

# Notice of Annual General Meeting

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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 seek your own financial advice from a stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if you are not, from another appropriately authorised independent financial adviser. If you have sold or otherwise transferred all of your shares in Filtrona plc you should pass this document and accompanying form of proxy to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee.



**Filtrona plc**

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

## **NOTICE OF ANNUAL GENERAL MEETING**

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 Thursday 24 April 2008 at 12 noon is set out at the end of this circular.

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 received not less than 48 hours before the time of the holding of the Annual General Meeting.

# Notice of Annual General Meeting

Notice is hereby given that the 2008 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 Thursday 24 April 2008 at 12 noon to consider the resolutions below.

## Ordinary business

Resolutions 1 to 8 will be proposed as ordinary resolutions.

1. To receive and adopt the accounts for the year ended 31 December 2007 and the Reports of the Directors and Auditor thereon.
2. To receive and adopt the Report of the Remuneration Committee for the year ended 31 December 2007.
3. To declare a final dividend for the year ended 31 December 2007 of 5.08p per ordinary share.
4. To re-elect Mark Harper, who retires by rotation, as a Director.
5. To re-elect Paul Drechsler, who retires by rotation, as a Director.
6. To elect Steve Crummett as a Director.
7. To elect Lars Emilson as a Director.
8. To re-appoint KPMG Audit Plc as Auditor and to authorise the Directors to fix the Auditors' remuneration.

## Special business

Resolution 9 will be proposed as an ordinary resolution, Resolutions 10 to 12 as special resolutions and Resolution 13 as an ordinary resolution.

### 9. Authority to allot unissued shares (ordinary resolution)

THAT the Directors be and they are hereby generally and unconditionally authorised, in substitution for all previous authorities, to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £17,138,516 provided that this authority shall expire, unless previously revoked or varied, at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution save that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

### 10. Allotment of shares for cash (special resolution)

THAT subject to the passing of Resolution 9 above the Directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of that Act) for cash pursuant to the authority granted by that resolution, and/or where such allotment constitutes an allotment of equity securities by virtue of section 94(3A) of that Act, as if section 89(1) of that Act did not apply to any such allotment provided that this power shall be limited to:

- (a) the allotment of equity securities in connection with a rights issue, open offer or any other pre-emptive offer in favour of ordinary shareholders, where the equity securities respectively attributable to the interests of such ordinary shareholders are proportionate (or as nearly as may be) to the respective numbers of ordinary shares held by them, subject to such exclusions or other arrangements as the Directors may deem fit to deal with fractional entitlements or legal or practical problems arising under the laws of, or the requirements of any stock exchange or regulatory body in, any territory or otherwise howsoever; and
- (b) the allotment or sale (otherwise than pursuant to paragraph (a) above) of equity securities up to an aggregate nominal amount of £2,741,585; and

shall expire, unless previously revoked or varied, at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities for pursuance of such offer or agreement as if the power hereby granted had not expired.

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

THAT the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Companies Act 1985 to make market purchases (within the meaning of section 163(3) of that Act) of ordinary shares of 25p each in its capital ('ordinary shares') provided that:

- (a) the maximum aggregate number of ordinary shares which may be so purchased is 21,932,600;
- (b) the maximum price at which any ordinary share may be so purchased is an amount equal to 105% of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day of purchase and the minimum price is 25p per ordinary share; and
- (c) this authority shall expire, unless previously revoked or varied, at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or on 26 October 2009 (whichever shall occur first), save that the Company may, before such expiry, make contracts for purchases of ordinary shares which would or might be completed wholly or partly after such expiry and may make a purchase of ordinary shares in pursuance of any such contract.

# Notice of Annual General Meeting

## 12. Adoption of new articles of association (special resolution)

THAT the Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

## 13. Revised performance condition policy for future Long-Term Incentive Plan ('LTIP') awards (ordinary resolution)

THAT the Remuneration Committee of the Board be authorised to adopt the performance condition policy as described in Appendix 2 on page 8 of this document, in respect of future awards under the LTIP.

By order of the Board

**Jon Green**  
Company Secretary  
10 March 2008

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

Registered in England and Wales No. 05444653

### Notes

1. A member of the Company may appoint a proxy to exercise all or any of his/her rights to attend, speak, and vote in his/her stead. A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to different shares held by that member. A proxy need not be a member of the Company.
2. A form of proxy is enclosed. To be valid the form of proxy and (unless previously registered with the Company) the power of attorney (if any) under which it is signed (or a duly certified copy thereof) must be delivered to Computershare Investor Services PLC, PO Box 1975, The Pavilions, Bridgwater Road, Bristol BS99 3FA not later than 48 hours before the time appointed for holding the Meeting. Shareholders submitting a proxy are not precluded from attending the Meeting and voting if they wish to do so.

To vote using the Internet, go to [www.computershare.com/uk/voting/ftt](http://www.computershare.com/uk/voting/ftt). You will need an Internet enabled computer with minimum web browser of Internet Explorer 4 or Netscape 4. You will be asked to enter the Shareholder Reference Number and PIN number as printed on your form of proxy, and to agree to certain terms and conditions.

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

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 CRESTCo Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given by a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID 3RA50) by the latest time(s) for receipt of proxy appointments set out above. 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 Applications Host) from which the Company'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 CRESTCo Limited does not make available special procedures in CREST for any particular messages. 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(s), to procure that his CREST sponsor or voting provider(s) take(s)) such action as is 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 service providers 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.

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 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. 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.

3. The register of interests of the Directors and their connected persons in the share capital of the Company, copies of the Directors' service contracts, a document showing the proposed changes to be made to the Current Articles by the New Articles are available for inspection by members 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 Meeting and will be available for inspection at the place of the Meeting from 15 minutes prior to the Meeting until its conclusion.
4. As at 7 March 2008 (being the last business day prior to the publication of this notice) the Company holds 13,664,604 shares as treasury shares within the meaning of Section 162A of the Companies Act 1985, representing approximately 6.2% of the total ordinary share capital of the Company in issue. As at 7 March 2008 (being the last business day prior to the publication of this notice) 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 7 March 2008 are 205,662,191.
5. Pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, the Company gives notice that only those shareholders on the Register of Members of the Company at 12 noon on 22 April 2008 or, in the event of the adjourned Meeting, 48 hours prior to the time of the adjourned Meeting, will be entitled to attend and vote at the Meeting in respect of the number of shares registered in their respective names at that time. Changes to entries on the Register of Members after 12 noon on 22 April 2008, or 48 hours before the time appointed of any adjourned Meeting, will be disregarded in determining the rights of any person to attend and vote at the Meeting.
6. In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that: (i) if a corporate shareholder has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the Meeting but the corporate shareholder has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives ([www.icsa.org.uk](http://www.icsa.org.uk)) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.



# Explanatory Notes to the Notice of Annual General Meeting

The notes on the following pages give an explanation of certain of the proposed resolutions.

Resolutions 1 to 9 (inclusive) and 13 will be 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 10 to 12 (inclusive) will be proposed as special resolutions. This means that for each of those resolutions to be passed, at least three quarters of the votes cast must be in favour of the resolution.

## 1. Dividend (Resolution 3)

A final dividend for the year ended 31 December 2007 of 5.08p per ordinary share is recommended by the Directors and is put to shareholders for their approval. If approved, the dividend will be paid on 2 May 2008 to shareholders on the Register of Members of the Company at the close of business on 11 April 2008, making a total dividend in respect of the year ended 31 December 2007 of 7.60p 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 (Resolutions 4 to 7)

Biographical details of the Directors to be elected or re-elected can be found on page 31 and 33 of the Annual Report and on the Company website at [www.filtrona.com](http://www.filtrona.com).

Mark Harper and Paul Drechsler retire by rotation in accordance with the Articles of Association and being eligible offer themselves up for re-election.

Mark is the Chief Executive of Filtrona plc and Paul is the Senior Independent Non-Executive Director who is also the Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

In proposing the re-election of the Directors the Chairman has confirmed that, following formal performance evaluation, each individual continues to make an effective and valuable contribution to the Board and demonstrates commitment to the role.

In accordance with the Articles of Association, Lars Emilson, having been appointed a Director since the last AGM, is required to retire at this meeting and, being eligible, offers himself for election. The Board concluded that Lars' extensive international experience would be beneficial to the composition of the Board.

In accordance with the Articles of Association, Steve Crummett, having been appointed a Director since the last AGM, is required to retire at this meeting and, being eligible, offers himself for election. The Board concluded that Steve's extensive international corporate development experience and financial background would be beneficial to the composition of the Board.

## 3. Renewal of Directors power to allot shares (Resolutions 9 and 10)

The Companies Act 1985 prevents Directors from allotting unissued shares without the authority of shareholders in general meeting.

Resolution 9 will, if passed, give the Directors the authority to allot shares up to a maximum nominal value of £17,138,516, representing one third of the issued share capital (excluding shares held in treasury) of the Company at 27 February 2008. The Directors do not intend at present to use this authority, save for issues of shares to satisfy the exercise of options under the Company's employee share schemes.

If the Directors wish to allot new shares for cash, or sell shares out of treasury, the Companies Act 1985 requires that the new shares or treasury shares (as applicable) be first offered to existing shareholders in proportion to their existing shareholdings.

For legal, regulatory and practical reasons, however, it might not be possible or desirable for new shares allotted or treasury shares sold to be offered to certain shareholders, particularly those resident overseas. Furthermore, it might in some circumstances be in the Company's interests for the Directors to be able to allot some shares for cash or sell some shares out of treasury without having to offer them first to existing shareholders. To enable this to be done, shareholders' statutory pre-emption rights must be disapplied.

Accordingly, Resolution 10 will, if passed, give the Directors renewed authority to allot equity securities as if shareholders' statutory pre-emption rights did not apply to such allotment in the following circumstances:

- (a) sub-paragraph (a) of Resolution 10 seeks authority for the Directors to make any arrangements which may be necessary to deal with any legal, regulatory or practical problems arising in connection with a pre-emptive offer in favour of ordinary shareholders, for example by excluding affected shareholders from such issue or offer; and
- (b) sub-paragraph (b) of Resolution 10 seeks the disapplication of shareholders' statutory pre-emption rights by empowering Directors to allot shares for cash on a non pre-emptive basis but only for new shares with a maximum aggregate nominal value of £2,741,585 which is equivalent to approximately 5% of the Company's issued ordinary share capital as at the close of business on 27 February 2008. The authority under Resolution 10 also covers the sale of treasury shares for cash.

Resolutions 9 and 10 are in line with standard practice and the guidelines issued by investor protection committees.

#### 4. Purchase of own shares (Resolution 11)

Under the Companies Act 1985, the Company requires authorisation from shareholders in general meeting if it is to purchase its own shares. Resolution 11 seeks to renew the authority given at the last AGM.

The authority detailed in Resolution 11, which will be proposed as a special resolution, will, if passed, give the Directors the renewed authority to purchase up to approximately 10% of its issued share capital as at close of business on 27 February 2008 subject to the limitations in sub-paragraph (b) of the resolution on the maximum and minimum prices that may be paid. The authority will be exercised only if, in the opinion of the Directors, this will result in an increase in earnings per share and would be in the best interests of shareholders generally.

The Company will have the option of either holding in treasury or cancelling any shares purchased under this authority. Under the Companies Act 1985 the Company is permitted to hold up to 10% of its issued share capital as treasury shares. Treasury shares can be sold quickly and cost effectively for cash giving the Company additional flexibility in the management of its capital base. Whilst in treasury, the shares are treated as if cancelled so that no dividends are paid on them and they have no voting rights. As at 27 February 2008 (being the last business day prior to the publication of this notice) the Company holds 13,664,604 shares as treasury shares within the meaning of Section 162A of the Companies Act 1985, representing approximately 6.2% of the total ordinary share capital of the Company in issue.

#### 5. Adoption of new Articles of Association (Resolution 12)

Resolution 12, which will be proposed as a special resolution, seeks to adopt new Articles of Association (the 'New Articles') in order to update the Company's current Articles of Association (the 'Current Articles') primarily to take account of changes in English company law brought about by the Companies Act 2006.

The principal changes introduced in the New Articles are summarised in Appendix 1. Other changes, which are of a minor, technical or clarificatory nature, and also some more minor changes which merely reflect changes made by the Companies Act 2006, have not been noted in Appendix 1. The New Articles showing all the changes to the Current Articles are available for inspection.

#### 6. Revised performance condition policy for future LTIP awards (Resolution 13)

As the Company entered its third year of existence as an independent listed Company, the Remuneration Committee of the Board (the 'Committee') considered it timely to review the appropriateness of the Company's long-term incentive arrangements for its senior executives. The Committee undertook the review with advice from its appointed independent advisor, New Bridge Street Consultants LLP, and had regard to current market and competitive practice, UK Institutional Shareholders' guidance and best practice.

Further to its review, the Committee is proposing to make changes to Filtrona's LTIP strategy.

The first part of the Committee's revised strategy is that, going forwards, the share option element of the current long-term incentive strategy for senior executives will be replaced with an additional award of performance shares.

The revised strategy of the Committee will see an increase in the normal annual grant of performance shares from awards over shares equal in value to 100% of salary to awards over shares worth 150% of salary. This is within the maximum grant limits permitted by the rules of the LTIP, which provides scope for a maximum annual award of performance shares with value of 200% of salary.

The Committee is proposing that the performance condition for such future awards be split to provide that the vesting of half of each such award be determined by relative total shareholder performance (the same conditions as apply to performance awards to date) and the other half subject to a challenging earning per share growth performance condition.

A full description of the revised performance condition policy is set out in Appendix 2 to this circular.

In the interest of following best practice and to give shareholders an opportunity to show support for the proposal, Resolution 13, being proposed as an ordinary resolution, seeks shareholder consent to the adoption of a revised performance condition policy.

# Appendix 1

## Explanation of Principal Changes to the Company's Articles of Association

### 1. Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution. Certain examples of such provisions include provisions as to the form of resolutions, the variation of class rights, the requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.

### 2. Form of resolution

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being removed as the concept of extraordinary resolutions has not been retained under the Companies Act 2006. Further, the remainder of the provision is reflected in full in the Companies Act 2006.

The Current Articles enable members to act by written resolution. Under the Companies Act 2006 public companies can no longer pass written resolutions. These provisions have therefore been removed in the New Articles.

### 3. Convening Extraordinary and Annual General Meetings

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being removed in the New Articles because the relevant matters are provided for in the Companies Act 2006. In particular an Extraordinary General Meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

### 4. Votes of members

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles reflect all of these new provisions.

### 5. Age of Directors on appointment

The Current Articles contain a provision requiring a Director's age to be disclosed if he has attained the age of 70 years or more in the notice convening a meeting at which the Director is proposed to be elected or re-elected. Such a provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so has been removed from the New Articles.

### 6. Conflicts of interest

The Companies Act 2006 sets out Directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008 a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a Director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. The Companies Act 2006 also allows the Articles of Association to contain other provisions for dealing with Directors' conflicts of interest to avoid a breach of duty. The New Articles give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at Board meetings and availability of Board papers to protect a Director from being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

### 7. Notice of Board meetings

Under the Current Articles, when a Director is abroad he can request that notice of Directors' meetings are sent to him at a specified address and if he does not do so he is not entitled to receive notice while he is away. This provision has been removed, as modern communications mean that there may be no particular obstacle to giving notice to a Director who is abroad.

### 8. Records to be kept

The provision in the Current Articles requiring the Board to keep accounting records has been removed as this requirement is contained in the Companies Act 2006.



#### **9. Distribution of assets otherwise than in cash**

The Current Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions have been removed in the New Articles on the grounds that a provision about the powers of liquidators is a matter for insolvency law rather than the articles and that the Insolvency Act 1986 confers powers on the liquidator which would enable it to do what is envisaged by the Current Articles.

#### **10. Electronic and web communications**

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles continue to allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

#### **11. General**

Generally the opportunity has been taken to bring clearer language into the New Articles.

# Appendix 2

## Summary of the Performance Condition Policy for Future Performance Awards under the Filtrona Long-Term Incentive Plan

### 1. Introduction

The Committee has recently undertaken a review of the existing Long-Term Incentive Plan ('LTIP') arrangements in place for the Company's senior executives.

Resolution 13 being put to shareholders at the AGM seeks consent to the proposed adoption of a revised performance condition policy.

Section 2 below sets out the revised performance condition policy in connection with which shareholder approval is sought.

### 2. Revised performance condition policy

Under the revised policy it is proposed that two distinct performance conditions will apply.

The vesting of one half of each performance award ('the TSR award') will be dependent on the Company's total shareholder performance ('TSR') over a fixed three year period relative to that within a comparator group (the constituents of the FTSE 250 (excluding investment trusts) as at the start of the performance period).

Under the revised policy no part of the TSR award would vest unless the Company's TSR performance at least ranked at the median within the comparator group, thereafter the following vesting schedule would apply:

The Company's TSR performance over the performance period relative to comparator group	Extent of vesting of the TSR award
Median	25%
Between median and upper quartile	Pro-rata between 25% and 100%
Upper quartile or better	100%

The TSR of the Company and those within the comparator group shall be measured over a fixed period being the three year period commencing at the start of month in which the time of the grant of the award falls. The relevant TSR figures will be averaged over the three month period before the start and end of the performance period.

Under the revised policy the vesting of the other half of each performance award ('the EPS award') will be dependent on the Company's earnings per share performance over three consecutive financial years of the Company (starting with the financial year in which the grant of the award falls).

No part of the EPS award will vest unless the Company's earnings per share performance over the performance period is at least equal to RPI + 3% per annum, thereafter the following vesting schedule will apply:

The Company's EPS performance over the performance period	Extent of vesting of the EPS award
RPI + 3% per annum	25%
RPI + 3% to 8% per annum	Pro-rata between 25% and 100%
RPI + 8% per annum or better	100%

Earnings per share will be calculated on such basis as the Committee reasonably select.

The Committee continues to be able to set different performance conditions from those set out in the performance condition policy for future performance awards. The Committee also continues to be able to vary the performance conditions applying to performance awards which have been granted if an event has occurred which causes the Committee to consider that the performance condition would not, without the alteration, achieve its original purpose, provided the Committee acts fairly and reasonably in making the alteration.

The intention would be to apply the revised policy for future performance share awards, which will normally be split and made semi-annually. Subject to securing shareholder approval, the first grant under the revised policy will be made in May 2008 and thereafter in March of each year. A further grant will be made in September each year, when share options would otherwise have been granted.

The Committee believes that the revised policy outlined above will enhance senior executive motivation and retention and enable the Company to continue recruiting executives at the highest calibre.

### 3. Associated changes to the rules of the LTIP (for information only)

With a view to meeting best practice and major investors' expectations as to the suitable treatment of awards in the event of a 'takeover' scenario, the Committee also concluded from its review that at the time of the adoption of the revised performance condition policy the current rules of the LTIP should be amended to provide that the extent to which future performance awards may vest in the event of a takeover or winding-up of the Company will be subject to: (i) the extent that the performance conditions have been satisfied at that time; and (ii) the pro-rating of the awards to reflect the reduced period of time between their grant and vesting, although the Committee could decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

The rules of the LTIP in their current form provide that in the event of a takeover or winding-up of the Company (not being an internal corporate reorganisation) a participant's performance share award may vest in full at such time if the Committee is satisfied that the performance of the Company has been satisfactory over the curtailed performance period.

The rules of the LTIP in their current form already provide that in connection with a 'good leaver' event (e.g. cessation by reason of injury, disability, ill-health or redundancy) the extent to which such awards may vest is determined by the Committee having regard to the extent to which the performance conditions have been satisfied and appropriate time pro-rating adjustments.

Please note, as the proposed changes noted in this section 3 are not to the advantage of future participants, the Committee will rely on its authority under the rules of the LTIP to make such changes without further shareholder consent.

