. The directors have also needed to institute measures to preserve cash and secure additional finance. However, detailed working capital projections have been prepared by the directors of Filtronic plc, which include the Aggregated Group. These projections show that the enlarged group can operate within the facilities of the enlarged group currently in place. For these reasons and on the basis the transaction goes ahead, they continue to adopt the going concern basis of accounting in preparing the combined financial information, which is consistent with the guidance per SIR2000.

The preparation of this Combined Financial Information requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Combined Financial Information and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Where such judgements are made they are included within the accounting policies below.

Transition

In preparing the Combined Financial Information, the guidance in IFRS 1 'First time adoption of International Financial Reporting Standards' has been applied in preparing an opening balance sheet at 1 June 2007 (date of transition) and the following exemptions from the retrospective application of the accounting policies have been applied:

- IFRS 3 'Business combinations' has not been applied retrospectively to business combinations that occurred before 1 June 2007.

While the individual entities in the Aggregated group have previously prepared company-only financial statements in accordance with UK GAAP for each of the periods presented in the Combined Financial Information, the Aggregated Group has not previously prepared financial statements. Accordingly, no reconciliations from previous GAAP amounts are presented. The transition balance sheet at 1 June 2007 is presented in note 23.

Foreign currency translation

The functional currency of each company within the Aggregated Group is the currency of the primary economic environment in which the company operates. The combined financial information is presented in sterling which is the presentational currency of the Aggregated Group.

Transactions denominated in foreign currencies are translated into the functional currency of each group company at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date.

Foreign exchange gains and losses arising on the settlement of such transactions and translations of monetary assets and liabilities are recognised in the income statement.

Forward foreign exchange contracts are recognised in the balance sheet at their market value at the balance sheet date, and the resulting gain or loss is recognised in the income statement.

On consolidation, the financial statements of subsidiaries with a functional currency other than sterling are translated into sterling as follows:

- The assets and liabilities in their balance sheets plus any goodwill are translated at the rate of exchange ruling at the balance sheet date.
- The income statements and cash flow statements are translated at the average rate of exchange for the period, which approximates the rate of exchange ruling at the date of transactions.
- Currency translation movements arising on the translation of the net investments in foreign subsidiaries are recognised in movements in the parent company net investment.

Segmental reporting

Segment reporting is presented in respect of the Aggregated Group's business and geographical segments. Each reportable segment is subject to risks and returns that are different from the other segments.

Revenue

Revenue is recognised for goods and services provided to customers during the period. Revenue excludes any related value added or sales tax.

Research and development

All research costs are expensed as incurred.

Development costs incurred on projects requiring product qualification tests to satisfy customer specifications are generally expensed as incurred, reflecting the technical risks associated with meeting the resultant product qualification test. It is only at this point that future economic benefits are probable.

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Aggregated Group intends to and has sufficient resources to complete development and to use or sell the asset. Development costs incurred on projects are capitalised where firstly the technical feasibility can be tested against relevant milestones, secondly the probable revenue streams foreseen over the life of the resulting project can support the development and thirdly sufficient resources are available to complete the development. These capitalised costs are amortised on a straight line basis over the expected life of the associated product.

Once a new product is qualified, further development costs are expensed as they arise because they are incurred in response to continual customer demand to enhance the product functionality and to reduce product selling prices.

Operating leases

Operating lease rentals are charged to the income statement on a straight line basis over the lease term.

Share-based payments

The Aggregated Group operated share option schemes under which share options were granted to certain employees. The granting of the share options was a share-based payment.

The fair value of the share options at the date of grant was calculated using an option pricing model, taking into account the terms and conditions applicable to the option grant. The fair value of the number of share options expected to vest was expensed in the income statement on a straight line basis over the expected vesting period. Each reporting period the vesting expectations were revised as appropriate.

Interest bearing loans and borrowings

Financial assets and liabilities are recognised on the balance sheet when the Aggregated Group becomes party to the contractual provision of the instrument. Interest bearing borrowings are recognised initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the periods of the borrowings on an effective interest basis.

Impairment

The carrying amounts of non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised through the income statement. For goodwill and assets that have an indefinite useful life the recoverable amount is tested at each balance sheet date.

Goodwill

Goodwill represents the excess of the cost of acquisitions over the fair value of the net identifiable assets and contingent liabilities of the business acquired at the date of acquisition. Goodwill is stated at cost less any accumulated impairment losses.

Goodwill, which is allocated to cash generating units, is tested for impairment annually and when there is an indication of impairment. If impaired, the goodwill carrying value is written down to its recoverable amount.

Business combinations

Business combinations are accounted for by applying the acquisition method.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Aggregated Group. Consideration transferred also includes the fair value of any deferred consideration, which is undiscounted.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

Property, plant and machinery

Property, plant and equipment are stated at cost less accumulated depreciation and less any accumulated impairment losses.

Depreciation is provided on a straight line basis over the estimated useful lives of the assets as follows:

Plant & equipment 3 to 10 years

Property, plant and equipment are tested for impairment when there is an indication of impairment. If impaired, the carrying values of the assets are written down to their recoverable amounts.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises weighted average cost of materials and components together with attributable direct labour and overheads. Net realisable value is the estimated selling price less estimated costs of completion and sale.

Trade and other receivables

Trade and other receivables are stated net of any provision for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents comprises cash balances and bank deposits with an original maturity of three months or less.

Defined contribution pension schemes

Defined contribution pension schemes are operated for employees. Contributions are recognised as an expense in the income statement as incurred.

Taxation

The charge for taxation is based on the results for the year and takes into account full provision for deferred taxation due to temporary differences between the carrying value of an asset or liability and its tax base. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are not discounted and are offset where amounts will be settled on a net basis as a result of a legally enforceable right.

Current tax is the expected tax payable on the taxable income for the year, using rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in the respect of prior years.

Accounting estimates and judgements

The preparation of the financial statements requires the use of accounting estimates and judgements, that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The accounting estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of the future, that 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 considered below.

Goodwill impairment

Goodwill and other intangibles are tested for impairment by reference to the expected cash generated by the business unit. This is deemed to be the best approximation of value, but is subject to the same uncertainties as the cash flow forecast being used.

Deferred tax asset

The recognition of the deferred tax assets relating to tax losses carried forward depends on forecasts of the future taxable profits of the members of the Aggregated Group. These forecasts require the use of estimates and judgements about the future performance of the respective subsidiaries.

Capitalisation of development costs

Development costs incurred on projects requiring product qualification tests to satisfy customer specifications are generally expensed as incurred, reflecting the technical risks associated with meeting the resultant product qualification test.

Other certain research and development costs are likely to meet the definition of enhancement type costs and therefore do not meet the definition of development costs to be capitalised.

This process is to be continually reviewed to ascertain whether any development costs meet the criteria for capitalisation. This requires various judgements by management as to whether the various criteria have been met.

2 Segment reporting

The Aggregated Group determines and presents operating segments based on the information that internally is provided to the chief executive officer ("CEO") of the Aggregated Group, who is the Aggregated Group's operating chief decision maker ("CODM").

IFRS 8 requires consideration of the CODM within the Aggregated Group. In line with the Aggregated Group's internal reporting framework and management structure the key strategic and operating decisions are made by the CEO, who reviews internal monthly management reports, budget and forecast information as part of this. Accordingly the CEO is deemed to be the CODM. Operating segments have then been identified based on the reporting information and management structures within the Aggregated Group. The Aggregated Group has 3 customers representing individually over 10% each (2009: 2, 2008: 2) and in aggregate over 79% (2009: 86%, 2008: 96%) of revenue.

Business segments

In accordance with IFRS 8 two segments are identified based on geographical location of origin. Both of these segments operate in the same business, being the design of radio frequency conditioning product for base stations used in wireless telecommunication networks. Under IAS 14 there was also a single segment.

Geographical segments

In the year ended 31 May 2008 the entire business was located in the United Kingdom which represented one geographic segment (by origin). During the year ended 31 May 2009 the Aggregated Group set up operations in the United States of America. Accordingly in the two years ended 31 May 2010 the Aggregated Group has two separate geographic segments.

	2010	*2009*	*2008*
	£	*£*	*£*
Revenue			
United Kingdom	396,960	433,300	124,100
United States of America	392,233	–	–
	789,193	433,300	124,100
Operating loss			
United Kingdom	(1,025,893)	(1,057,029)	(901,190)
United States of America	(848,329)	(399,700)	–
Operating loss	(1,874,222)	(1,456,729)	(901,190)
Taxation (all relating to United Kingdom)	209,789	190,142	174,572
Loss for the period	(1,695,030)	(1,255,672)	(716,586)
Depreciation			
United Kingdom	38,980	31,494	25,076
United States of America	22,304	2,889	–
	61,284	34,383	25,076
Capital expenditure			
United Kingdom	22,925	–	69,994
United States of America	50,245	34,089	–
	73,170	34,089	69,994
Assets			
United Kingdom	449,652	518,106	679,399
United States of America	307,600	53,000	–
	757,252	571,106	679,399
Liabilities			
United Kingdom	(629,385)	(48,590)	(14,436)
United States of America	(433,384)	(219,500)	–
	(1,062,769)	(268,090)	(14,436)

3 Revenue analysis by destination

	2010	*2009*	*2008*
	£	*£*	*£*
United Kingdom	255,100	173,100	73,100
United States of America	534,093	260,200	51,000
	789,193	433,300	124,100

4 Operating items

	2010	2009	2008
	£	£	£
Operating loss is stated after charging			
Continuing operations:			
Research and development costs	1,379,554	778,334	671,215
Operating lease rentals	79,974	44,478	23,100
Goodwill impairment	–	181,161	–
	1,459,528	1,003,973	694,315

5 Employment costs

The average number of person employed by the Aggregated Group (including directors) during the year, analysed by category, was as follows:

	Number of employees		
	2010	*2009*	*2008*
Operations	21	15	10
Administration	3	2	–
	24	17	10

The aggregate payroll costs of these persons were as follows:

	2010	2009	2008
	£	£	£
Wages and salaries	1,422,305	944,332	619,920
Social security costs	138,299	99,101	66,251
Defined contribution pension costs	113,944	78,467	55,029
	1,674,548	1,121,900	741,200

6 Compensation of directors

The Aggregated Group's key management are executive and non-executive directors. The aggregate remuneration paid to or accrued to directors for services in all capacities during the period is as follows:

	2010	2009	2008
	£	£	£
Basic remuneration including bonus and benefits	392,246	267,010	189,586
Pension contributions	34,941	23,123	16,704
	427,187	290,133	206,290

During the year ended 31 May 2009 the aggregated emoluments and amounts receivable under long term incentive schemes of the highest paid director were £213,126 (2008: £206,290).

7 Finance income

	2010 £	2009 £	2008 £
Interest income	–	–	10,032
Currency exchange gains	–	12,427	–
	–	12,427	10,032

8 Finance costs

	2010 £	2009 £	2008 £
Loan notes	6,814	1,512	–
Currency exchange losses	23,783	–	–
	30,597	1,512	–

9 Taxation

The reconciliation of the effective tax rate is as follows:

	2010 £	2009 £	2008 £
Loss before taxation	(1,904,819)	(1,445,814)	(891,158)

	2010 £	2009 £	2008 £
Loss before taxation multiplied by standard rate of tax in the UK of 28% (2009: 28%, 2008: 30%)	(533,349)	(404,827)	(267,347)
Tax losses surrendered in full to O&G for no payment	353,529	186,780	49,131
Difference in tax rate	209,789	182,354	152,752
R&D tax credits	(239,758)	(154,449)	(109,108)
	(209,789)	(190,142)	(174,572)

10 Share options

The Aggregated Group has granted various equity-settled share options as part of an Enterprise Management Incentive Scheme (2007). These options may be exercised upon the occurrence of a listing, take-over or full board consent. These options automatically lapse on the 10th anniversary from the grant date. At each reporting date the likelihood of these events occurring was not deemed probable so no IFRS 2 charge has been recognised in the combined financial information.

The terms and conditions of grants are as follows:

Grant date/nature of scheme	*Method of settlement accounting*	*Number of instruments*	*Vesting conditions*	*Contractual life of options*
10 Jan 2007 EMI option scheme	Equity	3,150,000	Non-market	10 years
22 Aug 2008 EMI option scheme	Equity	600,000	Non-market	10 years

In the financial years to 31 May 2008, 2009, and 2010 the options outstanding at the beginning of the year were respectively 3,150,000, 3,150,000 and 3,750,000. At the end of these periods the options outstanding were 3,150,000, 3,750,000 and 3,750,000.

All options were granted at 20p exercise price which was the weighted average exercise price throughout the 3 year period. In the year to 31 May 2009 600,000 options were granted.

No options were forfeited or exercised in the 3 year period. It is expected these will be exercised in full immediately prior to the proposed acquisition by Filtronic plc.

The options outstanding at 31 May 2010 have an exercise price of 20 pence and a weighted average contractual life of 10 years.

The estimate of the fair value of the services received is measured based on a Black Scholes model. Measurement inputs and assumptions are as follows:

	10 Jan 07 grant	*22 Aug 08 grant*
Fair value at measurement date	14p	13p
Weighted average share exercise price	20p	20p
Expected volatility used in the modelling under the Black Scholes model	61%	51%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	10 years	10 years
Expected dividends	Nil	Nil
Risk free interest rate (based on national government bonds)	3%	3%

The expected volatility is based on the historic volatility of a peer group quoted company.

Share options are granted under a service condition and a non-market performance condition which requires a triggering event such as the sale or listing of the company. Such conditions are not taken into account in the grant date fair value measurement of the services received.

11 Tangible fixed assets

	Plant and machinery £
Cost	
At 1 June 2007	45,470
Additions	69,994
At 31 May 2008	115,464
Additions	34,089
At 31 May 2009	149,553
Additions	73,170
At 31 May 2010	222,723
Depreciation	
At 1 June 2007	5,700
Depreciation	25,076
At 31 May 2008	30,776
Depreciation	34,383
At 31 May 2009	65,159
Depreciation	61,284
At 31 May 2010	126,443
Carry amount at 31 May 2008	84,688
Carrying amount at 31 May 2009	84,394
Carrying amount at 31 May 2010	96,280

12 Intangible assets

	Goodwill £
Cost	
At 1 June 2007 and 31 May 2008	–
Acquisitions through business combinations (note 19)	181,161
At 31 May 2009 and 2010	181,161
Amortisation and impairment losses	
At 1 June 2007 and 31 May 2008	–
Impairment loss	181,161
At 31 May 2009 and 2010	181,161
Carrying amount at 31 May 2008	–
Carrying amount at 31 May 2009	–
Carrying amount at 31 May 2010	–

Impairment loss

The recoverable amount of the cash-generating unit (the US business – Isotek Inc) was estimated based on its value in use. Much of the value acquired in this transaction represented the employees accumulated knowledge in the industry, which does not meet the definition for capitalisation as an intangible asset. The business taken on was a start-up simply incurring costs. At the acquisition date no sales contracts had been established resulting in losses being generated. Based on the assessment at May 2009, the value in use was deemed to be negligible as there were no sales in the period to May 2009 and no contracts in place for the future. Given the uncertainty over future cash flows and the continued losses the goodwill relating to the US business was deemed to be impaired. The impairment loss was allocated fully to goodwill. The residual assets of the US business have not been impaired as they are believed to be carried at their fair value less costs to sell.

The estimate of value in use was determined using a pre-tax discount rate of 10 per cent.

Impairment testing for cash generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Aggregated Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes, which is not higher than the Aggregated Group's operating segments as reported in note 2.

The aggregate carrying amount of goodwill is allocated entirely to the US division.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. The calculation of the value in use was based on the following key assumptions:

- Cash flows were projected based on past experience and actual operating results;
- Cash flows for a further 20-year period were extrapolated using a constant growth rate of 5 per cent. which does not exceed the long-term average growth rate for the industry.
- It has been assumed that administrative expenses will increase with inflation and gross margins are to remain at comparable levels to those experienced during 2010.
- A pre-tax discount rate of 10 percent was applied in determining the recoverable amount of the unit. The discount rate was estimated based on past experience.

13 Inventories

	2010 £	2009 £	2008 £
Finished goods	22,209	6,500	–
Inventories are stated net of provision	–	–	–

14 Trade and other receivables

	2010 £	2009 £	2008 £
Trade receivables	148,379	81,010	76,414
Other receivables and prepayments	50,401	27,801	11,310
Corporation tax	179,676	157,215	121,735
	378,456	266,026	209,459
Trade receivables are stated net of provision	–	–	–

15 Trade and other payables

	2010 £	2009 £	2008 £
Trade payables	244,262	61,210	14,400
Other payables and accruals	222,928	10,000	36
Deferred consideration	89,202	79,580	–
Amounts owed to Oil and Gas	374,916	–	–
	931,308	150,790	14,436

The trade and assets of O&G were sold to Isotek Oil and Gas Limited with effect from 31 March 2010. This disposal is not reflected in the combined financial information as it relates to assets and liabilities that relate solely to the O&G business. Subsequent to this sale, net amounts were received into the bank account from 3rd parties on behalf of O&G. These amounts are repayable to Isotek Oil and Gas Limited and are shown in amounts owed to Oil and Gas above.

16 Interest-bearing loans and borrowings

	2010 £	2009 £	2008 £
Loan notes	131,461	117,300	–

17 Pension costs

	2010 £	2009 £	2008 £
Defined contribution scheme	113,944	78,467	55,029

18 Operating lease commitments

At the balance sheet date there were commitments for lease payments under non-cancellable operating leases which fall due as follows:

	2010	*2009*	*2008*
	£	*£*	*£*
Less than one year	67,406	42,615	33,300
Between one and five years	5,014	73,405	89,100
	72,420	116,020	122,400

Operating leases are for land and buildings and the lease terms are for periods of one to four years.

The Aggregated Group had no capital expenditure commitments at 31 May 2008, 31 May 2009 or 31 May 2010.

19 Acquisitions

On 1 March 2009 the Aggregated Group purchased the trade and assets of Xavier RF Solutions Inc.

	Book value	*Fair value adjustment*	*Fair Fair value*
	£	*£*	*£*
Non current assets			
Property, plant and equipment	33,342	–	33,342
Current assets			
Other receivables and prepayments	7,569	–	7,569
Total assets	40,911	–	40,911
Current liabilities			
Loan note	(124,696)	–	(124,696)
Total liabilities	(124,696)	–	(124,696)
Net liabilities	(83,785)	–	(83,785)
Goodwill			181,161
Cash consideration			97,376

Goodwill on acquisitions relates to the relationships, skills and inherent market knowledge of employees within the acquired businesses. The results of the acquired business are reflected in note 2. The acquired business represents the United States of America geographical segment of the Aggregated Group.

Consideration comprised $148,372 cash payable to the former directors of Xavier RF Solutions Inc. $19,450 was settled in cash before 31 May 2009. The remaining amount remains payable at both 31 May 2009 and 31 May 2010. This amount is included within trade and other payables as deferred consideration payable within one year as the amount is deemed repayable upon demand.

20 Principal subsidiaries

The principal subsidiaries within the Aggregated Group are listed below. All subsidiaries are wholly owned by Isotek (Holdings) Limited and are registered in England and Wales, with the exception of Isotek Inc, which is incorporated in the United States of America.

Isotek (Holdings) Limited and its subsidiary undertakings:

Isotek Electronics Limited	Ordinary shares of £1 each
Isotek Inc	Ordinary shares of US$1 each
Isotek Limited (dormant)	Ordinary shares of £1 each
Microecho Limited (dormant)	Ordinary shares of £1 each

21 Related parties

The Aggregated Group has the following related parties:

- Directors of the Aggregated Group who are currently deemed to be key management (see note 6).
- Subsidiaries (see note 20).
- O&G division within Isotek Electronics Limited.

The following transactions were carried out with related parties:

Directors

Directors emoluments are given in note 6.

As described in note 19, Isotek Inc purchased the trade and assets of Xavier on 1 March 2009. Consideration of $148,372 was payable to the former directors of Xavier. These directors subsequently became directors of the Aggregated Group. Certain of this consideration has yet to be settled and is included in note 15 as deferred consideration.

Subsidiaries

Transactions between the Aggregated Group and its subsidiaries have been eliminated within the combined financial information.

O&G

As detailed in note 1 the full cash balance for Isotek Electronics Limited has been included within the combined financial information. Transactions relating to the O&G division are included within this cash balance. This quasi-equity funding by O&G is reflected in the movements in the parent company net investment.

The O&G division was sold to Isotek Oil and Gas Limited with effect from 31 March 2010. Subsequent to this WT received and paid amounts on behalf of O&G. These amounts are repayable to the former shareholders of the Group and are shown in note 15.

There were no other transactions with the O&G division.

22 Financial instruments

The carrying amount of all the financial assets and liabilities approximate to their fair value as described below:

Cash and cash equivalents comprise bank balances and bank deposits with a maturity of three months or less.

Trade and other receivables are all receivable in less than one year. Trade receivables are generally receivable within 60 days.

Trade and other payables are all payable in less than one year. Trade payables are generally payable within 60 days

There is no material difference between the carrying amount and fair value of interest-bearing loans and borrowings. Further details relating to the Aggregated Group's funding strategy (including the maturity details of the bank loans) and its credit, interest rate and currency risk policies are provided below.

Amounts owed to O&G are payable in less than one year.

Liquidity Risk

The following are cash flows relating to the Aggregated Group's financial liabilities, including estimated interest payments but excluding the impact of netting agreements, based on the assumption that the year end loans are repaid at the end of the committed period and interest rates remain constant.

	Carrying amount	*Contract cash flows*	*Less than 1 year*	*1-2 years*	*2-5 years*
	£	*£*	*£*	*£*	*£*
31 May 2010					
Loan notes	131,461	131,461	131,461	–	–
Trade and other payables	931,308	931,308	931,308	–	–
	1,062,769	1,062,769	1,062,769	–	–
31 May 2009					
Loan notes	117,300	117,300	117,300	–	–
Trade and other payables	150,790	150,790	150,790	–	–
	268,090	268,090	268,090	–	–
31 May 2008					
Loan notes	–	–	–	–	–
Trade and other payables	14,436	14,436	14,436	–	–
	14,436	14,436	14,436	–	–

Credit Risk

The exposure to credit risk is limited to the carrying amount of cash and cash equivalents and trade and other receivables in the balance sheet as follows:

	2010	*2009*	*2008*
	£	*£*	*£*
Cash and cash equivalents	176,662	214,186	385,252
Trade and other receivables	378,456	108,811	87,724
	555,118	322,997	472,976

Credit risk is primarily related to trade receivables. The Aggregated Group's business is concentrated with a small number of larger and long established original equipment manufacturers. Overdue receivables are regularly monitored and appropriate action is taken to collect payment. The Aggregated Group has historically incurred only low levels of unrecoverable receivables. Therefore credit risk is considered to be low.

Trade receivables included the following amounts for the Aggregated Group's largest customers:

	2010	2009	2008
	£	£	£
Customer one	87,787	52,900	40,714
Customer two	30,455	15,700	35,700
Customer three	18,324	8,510	-
Other customers	11,813	3,900	-
	148,379	81,010	76,414

The age of trade receivables that have not been provided for was as follow:

	2010	2009	2008
	£	£	£
Not past due	91,221	–	–
Past due less than 3 months	51,862	25,310	76,414
Past due more than 3 months	5,296	55,700	–
	148,379	81,010	76,414

Interest rate risk

At 31 May 2009 and 31 May 2010 the Aggregated Group had a loan note outstanding of $190,000. Interest is chargeable at US prime rate plus 1%. The interest costs are shown in note 9, which highlights that the Aggregated Group has no significant exposure to interest rate risk.

Foreign currency risk

The Aggregated Group's reporting currency is sterling. Aggregated Group's results and financial position are affected by fluctuations in foreign currency exchange rates.

The Aggregated Group's exposure to foreign currency risk for cash and cash equivalents, trade receivables and trade payables was as follows:

	2010	2009	2008
	USD	USD	USD
	£	£	£
Cash and cash equivalents	86,793	9,990	–
Trade receivables	132,466	72,500	35,700
Trade payables	(159,309)	(12,620)	–
Net exposure	59,950	69,870	35,700

Due to the low volume of trade in the three years ended 31 May 2010 the Aggregated Group has no significant exposure to foreign currency risk.

Capital management

In line with the disclosure requirements of IAS 1, 'Presentation of Financial Statements,' the Aggregated Group regards its capital as being the issued share capital together with its additional paid in capital along with any facilities used to manage short term working capital requirements.

The Aggregated Group is not subject to any externally imposed capital requirements.

The Aggregated Group's objectives when managing capital are to safeguard the Aggregated Group's ability to continue as a going concern in order to provide future returns for shareholders. The going concern assumption is discussed further in note 1.

23 Transition balance sheet

The transition IFRS balance sheet at 1 June 2007 is set out below. No significant reconciling items to previous GAAP were identified.

	2007
	£
Non current assets	
Property, plant and equipment	39,770
Current assets	
Cash and cash equivalents	737,946
Total assets	777,716
Current liabilities	
Trade and other payables	(4,536)
Total liabilities	(4,536)
Net assets	773,180
Parent company net investment	773,180

24 Post balance sheet events

On 22 July 2010 an agreement was reached between Isotek Electronics Limited and Isotek Oil and Gas Limited whereby Isotek Electronics Limited would pay Isotek Oil and Gas Limited £132,252 in return for Isotek Oil and Gas Limited taking on any further actual or contingent tax liabilities over and above those already levied of Isotek Electronics Limited for the financial years ending 31 May 2010. This transaction has not been included within the combined financial information. It remains unclear what savings will be realised by Isotek Electronics Limited as a result of this transaction but it will cover Isotek Electronics Limited from any potential tax exposure from when the O&G division was within Isotek Electronics Limited.

In July 2010 additional debt funding of £900,000 was put in place. This debt is interest free but options over 900,000 ordinary shares of 1p each in Isotek were granted *pro rata* at an exercise price of 20 pence per share.

In September 2010 a further £250,000 of debt was arranged on the same terms, involving the granting of a further 250,000 share options also at an exercise price of 20 pence.

In October 2010 a further £250,000 of debt was arranged on the same terms, involving the granting of a further 250,000 share options also at an exercise price of 20 pence.

PART V

ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

KPMG

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

The Directors
Filtronic plc
Unit 2, Acorn Park
Charlestown
Shipley
West Yorkshire
BD17 7SW

28 October 2010

Dear Sirs

Filtronic plc

We report on the pro forma financial information (the 'Pro forma financial information') set out in Part VI of the Class 1 circular dated 28 October 2010, which has been prepared on the basis described, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by Filtronic plc in preparing the financial statements for the period ended 31 May 2010. This report is required by paragraph 13.3.3R of the Listing Rules of the Financial Services Authority and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

It is the responsibility of the directors of Filtronic plc to prepare the Pro forma financial information in accordance with paragraph 13.3.3R of the Listing Rules of the Financial Services Authority.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to Shareholders as a result of the inclusion of this report in the Class 1 circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6), consenting to its inclusion in the Class 1 circular.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of Filtronic plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Filtronic plc.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Filtronic plc.

Yours faithfully

KPMG Audit Plc
Chartered Accountants

PART VI

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The following unaudited consolidated *pro forma* statement of net assets statement for the Enlarged Group has been prepared in accordance with IFRS and on the basis of the notes set out below to illustrate the effect of the Acquisition on the net assets of Filtronic as if it had been completed on 31 May 2010.

The *pro forma* statement of net assets has been prepared for illustrative purposes only and, because of its nature, the *pro forma* statement addresses a hypothetical situation and does not, therefore, represent the Enlarged Group's actual financial position or results following the Acquisition.

Pro forma statement of net assets

		Adjustments			
	Filtronic plc consolidated net assets 31 May 2010(1)	*Isotek consolidated net assets 31 May 2010*(2)	*Acquisition and share issue*(3)	*Consolidation*(4)	*Pro forma consolidated net assets 31 May 2010*(5)
	£000	*£000*	*£000*	*£000*	*£000*
Property, plant and equipment	1,998	96	0	0	2,094
Investments	0	0	10,861	(10,861)	0
Goodwill and intangibles	0	0		11,167	11,167
Development expenditure	0	0	0	0	0
Deferred tax assets	0	0	0	0	0
Total non current assets	1,998	96	10,861	306	13,261
Inventories	1,998	22	0	0	2,020
Trade and other receivables	3,361	378	0	0	3,739
Cash and cash equivalents	16,245	260	(5,335)	0	11,070
Current tax assets	0	0	0	0	0
Current assets	21,604	660	(5,335)	0	16,929
Total assets	23,602	756	5,526	306	30,190
Deferred tax liabilities	0	0	0	0	0
Provisions	0	0	0	0	0
Other non current liabilities	(108)	0	0	0	(108)
Bank borrowings	0	0	0	0	0
Total non current liabilities	(108)	0	0	0	(108)
Trade and other payables	(2,886)	(931)	0	0	(3,817)
Current tax liabilities	0	0	0	0	0
Provisions	(706)	0	0	0	(706)
Deferred Income	(17)	0	0	0	(17)
Bank borrowings	0	(131)	0	0	(131)
Total current liabilities	(3,609)	(1,062)	0	0	(4,671)
Total liabilities	(3,717)	(1,062)	0	0	(4,779)
Net assets	19,885	(306)	5,526	306	25,411

Notes

(1) The consolidated net assets of Filtronic as at 31 May 2010 have been extracted without material adjustment from its audited results for the twelve months ended 31 May 2010.

The adjustments are as follows:

(2) The consolidated net assets of Isotek have been extracted without material adjustment as set out in Part IV of this document.

(3) Acquisition – consideration of £10.9 million is to be funded by existing cash resources of £4.23 million along with additional share issue of 18,550,000 shares at 35.75p generating £6.6 million. On the assumption, that on Completion, Isotek net debt will be £1.52 million (and that there are no other adjustments as at Completion), the cash consideration would be £4.23 million. Deal fees in relation to the transaction are £1.1 million.

(4) Consolidation – for the purposes of the pro forma statement of net assets, the difference between consideration and net assets of Isotek is treated as goodwill arising from the Acquisition, which amounts to £11.2 million and is calculated as follows:

	£'000
Consideration payable for Isotek (subject to adjustments as set out in the Warranty and Indemnity Deed)	4,230
Share issues in consideration for Isotek	
18,550,000 at latest available share price of 35.75p	6,632
Total consideration for Isotek	10,861
Net assets / (liabilities) of Isotek	(306)
Goodwill	11,167

(5) No account has been taken of the changes in trading or the financial position of Filtronic or Isotek since 31 May 2010.

PART VII

SUMMARY OF THE TERMS OF AND CONDITIONS TO THE OFFER

1. Document and parties

The Warranty and Indemnity Deed was entered into on 30 July 2010 between the Warrantors, the Company and Isotek. This Warranty and Indemnity Deed governs the making of the Offer, the right of termination (and the withdrawal of the Offer) and the form of the warranties and indemnities.

2. Structure of the Acquisition and terms of the Offer

The Acquisition is being effected by way of an offer to purchase the existing issued, and to be issued, share capital of Isotek on the terms set out in the Offer Document.

3. Consideration

The total consideration payable by the Company in respect of the entire issued and to be issued share capital of Isotek shall be as follows:

(a) an aggregate of £4,350,000 by way of cash consideration; and

(b) the allotment and issue of 18,550,000 Ordinary Shares (which will represent approximately 20 per cent of the enlarged share capital of the Company),

subject to the adjustments (in respect of the cash consideration) and conditions set out in the Offer Document.

The consideration has been determined on the basis of the expected working capital of Isotek at Completion being £1,000,000 and the cash consideration of £4,350,000 has been determined on the assumption (made on 30 July 2010, being the date of the Warranty and Indemnity Deed) that the net debt in Isotek at Completion is £1,400,000. Based on the closing mid-price per Ordinary Share of 35.75 pence as at 27 October 2010, this implies an aggregate consideration of approximately £11.0 million[1].

Applications will be made to the UKLA for the Consideration Shares to be admitted to the Official List and to the London Stock Exchange for the Consideration Shares to be admitted to trading on the London Stock Exchange's market for listed securities.

4. Conditions

The Offer is subject to, *inter alia*:

(a) acceptance by not less than 90 per cent. of the shares in Isotek to which the offer relates;

(b) a resolution being passed by Shareholders approving the Acquisition;

(c) delivery of certain documents by the Warrantors;

(d) there not having occurred a material adverse change in Isotek's business, a material breach of warranty or a breach of certain provisions of the Warranty and Indemnity Deed prior to Completion; and

(e) admission of the Consideration Shares to the Official List.

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1 The Directors believe that the net debt in Isotek at Completion is likely to be approximately £1,520,000. Based on this assumption (and assuming no other adjustments as at Completion), the cash consideration would be £4,230,000.

5. Pre-Completion obligations

The Warrantors have undertaken, pursuant to the terms of the Warranty and Indemnity Deed, that, during the period prior to Completion, Isotek will carry on its business as a going concern in the ordinary and usual course and will not take certain actions without the prior written consent of the Company. The Warrantors are also bound by certain other restrictions prior to Completion, pursuant to the Warranty and Indemnity Deed, as set out in full in the Offer Document.

6. Rights of termination

The Company has a right to terminate the Warranty and Indemnity Deed prior to Completion in the event that the Offer Conditions have not been satisfied, or become incapable of being satisfied, and are not waived by the Company, by 1.00 p.m. on 30 November 2010, or the Company becomes aware of an occurrence that constitutes, or is likely to constitute, a material adverse change in Isotek's business or a material breach of warranty, or there is breach of certain clauses of the Warranty and Indemnity Deed. In the event that the Offer has been made, and any of the aforementioned events occurs, the Company shall be entitled to withdraw the Offer in accordance with its terms.

7. Warranties, indemnities and restrictive covenants

The Warrantors have provided certain warranties and indemnities to the Company in the Warranty and Indemnity Deed. These warranties and indemnities relate, *inter alia*, to accounting and financial matters, legal compliance, intellectual property matters, product liability, taxation, litigation, property and environmental matters and employees of the Isotek Group.

The Company is not entitled to recover any amount under the warranties contained in the Warranty and Indemnity Deed unless and until all claims thereunder exceed £120,000 in aggregate in which case the Warrantors will be liable for the whole amount and not merely the excess. The maximum aggregate liability of the Warrantors under the warranties (subject to certain limited exceptions) is limited to £1,500,000.

Pursuant to the terms of the Warranty and Indemnity Deed, and as set out in full in the Offer Document, there will be a cash escrow account from which the Company shall be entitled in certain circumstances to make withdrawals. In addition, the Consideration Shares issued to the accepting Isotek Shareholders will be subject to escrow arrangements as referred to in paragraph 8 below.

All warranty claims under the Warranty and Indemnity Deed are subject to certain time and other limitations.

The Warrantors and their spouses or partners, and children under the age of 18 or any company or corporate entity (or partnership) in which the Warrantor is interested by virtue of a shareholding, directorship, partnership interest or otherwise, have agreed that for a period of three years following Completion, they will not engage or enter into any business which competes with the business of Isotek or of any company in Isotek's group anywhere in the world, and have also agreed that they will be restricted from soliciting and employing certain directors, officers and employees of Isotek.

8. Share escrow

In accepting the Offer, Accepting Shareholders agree that their Consideration Shares are subject to escrow arrangements in the event of any shortfall in the working capital, increase in net debt or any claims under the acquisition documents. In such event, Filtronic shall have the right to sell such number of Escrow Shares for which the aggregate realised value is equal (as closely as practicable without involving sales of fractions of such shares) to that accepting Isotek Shareholder's relevant proportion of any applicable liability.

Following the expiry of six months from Completion, 50 per cent. of such Escrow Shares (assuming no working capital or net debt adjustments or claims under the Acquisition documents) will be released from these arrangements; and the remaining Escrow Shares (assuming no claims under the Acquisition documents) will be released from these arrangements following the expiry of 24 months from Completion.

In accepting the Offer, accepting Isotek Shareholders have agreed not to transfer or otherwise dispose of any Escrow Shares during the relevant escrow period and have agreed to surrender their share certificates to Filtronic until the expiry of the relevant period.

9. Lock-in and orderly market

In addition to the share escrow arrangement referred to in paragraph 8 above, certain of the Isotek Shareholders (holding in aggregate approximately 31.4 per cent. of Isotek's fully diluted share capital) have agreed that they shall not without the prior written consent of the Company transfer or otherwise dispose of any of the Consideration Shares or any shares derived from such shares during the first 12 months following Completion and for a further 12 months thereafter shall not transfer or dispose of such shares otherwise than with the Company's prior written consent and through such broker as shall be nominated by the Company.

In addition, certain of Isotek's key employees (holding in aggregate approximately 32.6 per cent. of Isotek's fully diluted share capital) have agreed, pursuant to the terms of new service agreements which were entered into on 30 July 2010, that they shall not, for a period of two years following Completion, transfer or otherwise dispose of any of the Consideration Shares or any shares derived from such Consideration Shares (except in respect of any transfer or disposal after the twelve months following Completion, where the Company gives its prior written consent).

10. Break fees

The Warranty and Indemnity Deed contains a break fee in the amount of the lower of either £1,000,000, or all fees, costs, charges, and expenses reasonably and properly incurred by the Company in connection with the Offer, which shall be payable by Isotek to the Company in the event of certain occurrences pursuant to the Warranty and Indemnity Deed.

In certain circumstances, the Company shall be liable to pay to Isotek a break fee in the amount of the lower of 1% of the market capitalisation of the Company as at 30 July 2010 or all fees, costs, charges, and expenses reasonably and properly incurred by Isotek in connection with the Offer.

PART VIII

SUMMARY OF THE FILTRONIC PLC EMPLOYEE SHARE OPTION PLAN

The Filtronic plc Employee Share Option Plan 2010

(A) ***General***

The ESOP is to be introduced for the purposes of motivating, retaining and recruiting key employees of the Group.

The operation of the ESOP will be overseen by the Remuneration Committee.

Awards granted under the ESOP will be market value options to acquire ordinary shares ("**Options**"). The Options may be granted as tax-advantaged Enterprise Management Incentives, where appropriate. The vesting of any Options granted to executives will be subject to performance conditions set and assessed by the Remuneration Committee.

Options under the ESOP may be satisfied by new shares issued at par, shares purchased in the market by an employees' trust or by the transfer of treasury shares.

Options under the ESOP may be granted by the Company (or the trustee of an employees' share trust), are not transferable (except on death) and are not pensionable benefits.

(B) ***Eligibility***

Any employee of the Company or subsidiary is eligible to participate in the ESOP at the discretion of the Remuneration Committee.

(C) ***Grants of Options***

Options under the ESOP may be granted:-

- in the period of 42 days following the date of approval of the ESOP by shareholders;
- in the period of 42 days commencing on the dealing day following the day on which the Company announces its results for any period;
- in the period of 28 days following the date of the person to whom it is granted becoming eligible to participate; and
- subject to the Model Code and other relevant restrictions on dealings in shares, on any other day on which the Remuneration Committee determines that circumstances are exceptional.

No Options may be granted more than ten years following the date of approval by shareholders.

(D) ***Vesting of Options and Performance Targets***

Options may be subject to performance targets which must be met for the options to become exercisable. Before each grant of options is made, performance targets may be determined by the Remuneration Committee.

The Remuneration Committee shall ensure that such performance targets as apply to any grant reflect the strategy and objectives of the Enlarged Group and in the case of executive awards are sufficiently stretching so as to align the interest of participants with Shareholders and to promote the long-term success of the Enlarged Group.

The Remuneration Committee may also vary the performance targets applying to existing Options if an event has occurred which causes the Remuneration Committee reasonably to consider that the performance targets should be amended to ensure that the objective criteria against which performance will then be measured will be a fairer measure of performance and/or any amended performance target will afford a more effective incentive to the participant, and provided the Remuneration Committee considers the varied targets are no more difficult to satisfy than were the original targets when set.

(E) ***Cessation of employment***

If, before the end of any performance period applicable to his or her Option, a participant leaves the Group by reason of injury, disability, redundancy or the sale of a participant's employing business then either:

- the Option may be retained and exercised within 6 months of the relevant vesting date in respect of a time-apportioned number of the Option Shares which vest (or have already vested), in accordance with any applicable performance target, on that vesting date (such number to be determined having regard to that part of the original vesting period which has then elapsed); or
- if the Remuneration Committee so determines, the Option may be exercised within 6 months of the date of cessation of employment in respect of a number of the Option Shares which shall be determined having regard to both the extent to which the relevant performance period has then elapsed and the extent to which any applicable performance targets are considered to be satisfied.

In either case, the Remuneration Committee will retain a discretion to permit exercise in respect of an additional number of Option Shares.

Similar rules will apply if a participant dies, with performance targets normally assessed at the date of death and exercise permitted within a 12 month period after death.

Where a participant leaves the Group for any other reason, an Option will only be exercisable if and to the extent permitted by the Remuneration Committee.

(F) ***Corporate events***

In the event of a takeover of the Company during a performance period, an Option may vest subject to the application of any applicable performance target at the time of the takeover. The vesting of Option Shares on a takeover will also be subject to a time pro-rating requirement.

Additionally, in the event of a scheme of arrangement (not being an internal corporate reorganisation), a winding-up of the Company or (at the discretion of the Remuneration Committee) a demerger or similar event, a proportion of any unvested Option may vest, calculated on the same basis as for a takeover of the Company.

The Remuneration Committee (acting fairly and reasonably) also retains a discretion to adjust the application of time pro-rating in calculating vesting outcomes if it considers that the vesting outcome was not appropriate in a particular case.

(G) ***Variations of share capital***

If there is any variation of the share capital of the Company or a demerger or a special dividend or other similar event which affects the market value of the shares to a material extent the Remuneration Committee may adjust the number of shares subject to Options, and the exercise price payable upon exercise.

(H) ***Dilution limit***

Options may be granted over unissued or existing shares.

The number of new shares that may be issued to satisfy Options granted under the ESOP and options granted or awards made under all of the Company's other employee share plans will be restricted to

10 per cent. of the ordinary issued share capital of the Company over any 10 calendar year period. Additionally, a limit of 5 per cent. applies to all options granted or awards made to executives over a 10 calendar year period.

If Options are to be satisfied by a transfer of existing shares, the percentage limit stated above will not apply. In accordance with the current Association of British Insurers guidelines, the 10 per cent. limit will apply to Options satisfied by the transfer of treasury shares.

(I) ***Rights attaching to shares***

Shares issued or transferred under the ESOP will rank equally alongside shares of the same class then in issue (except for any right attaching to shares by reference to a record date before the date of allotment). The Company will apply to the UK Listing Authority for the listing of any newly issued shares.

(J) ***Alteration of the ESOP***

The Remuneration Committee may amend the ESOP. However, the provisions governing eligibility requirements, equity dilution, individual award levels, the basis for determining participants' rights to acquire shares and the adjustments that may be made following a variation of capital cannot be altered to the advantage of participants without the prior approval of the Company's shareholders in general meeting. There is an exception for minor amendments to benefit the administration of the ESOP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the ESOP or for any member of the Group.

PART IX

ADDITIONAL INFORMATION

1. Responsibility

The Company, the Proposed Director and the Directors, whose names appear on page 8 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company, the Proposed Director and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

2. Incorporation and registered office

The Company's principal place of business and the business address of the Directors is Unit 2, Acorn Park, Charlestown, Shipley BD17 7SW. The Company's telephone number is +44 (0) 1325 306886. The Company's registered office is at Unit 2, Acorn Park, Charlestown, Shipley BD17 7SW.

3. Interests in Shares

Interests of Directors and Senior Managers

As at 27 October 2010, (being the latest practicable date prior to the publication of this document), the interests (all of which are beneficial unless otherwise stated) of the Directors and senior managers (as well as their immediate families) in the share capital of the Company or (so far as is known or could with reasonable due diligence be ascertained by the relevant Director or senior manager) interests or a person connected (within the meaning of Section 252 of the Companies Act) with a Director or senior manager and the existence of which was known to or could, with reasonable due diligence, be ascertained by the relevant Director or senior manager as at 27 October 2010:

Director/senior manager	*Number of Shares held prior to the Issue*	*Percentage of issued share capital held prior to the Issue*	*Number of Shares upon completion of the Issue*	*Percentage of issued share capital held upon Completion*
Howard Ford	42,204	0.06	42,204	0.05
Hemant Mardia	159,813*	0.22	159,813	0.17
Reginald Gott	28,515**	0.04	28,515	0.03
Alan Needle	0	0	2,064,717	2.2
Graham Meek	120,000***	0.16	120,000	0.13

* This includes Shares held by Hemant Mardia's wife.
** This includes Shares held by Reginald Gott's wife.
*** This includes Shares held by Graham Meek's wife and children.

Share options held by Directors and Senior Managers

The following options over Ordinary Shares have been granted to Directors and senior managers under the Sharesave Plan:

Director/senior manager	*Options held at 27 October 2010*	*Exercise price per Share*	*Date from which exercisable*	*Expiry date*
Hemant Mardia	62,400†	25 pence	1 April 2012	1 October 2012
	8,841†	34.2 pence	1 November 2013	1 May 2014
Mike Brennan	26,315	34.2 pence	1 November 2013	1 May 2014

† This includes options granted to Hemant Mardia's wife.

In addition the following awards to Directors and senior managers have been made under the PSP:

Director/senior manager	*Awards under PSP at 27 October 2010*	*Vesting dates of outstanding Awards under PSP*
Hemant Mardia	373,939‡	29 July 2012
Mike Brennan	108,108	2 September 2012
TOTAL	482,047	

‡ This includes PSP awards granted to Hemant Mardia's wife.

Substantial Shareholders

Save as disclosed below, the Company is not aware of any person who, directly or indirectly, was, as at 27 October 2010 (being the latest practicable date before the publication of this document) interested in three per cent. or more of the current issued ordinary share capital of the Company:

	Number of Ordinary Shares	*% of issued share capital*	*% of issued share capital immediately after the Issue(1)*
Aberforth Partners LLP	15,572,969	21.0	16.8
Prudential plc	10,872,820	14.6	11.7
Gartmore Investment Limited	8,262,967	11.0	8.9
Aviva plc	5,542,228	7.5	6.0
Legal & General Investment Management Limited	3,847,904	5.2	4.1
Railway Pension Trustee Company Limited	2,524,600	3.4	2.7
	46,623,488	62.7	50.2

(1) Assuming no further acquisitions or disposals by any party (other than the issue of the Consideration Shares).

The Shareholders detailed in the above table do not have different voting rights from those of the other Shareholders.

The Directors are not aware (i) of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control or ownership over the Company, nor (ii) of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

4. Service agreements and remuneration of the Directors

Executive Directors

The Company has entered into the following contracts with its executive Directors:

An agreement dated 8 October 2008 between the Company and Hemant Mardia pursuant to which Hemant Mardia agrees to serve as Chief Executive of the Company and for the time being as managing director of Filtronic Broadband Limited. Under the agreement Hemant Mardia is entitled to £180,250 per annum (inclusive of any remuneration received or receivable by him in respect of any other office or employment with the Group) and certain other benefits. The agreement is terminable by the Company or Hemant Mardia on twelve months' notice. The Company can terminate Hemant Mardia's employment forthwith on payment to Hemant Mardia in lieu of all or any part of the notice period a sum equal to his basic salary. The agreement entitles Hemant Mardia to join the Filtronic plc Stakeholder (defined contributions) Scheme and the Company current contribution to such Scheme is an amount equivalent to 8 per cent. of Hemant Mardia's gross salary per annum. In certain circumstances (for example in the event of material breach, gross misconduct, disqualification, criminal conviction, bankruptcy, drug addiction or mental illness) the Company has the right to terminate his employment via summary dismissal. The agreement also includes an express duty of confidence and restrictive covenants following termination including, a prohibition for a period of twelve months following termination on working for a competitor of the Company (or its subsidiaries).

An agreement dated 18 September 2009 between the Company and Mike Brennan pursuant to which Mike Brennan agrees to serve as Chief Financial Officer of the Company. Under the agreement Mike Brennan is entitled to £100,000 per annum (inclusive of any remuneration received or receivable by him in respect of any other office or employment with the Group) and certain other benefits. The agreement is terminable by the Company or Mike Brennan on six months' notice. The Company can terminate Mike Brennan's employment forthwith on payment to Mike Brennan in lieu of all or any part of the notice period a sum equal to his basic salary. The agreement entitles Mike Brennan to join the Filtronic plc Stakeholder (defined contributions) Scheme and the Company current contribution to such Scheme is an amount equivalent to 8 per cent. of Mike Brennan's gross salary per annum. In certain circumstances (for example in the event of material breach, gross misconduct, disqualification, criminal conviction, bankruptcy, drug addiction or mental illness) the Company has the right to terminate his employment via summary dismissal. The agreement also includes an express duty of confidence and restrictive covenants following termination including, *inter alia*, a prohibition for a period of twelve months following termination on working for a competitor of the Company (or its subsidiaries).

Non-Executive Directors

The Company has entered into letters of appointment in respect of the provision to the Company of the services of the following non-executive Directors:

A letter of appointment with Howard Ford dated 10 June 2009 in the role of non-executive chairman of the Company. This appointment was for an initial term of one year but anticipated to be renewed annually up to a maximum of five times commencing on 19 September 2009 unless terminated by six months prior written notice. Howard Ford is currently entitled to an annual fee of £70,000.

A letter of appointment with Graham Meek as consultant for Trumper Hill Limited dated 20 April 2005 and, pursuant to the letter, appointed as a non-executive director of the Company. This appointment is to be renewed as per the Company's Articles of Association unless terminated by three months prior written notice. Trumper Hill is currently entitled to receive, for the services of Graham Meek, a gross annual fee of £40,000.

A letter of appointment with Reginald Gott dated 7 August 2006 in the role of non-executive director of the Company. This appointment is subject to the retirement by rotation provisions in the Company's Articles and employment was deemed commenced on 13 July 2006 and may be terminated by three months' prior written notice. Reginald Gott is currently entitled to a gross annual fee of £40,000.

Remuneration

The amount of remuneration paid to the Directors and senior managers (including any contingent or deferred compensation) and benefits in kind granted to the Directors and senior managers by the Company or any member of the Group during the financial year ended 31 May 2010 was, on an individual basis, as follows:

	Basic salary/fees £'000	*Bonus accrued £'000*	*In kind/ allowance £'000*	*Year ended 31 May 2010 £'000*
Executive Directors				
Hemant Mardia	180	27	18	225
Mike Brennan[1]	75	15	5	95
Non Executive Directors				
Howard Ford	57		1	58
Graham Meek	39			39
Reginald Gott	39			39

1 Engaged on 1 September 2009.

The above figures do not include amounts in respect of (i) the value of shares options granted to or held by the Directors, further details of which are contained at paragraph 3 of this Part IX; or (ii) Directors' pension entitlements, further details of which are contained in paragraph 4 of this Part IX.

Directors' Pension Entitlements

Contributions paid by the Company directly to the Directors or their nominated retirement investment vehicles in respect of their retirement benefit entitlements in the year ended 31 May 2010 were as follows:

	Total for year ended 31 May 2010 £'000
Executive Directors	
Hemant Mardia	14
Mike Brennan	6
Non Executive Directors	
Howard Ford	–
Graham Meek	–
Reginald Gott	–

General

Save as set out in this paragraph 4, there are no existing contracts between any of the Directors and any member of the Group. The total emoluments receivable by the Directors will not be varied as consequence of the Acquisition.

The Company has entered into an agreement with Alan Needle, conditional on and subject to Completion, pursuant to which Alan Needle agrees, subject to Completion, to serve as a director of the Company and as Managing Director of the wireless telecoms business of Isotek Electronics Limited. Under the agreement, Alan Needle shall be entitled to £100,000 per annum (inclusive of any remuneration received or receivable by him in respect of any other office or employment with the Group) and certain other benefits. The agreement will be terminable by the Company or Alan Needle by (a) prior to the second anniversary of Completion (the "Two Year Term"), 12 months' written notice to expire on or at any time after the Two Year Term and (b) after the Two Year Term, on 6 months' written notice. The Company will have the right to terminate Alan Needle's employment forthwith on payment to Alan Needle in lieu of all or any part of the notice period a sum equal to his basic salary. The agreement will entitle Alan Needle to join the Isotek Group Private Pension (defined contributions) Scheme and the Company will contribute is an amount equivalent to 10 per cent. of Alan Needle's gross salary per annum. In certain circumstances (for example in the event of material breach, gross misconduct, disqualification, criminal conviction, bankruptcy, drug addiction or mental illness) the Company would have the right to terminate his employment via summary dismissal. The agreement also includes an express duty of confidence and restrictive covenants following termination including, a prohibition for a period of twelve months following termination on working for a competitor of the Company (or its subsidiaries).

5. Material contracts

Save for the contracts described or referred to in this paragraph 5, no member of the Group has (i) entered into any material contract (not being a contract entered into in the ordinary course of business) within the two years immediately preceding the date of this document or (ii) entered into any other contract (not being a contract entered into in the ordinary course of business) which contains any provision under which any member of the Group has any obligation or entitlement which is or may be material to the Group as at the date of this document.

The following contracts, none of which have been terminated have been made available for inspection within the last two years:

Filtronic

Warranty and Indemnity Deed

On 30 July 2010, a warranty and indemnity deed was entered into between (1) the Warrantors (2) the Company and (3) Isotek relating to the implementation of the Offer. A summary of the key terms of the Warranty and Indemnity Deed are set out at Part VII of this document. Pursuant to the provisions of the Warranty and Indemnity Deed, the Offer Document was posted to Isotek Shareholders today.

In connection with the Warranty and Indemnity Deed, a tax deed customary for a transaction of this nature was also entered into between the Warrantors and the Company containing, *inter alia*, indemnities relating to tax.

Isotek

Disposal of the Oil and Gas Business of Isotek Electronics Limited

An agreement for the disposal of the Oil and Gas business of Isotek Electronics Limited, a wholly owned subsidiary of Isotek, to Isotek Oil and Gas Limited (formerly Triggertext Limited) for a total consideration of £500,000, was entered into on 31 March 2010. This business involved the manufacture of control systems for sub-sea operations in the offshore oil and gas industry. Isotek Oil and Gas Limited is owned by, *inter alia*, Professor John David Rhodes, Christopher Mobbs and Alan Needle all of whom are shareholders of Isotek. The shareholders of Isotek ratified the transaction on 28 July 2010.

Loan and Option Agreement and Debenture

Isotek entered into a Loan and Option Agreement dated 22 July 2010 with, *inter alia*, the Black Family Investments, Isotek Oil and Gas Limited, Alan Needle and Professor John David Rhodes.

Pursuant to the terms of the Loan and Option Agreement, Isotek Oil and Gas Limited, the Black Family Investments and Alan Needle (the "Lenders") agreed to loan to Isotek a sum of £900,000 by way of an interest free, fixed term loan with a repayment date of 31 December 2012. The loan will be repaid on Completion.

Isotek granted an all monies debenture, also dated 22 July 2010, to secure the obligations under the loan by way of a fixed and floating charge over all property and assets of Isotek in favour of Professor John David Rhodes. This debenture will be released on Completion.

Isotek has granted the Lenders on a pro rata basis an option to subscribe for 900,000 new ordinary shares of 1p each in the capital of Isotek at an exercise price of 20 pence per share. In the event of an offer being made for more than 50 per cent. of Isotek's ordinary share capital or a general offer being made for all of Isotek's shares, the option shall be exercised immediately after all conditions subject to which the offer is made have been satisfied. The Lenders are not obliged to exercise their option unless the Isotek price per share is more than 25 pence under the terms of such an offer.

Tax Assumption Deed

On 22 July 2010, Isotek entered into a Tax Assumption Deed with Isotek Oil and Gas Limited and Isotek Electronics Limited. Pursuant to the Deed, Isotek Electronics Limited has agreed to pay a sum of £132,252.26 to Isotek Oil and Gas Limited (being a sum equal to the research and development tax credit for Isotek Electronics Limited for the year ended 31 May 2010). This amount (the "IEL Payment") will remain outstanding as a loan due from Isotek Electronics Limited to Isotek Oil and Gas Limited until Completion. In consideration for this payment, Isotek Oil and Gas Limited has agreed to assume Isotek Electronics Limited's obligations regarding the payment of tax liabilities for the period ending 31 May 2010.

Isotek has agreed with Isotek Oil and Gas Limited that, in consideration for the sum of £132,252.26 to be paid to Isotek Oil and Gas Limited, the title and benefit of the IEL Payment be assigned to Isotek. The consideration to be paid by Isotek shall remain outstanding as a loan due from Isotek to Isotek Oil and Gas Limited and shall be governed by and in accordance with the terms of the Loan and Option Agreement referred to above.

Warranty and Indemnity Deed

See paragraph 5 (*Filtronic*) of this Part IX for details of the Warranty and Indemnity Deed.

Isotek Oil and Gas Limited Loan and Option Agreement and Debenture

Isotek entered into a further Loan and Option Agreement dated 17 September 2010 with Isotek Oil and Gas Limited and Professor John David Rhodes.

Pursuant to the terms of the Loan and Option Agreement, Isotek Oil and Gas Limited agreed to loan to Isotek a sum of £250,000 by way of an interest free, fixed term loan with a repayment date of 31 December 2012. The loan will be repaid on Completion.

Isotek granted an all monies debenture, dated 19 October 2010, to secure the obligations under the loan by way of a fixed and floating charge over all property and assets of Isotek in favour of Professor John David Rhodes. This debenture will be released on Completion.

Isotek has granted Isotek Oil and Gas Limited an option to subscribe for 250,000 new ordinary shares of 1p each in the capital of Isotek at an exercise price of 20 pence per share. In the event of an offer being made for more than 50 per cent. of Isotek's ordinary share capital or a general offer being made for all of Isotek's shares, the option shall be exercised immediately after all conditions subject to which the offer is made have been satisfied. Isotek Oil and Gas Limited is not obliged to exercise the option unless the Isotek price per share is more than 25 pence under the terms of such an offer.

Mark Lawn Loan and Option Agreement and Debenture

Isotek entered into a Loan and Option Agreement dated 19 October 2010 with Mark Lawn. Pursuant to the terms of the Loan and Option Agreement, Mark Lawn agreed to loan to Isotek a sum of £250,000 by way of an interest free, fixed term loan with a repayment date of 31 December 2012. The loan will be repaid on Completion.

Isotek granted an all monies debenture, also dated 19 October 2010, to secure the obligations under the loan by way of a fixed and floating charge over all property and assets of Isotek in favour of Professor John David Rhodes. This debenture will be released on Completion.

Isotek has granted Mark Lawn an option to subscribe for 250,000 new ordinary shares of 1p each in the capital of Isotek at an exercise price of 20 pence per share. In the event of an offer being made for more than 50 per cent. of Isotek's ordinary share capital or a general offer being made for all of Isotek's shares, the option shall be exercised immediately after all conditions subject to which the offer is made have been satisfied.

6. Litigation

Filtronic

Save as set out below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Filtronic is aware), nor have there been any such proceedings during the 12 months preceding the date of this document, which may have, or have had in the recent past, a significant effect on Filtronic and/or the Group's financial position or profitability.

On 1 August 2008 Filtronic completed the sale of Filtronic Defence Limited ("**FDL**") to Teledyne Technologies Incorporated ("**Teledyne**") – pursuant to the terms of that sale, Filtronic agreed to indemnify Teledyne against certain costs and losses associated with making good certain alleged defects in filters supplied by Filtronic to Thales (provided that such making good continued to be managed and carried out in accordance with FDL's ordinary course of business policies for dealing with returned products). Filtronic is currently in dispute with Teledyne as to the amount of any further costs which Teledyne might properly be able to claim from Filtronic under the terms of this indemnity (with Teledyne currently demanding in the region of £270,000, as being their calculation of their non-reimbursed costs and losses to date of their endeavouring to make good the filters in question). Teledyne has not threatened proceedings. However Filtronic cannot rule out that some form of proceedings may be threatened or brought in relation to this matter.

Filtronic intends to defend vigorously any such proceedings (and any continued demands from Teledyne) to the extent that Filtronic considers that any amount claimed by Teledyne exceeds the proper scope of the aforementioned indemnity.

Isotek

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Isotek is aware), nor have there been any such proceedings during the 12 months preceding the date of this document, which may have, or have had in the recent past, a significant effect on Isotek and/or the Isotek Group's financial position or profitability.

7. Working capital

The Company is of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of this document.

8. Consents

KPMG has given and not withdrawn its written consent to the inclusion in this document of its reports set out in Parts III and V of this document and the references to its name in the form and context in which they appear and has authorised the contents of such report for the purposes of the Prospectus Rules.

Panmure Gordon has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they appear.

9. Significant Change

Filtronic

There has been no significant change in the financial or trading position of the Group since 31 May 2010, being the date up to which the Company's latest annual audited accounts were prepared.

Isotek

Apart from the changes detailed in this paragraph 9, there has been no significant change in the financial or trading position of the Isotek since 31 May 2010.

Prior to 31 May 2010 Isotek sales were of prototype units and small trial runs (tens rather than hundreds of units). 31 Since May 2010 such sales have continued but have also progressed to area trials involving sales with 2 significant customers in the hundreds of units. As a result the sales, margin and profitability of the business have increased significantly. Sales in the three months to 31 May 2010 totalled £0.2 million, aggregate sales for the three months to 31 August 2010 were £0.4 million. Whilst sales have increased they remain consistent with Filtronic's previously disclosed expectation of £5 million for the post completion period to 31 May 2011.

Note 24 "Post Balance sheet events" of Part III (Accountant's Report on the Financial Information on Isotek) discloses that post 31 May 2010, Isotek has raised a further £1.4 million of debt funding. In consideration for the debt funding an additional 1.4 million share options at an exercise price of 20p have been issued.

10. Consideration Shares

The Consideration Shares are in registered form and can be held in certificated form or uncertificated form via CREST.

Fractional entitlements to the Consideration Shares will be disregarded.

11. Documents available for inspection

Copies of the documents listed below may be inspected free of charge at the offices of the Company at Unit 2, Acorn Park, Charlestown, Shipley, BD17 7SW and at the offices of Pinsent Masons LLP, One Ropemaker Street, London EC2Y 9AH during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 15 November 2010 and will also be available for inspection at the General Meeting for at least fifteen minutes prior to and during the General Meeting:

(1) the Warranty and Indemnity Deed;

(2) the Offer Document;

(3) the memorandum and articles of association of the Company;

(4) the statutory accounts of the Company for the three financial years ended 31 May 2010;

(5) the Directors' service contracts referred to in paragraph 4 above;

(6) the written consents referred to in paragraph 8 above;

(7) the Company Share Schemes; and

(8) this document.

Dated: 28 October 2010

NOTICE OF GENERAL MEETING

Filtronic plc

(Incorporated and registered in England and Wales, Registered No. 2891064)

NOTICE is hereby given that a General Meeting of Filtronic plc (the "Company") will be held at 10.00 a.m. on 15 November 2010 at the offices of Filtronic Broadband Limited at Heighington Lane Business Park, Newton Aycliffe, County Durham DL5 6JW for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. THAT, subject to the passing of the resolution set out in resolution 2 of this notice, in addition to all existing authorities, the directors of the Company ("Directors") be generally and unconditionally authorised, in accordance with section 551 of the Companies Act 2006 (the "Act"), to exercise all powers of the Company to allot shares in the Company up to an aggregate nominal amount of £1,855,000 pursuant to the Acquisition (representing approximately 25 per cent. of the share capital of Filtronic as at the date of this document) (as defined in the circular of the Company dated 28 October 2010 accompanying this notice (the "Circular")), such authority to expire at the end of the period of five years from the date of the passing of this resolution (save that the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the authority had not expired).

2. THAT the proposed Acquisition on the terms and subject to the conditions contained in the Warranty and Indemnity Deed and in the Offer Document (each as defined in the Circular) be and is hereby approved and that the Directors (or any duly constituted committee thereof) be and are hereby authorised to vary, amend, revise waive or extend any of such terms and conditions (not being of a material nature in the context of the Acquisition taken as a whole) as they think fit and take such steps on behalf of the Company as they may in their absolute discretion consider necessary, expedient or desirable to complete and give effect to the Acquisition.

3. THAT the Directors be and are hereby authorised to establish The Filtronic plc Employee Share Option Plan 2010 ("ESOP"), a summary of the main provisions of which is set out in Part VIII of the Circular and a copy of the draft rules of which will be available for inspection as set out in paragraph 11 of Part IX of the Circular.

4. THAT, subject to the passing of the resolution set out in resolution 3 of this notice, the Directors be and are hereby authorised to establish schedules to or further share plans based on the ESOP but modified to take account of local tax, exchange control or securities laws in overseas territories provided that any shares made available under any such schedules or further plans are treated as counting against the limits on individual and overall participation in the ESOP.

By order of the Board
Maura Moynihan
Company Secretary

Registered Office
Unit 2, Acorn Park
Charlestown, Shipley
West Yorkshire
BD17 7SW

28 October 2010

Notes

1. A member entitled to attend and vote at the meeting is also entitled to appoint a proxy or proxies to attend, speak and vote instead of him. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company. A form of proxy is enclosed with this notice and instructions for completion are shown on the form. Forms of proxy need to be deposited with the Company's Registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent,

BR3 4TU, no later than 10.00 a.m. on Thursday 11 November. Completion of a form of proxy does not preclude a member from attending and voting in person at the meeting, should they so wish.

2. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to attend and vote at the general meeting is 6.00 p.m. on 12 November 2010 (being not more than 48 hours prior to the time fixed for the meeting) or, if the meeting is adjourned, such time being not more than 48 hours prior to the time fixed for the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the meeting.

3. If you wish to appoint a proxy online, you should visit www.capitashareportal.com and follow the instructions on screen. (If you have not already registered with the Share Portal you will need to identify yourself with your personal Investor Code). To be valid your proxy appointment(s) and instructions should reach Capita Registrars no later than 10.00 a.m. on Thursday 11 November.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

5. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('Euroclear UK & Ireland") specifications and must contain the information required for such instructions, as described in the CREST Manual. The time of receipt of a proxy appointment or an instruction to a previously appointed proxy will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent (CREST ID RA10) is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

6. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names of the holders stand in the register of members in respect of the joint holding.

7. The right to appoint a proxy does not apply to a person whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Act (a "Nominated Person"). Nominated Persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if Nominated Persons do not have such a right, or do not wish to exercise it, they may have the right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

8. As at 27 October 2010 (being the latest business day prior to the publication of this notice) the Company's issued share capital consists of 74,323,093 ordinary shares of 10p each, carrying one vote each. Therefore, the total voting rights in the Company are 74,323,093.