

## DIRECTIONS TO THE ANNUAL GENERAL MEETING

**Travelling north on the M1**, exit west at Junction 19 onto the M6 to Birmingham. Continue to Junction 4 and exit south towards Solihull onto the M42. Leave at Junction 6 and follow the signs to NEC. Then follow signs to hotel.

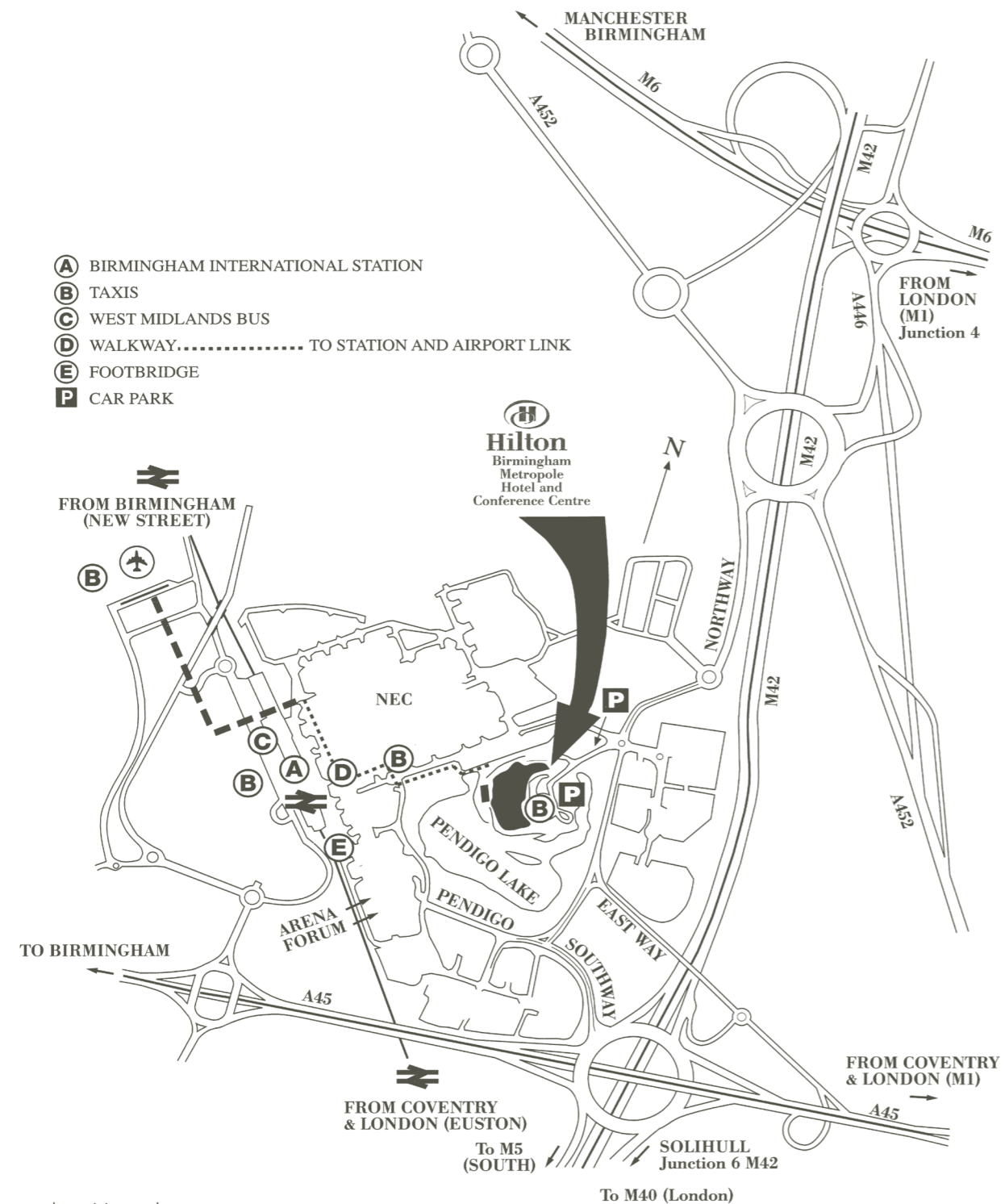
**Travelling south on the M1**, exit west at Junction 21 onto the M69 towards Coventry. Continue to the Junction with the M6 and exit towards Birmingham. Follow directions on the M6 as above.

**Travelling south on the M6**, exit at Junction 4 and follow signs to NEC.

Free parking is available at the hotel by ensuring that your parking ticket is validated on registration for the annual general meeting.

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.



This map is not to scale



## NOTICE OF ANNUAL GENERAL MEETING

THE ANNUAL GENERAL MEETING WILL BE HELD AT 12 NOON ON FRIDAY 4 MAY 2012 AT THE HILTON BIRMINGHAM METROPOLE HOTEL, NATIONAL EXHIBITION CENTRE, BIRMINGHAM

IMI plc  
Lakeside  
Solihull Parkway  
Birmingham Business Park  
Birmingham  
B37 7XZ

Registered in England and Wales  
No. 714275

29 March 2012

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 4 May 2012 at 12 noon. The formal notice of meeting is set out on pages 5 to 10 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 2011, included in the Annual Report 2011, to be approved and adopted.

The Remuneration Report, included in the Annual Report 2011 on pages 48 to 67, 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 19p per share on the ordinary shares in respect of the year ended 31 December 2011 which, if approved by shareholders, will be payable on 21 May 2012 to shareholders on the register at the close of business on 13 April 2012.

**Election and re-election of directors (ordinary resolutions 4 to 13)**

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 election by shareholders on an annual basis, the directors currently in office will all retire and seek election or re-election at the annual general meeting. A separate resolution will be proposed for each director.

I, Roberto Quarta, am seeking election by the shareholders for the first time at the annual general meeting, following my appointment to the Board as a non-executive director with effect from 1 June 2011 and as Chairman of the Board with effect from 1 November 2011. I bring with me to IMI significant management experience that spans a broad range of manufacturing and service businesses with global operations. In addition to my role as Chairman of the Board of IMI, I am currently a partner and European chairman of the private equity firm Clayton, Dubilier & Rice, where I have worked since 2000. I am also chairman of the supervisory board of Rexel SA. I have held previous board positions with BBA Group plc (chairman and chief executive), Italtel SpA (chairman), BTR plc (executive director) and non-executive directorships of BAE Systems plc, PowerGen plc, Azure Dynamics Corp and Equant NV.

Sean Toomes is also seeking election as a director by the shareholders for the first time at the annual general meeting, following his appointment as an executive director to the Board on 1 June 2011. Sean joined IMI in 1985 on a trainee programme at Watson Smith, part of the Fluid Power business. Sean advanced through sales and marketing positions, including the VP of Sector Sales and Engineering for Norgren globally, and the MD of Fluid Controls, which included FAS, Buschjost and KIP based in Switzerland. He was then promoted to his current position as President of Indoor Climate Group, now re-branded as TA Hydronics. Sean's group-wide accountabilities include the Responsible Business portfolio of Compliance, Environment and Health & Safety, and the continuing development and promotion of our Key Account Management capabilities.

Each of my other colleagues on the Board is seeking re-election at the annual general meeting. In proposing the re-election of all non-executive directors, I, as Chairman confirm 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 2011.

Biographical details of all directors can be found on pages 36 and 37 of the Annual Report 2011

**Auditor (ordinary resolutions 14 and 15)**

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 14 and 15, 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 16)**

Authority was granted to the directors at the annual general meeting held in 2011 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 2012 or, if earlier, on 1 July 2012. 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 2013 or, if earlier, on 1 July 2013.

Paragraph (a)(i) of resolution 16 will allow the directors to allot ordinary shares up to a maximum nominal amount of £26,756,000, representing approximately one third (33.33%) of the Company's existing issued share capital (excluding shares held in treasury), calculated as at 19 March 2012 (being the latest practicable date prior to publication of this circular). In accordance with institutional guidelines issued by the Association of British Insurers, paragraph (a)(ii) of resolution 16 will allow the directors to allot, including the ordinary shares referred to in paragraph (a)(i) of resolution 16, 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 £53,512,000, representing approximately two thirds (66.67%) of the Company's existing issued share capital (excluding shares held in treasury), calculated as at 19 March 2012.

The proposed new authority will expire at the conclusion of the 2013 annual general meeting of the Company or, if earlier, on 1 July 2013. 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 best practice as regards its use, as recommended by the Association of British Insurers.

As at 19 March 2012, the Company's issued share capital amounted to £80,268,394.50 comprising 321,073,578 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 16 will be proposed as an ordinary resolution.

**Authority to make political donations and incur political expenditure (ordinary resolution 17)**

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 changes to the rules of the IMI Long-Term Incentive Plan 2005 (LTIP) and the IMI Share Matching Plan (SMP) and the terms of existing awards made pursuant to the LTIP and SMP (ordinary resolution 18)**

The Company has historically granted awards under the LTIP and the SMP (which were approved by shareholders on 13 May 2005 and 8 May 2009 respectively) with rights to receive “dividend equivalent” payments on the shares which vest under awards. These payments have represented the dividends which would have been paid on the vested shares between the grant and vesting of awards if the participants had held the vested shares as shareholders since the grant of their awards. In accordance with the existing rules of the LTIP and SMP, the Remuneration Committee has decided that, for future awards, “dividend equivalent” payments should be made in respect of dividends paid between the grant of awards and the point at which the underlying shares are transferred to participants. This decision has been made so that participants will not be disadvantaged in circumstances where they do not exercise their option awards when they first become exercisable, and will thereby be encouraged to retain their interest in shares in the Company for a longer period. Shareholder approval is being sought to amend the rules so that existing awards granted under the LTIP and SMP are treated in the same way. Full details of the proposed changes to the rules of the existing LTIP and SMP and to the terms of existing awards made pursuant to such schemes are set out in Part A of the Appendix to this letter.

**Approval of renewal of the IMI Employee Share Ownership Plan (ESOP) (ordinary resolution 19)**

The ten-year authority granted by shareholders to issue shares under the ESOP (which was approved by shareholders on 11 May 2001) has now expired.

The Company intends to continue to use this ‘all-employee’ HMRC approved plan to provide two separate opportunities for employees to acquire shares in IMI. Firstly, employees can buy ‘partnership’ shares in the Company using deductions from their pre-tax salary of up to £125 per month. Secondly, employees can receive an award of ‘free’ shares each year under the ESOP, capped at £3,000. Shares held in the ESOP enjoy advantageous tax treatment if they are retained by employees for at least three years.

The directors are of the opinion that the ESOP has facilitated wider employee share ownership and, accordingly, are seeking shareholder approval to renew the use of the ESOP with new issue and treasury shares for a further ten years. The ESOP has been updated to reflect changes in the relevant tax legislation and market practice. The main terms of the ESOP and how it is currently operated are summarised in Part B of the Appendix 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 2011 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 £4,250,000 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 19 March 2012 (being the latest practicable date prior to publication of this notice). The authority will expire at the conclusion of the 2013 annual general meeting of the Company or, if earlier, on 1 July 2013. 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 48,161,000, which represents just under 15% of the total ordinary share capital as at 19 March 2012 (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 2013 annual general meeting of the Company or, if earlier, on 1 July 2013. 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 may consider holding them in treasury.

The total number of ordinary shares that are options or warrants or awards that are outstanding under the Company’s share schemes and which are to subscribe for ordinary shares or which could result in the subscription of ordinary shares as at 19 March 2012 (being the latest practicable date prior to publication of this notice) was 1,536,860. The proportion of issued ordinary share capital that the options represented on this date was 0.48% 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 0.68%.

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 2011 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.

**Voting this year**

Similarly to last year and, in line with best practice, voting shall be on a poll at the annual general meeting, rather than a show of hands. Poll voting at the meeting will again be conducted using the electronic VoteNow system provided by Equiniti, the Company’s Registrar. The Board believes that voting on a poll will result in the most accurate reflection of the views of shareholders by ensuring that every vote is recognised, including all votes of 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.

**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



**Roberto Quarta**

Chairman

## NOTICE OF MEETING

Notice is hereby given that the fiftieth annual general meeting of IMI plc will be held at the Hilton Birmingham Metropole Hotel, National Exhibition Centre, Birmingham on 4 May 2012 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 2011 be approved and adopted.
2. That the directors' remuneration report for the year ended 31 December 2011 be approved and adopted.
3. That a final dividend at the rate of 19p per share on the ordinary share capital of the Company be declared for the year ended 31 December 2011 payable on 21 May 2012 to shareholders on the register at the close of business on 13 April 2012.
4. That Roberto Quarta be elected as a director of the Company.
5. That Sean Toomes be elected as a director of the Company.
6. That Douglas Hurt be re-elected as a director of the Company.
7. That Martin Lamb be re-elected as a director of the Company.
8. That Roy Twite be re-elected as a director of the Company.
9. That Ian Whiting be re-elected as a director of the Company.
10. That Kevin Beeston be re-elected as a director of the Company.
11. That Anita Frew be re-elected as a director of the Company.
12. That Terry Gateley be re-elected as a director of the Company.
13. That Bob Stack be re-elected as a director of the Company.
14. That Ernst & Young LLP be re-appointed as the Company's auditor until the conclusion of the next annual general meeting of the Company.
15. That the directors be authorised to determine the auditor's remuneration.
16. 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 £26,756,000 (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 £26,756,000); and

- (ii) comprising equity securities (as defined in article 8 of the Company's articles of association), up to a maximum nominal amount of £53,512,000 (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 2013; 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).

17. 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 2013, 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.

18. That:

- (a) the proposed changes to the rules of the IMI Long-Term Incentive Plan 2005 (the "**LTIP**") and the IMI Share Matching Plan (the "**SMP**") and terms of existing awards made pursuant to the LTIP and the SMP (the "**LTIP and SMP Changes**"), both of 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 Part A of the Appendix to this notice of annual

general meeting and which are produced in draft to this meeting and, for the purposes of identification, initialled by the Chairman, are hereby approved; 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 LTIP and SMP Changes.

19. That:

- (a) the renewed rules of the IMI Employee Share Ownership Plan (the "**ESOP 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 Part B of the Appendix to this notice of annual general meeting and which are produced in draft to this meeting and, for the purposes of identification, initialled by the Chairman, are hereby approved; and
- (b) the Directors be and are hereby authorised to:
  - (i) do all such acts and things as they consider necessary or desirable to renew the ESOP Rules (including making such modifications to the ESOP Rules as they may consider appropriate to take account of the requirements of HM Revenue & Customs); and
  - (ii) establish further plans based on the renewed ESOP Rules 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 renewed ESOP 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 power under paragraph (a) 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 £4,250,000;
- (c) 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 2013; and
- (d) 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 48,161,000;
- (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;
- (d) the authority hereby conferred shall expire on 1 July 2013 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 2012

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 6DA 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 (From overseas +44 121 415 7047. Lines are open 8.30am to 5.30pm, Monday to Friday. 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 2 May 2012 (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 4 May 2012 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.
10. As at 19 March 2012 (being the last practicable business day prior to the publication of this notice) the Company's issued share capital consists of 340,198,278 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 19 March 2012 are 321,073,578.
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 on each business day and 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 renewed rules of the IMI Employee Share Ownership Plan, and the amended rules of the IMI Share Matching Plan and the IMI Long-Term Incentive Plan 2005, are available for inspection at the Company's registered office and at the offices of New Bridge Street at AonHewitt Limited, 10 Devonshire Square, London EC2M 4YP on each business day and 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 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 (From overseas +44 121 415 7047. Lines are open 8.30am to 5.30pm, Monday to Friday. 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 (ADSs) as of the ADS Record Date may exercise their votes through the Depository, Citibank. The Depository 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).

## APPENDIX

### **PART A: Changes to the rules of the IMI Long-Term Incentive Plan 2005 (LTIP) and the IMI Share Matching Plan (SMP) and the terms of existing awards made pursuant to the LTIP and SMP (the "Plans").**

The Company is seeking approval to amend the rules of the Plans to permit existing share awards granted under the Plans to receive "dividend equivalent" payments in respect of dividends paid in the period between the grant of awards and the point at which the underlying ordinary shares in the Company ("Shares") are transferred to participants (following vesting in the case of conditional awards of Shares; following exercise in the case of awards structured as nil-cost options).

Historically, awards made under the Plans have been granted, where possible, as nil-cost options, which offer participants flexibility over when to receive their Shares. Under the current terms of the Plans (which were approved by shareholders on 13 May 2005 in the case of the LTIP and 8 May 2009 in the case of the SMP), the Remuneration Committee is entitled to grant awards with "dividend equivalent" rights running from grant up to the point of transfer of the underlying Shares. However, the Remuneration Committee has, to date, granted awards under the Plans with dividend equivalent rights running from grant up to the time they vest rather than when the Shares are transferred.

The Remuneration Committee is intending to grant future awards with the "dividend equivalent" payments running from grant to the transfer of shares using its existing power to do so under the rules of the Plans but the Company is seeking shareholder approval to amend the rules to treat existing awards granted under the Plans on the same basis. This decision has been made so that participants will not be disadvantaged in circumstances where they do not exercise their option awards when they first become exercisable, and will thereby be encouraged to retain their interest in shares in the Company for a longer period.

### **PART B: Summary of the principal terms of the IMI Employee Share Ownership Plan (the "ESOP")**

#### **Operation**

The board of directors of the Company (the "Board") supervises the operation of the ESOP. The ESOP has been approved by HM Revenue & Customs ("HMRC").

The ESOP comprises the following three elements and the Board may decide which element to offer to eligible employees:

"Free Shares," which may be allocated to an employee at no cost to the employee.

The market value of Free Shares allocated to any employee in any tax year may not exceed £3,000 or such other limit as may be permitted by the relevant legislation. Free Shares may be allocated to employees, on the basis of salary, length of service or hours worked, or on the basis of performance, as permitted by the relevant legislation.

"Partnership Shares" which an employee may purchase out of his pre-tax earnings.

The market value of Partnership Shares which an employee can agree to purchase in any tax year may not exceed £1,500 (or 10% of the employee's salary, if lower), or such other limit as may be permitted by the relevant legislation. The funds used to purchase Partnership Shares will be deducted from the employee's pre-tax salary. Shares may be purchased monthly or salary deductions may be accumulated over a period of up to 12 months and then used to buy Shares at the lower of the market value of the Shares at the start and at the end of the accumulation period. However, the Company currently operates the Partnership Shares element of the ESOP on the basis of monthly purchases.

"Matching Shares" which may be allocated to an employee who purchases Partnership Shares at no extra cost to the employee.

The Board may allocate Matching Shares to an employee who purchases Partnership Shares up to a maximum of two Matching Shares for every one Partnership Share purchased (or such other maximum ratio as may be permitted by the relevant legislation). The same Matching Share ratio will apply to all employees who purchase Partnership Shares under the ESOP on the same occasion.

Shares may not be issued or transferred from treasury pursuant to an award under the ESOP later than ten years after shareholder approval of the renewal of the ESOP.

The Company's current intention is to operate the Partnership Shares element on a monthly basis, with the first award of Free Shares taking place in March/April 2013. This replicates how the ESOP has been used historically.

#### **Eligibility**

Employees of the Company and any designated participating subsidiary who are UK resident taxpayers are eligible to participate. The Board may allow non-UK tax resident taxpayers to participate. The Board may require employees to have completed a qualifying period of employment of up to 18 months in order to be eligible to participate. All eligible employees must be invited to participate.

#### **Retention of Shares**

The trustee of the ESOP trust may award Free Shares and Matching Shares to employees and hold those Shares on behalf of the participants. Free Shares and Matching Shares must usually be retained by the trustee of the ESOP trust for a period of between three and five years after award. The trustee acquires Partnership Shares on behalf of participants and holds those Shares on behalf of the participants. Employees can withdraw Partnership Shares from the ESOP trust at any time.

The Board may decide that awards of Free Shares and/or Matching Shares will be forfeit if participants cease to be employed by a company in the Company's group within

three years from the grant of those awards unless they leave by reason of death, injury, ill-health, disability, redundancy, retirement on or after reaching 50, or if the business or company for which they work ceases to be part of the Company's group. In any of those cases, the participants will be required to withdraw their Shares from the ESOP.

If an employee ceases to be employed by the Company's group at any time after acquiring Partnership Shares, he is required to withdraw the shares from the ESOP trust.

#### **Corporate events**

In the event of a general offer being made to shareholders, participants will be able to direct the trustee of the ESOP how to vote in relation to their Shares. In the event of a corporate reorganisation any Shares held by participants may be replaced by equivalent shares in a new holding company.

#### **Dividends on Shares held by the trustee of the ESOP**

Any dividends paid on Shares held by the trustee of the ESOP on behalf of participants may be either used to acquire additional Shares for employees ("Dividend Shares") or distributed to participants. The Company currently offers employees the choice whether to receive Dividend Shares or take the dividends in cash.

#### **Rights attaching to Shares**

An employee is treated as the beneficial owner of Shares held on his behalf by the trustee of the ESOP.

Any Shares allotted under the ESOP rank equally with Shares then in issue except for rights attaching to such Shares by reference to a record date prior to their allotment.

#### **Overall ESOP limits**

The ESOP may operate over new issue Shares, treasury Shares or Shares purchased in the market.

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

Treasury Shares will count as new issue Shares for the purposes of this limit unless institutional investor bodies decide that they need not count.

#### **Variation of capital**

In the case of a variation of share capital of the Company, Shares held in the ESOP will be treated in the same way as other shares of the same class. In the event of a rights issue, employees will be able to direct the trustee of the ESOP whether to take up any rights and on what basis.

#### **Alterations to the ESOP**

The Board may, at any time, amend the ESOP 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, Shares to be acquired and the adjustment of awards (if any) in the case of any variation of capital.

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

#### **General**

Awards made under the ESOP are not transferable other than to the participant's personal representatives in the event of his death.

No benefits received under the ESOP are pensionable.

#### **Overseas plans**

The shareholder resolution to approve the ESOP will allow the Board, without further shareholder approval, to establish further plans for overseas territories, any such plan to be similar to the ESOP, 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 ESOP.