

This document is important and requires your immediate attention

If you are in any doubt about its contents or as to the action you should take, you are recommended to consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all your shares in IMI plc, please pass this document and the accompanying proxy form to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.



## NOTICE OF ANNUAL GENERAL MEETING

THE ANNUAL GENERAL MEETING WILL BE HELD AT 12 NOON ON FRIDAY 6 MAY 2011 AT  
THE HILTON BIRMINGHAM METROPOLE HOTEL, NATIONAL EXHIBITION CENTRE, BIRMINGHAM



IMI plc  
Lakeside  
Solihull Parkway  
Birmingham Business Park  
B37 7XZ

Registered in England and Wales  
No. 714275

29 March 2011

To shareholders and, for information only,  
to participants in the IMI employees' share schemes

Dear Shareholder

### **Notice of annual general meeting**

I have pleasure in inviting you to the annual general meeting of IMI plc (the '**Company**') which will be held at the Hilton Birmingham Metropole Hotel, National Exhibition Centre, Birmingham on Friday 6 May 2011 at 12 noon. The formal notice of meeting is set out on pages 5 to 14 of this letter and a summary of the business of the meeting is set out below.

### **Approval of the Directors' Report and Accounts and the Remuneration Report (ordinary resolutions 1 and 2)**

Ordinary resolution 1 provides for the Directors' Report and Accounts for the year ended 31 December 2010, included in the Annual Report 2010, to be approved and adopted.

The Remuneration Report, included in the Annual Report 2010 on pages 48 to 63, will also be put to shareholders for approval at the annual general meeting (ordinary resolution 2).

### **Dividend (ordinary resolution 3)**

The directors are recommending the payment of a final dividend of 17p per share on the ordinary shares in respect of the year ended 31 December 2010 which, if approved by shareholders, will be payable on 23 May 2011 to shareholders on the register at the close of business on 15 April 2011.

### **Re-election of directors (ordinary resolutions 4, 5, 6, 7, 8, 9, 10, 11 and 12)**

The Company's articles of association require that a director shall retire from office if he has been appointed by the Board since the previous annual general meeting or if it is the third annual general meeting following that at which he was elected or last re-elected. However, in accordance with the UK Corporate Governance Code, which recommends that all directors of FTSE 350 companies seek re-election by shareholders on an annual basis, all directors currently in office will retire and seek re-election at the annual general meeting, along with Ian Whiting, who is seeking election as a director following his appointment to the Board with effect from 1 September 2010. Separate resolutions will be proposed for each of these re-elections and the election of Ian Whiting.

Ian Whiting joined IMI in 2005 and is responsible for its Severe Service business. In addition, Ian has global responsibility for IMI's key emerging markets and its global supply chain function. Before joining IMI, Ian was President of Novar Systems Americas, and prior to that held various management positions within Novar plc and the Ford Motor Company.

In proposing the re-election of all non-executive directors, the Chairman has confirmed that, following formal performance evaluation, each of them continues to make an effective and valuable contribution to the Board and the Committees on which they sit and each continues to demonstrate commitment to their role. Details of the Board evaluation process in relation to directors can be found on page 44 of the Annual Report 2010. The Board has received notice that Norman Askew intends to retire as non-executive Chairman of the Company during 2011.

Biographical details of all directors can be found on pages 36 and 37 of the Annual Report 2010.

### **Auditor (ordinary resolutions 13 and 14)**

The Company is required to appoint auditors at each general meeting at which accounts are laid before its shareholders, to hold office until the conclusion of the next such meeting. The Audit Committee has reviewed the effectiveness, independence and objectivity of the external auditor, Ernst & Young LLP, on behalf of the Board, who now recommend its re-appointment as auditor of the Company. Resolutions 13 and 14, respectively, propose the re-appointment of Ernst & Young LLP as the Company's auditor and authorise the directors to set its remuneration.

### **Authority to allot securities (ordinary resolution 15)**

Authority was granted to the directors at the annual general meeting held in 2010 under section 551 of the Companies Act 2006 ('CA 2006') to allot ordinary shares or grant rights to subscribe for or convert any security into shares in the Company for a period expiring at the conclusion of the annual general meeting to be held in 2011 or, if earlier, on 1 July 2011. The directors consider it appropriate to renew this authority at the forthcoming annual general meeting and to authorise the directors under section 551 of the CA 2006 to allot ordinary shares or grant rights to subscribe for or convert any security into shares in the Company for a period expiring at the conclusion of the annual general meeting to be held in 2012 or, if earlier, on 1 July 2012.

Paragraph (a)(i) of resolution 15 will allow the directors to allot ordinary shares up to a maximum nominal amount of £26,730,000, representing approximately one third (33.33%) of the Company's existing issued share capital (excluding shares held in treasury), calculated as at 21 March 2011 (being the latest practicable date prior to publication of this circular). In accordance with the latest institutional guidelines issued by the Association of British Insurers, paragraph (a)(ii) of resolution 15 will allow the directors to allot, including the ordinary shares referred to in paragraph (a)(i) of resolution 15, additional ordinary shares in connection with a pre-emptive offer by way of a rights issue to ordinary shareholders up to a maximum nominal amount of £53,460,000, representing approximately two thirds (66.67%) of the Company's existing issued share capital (excluding shares held in treasury), calculated as at 21 March 2011.

The proposed new authority will expire at the conclusion of the 2012 annual general meeting of the Company or, if earlier, on 1 July 2012. It is the current intention to renew this authority annually. The directors have no present intention of exercising this authority. However, if they do exercise it, they intend to follow emerging best practice as regards its use (including as regards the directors standing for re-election in certain cases), as recommended by the Association of British Insurers.

As at 21 March 2011, the Company's issued share capital amounted to £80,194,911.75 comprising 320,779,647 ordinary shares of 25p each and the Company held 19,124,700 ordinary shares in treasury, representing approximately 6% of the Company's issued share capital.

Resolution 15 will be proposed as an ordinary resolution.

### **Authority to make political donations and incur political expenditure (ordinary resolution 16)**

The CA 2006 prohibits the Company and its subsidiaries from making political donations of more than £5,000 in any 12 month period or from incurring political expenditure, unless they have been authorised by the Company's shareholders. The resolution in this connection passed at last year's annual general meeting is due for renewal.

Neither the Company nor any of its subsidiaries has any intention of making any political donation or incurring any political expenditure under the terms of the proposed resolution. However, the CA 2006 defines 'political party', 'political organisation', 'political donation' and 'political expenditure' widely and grey areas remain which lead many UK public limited companies to seek shareholder approval for what may inadvertently amount to a political donation.

Accordingly, in line with best practice, the Company wishes to ensure that neither it nor its subsidiaries risks any breach of the CA 2006 through the undertaking of routine activities, which would not normally be considered to result in the making of political donations and political expenditure being incurred.

### **Approval of the rules of the IMI plc Share Option Plan (the 'SOP') (ordinary resolution 17)**

The SOP was adopted by the Board in 2009 to provide market value share options for senior employees who are not executive directors or others who receive awards under IMI's Performance Share Plan. Providing these share options is common market practice for global companies and ensures that we are competitive in our remuneration packages. Shareholder approval is now being sought to approve the SOP with amended rules which will allow new issue and treasury shares to be used to satisfy awards (within standard shareholder dilution limits). Under the current rules all awards must be satisfied by the market purchase of shares. Amending the rules in this way gives flexibility to the Company in operating this plan, although there is no current intention to make use of this power and, as with other share incentive plans, the present policy is to satisfy awards with market purchased shares.

A summary of the amendments to the SOP is set out in Appendix 1 to this letter.

### **Adoption of the IMI Global Employee Share Purchase Plan 2011 (the 'Global Plan') and the IMI US Stock Purchase Plan 2011 (the 'US Plan') (ordinary resolutions 18 and 19)**

As part of its drive to increase the number of IMI employees outside the senior management group who are shareholders in the Company, the Remuneration Committee has recommended that two new 'all-employee' share plans be introduced:

1. the Global Plan is a savings-related share option plan, under which share options can be granted to employees (outside of the UK and US), provided that they enter into a linked savings contract to save for the option exercise price over either a three or five year period. The Global Plan has been designed to replicate materially the terms of the IMI Sharesave Plan offered to UK employees. This plan will be operated on an employee-wide basis, and, subject to shareholder approval, the Board intends to make the first offer of awards under this plan to all IMI group employees resident in Germany in 2011. In future years it is intended that participation in the Global Plan will be extended to more countries; and
2. the US Plan will allow all US-based employees to acquire shares in the Company, provided that they save up the funds to acquire the shares over a two year period. This type of share plan is commonly operated by US companies and may allow tax benefits to participants (where shares are retained for at least one year following acquisition).

A summary of the draft rules of the Global Plan and the US Plan is set out in Appendix 2 to this letter.

### **Authority to allot equity securities for cash (special resolution A)**

It is proposed to seek renewal of the authority that was granted to the directors at the annual general meeting in 2010 to allot equity securities for cash without first being required to offer such securities to existing shareholders (such securities could be new shares or shares held in treasury, as further explained below). If approved, this resolution will authorise the directors in accordance with sections 570 and 573 of the CA 2006 to issue shares in connection with a rights issue and otherwise issue shares for cash up to a nominal value of £4,240,000 which includes the sale on a non pre-emptive basis of any shares the Company holds in treasury for cash. This amount represents just under 5% of the total ordinary share capital in issue at 21 March 2011 (being the latest practicable date prior to publication of this notice). The authority will expire at the conclusion of the 2012 annual general meeting of the Company or, if earlier, on 1 July 2012. It is the current intention to renew this authority annually.

The directors do not intend to issue more than 7.5% of the issued share capital of the Company for cash on a non pre-emptive basis in any rolling three year period without prior consultation with the shareholders and the Investment Committees of the Association of British Insurers and the National Association of Pension Funds.

Resolution A will be proposed as a special resolution.

### **Purchase by the Company of its own shares (special resolution B)**

Renewal of the authority for the Company to purchase its own shares will be sought at the annual general meeting. If approved, the new authority gives power to effect market purchases of ordinary shares up to a maximum aggregate number of 48,116,000, which represents just under 15% of the total ordinary share capital as at 21 March 2011 (being the latest practicable date prior to publication of this notice).

The price paid for the shares will not be less than the nominal value of 25p per share nor more than the higher of 105% of the average of the middle market prices of the Company's ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days preceding the day of purchase and the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003. The directors believe it would be advantageous to have the flexibility this authority will provide, although they would only exercise this authority if they were satisfied that any purchase is in the interests of shareholders and will result in an increase in earnings per share of the ordinary share capital in issue after the purchase. The directors would also give careful consideration to the gearing levels of the Company and its general financial position. The purchase price would be paid out of distributable profits. This authority would expire at the conclusion of the 2012 annual general meeting of the Company or, if earlier, on 1 July 2012. It is the current intention to renew this authority annually.

The CA 2006 enables certain listed companies to hold shares in treasury, as an alternative to cancelling them, following a purchase of own shares. Shares held in treasury may subsequently be cancelled, sold for cash or used to satisfy share options and share awards under employee share schemes. Once held in treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings, in respect of the shares. Further, no dividend or other distribution of the Company's assets may be made to the Company in respect of the treasury shares. Accordingly, if the directors exercise this authority to purchase shares, the Company will have the option of holding those shares in treasury. Following a purchase of own shares by the Company, the directors intend to hold them in treasury.

The total number of ordinary shares that are under option through the Company's share option schemes at 21 March 2011 (being the latest practicable date prior to publication of this notice) was 1,137,993. The proportion of issued ordinary share capital that the options represented on this date was 0.35% and the proportion of issued ordinary share capital that they will represent if the full authority to purchase shares (existing and being sought) is used is 0.42%.

Resolution B will be proposed as a special resolution.

#### **Notice of general meetings (special resolution C)**

The CA 2006 provides that the notice period required for general meetings of the Company is 21 days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days (annual general meetings must always be held on at least 21 clear days' notice). It is proposed to seek renewal of the authority that was granted to the directors at the annual general meeting in 2010 to call general meetings other than an annual general meeting on not less than 14 clear days' notice. The authority granted by this resolution, if passed, will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed. The flexibility offered by this resolution will be used where, taking into account the circumstances, the directors consider this appropriate in relation to the business of the meeting and in the interests of the Company and shareholders as a whole.

Resolution C will be proposed as a special resolution.

#### **Action to be taken**

It is important to the Company that shareholders have the opportunity to vote even if they are unable to attend in person. A proxy form is enclosed for use by shareholders so that they can nominate someone else to attend the meeting and vote on their behalf. One option is to nominate the chairman of the meeting as proxy to vote on the shareholder's behalf at the meeting in the manner they direct or at his discretion.

Please complete and return the proxy form in accordance with the instructions on the form in order that it may be received by Equiniti as soon as possible and, in any event, not later than 48 hours before the time fixed for the meeting or any adjournment thereof. Completion and return of a proxy form will not prevent you from attending and voting in person at the meeting should you so wish.

We are also pleased to be able to offer our shareholders the opportunity to appoint their proxies electronically using the internet, rather than using the paper proxy form. If you wish to submit your proxy appointment electronically, please visit [www.sharevote.co.uk](http://www.sharevote.co.uk) where full details of the procedure are given. You are advised to read the terms and conditions of use carefully and your instructions must be received not later than 48 hours before the time fixed for the meeting or any adjournment thereof.

#### **Changes to voting this year**

The Board has decided, in line with best practice, to move to voting on a poll at the annual general meeting, rather than a show of hands. Poll voting at the meeting will be conducted using an electronic system called VoteNow provided by Equiniti, the Company's Registrar. The Board believes that this will result in a more accurate reflection of the views of shareholders by ensuring that every vote is recognised, including the votes of all shareholders who are unable to attend the meeting but who appoint a proxy for the meeting. On a poll, each shareholder has one vote for every share held. A summary of the VoteNow system is provided on page 9.

#### **Recommendation**

Your directors consider that all the resolutions to be put to the annual general meeting are in the best interests of the Company and its shareholders as a whole. Your directors unanimously recommend shareholders to vote in favour of the resolutions as they intend to do in respect of their own shareholdings.

Yours faithfully



**Norman B M Askew**

Chairman

Notice is hereby given that the forty-ninth annual general meeting of IMI plc will be held at the Hilton Birmingham Metropole Hotel, National Exhibition Centre, Birmingham on 6 May 2011 at 12 noon for the following purposes:

To consider and, if thought fit, to pass the following resolutions, which will be proposed as **ordinary resolutions**:

1. That the directors' and auditors' reports and the audited accounts for the year ended 31 December 2010 be approved and adopted.
2. That the directors' remuneration report for the year ended 31 December 2010 be approved and adopted.
3. That a final dividend at the rate of 17p per share on the ordinary share capital of the Company be declared for the year ended 31 December 2010 payable on 23 May 2011 to shareholders on the register at the close of business on 15 April 2011.
4. That Martin Lamb be re-elected as a director of the Company.
5. That Douglas Hurt be re-elected as a director of the Company.
6. That Roy Twite be re-elected as a director of the Company.
7. That Norman Askew be re-elected as a director of the Company.
8. That Terry Gateley be re-elected as a director of the Company.
9. That Kevin Beeston be re-elected as a director of the Company.
10. That Anita Frew be re-elected as a director of the Company.
11. That Bob Stack be re-elected as a director of the Company.
12. That Ian Whiting be elected as a director of the Company.
13. That Ernst & Young LLP be re-appointed as the Company's auditor until the conclusion of the next annual general meeting of the Company.
14. That the directors be authorised to determine the auditor's remuneration.
15. That:
  - (a) the directors be authorised to allot shares in the Company or grant rights to subscribe for, or convert any security into, shares in the Company:
    - (i) in accordance with article 7 of the Company's articles of association, up to a maximum nominal amount of £26,730,000 (such amount to be reduced by the nominal amount of any equity securities (as defined in article 8 of the Company's articles of association) allotted under paragraph (ii) below in excess of £26,730,000); and
    - (ii) comprising equity securities (as defined in article 8 of the Company's articles of association), up to a maximum nominal amount of £53,460,000 (such amount to be reduced by any shares allotted or rights granted under paragraph (i) above) in connection with an offer by way of a rights issue (as defined in article 8 of the Company's articles of association);
  - (b) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution, or, if earlier, at the close of business on 1 July 2012; and
  - (c) all previous unutilised authorities under section 551 of the Companies Act 2006 shall cease to have effect (save to the extent that the same are exercisable pursuant to section 551(7) of the Companies Act 2006 by reason of any offer or agreement made prior to the date of this resolution which would or might require shares to be allotted or rights to be granted on or after that date).

16. That, in accordance with section 366 of the Companies Act 2006, the Company and all companies that are subsidiaries of the Company at any time during the period for which this resolution has effect be and are hereby authorised to:
  - (a) make political donations to political parties or independent election candidates not exceeding £100,000 in total;
  - (b) make political donations to political organisations other than political parties not exceeding £100,000 in total; and
  - (c) incur political expenditure not exceeding £100,000 in total;

during the period beginning with the date of the passing of this resolution and ending at the conclusion of the next annual general meeting of the Company or 1 July 2012, whichever is the earlier, provided that the aggregate amount of any such donations and expenditure shall not exceed £100,000. For the purposes of this resolution the terms 'political donations', 'political parties', 'independent election candidates', 'political organisations' and 'political expenditure' shall have the meanings set out in sections 363 to 365 of the Companies Act 2006.

17. That:
  - (a) the rules of the IMI PLC Share Option Plan (the 'SOP Rules'), which are referred to in the Chairman's covering letter that accompanies this notice of annual general meeting, the principal terms of which are summarised in Appendix 1 to this notice of annual general meeting and which are produced in draft to this meeting and, for the purposes of identification, have been initialled by the Chairman, are hereby approved and adopted; and

- (b) the directors be and are hereby authorised to:
  - (i) do all such acts and things as they consider necessary or desirable to implement the SOP Rules, including making such amendments to the SOP Rules as may be required by HM Revenue & Customs; and
  - (ii) establish further plans based on the IMI PLC Share Option Plan, but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against the limits on individual or overall participation in the IMI PLC Share Option Plan.

18. That:

- (a) the rules of the IMI Global Employee Share Purchase Plan 2011 (the '**Global Plan Rules**'), which are referred to in the Chairman's covering letter that accompanies this notice of annual general meeting, the principal terms of which are summarised in Appendix 2 to this notice of annual general meeting and which are produced in draft to this meeting and, for the purposes of identification, have been initialled by the Chairman, are hereby approved and adopted; and
- (b) the directors be and are hereby authorised to:
  - (i) do all such acts and things as they consider necessary or desirable to implement the Global Plan Rules; and
  - (ii) establish further plans based on the IMI Global Employee Share Purchase Plan 2011 but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against the limits on individual or overall participation in the IMI Global Employee Share Purchase Plan 2011.

19. That:

- (a) the rules of the IMI US Stock Purchase Plan 2011 (the '**US Plan Rules**') which are referred to in the Chairman's covering letter that accompanies this notice of annual general meeting, the principal terms of which are summarised in Appendix 2 to this notice of annual general meeting and which are produced in draft to this meeting and, for the purposes of identification, have been initialled by the Chairman, are hereby approved and adopted; and
- (b) the directors be and are hereby authorised to do all such acts and things as they consider necessary or desirable to implement the US Plan Rules.

To consider and, if thought fit, to pass the following resolutions, which will be proposed as **special resolutions**:

**A.** That:

- (a) in accordance with article 8 of the Company's articles of association, the directors be given power to allot equity securities for cash;
- (b) the directors be given power to allot equity securities for cash within section 560(3) of the Companies Act 2006 (sale of treasury shares) as if section 561 of that Act did not apply;
- (c) the powers under paragraphs (a) and (b) above (other than in connection with a rights issue, as defined in article 8(b)(ii) of the Company's articles of association) shall be limited to the allotment of equity securities having a nominal amount not exceeding in aggregate £4,240,000;
- (d) these authorities shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or, if earlier, at the close of business on 1 July 2012; and
- (e) all previous unutilised authorities under sections 570 and 573 of the Companies Act 2006 shall cease to have effect.

**B.** That, in accordance with the Companies Act 2006, the Company is generally and unconditionally authorised to make market purchases (within the meaning of section 693 of the Companies Act 2006) of ordinary shares of 25p each in the capital of the Company ('**Ordinary Shares**') on such terms and in such manner as the directors of the Company may from time to time determine provided that:

- (a) the maximum aggregate number of Ordinary Shares that may be purchased under this authority is 48,116,000;
- (b) the minimum price which may be paid shall be 25p per Ordinary Share (exclusive of expenses, if any, payable by the Company in connection with the purchase);
- (c) the maximum price (exclusive of expenses, if any, payable by the Company in connection with the purchase) which may be paid for an Ordinary Share purchased under this authority shall not be more than the higher of:
  - (i) 105% of the average of the middle market prices shown in the quotations for Ordinary Shares in the London Stock Exchange Daily Official List for the five business days before the day on which that Ordinary Share is purchased; and
  - (ii) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003;

- B. (d) the authority hereby conferred shall expire on 1 July 2012 or, if earlier, at the conclusion of the next annual general meeting of the Company after the passing of this resolution unless renewed before that time save that the Company may make a contract or contracts to purchase Ordinary Shares under this authority before its expiry which will or may be executed wholly or partly after the expiry of this authority, and may make a purchase of Ordinary Shares in pursuance of any such contract; and
- (e) all existing authorities for the Company to make market purchases of Ordinary Shares are revoked, except in relation to the purchase of shares under a contract or contracts concluded before the date of this resolution and which has or have not yet been executed.
- C. That, in accordance with the Company's articles of association, a general meeting (other than an annual general meeting) may be called on not less than 14 clear days' notice.

By order of the Board

**John O'Shea**  
Company Secretary  
29 March 2011

Registered Office:  
Lakeside, Solihull Parkway,  
Birmingham Business Park,  
Birmingham B37 7XZ

[www.imiplc.com](http://www.imiplc.com)

**Notes:**

1. A member may appoint a proxy to exercise all or any of his/her rights to attend and to speak and vote on his/her behalf at the meeting. A member may appoint more than one proxy in relation to the annual general 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.
2. To be valid, any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand by Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6LW not later than 48 hours before the time fixed for the meeting or any adjournment thereof. Completion and return of the form of proxy will not prevent you from

attending and voting at the meeting instead of the proxy if you so wish. A member must inform the Company's Registrars in writing of any termination of the authority of a proxy.

3. As an alternative to completing and returning the printed form of proxy, you may submit your proxy electronically by accessing [www.sharevote.co.uk](http://www.sharevote.co.uk) where full details of the procedure are given. For security purposes, members will need their voting ID, task ID and shareholder reference number as printed on the form of proxy in order to validate the submission of their proxy online.
4. If a member has more than one holding registered in his/her name he/she should receive no more than one copy of the Annual Report and one form of proxy which will be valid in respect of all his/her shareholdings. A form of proxy is enclosed. If you do not have a form of proxy and believe that you should, or if you require additional forms, please contact Equiniti on 0871 384 2916 (calls to this number are charged at 8p per minute from a BT landline. Other telephone provider costs may vary).
5. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 ('CA 2006') to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have the right to be appointed (or to have someone else appointed) as a proxy for the annual general meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
6. The statement of rights of shareholders in relation to the appointment of proxies in notes 1, 2 and 3 above to this notice of annual general meeting does not apply to Nominated Persons. The rights described in these sections can only be exercised by the shareholders of the Company. Nominated Persons are reminded that they should contact the registered holder of their shares (and not the Company) on matters relating to their investments in the Company.
7. The Company specifies that only those shareholders registered in the register of members of the Company as at 6 pm on 4 May 2011 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting) shall be entitled to attend (in person or by proxy) or vote at the meeting or any adjourned meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members made after the relevant deadline shall be disregarded in determining the rights of any person to attend or vote at the meeting.

8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the annual general meeting to be held on 6 May 2011 and any adjournment(s) thereof by using the procedure 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.

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's specifications and must contain the information required for such instructions as described in the CREST manual (available at [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). The message, regardless of whether it constitutes the appointment of a proxy or relates to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt for proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take, (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor(s) or voting service provider(s) are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

9. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of the same powers as the corporation could exercise if it were an individual member provided

that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

10. As at 21 March 2011 (being the last practicable business day prior to the publication of this notice) the Company's issued share capital consists of 339,904,347 ordinary shares, carrying one vote each of which 19,124,700 are held in treasury. Therefore, the total exercisable voting rights in the Company as at 21 March 2011 are 320,779,647.

11. Copies of the service contracts of directors and letters of appointment for non-executive directors are available for inspection at the Company's registered office during normal business hours from the date of this notice to the date of the annual general meeting, and at the place of the annual general meeting from at least 15 minutes prior to the meeting and until the conclusion of the meeting.

A copy of the proposed amended rules relating to the IMI PLC Share Option Plan will be available for inspection at the Company's registered office and at the offices of Hewitt New Bridge Street at 6 More London Place, London, SE1 2DA during normal business hours from the date of this notice to the date of the annual general meeting, and at the place of the annual general meeting from at least 15 minutes prior to the meeting and until the conclusion of the meeting.

A copy of the proposed rules relating to the IMI Global Employee Share Purchase Plan 2011 will be available for inspection at the Company's registered office and at the offices of Hewitt New Bridge Street at 6 More London Place, London, SE1 2DA during normal business hours from the date of this notice to the date of the annual general meeting, and at the place of the annual general meeting from at least 15 minutes prior to the meeting and until the conclusion of the meeting.

A copy of the proposed rules relating to the IMI US Stock Purchase Plan 2011 will be available for inspection at the Company's registered office and at the offices of Hewitt New Bridge Street at 6 More London Place, London, SE1 2DA during normal business hours from the date of this notice to the date of the annual general meeting, and at the place of the annual general meeting from at least 15 minutes prior to the meeting and until the conclusion of the meeting.

12. It is possible that, pursuant to requests made by members of the Company under section 527 of the CA 2006, the Company may be required to publish on its website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the annual general meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid. The Company may not require the shareholders

requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the CA 2006. Where the Company is requested to place a statement on a website under section 527 of the CA 2006 it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the annual general meeting includes any statement that the Company has been required under section 527 of the CA 2006 to publish on its website.

13. A member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting in accordance with section 319A of the CA 2006. The Company must cause to be answered any such question but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
14. In accordance with section 311A of the CA 2006, the contents of this notice, details of the total number of shares in respect of which members are entitled to exercise voting rights at the annual general meeting, the total voting rights members are entitled to exercise at the annual general meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice can be found at [www.imiplc.com](http://www.imiplc.com).
15. Members who have general queries about the meeting should address such questions, in the first instance, to the Company's Registrars, Equiniti 0871 384 2916 (calls to this number are charged at 8p per minute from a BT landline. Other telephone provider costs may vary). You may not use any electronic address provided in this notice of annual general meeting or any related documents to communicate with the Company for any purposes other than those expressly stated.
16. Registered holders of the Company's American Depositary Shares (ADS) as of the ADS Record Date may exercise their votes through the Depositary, Citibank. The Depositary will arrange for a Voting Instruction Form to be sent to such ADS holders to enable such ADS holders to vote on the resolutions to be proposed at the annual general meeting. ADS holders requiring further information should contact Citibank Shareholder Services, PO Box 43077, Providence, Rhode Island 02940-3077, telephone: (from US) 1 877 248 4237 (from outside US) 00 1 781 575 4555, e-mail: [Citibank@shareholders-online.com](mailto:Citibank@shareholders-online.com).

## VoteNow

As explained on page 4 of the Chairman's covering letter, the Board has decided to move to voting on a poll at the annual general meeting, using the VoteNow system provided by Equiniti, the Company's Registrar. This system will ensure that the voting process is conducted almost as speedily as the traditional voting on a show of hands. The following notes summarise the key points for shareholders attending the annual general meeting and how they can make use of the VoteNow system:

1. At the registration desks you will be given an electronic handset and a smart card with a unique barcode. This barcode will enable the Registrars to link the vote that you give via your handset with your individual shareholding and consequently with the number of votes that you have at the meeting.
2. When instructed by the Chairman you should press the button on your handset corresponding with the way you wish to vote.
3. When voting you will see a message on your handset confirming that your vote 'for' or 'against' or 'withheld' has been received. If you make a mistake you may simply press the correct button; your original vote will be cancelled and superseded by the correct vote. You may do this at any time until the Chairman declares the vote on the resolution is closed. You should note that a 'vote withheld' has no legal effect and will count neither for nor against the resolution.
4. A provisional summary of the poll vote will be displayed in the auditorium showing the total and percentage numbers of shares voted ('for', 'against' and 'withheld') on the poll for the resolutions. In order that the Registrars may make a final audit check at the end of the meeting, these numbers are necessarily provisional. However, it is likely that these numbers will be strongly indicative of the result of the shareholders' voting. The final summary of the votes cast in respect of the resolutions will be released to the London Stock Exchange and published on the Company's website ([www.imiplc.com](http://www.imiplc.com)) as soon as practicable after the meeting.

The VoteNow system will be explained clearly to shareholders at the meeting.

## SUMMARY OF THE PRINCIPAL TERMS OF THE IMI PLC SHARE OPTION PLAN (THE 'SOP')

The SOP is already in use and has been designed to provide for the grant of market value options to senior employees who are not executive directors or others who receive awards under IMI's Performance Share Plan. Shareholder approval is sought for the SOP, as the current rules are proposed to be amended in order to allow new issue and treasury shares to be used to satisfy awards (within standard shareholder dilution limits). Under the current rules all awards are satisfied by the market purchase of shares.

Given the nature of the Company's business, the Company has to operate in a global market for talent at below-Board level in jurisdictions where the grant of incentive awards are not subject to performance conditions and so the Company does not intend that performance conditions will apply to the options.

The SOP operates in two parts - Part A does not cater for UK tax-favoured options, whilst Part B has been approved by HM Revenue & Customs so that UK tax-favoured options can be granted.

### Operation

The Remuneration Committee of the Board will supervise the operation of the SOP. The Remuneration Committee may, however, delegate the operation of the SOP in respect of individuals outside the senior management team to executive directors.

### Eligibility

Any employee of the Company and its subsidiaries, who is not a director of the Company, will be eligible to participate in the SOP at the discretion of the Remuneration Committee.

### Grant of options

The Remuneration Committee may grant options to acquire ordinary shares in the Company ('Shares') within six weeks of the first dealing day after the day on which the Company announces its results for any period or at any other time when the Remuneration Committee considers there are exceptional circumstances which justify the granting of options. The Remuneration Committee can decide to grant cash-based awards under Part A of the SOP, but it does not intend to do so.

An option may not be granted after 12 June 2019, being ten years after the SOP was adopted by the Board. Options are not transferable, except on death, and are not pensionable.

### Option price

The Remuneration Committee will determine the option price before the option is granted, which cannot be less than the middle-market quotation of the Shares on the dealing day before the option is granted or the average of the middle-market quotations for the three dealing days preceding the date of grant (or on such other dealing days

as the Remuneration Committee may decide).

The option price for an option only to subscribe for new Shares shall not be less than the nominal value of the Shares under option.

### Satisfying options

Options may be satisfied using new issue Shares or treasury Shares, as well as market purchase Shares.

Shares will be allotted or transferred to participants within 30 days of exercise. The Remuneration Committee may decide to satisfy an option granted under Part A by the payment of a cash amount or Shares equal in value to the gain made on the exercise of the option.

### Plan limits

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than:

- (a) 10% of the issued ordinary share capital of the Company under the SOP and any other employee share plan adopted by the Company; and
- (b) 5% of the issued ordinary share capital of the Company under the SOP and any other executive share plan adopted by the Company.

Shares issued or transferred in satisfaction of options granted under the US Stock Purchase Plan 2011, the Global Employee Share Purchase Plan 2011 and any other employee share plans operated on a substantively 'all-employee' basis will not be counted towards the '5%' limit referred to above.

Treasury Shares will count as new issue Shares for the purposes of these limits unless institutional investors decide that they should be excluded from these calculations (for example, if the ABI Guidelines on dilution limits are amended to allow them to be excluded) and the Board resolves not to count treasury shares as new issue shares.

### Individual participation

A participant cannot hold options granted under Part B over Shares with a total market value (at grant) of over £30,000. An employee may also not receive options to acquire new issue or treasury Shares in any financial year over Shares with a total market value (at grant) exceeding 100% of his annual base salary in that financial year.

### Exercise of options

Subject to the 'Leaving employment' and the 'Corporate events' provisions summarised below, an option can only be exercised on or after the third anniversary of grant, provided that the participant is still employed in the Company's group. Options are then exercisable up until the tenth anniversary of grant (or such shorter period as the

Remuneration Committee decides) unless they lapse earlier.

### **Leaving employment**

As a general rule, an option will lapse upon a participant ceasing to be an employee within the Company's group.

However, under Part A of the SOP, if the Company determines that a participant has ceased employment for a reason that justifies the exercise of his option, then his option may be exercised within six months of cessation. The Remuneration Committee shall determine the number of Shares over which such an option is exercisable by applying a pro rata reduction based on the period of time from the date of grant to the date of cessation relative to the three year vesting period, with the Remuneration Committee having the discretion to decide not to pro-rate if it decides it is inappropriate to do so.

Under Part B of the SOP, if a participant dies his options shall be exercisable for a period of 12 months after the participant's death, subject, if appropriate, to time pro-rating as described above. If a participant leaves because of retirement, injury, disability, redundancy or any other reason the Remuneration Committee fairly and reasonably determines, his options shall be exercisable for a period of six months after cessation (or, if not already exercisable, a longer period as determined by the Remuneration Committee, such period not being greater than 42 months after the date of grant), subject to time pro-rating as described above (if appropriate).

### **Corporate events**

In the event of a takeover, scheme of arrangement or winding up of the Company (not being an internal corporate re-organisation of the Company's group), all options will become exercisable early and remain exercisable for a limited period.

If a demerger, special dividend or other similar event is proposed which, in the opinion of the Remuneration Committee, would affect the market value of Shares, then the Remuneration Committee may decide that an option be exercised on such terms and for such duration as it may determine.

In all of the above situations, time pro-rating will apply based on the period of time after the date of grant to the date on which the option becomes exercisable, relative to the three year vesting period, unless the Remuneration Committee determines otherwise.

### **Internal reorganisations**

In the event of an internal corporate reorganisation, the participant can agree that his option will be replaced

by an equivalent new option over shares in a new holding company. If the option is not replaced by an equivalent option, it will lapse.

### **Rights attaching to Shares**

Options will not confer any shareholder rights until the options have been exercised and the participants have received their Shares. Any Shares allotted when an option is exercised will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

### **Adjustment of options**

In the event of any variation in the Company's share capital or, in the case of Part A options, in the event of a demerger, dividend in specie, payment of special dividend or similar event, the Remuneration Committee may make such adjustment as it considers appropriate to an option.

### **Alterations to the SOP**

The Remuneration Committee may at any time alter the SOP or any terms of an option, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Shares or the transfer of treasury Shares, the basis for determining a participant's entitlement to, and the terms of, the Shares or cash to be acquired and the adjustment of options.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the SOP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Company's group.

### **Overseas plans**

The shareholder resolution to approve the SOP will allow the Board to establish further plans for overseas territories, any such plan to be similar to the SOP, but modified to take account of local tax, exchange control or securities laws, provided that any Shares made available under such further plans are treated as counting against the limits on individual and overall participation in the SOP.

## SUMMARY OF THE PRINCIPAL TERMS OF THE IMI GLOBAL EMPLOYEE SHARE PURCHASE PLAN 2011 (THE 'GLOBAL PLAN') AND THE IMI US STOCK PURCHASE PLAN 2011 (THE 'US PLAN', AND TOGETHER WITH THE GLOBAL PLAN, THE 'PLANS')

The summary below describes first the features which are common to the Plans and then the unique features specific to each of the Global Plan and the US Plan.

### SUMMARY OF THE PRINCIPAL TERMS COMMON TO THE PLANS

#### Operation

The operation of the Plans will be supervised by the Board or a duly authorised committee of the Board.

#### Overall Plan limits

The Plans will operate over ordinary shares in the Company ('Shares') which may be newly issued, held in treasury or purchased in the market.

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than 10% of the issued ordinary share capital of the Company under the Plans and any other employee share plan adopted by the Company.

Shares issued or transferred in satisfaction of options granted under the Plans will not be counted towards the limit contained in the Company's other share plans restricting the use of new issue or treasury Shares in connection with 'executive' share plans to 5% of the Company's issued share capital in any ten calendar year period.

Treasury Shares will count as new issue Shares for the purposes of these limits unless institutional investors decide that they should be excluded from these calculations (for example, if the ABI Guidelines on dilution limits are amended to allow them to be excluded) and the Board resolves not to count treasury shares as new issue shares.

In addition, the maximum number of Shares which may be used in connection with the US Plan will be 33,990,434.

#### General

Options granted under the Plans are not transferable other than to a participant's personal representative in the event of his death. No benefits received under the Plans will be pensionable.

#### Alterations to the Plans

The Board may amend the provisions of the Plans in any respect, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Shares or the transfer of treasury Shares, the basis for determining a participant's entitlement to, and the terms of, the Shares to be acquired and the adjustment of options.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the Plans to take account of a change in legislation or to obtain or maintain favourable tax, exchange control, securities laws or regulatory treatment for participants or for any company in the Company's group.

#### Rights attaching to Shares

Options will not confer any shareholder rights until the options have been exercised and the participants have received their Shares.

Any Shares allotted when an option is exercised under either Plan will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

### SUMMARY OF THE PRINCIPAL TERMS OF THE GLOBAL PLAN

#### Eligibility

Any employee of the Company and its subsidiaries shall be eligible to participate at the discretion of the Board. However, the Board's current intention is to operate the Global Plan on an all-employee basis in certain of the countries where IMI has operations. In particular, it is currently intended that the first invitation to participate in the Global Plan will be made to employees resident in Germany, subject to the same qualifying period of employment with IMI as applies to participants in the IMI Sharesave Plan (which is offered to UK employees). Invitations to participate in the Global Plan will, as is also required under the IMI Sharesave Plan, be made on the same terms to all invited employees in a given jurisdiction.

It is intended that invitations will be issued under the IMI Sharesave Plan and the Global Plan on or around the same time.

#### Grant of options

Options to acquire Shares can only be granted to employees who enter into savings contracts, under which monthly savings are normally made over a period of three or five years. Options must normally be granted within 30 days (or 42 days if applications are scaled back) of the first day by reference to which the option price is set. The number of Shares over which an option is granted will be calculated by dividing the projected proceeds on maturity of the related savings contract by the option price on grant.

## Grant of options (continued)

Awards made under the Global Plan may be granted as stock appreciation rights or cash-based awards of an equivalent value to share-based awards and share-based awards may be satisfied in cash (although the Board does not intend to do so in relation to the first offer of options made in 2011).

An option may not be granted more than ten years after shareholder approval of the Global Plan.

## Individual participation

The monthly savings by an employee made under all savings contracts linked to options granted under the Global Plan, the IMI Sharesave Plan and any other similar plan may not exceed the UK statutory maximum for HM Revenue & Customs-approved Sharesave plans (currently £250 per month) or the local currency equivalent. The Board may set a lower limit in relation to any particular grant.

## Option price

Except in relation to the grant of options in 2011, the price per Share payable upon the exercise of an option will not be less than the higher of: (i) 80% of the average middle-market quotation of a Share on the London Stock Exchange over the ten days preceding a date specified in an invitation to participate in the Global Plan (or such other day or days as may be determined by the Board); and (ii) if the option relates only to new issue Shares, the nominal value of a Share. The option price will be determined by reference to dealing days which fall within six weeks of the announcement by the Company of its results for any period or at any other time when the Board considers circumstances justify offering options under the Global Plan.

However, given the delay in granting options in 2011 under the Global Plan as a result of seeking shareholder approval for the Global Plan at the annual general meeting, the Company intends to make the initial grant of options in 2011 under the Global Plan using the same option price per Share as was used to grant options under the IMI Sharesave Plan in 2011 to employees eligible to participate in that plan.

## Exercise of options

Options will normally be exercisable for a six month period from the third or fifth anniversary of the commencement of the related savings contracts. Earlier exercise is permitted, however, in the following circumstances:

- (i) following cessation of employment by reason of death, injury, disability, redundancy, retirement or the business or company that the employee works for ceasing to be part of the Company's group or any other reason which the Board, in its discretion, determines;

- (ii) in the event of a takeover, amalgamation, reconstruction or winding-up of the Company, except in the case of an internal corporate re-organisation when the acquiring company makes an offer to exchange existing options for equivalent new options over shares in a new holding company; and/or

- (iii) if the Board considers it appropriate, in the event of a demerger, special dividend or other similar event is proposed which, in the opinion of the Board, would affect the market value of Shares.

Except where stated above, options will lapse on cessation of employment and/or directorship with the Company's group.

The exercise of options will only be permitted to the extent of participants' savings, unless the Board determines otherwise. Where the Board allows participants to 'top up' their savings (for example, to take account of exchange rate fluctuations), when an option is exercised early, the number of Shares in respect of which it may be exercised may be time pro-rated to reflect the proportion of the savings contract which has elapsed prior to exercise, unless the Board determines otherwise.

Shares will be allotted or transferred to participants within 30 days of exercise.

## Adjustment of options

If there is a variation in the Company's share capital then the Board may make such adjustment as it considers appropriate to the number of Shares under option, the option price or the amount payable on exercise.

## Overseas plans

The shareholder resolution to approve the Global Plan will allow the Board, without further shareholder approval, to establish further plans for overseas territories, any such plan to be similar to the Global Plan, but modified to take account of local tax, exchange control or securities laws, provided that any Shares made available under such further plans are treated as counting against the limits on individual and overall participation in the Global Plan.

## SUMMARY OF THE PRINCIPAL TERMS OF THE US PLAN

The US Plan is an all-employee savings related stock purchase plan similar in nature to the IMI Sharesave Plan. The US Plan has been designed to qualify under section 423 of the US Internal Revenue Code of 1986 (as amended) giving US participants' tax and social security benefits on any gains made under the US Plan. It is currently intended that the US Plan will be operated in a similar manner to the IMI Sharesave Plan, although it may be operated in other ways.

## Eligibility

Any employee or full-time director of the Company's group is eligible to participate in the US Plan, although participation can be restricted to employees who have completed a qualifying period of service.

## Savings

Participants must make contributions to a savings contract related to their options granted under the US Plan. Savings contracts may not exceed 24 months in length. The total contributions a participant can make under the US Plan (when aggregated with any contributions he makes under any similar plan operated by the Company's group) will be limited to the dollar equivalent of the UK savings limit for the IMI Sharesave Plan (currently £250 a month) or such lower amount as the Board shall determine.

## Grant of options

Options may be granted over Shares or American Depository Receipts representing such Shares ('**Option Shares**'). Option Shares used in connection with the US Plan may be newly issued Option Shares, treasury Option Shares or Option Shares purchased in the market.

The exact number of Option Shares can be determined either at the time of grant based on the projected proceeds on maturity of the related savings contract or at the end of the specified savings period based on the total contributions that an employee has made over that period. In either case, at the end of the savings period, the options will become exercisable and Option Shares can be purchased. It is the current intention that the number of Option Shares subject to options will be calculated at the time options are granted.

No options may be granted later than ten years after the date on which the US Plan is approved by shareholders. In any event, no options may be granted in a given calendar year over Option Shares worth in excess of \$25,000 (at the time of grant). In practice, the maximum number of Option Shares that a participant may acquire in any 27 month period during the life of the US Plan may not exceed the number of Option Shares which could have been bought with 24 monthly contributions made at the maximum level permitted (currently £250 per month) at 85% of the fair market value of an Option Share at the time of grant of an option.

## Option price

The price payable for each Option Share shall be determined by the Board, provided that it is not less than the lower of 85% of the fair market value of an Option Share on (i) the date of grant or (ii) the date of exercise. In practice, it is intended to set the option price by reference to the fair market value at the date of grant, which reflects the way in which the IMI Sharesave Plan operates. Unless the Board determines otherwise, the option price set on grant will be calculated by reference to the Company's share price over the preceding ten dealing days.

When the option price is set by reference to the Company's share price at the time of grant, the option price will be determined by reference to dealing days which fall within six weeks of the announcement by the Company of its results for any period or the adoption of the US Plan or at any other time when the Board considers the circumstances justify offering options under the US Plan.

## Exercise of options

Provided that an option holder is still an employee of the Company's group at the end of the relevant savings period, he can generally exercise his option and acquire Option Shares at that time. Options will become exercisable at the maturity of the savings contract and, to the extent they are not exercised or have not already lapsed, they will lapse no later than 27 months from the date of grant.

Earlier exercise is permitted, however, in the following circumstances:

- (i) following cessation of employment by reason of death, injury, disability, redundancy, retirement, the business or company that the employee works for ceasing to be part of the Company's group or any other reason the Board in its discretion determines;
- (ii) in the event of a takeover, amalgamation, reconstruction or winding-up of the Company, except in the case of an internal corporate re-organisation when the acquiring company makes an offer to exchange existing options for equivalent new options over shares in a new holding company; and/or
- (iii) if the Board considers it appropriate, in the event of a demerger, special dividend or other similar event is proposed which, in the opinion of the Board, would affect the market value of Option Shares.

Except where stated above, options will lapse on cessation of employment and/or directorship with the Company's group.

The exercise of options will only be permitted to the extent of participants' savings, unless the Board determines otherwise. Where the Board allows participants to 'top up' their savings (for example, to take account of exchange rate fluctuations), where an option is exercised early, the number of Option Shares in respect of which it may be exercised may be time pro-rated to reflect the proportion of the savings contract which has elapsed prior to exercise, unless the Board determines otherwise.

## Adjustment of options

If there is a variation in the Company's share capital then the Board may make such adjustment as it considers appropriate to the number of Option Shares under option, the option price, the amount payable on exercise or the maximum number of Option Shares that may be used in connection with the US Plan.

