

# Notice of Annual General Meeting 2012

This document is important and requires your immediate attention.



# Filtrona plc

(incorporated and registered in England and Wales under number 05444653)

## Notice of Annual General Meeting 2012

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should immediately seek your own advice from an independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your shares in the Company, please pass this document together with the accompanying form of proxy 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 the Annual General Meeting of the Company to be held at the Holiday Inn Hotel, 500 Saxon Gate West, Milton Keynes, Buckinghamshire MK9 2HQ on Tuesday 24 April 2012 at 12 noon is set out in this document.

Whether or not you propose to attend the Annual General Meeting, please complete and submit a proxy form in accordance with the instructions printed on the enclosed form. The proxy form must be completed, signed and received no later than 12 noon on 20 April 2012 before the time of the holding of the Annual General Meeting.

Completion and return of a form of proxy will not preclude shareholders from attending and voting at the Annual General Meeting should they choose to do so. Further instructions relating to the form of proxy are set out in this document.

Notice is hereby given that the 2012 Annual General Meeting of Filtrona plc (the "Company") will be held at the Holiday Inn Hotel, 500 Saxon Gate West, Milton Keynes, Buckinghamshire MK9 2HQ on Tuesday 24 April 2012 at 12 noon.

A form of proxy for use in connection with this meeting is enclosed with this document. Whether or not you propose to attend the Annual General Meeting ("AGM"), please fill in the proxy form and return it to the registrars as soon as possible. They must receive it by 12 noon on Friday 20 April 2012. You will be asked to consider and pass the resolutions below.

The Board considers that all the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole. Your Board will be voting in favour of them in respect of their own shareholdings and unanimously recommends that you do so as well.

All resolutions will be put to vote on a poll. 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.

## Ordinary business

Resolutions 1 to 11 (inclusive) will be proposed as ordinary resolutions.

- 1 To receive and adopt the accounts for the financial year ended 31 December 2011 and the Reports of the Directors and Auditors.
- 2 To receive and adopt the Report of the Remuneration Committee for the financial year ended 31 December 2011.
- 3 To declare a final dividend for the financial year ended 31 December 2011 of 7.2 pence per ordinary share.
- 4 To re-elect Jeff Harris as a Director of the Company.
- 5 To re-elect Colin Day as a Director of the Company.
- 6 To re-elect Paul Drechsler as a Director of the Company.
- 7 To re-elect Steve Crummett as a Director of the Company.
- 8 To re-elect Lars Emilson as a Director of the Company.
- 9 To re-elect Terry Twigger as a Director of the Company.
- 10 To re-appoint KPMG Audit Plc as Auditor.
- 11 To authorise the Directors to fix the Auditors' remuneration.

## Special business

Resolutions 12 and 13 will be proposed as ordinary resolutions. Resolutions 14 to 16 (inclusive) will be proposed as special resolutions.

### 12. Revised performance award provisions for future Filtrona Long-Term Incentive Plan ("LTIP") awards (ordinary resolution)

That the proposed amendment to the maximum performance award provisions of the rules of the Filtrona Long-Term Incentive Plan (the "LTIP") referred to in Appendix 1, be approved and the Remuneration Committee of the Board thereby be authorised to incorporate the relevant changes as marked on the rules of the LTIP produced to this meeting to give effect to such amendment.

### 13. General power to allot (ordinary resolution)

The Board be generally and unconditionally authorised to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company:

- (a) up to a nominal amount of £17,453,532 (such amount to be reduced by the nominal amount allotted or granted under paragraph (b) below in excess of such sum); and
- (b) comprising equity securities (as defined in section 560(1) of the Companies Act 2006) up to a nominal amount of £34,907,063 (such amount to be reduced by any allotments or grants made under paragraph (a) above) in connection with an offer by way of a rights issue:
  - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
  - (ii) to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

such authorities to apply until the end of next year's AGM (or, if earlier, until the close of business on 23 July 2013) but, in each case, during this period the Company may make offers and enter into agreements which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended.

# Filtrona plc

## Notice of Annual General Meeting 2012 continued

### 14. General power to disapply pre-emption rights (special resolution)

That if resolution 13 is passed, the Board be given power to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such power to be limited:

(a) to the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (b) of resolution 13, by way of a rights issue only):

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities, as required by the rights of those securities or as the Board otherwise considers necessary, and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(b) in the case of the authority granted under paragraph (a) of resolution 13 and/or in the case of any sale of treasury shares for cash, to the allotment (otherwise than under paragraph (a) above) of equity securities or sale of treasury shares up to a nominal amount of £2,741,585, such power to apply until the end of next year's AGM (or, if earlier, until the close of business on 23 July 2013) but, in each case, during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

### 15. Purchase of own shares (special resolution)

That the Company be authorised for the purposes of section 701 of the Companies Act 2006 to make one or more market purchases (as defined in section 693(4) of the Companies Act 2006) of its ordinary shares of 25 pence each ("Ordinary Shares"), such power to be limited:

(a) to a maximum number of 20,944,238 Ordinary Shares;

(b) by the condition that the minimum price which may be paid for an Ordinary Share is the nominal amount of that share and the maximum price which may be paid for an Ordinary Share is the highest of:

(i) an amount equal to 5 per cent. above the average market value of an Ordinary Share for the five business days immediately preceding the day on which that Ordinary Share is contracted to be purchased; and

(ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out,

in each case, exclusive of expenses;

such power to apply until the end of next year's AGM (or, if earlier, 23 July 2013) but in each case so that the Company may enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after the power ends and the Company may purchase Ordinary Shares pursuant to any such contract as if the power had not ended.

### 16. Notice of general meetings (special resolution)

That 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

**Jon Green**  
Company Secretary  
12 March 2012

Registered Office:  
Avebury House  
201-249 Avebury Boulevard  
Milton Keynes  
Buckinghamshire MK9 1AU

Registered in England and Wales No. 05444653

### Inspection of documents

The following documents will be available for inspection at the Company's registered office at Avebury House, 201-249 Avebury Boulevard, Milton Keynes, Buckinghamshire MK9 1AU between 8.30 am and 5.00 pm on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice until the date of the AGM and at the Holiday Inn Hotel, 500 Saxon Gate West, Milton Keynes, Buckinghamshire MK9 2HQ from 15 minutes before the Annual General Meeting until it ends:

- Copies of the Executive Directors' service contracts
- Copies of letters of appointment of the Non-Executive Directors
- A copy of the Articles of Association of the Company
- A copy of the Filtrona Long-Term Incentive Plan rules marked with the change proposed by resolution 12

### Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Computershare Investor Services Plc on 0870 703 6394.
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 at Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or if you prefer, electronically via the internet at [www.computershare.com](http://www.computershare.com) or, if you are a CREST member, via CREST, in each case no later than 12 noon on 20 April 2012 or not less than 48 hours before any adjourned meeting.
3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 9 below) will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.
4. To vote using the internet go to [www.eproxyappointment.com](http://www.eproxyappointment.com). You will need an internet enabled computer with minimum web browser of Internet Explorer 4 or Netscape4. You will be asked to enter the Shareholder Reference Number, control number and PIN number as printed on your form of proxy, and to agree to certain terms and conditions.
5. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 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 a right to be appointed (or to have someone else appointed) as a proxy for the AGM. 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 the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
7. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company by close of business on 20 April 2012 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the AGM.
8. As at 9 March 2012 (being the last business day prior to the publication of this Notice) the Company holds 9,884,416 shares as treasury shares within the meaning of section 724 of the Companies Act 2006, representing approximately 4.7% of the total ordinary share capital of the Company in issue. The Company's issued share capital consists of 219,326,795 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 9 March 2012 are 209,442,379.
9. 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 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.

## Filtrona plc Notice of Annual General Meeting 2012 continued

**10.** 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 specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). The message, regardless of whether it constitutes the appointment of a proxy or is 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 3RA50) by 12 noon on Friday 20 April 2012. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp 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.

**11.** CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, 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, 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 sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

**12.** 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.

**13.** Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

**14.** Under section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the Company to publish on a 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 AGM; 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 in accordance with section 437 of the Companies Act 2006. 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 Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 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 AGM includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

**15.** Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting 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.

**16.** You may not use any electronic address provided either in this notice of AGM or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

**17.** A copy of the draft rules of the Filtrona Long-Term Incentive Plan marked with the change proposed by resolution 12 will be available for inspection at the Company's registered office and at the offices of New Bridge Street (an AonHewitt company) at 10 Devonshire Square, London EC2M 4YP during normal business hours on any weekday (Saturdays, Sundays and public holidays excluded) until the close of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes before the AGM until it ends.

**18.** A copy of this notice, and other information required by s311A of the Companies Act 2006, can be found at [www.filtrona.com](http://www.filtrona.com).

# Explanatory notes to the Notice of Annual General Meeting

The notes on the following pages give an explanation of the proposed resolutions. Resolutions 1 to 13 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 14 to 16 are proposed as special resolutions. This means that for any of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

## 1. Dividend (ordinary resolution 3)

A final dividend for the financial year ended 31 December 2011 of 7.2 pence per ordinary share is recommended by the Directors and is put to the shareholders for their approval. If approved, the dividend will be paid on 30 April 2012 to shareholders on the Register of Members of the Company at the close of business on 13 April 2012 making a total dividend in respect of the financial year ended 31 December 2011 of 10.5 pence per ordinary share. In accordance with the Articles of Association of the Company, the shareholders cannot resolve to pay an amount greater than that recommended by the Directors.

## 2. Directors (ordinary resolutions 4, 5, 6, 7, 8 and 9)

Biographical details of the Directors to be re-elected or elected can be found on pages 44 to 45 of the Annual Report and on the Company website [www.filtrona.com](http://www.filtrona.com).

The Company complies with the requirements of the UK Corporate Governance Code (June 2010) (formerly the UK Combined Code) in relation to Directors' appointments and in particular, the annual re-election of all Directors.

In accordance with provision B.7.1 of the UK Corporate Governance Code:

- (A) Jeff Harris retires and being eligible, offers himself up for re-election. Jeff is the Non-Executive Chairman;
- (B) Colin Day retires and being eligible, offers himself up for re-election. Colin is the Chief Executive Director;
- (C) Paul Drechsler retires and being eligible, offers himself up for re-election. Paul is the Senior Independent Non-Executive Director and Chairman of the Remuneration Committee;
- (D) Steve Crummett retires and being eligible, offers himself up for re-election. Steve is an Executive Director and the Group Finance Director;
- (E) Lars Emilson retires and being eligible, offers himself up for re-election. Lars is a Non-Executive Director; and
- (F) Terry Twigger retires and being eligible, offers himself up for re-election. Terry is a Non-Executive Director and Chairman of the Audit Committee.

## 3. Revised performance award provisions for future Filtrona Long-Term Incentive Plan ("LTIP") awards (ordinary resolution 12)

Authority is sought to approve the proposed amendment to the maximum performance award provisions of the rules of the Filtrona Long-Term Incentive Plan (the "LTIP") and to authorise the Remuneration Committee of the Board to incorporate the relevant changes (as marked on the rules of the LTIP produced to this meeting) to give effect to such amendment. Please see Appendix 1 for full details of the proposed amendment.

## 4. Renewal of Directors' power to allot shares (ordinary resolution 13)

Paragraph (a) of this resolution would give the Directors the authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares up to an aggregate nominal amount equal to £17,453,532 (representing 69,814,126 shares of ordinary 25p each). This amount represents approximately one-third of the issued ordinary share capital (excluding treasury shares) of the Company as at 9 March 2012, the latest practicable date prior to publication of this Notice.

In line with guidance issued by the Association of British Insurers, paragraph (b) of this resolution would give the Directors authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £34,907,063 (representing ordinary shares 139,628,257), as reduced by the nominal amount of any shares issued under paragraph (a) of this resolution. This amount (before any reduction) represents approximately two-thirds of the issued ordinary share capital (excluding treasury shares) of the Company as at 9 March 2012, the latest practicable date prior to publication of this Notice.

The authorities sought under paragraphs (a) and (b) of this resolution will expire at the earlier of 23 July 2013 and the conclusion of the Annual General Meeting of the Company held in 2013.

The Directors have no present intention to exercise either of the authorities sought under this resolution. However, if they do exercise the authorities, the Directors intend to follow ABI recommendations concerning their use (including as regards the Directors standing for re-election in certain cases).

As at the date of this Notice, 9,884,416 ordinary shares are held by the Company in Treasury.

## Explanatory notes to the Notice of Annual General Meeting continued

### 5. General power to disapply pre-emption rights (special resolution 14)

This resolution will be proposed as a special resolution, which requires a 75% majority of the votes to be cast in favour. It would give the Directors the authority to allot ordinary shares (or sell any ordinary shares which the Company elects to hold in treasury) for cash without first offering them to existing shareholders in proportion to their existing shareholdings.

This authority would be, similar to previous years, limited to allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the Board otherwise considers necessary, or otherwise up to an aggregate nominal amount of £2,741,585 (representing 10,966,340 ordinary shares). This aggregate nominal amount represents approximately 5% of the issued ordinary share capital of the Company as at 9 March 2012, the latest practicable date prior to publication of this Notice. In respect of this aggregate nominal amount, the Directors confirm their intention to follow the provisions of the Pre-Emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling 3-year period where the Principles provide that usage in excess of 7.5% should not take place without prior consultation with shareholders.

The authority will expire at the earlier of 23 July 2013 and the conclusion of the Annual General Meeting of the Company held in 2013.

### 6. Purchase of own shares (special resolution 15)

Authority is sought for the Company to purchase up to 10% of its issued Ordinary Shares (excluding any treasury shares), renewing the authority granted by the shareholders at previous annual general meetings. The Company purchased no ordinary shares in the period from the last annual general meeting to 9 March 2012 under the existing authority.

The Directors have no present intention of exercising the authority to make market purchases, however the authority provides the flexibility to allow them to do so in the future. The Directors will exercise this authority only when to do so would be in the best interests of the Company and of its shareholders generally, and could be expected to result in an increase in the earnings per shares of the Company.

Ordinary shares purchased by the Company pursuant to this authority may be held in Treasury or may be cancelled. The Directors will consider holding any ordinary shares the Company may purchase as treasury shares. The Company currently has 9,884,416 ordinary shares in Treasury. The minimum price, exclusive of expenses, which may be paid for an ordinary share is its nominal value. The maximum price, exclusive of expenses, which may be paid for an ordinary share is the highest of (i) an amount equal to 105% of the average market value for an ordinary share for the five business days immediately preceding the date of the purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out.

The Company has options outstanding over 11,944,387 ordinary shares, representing 5.70% of the Company's ordinary issued share capital (excluding treasury shares) as at 9 March 2012. If the authority given by resolution 15 were to be fully used, these would represent 6.34% of the Company's ordinary issued share capital (excluding treasury shares) at that date. The authority will expire at the earlier of 23 July 2013 and the conclusion of the Annual General Meeting of the Company held in 2013.

### 7. Notice of general meetings (special resolution 16)

The Companies (Shareholders' Rights) Regulations 2009 have increased the notice period required for general meetings of the Company to 21 days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. AGMs will continue to be held on at least 21 clear days' notice.

Before the coming into force of the Companies (Shareholders' Rights) Regulations on 3 August 2009, the Company was able to call General Meetings other than an AGM on 14 clear days' notice without obtaining such shareholder approval. In order to preserve this ability, resolution 16 seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

The shorter 14 clear days' notice period will not be used as a matter of routine for such meetings, but only where such flexibility is merited by the business of the meeting and thought to be in the interests of shareholders as a whole.

Note that the changes to the Companies Act 2006 mean that, in order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting.



# Appendix 1

## **Resolution 12 – Amendment to the Filtrona Long-Term Incentive Plan**

The Remuneration Committee of the Company's Board of Directors (the "Committee") has recently undertaken a review of the existing executive reward structure at the Company, focused on the development of a strategy to deliver future growth for the Company.

Extensive consultation took place with the Company's leading shareholders, whose views were taken into account in reshaping the reward structure. Further details are contained in the Report of the Remuneration Committee in the Filtrona Report and Accounts 2011.

Further to that review, the Remuneration Committee has recommended changes to certain aspects of the existing arrangements, including, as further described below, a change to the performance share award grant level available under the Filtrona Long-Term Incentive Plan (the "LTIP").

A performance share award under the LTIP consists of a conditional right to receive shares in the Company, ordinarily vesting three years from grant subject to the participant's continued service and the satisfaction of performance conditions.

The rules of the LTIP currently provide that participants may receive performance share awards over shares worth up to two times their basic salary in any financial year.

It is proposed that the rules of the LTIP be amended to increase the limit to three times basic salary. Resolution 12 seeks shareholders' approval for such a change to the rules of the LTIP.

No other changes are proposed to the rules of the LTIP at this time, save that the Committee proposes to introduce provisions into the rules of the LTIP that will provide scope for the Committee to "claw-back" value delivered to executives under the LTIP in the event of financial misstatement or summary dismissal.

If the changes to the LTIP are approved, for the 2012 award cycle, it is proposed that the Company's Chief Executive would receive a performance shares award at three times basic salary level and the Group Finance Director at two times basic salary level.

## For information only

The performance condition policy for the 2012 performance share awards will continue with the current policy that provides that 50% of each performance share award is subject to a total shareholder return ("TSR") performance condition and 50% is subject to an adjusted earnings per share ("EPS") performance condition.

The TSR performance condition for the 2012 awards (as per the policy for 2011 awards) will assess Filtrona's TSR performance relative to the constituents of the FSTE 250 index (excluding investment trusts). Performance is measured over three years from the date of grant. 12.5% of an award will vest for median performance, increasing on a straight line basis to full 50% vesting for upper quartile performance.

The EPS performance condition for the 2012 awards (as per the policy for 2011 awards) will measure the growth in adjusted EPS over three financial years.

In the case of the 2012 awards to the Company's senior management, the EPS performance condition will provide that adjusted EPS over the period must at least equal 13% pa for any portion of the EPS element to vest, at which point 12.5% of the award may vest, thereafter rising on a straight line basis to full 50% vesting for adjusted EPS growth over the period of 20% pa or more. The Remuneration Committee considers the 13% pa to 20% pa range exceptionally stretching.

In future years (2013 onwards), in relation to the EPS performance condition, it is the Remuneration Committee's current intention to set a performance range of 8% to 15% pa for organic EPS growth and targets will be adjusted to take account of any future acquisitions or share buy-backs the Company makes. These targets are increases to the current range of RPI +3% to RPI +8% pa over 3 years.

## Contact details

### Holiday Inn Hotel

500 Saxon Gate West  
 Central Milton Keynes  
 Buckinghamshire  
 MK9 2HQ  
 United Kingdom  
 Tel: +44 871 942 9057  
[www.holiday-inn.com](http://www.holiday-inn.com)

## How to get to Milton Keynes

### By road

From the M1 leave the motorway at Junction 14, following signs to Milton Keynes Central. Go straight over seven roundabouts staying on the H5, Childs Way.

At the eighth roundabout (South Saxon) take the 3rd exit.

The Holiday Inn Hotel is located on the left, immediately after the traffic lights (opposite Debenhams).

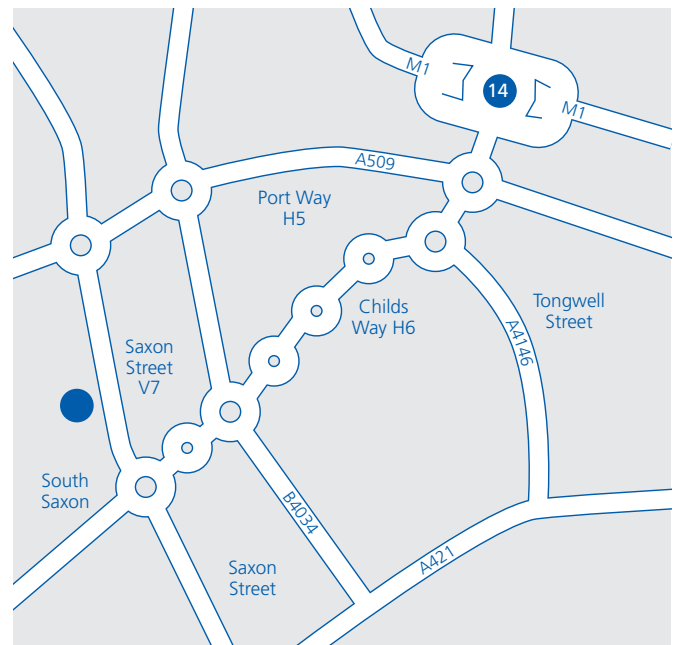
From the M40, follow the A34 to Bicester-Buckingham.

From Buckingham the A421 will take you into Milton Keynes. To get to the Holiday Inn Hotel follow signs to Milton Keynes Central and the hotel is on V7, Saxon Gate West.

### By rail

Virgin Trains and London Midland provide direct and regular train services to Milton Keynes.

For further information, please contact National Rail Enquiries on 08457 48 49 50 (24 hours) or [www.nationalrail.co.uk](http://www.nationalrail.co.uk).



FILTRONA plc

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