

## **THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt as to the action you should take, you are recommended immediately to seek your own financial advice from your stockbroker, bank manager, auditor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000.**

If you have sold or otherwise transferred all of your ordinary shares in Microgen plc, please send this document, together with the accompanying form of proxy and annual report, as soon as possible, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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# **microgen plc**

6 March 2012

Dear Shareholder

## **ANNUAL GENERAL MEETING**

Set out in this letter, on pages 5 to 9, is a formal notice of the Annual General Meeting of Microgen plc to be held on Tuesday 24 April 2012 at 9.00 am at Old Change House, 128 Queen Victoria Street, London EC4V 4BJ. The purpose of this letter is to explain the resolutions numbered 4, 5 and 6 which are proposed in the notice of Annual General Meeting as ordinary business, as well as explaining resolutions 9 to 13 which are proposed in such notice as special business.

### **Re-election of Directors (Resolutions 4, 5 and 6)**

The Articles of Association of the Company require that any Director who has not been re-appointed at one of the preceding two annual general meetings of the Company retires and stands for re-election. As indicated in the Company's 2011 Annual Report, Philip Wood is retiring by rotation this year. In addition and in accordance with the Articles of Association, Ms Vanda Murray OBE and Mr Peter Whiting will also be standing for re-election having been appointed to the Board during the period since the last AGM of the Company in 2011.

The Board also recommends the re-appointment of Mr Philip Wood, who was appointed Group Finance Director on 2 January 2007. A Chartered Accountant, Mr Wood spent seven years with AttentiV Systems Group plc and its group companies during which time Mr Wood (as Group Finance Director) oversaw the AttentiV group's flotation in 2004 and acquisition by TietoEnator Corporation in 2005. The Board considers that Mr Wood continues to make an effective contribution to the Board and recommends his re-appointment at the Annual General Meeting.

Ms Vanda Murray OBE was appointed as a non-executive director on 1 September 2011. Ms Murray is currently Chairman of Vphase plc and a non-executive director of the following companies: Carillion plc, Manchester Airport Group plc, Chemring Group PLC and Fenner PLC (where she is Senior Independent non-executive director). Until 2004, Ms Murray was Chief Executive Officer of Blick plc and has extensive experience through her former executive and current non-executive roles.

Mr Peter Whiting was appointed as a non-executive director on 2 February 2012. Mr Whiting has over twenty years' experience as an investment analyst, specialising in the software and IT services sector. He joined UBS in 2000, led the UK small and mid-cap research team and was Chief Operating Officer of UBS European Equity Research from 2007 to 2011.

### **Allotment of Securities (Resolution 9)**

The Association of British Insurers ('ABI') guidelines state that ABI members will permit, and treat as routine, a request for authorisation to allot up to one-third of the existing issued share capital of the Company, together with the number of shares required to be allotted in respect of share incentive schemes.

Accordingly, under Resolution 9, the Directors are seeking authority to allot ordinary shares and other equity securities up to an aggregate nominal amount of £1,356,594.60 without the prior consent of shareholders in order to replace the authority given at the 2011 Annual General Meeting

of the Company. This is equivalent to one-third of the issued ordinary share capital of the Company as at 5 March 2012.

The Company has no present intention of allotting new shares (other than in connection with the Company's share incentive schemes). The Directors consider it desirable to have sufficient authority in place, as permitted by corporate governance guidelines, to respond to market developments and to enable allotments to take place in a timely manner, should such a situation arise.

The authority sought in resolution 9 will be proposed as an ordinary resolution and will expire at the conclusion of the next Annual General Meeting in 2013 or on 31 May 2013, whichever is the earlier.

#### **Disapplication of Pre-emption Rights (Resolution 10)**

A special resolution is proposed to grant the Directors authority to allot equity securities for cash without first being required to offer such securities to existing shareholders in proportion to their existing shareholdings, other than by way of a rights issue or in connection with a pre-emptive offer, up to an aggregate nominal amount of £203,489.19, being equal to 5 per cent. of the issued ordinary share capital of the Company as at 5 March 2012 amounting to 4,069,784 ordinary shares. This resolution complies with the ABI and Pre-emption Group guidelines.

In line with the Pre-emption Group's Statement of Principles, the Directors do not intend to allot shares for cash on a non pre-emptive basis (other than pursuant to a rights issue or pre-emptive offer) in excess of an amount equal to 7.5 per cent. of the total issued ordinary share capital of the Company within a rolling three-year period without prior consultation with shareholders.

The authority sought in resolution 10 will expire at the conclusion of the next Annual General Meeting in 2013 or on 31 May 2013, whichever is the earlier.

#### **Purchase of Own Shares (Resolution 11)**

It is proposed that the authority to enable the Company to make purchases of its own shares should be renewed until the next Annual General Meeting in 2013. The special resolution proposed would enable the Company to make purchases on the London Stock Exchange limited to 8,139,568 shares (equivalent to 10 per cent. of its issued share capital as at 5 March 2012), at, or between, the minimum and maximum prices specified in the resolution. Any shares purchased by the Company pursuant to this resolution may be immediately cancelled or held in treasury. Under the Companies Act 2006, the Company is allowed to hold its own shares in treasury following a buy-back, instead of cancelling them. Such shares may be resold for cash or used to satisfy share options but all rights attaching to them, including voting rights and any right to receive dividends, are suspended whilst they are held in treasury.

However, it should not be assumed that the Board will exercise any or all of this proposed authorisation. This power would be used only after careful consideration by the Directors, having taken into account market conditions prevailing at that time, the investment needs of the Company and its overall financial position. The Directors would exercise the proposed authority to purchase ordinary shares only if they considered it to be in the best interests of shareholders and if the purchases could be reasonably expected to result in an increase in earnings per share.

As at 5 March 2012, options were outstanding to subscribe for 2,923,652 ordinary shares, representing 3.59 per cent. of the issued share capital of the Company. The proportion of issued share capital represented by such share options would increase to 3.99 per cent. if the full authority to purchase shares (existing and sought) is utilised by the Directors. There are no warrants outstanding and no treasury shares in issue.

The authority sought at the Annual General Meeting will expire at the conclusion of the Annual General Meeting in 2013 or on 31 May 2013, whichever is the earlier.

#### **Notice of meetings (Resolution 12)**

Under the Shareholders' Rights Regulations, the prescribed notice period for general meetings of a company is 21 days unless certain requirements are satisfied including that a special resolution of shareholders is passed to allow notice of meetings to be given by way of 14 days clear notice. At the Annual General Meeting of the Company held in 2011 authority was granted by shareholders

to allow a shorter notice of 14 clear days. The Directors believe it is in the best interests of the shareholders to retain the flexibility of a shorter notice period and intend to renew this authority at the Annual General Meeting by proposing a special resolution to allow notice of meetings to be given by way of 14 days clear notice. It is intended by the Directors that a shorter notice period will be used where the flexibility is merited by the business of the meeting, where the matter is time sensitive and where it is thought to be to the advantage of shareholders. The approval will be effective until the Company's Annual General Meeting in 2013, when a resolution will be proposed to renew the authority. 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 at the time of calling the General Meeting.

### **Amendments to the Microgen Value Enhancement & Realisation Bonus Scheme ("VERBS") (Resolution 13)**

The Microgen Value Enhancement & Realisation Bonus Scheme was introduced in 2008 to incentivise management to enhance and ultimately realise shareholder value. VERBS received shareholder approval on 19 November 2008.

Since the details of VERBS were first announced on 14 October 2008 the market capitalisation of the Group has increased from £37.0 million to £105.2 million as at 31 December 2011. In addition, during this same period £28.2 million has been returned to shareholders through a progressive dividend policy, special dividends and tender offers. The cash returned is equivalent to over 75% of the Group's market capitalisation at the time of the introduction of VERBS.

As disclosed within the 2011 Annual Report on page 28 under the section "Illustration of potential award under the Scheme", it is estimated that if a change of control of Microgen plc had completed at 30 December 2011 at the closing mid-market share price of 129.25 pence on that date the maximum award would have been approximately £11 million.

The Board previously amended the VERBS rules on 21 September 2010 with changes considered by the Remuneration Committee to be beneficial to shareholders. Details of the changes were provided in the 2010 Annual Report and are as follows:-

1. Commencing on 1 January 2009, an annual net cost of capital of 15% will be applied to the base level valuation of the Microgen Aptitude Solutions Division and cash generated from operating profits by the division will not reduce the base level valuation of the division; and
2. Cash generated from operating profits by the Financial Systems Division will not reduce the base level valuation of the division below 50% of the base level valuation originally set for the division by the Remuneration Committee when the scheme was first announced on 14 October 2008. Disposal of part of the division can lower the base level valuation of the division below the figure set above as provided for within VERBS.

Following the increase in shareholder value since the introduction of VERBS and the resulting potential awards payable if a realisation event occurs, shareholder approval is now being sought for further amendments to VERBS which are considered by the Remuneration Committee to be beneficial to shareholders. The proposed amendments are as follows:-

1. *Flexibility to settle awards using shares*

The VERBS rules currently provide for awards to be settled only in cash following a realisation event.

It is now proposed that the Remuneration Committee is provided with discretion to settle awards under VERBS in either cash or shares (or any combination thereof) following a realisation event.

The proposed inclusion of shares as a means to settle awards is considered to provide the Group with greater flexibility when considering future corporate activity and returns of cash to shareholders.

2. *Reduction in maximum participation from 25% to 20% for realised gains above a value equivalent to 140 pence per share*

The current VERBS rules provide that the maximum participation of directors / employees in the value enhancement above a base level valuation of a division following a realisation event is 25%. The aggregate of the initial base level valuations of the Group's three divisions (one

of which was sold in 2009) was set in 2008 at £52 million excluding the Group's net cash, freehold property and the investments it held at the time. This was equivalent to an aggregate base level valuation in excess of 70 pence per share which was approximately 95% higher than the closing mid-market share price of 36 pence on 13 October 2008, the day prior to the date on which VERBS was first announced.

It is now proposed that directors / employees' maximum participation will be at the lower rate of 20% for those gains arising above divisional valuations in aggregate for the Group's current two divisions in excess of £82.8 million (excluding the Group's cash and freehold property). This is equivalent to a valuation of 140 pence per share including the Group's cash and freehold property as at 31 December 2011.

Copies of the proposed amended VERBS rules will be available for inspection at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, Alder Castle, 10 Noble Street, London EC2V 7QJ from the date of this Notice until commencement of the Annual General Meeting. The Directors reserve the right up to the time of the AGM to make such amendments and additions as they consider necessary or desirable, provided that such amendments and additions do not conflict in any material respect with the summary set out above. Copies of the Rules will also be available for inspection at the place of the Annual General Meeting for 30 minutes before and during the Meeting itself.

If you would like to vote on the resolutions in the Notice but cannot come to the Meeting, please complete the accompanying Form of Proxy sent to you with the Notice and return it to Capita Registrars as soon as possible and such that they can receive it no later than 9.00 am on Friday 20 April 2012. Alternatively, you can vote online at [www.capitashareportal.com](http://www.capitashareportal.com) such online vote to be made no later than 9.00 am on Friday 20 April 2012.

#### **Recommendation**

**The Directors believe that the adoption of all the resolutions to be put to the Meeting are in the best interests of the Company and its shareholders and are most likely to promote the success of the Company for the benefit of shareholders as a whole. The Directors unanimously recommend that you vote in favour of all the Resolutions to be proposed at the Annual General Meeting, as they themselves intend to do in respect of their own beneficial shareholdings which in aggregate amount to a total of 5,976,911 ordinary shares, representing approximately 7.34 per cent. of the existing issued ordinary share capital of the Company.**

Yours sincerely

**Martyn Ratcliffe**  
*Chairman*

## Notice of meeting

# microgen plc

*(Incorporated in England and Wales under the Companies Acts 1948 to 1980 with number 1602662)*

**NOTICE IS HEREBY GIVEN that the Annual General Meeting of Microgen plc will be held at Old Change House, 128 Queen Victoria Street, London EC4V 4BJ on Tuesday 24 April 2012 at 9.00 am (or at any adjournment thereof) for the following purposes:**

To consider and, if thought fit, to pass the following resolutions numbered 1 to 8 which will be proposed as ordinary resolutions:

### Ordinary Business

1. To receive and to adopt the Company's financial statements for the year ended 31 December 2011 together with the reports of the Directors and auditors.
2. To approve the Report of the Directors on Remuneration for the year ended 31 December 2011.
3. To declare a final dividend of 2.2p per ordinary share for the year ended 31 December 2011.
4. To re-appoint Mr Philip Wood, who retires by rotation, as a Director of the Company.
5. To re-appoint Ms Vanda Murray OBE as a Director of the Company.
6. To re-appoint Mr Peter Whiting as a Director of the Company.
7. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company until the next general meeting at which accounts are to be laid.
8. To authorise the Audit Committee of the Board to agree the auditors' remuneration.

### Special Business

To consider and, if thought fit, to pass the following resolutions of which resolutions numbered 9 and 13 will be each proposed as an ordinary resolution and resolutions numbered 10, 11 and 12 shall each be proposed as a special resolution:

9. Allotment of Securities:
  - (a) That the Directors be and are hereby generally and unconditionally authorised pursuant to, and in accordance with, Section 551 of the Companies Act 2006, to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for, or to convert any security into, shares in the Company up to a maximum aggregate nominal amount of £1,356,594.60;
  - (b) this authority shall expire at the conclusion of the next Annual General Meeting of the Company in 2013 or, if earlier, on 31 May 2013 unless previously revoked or varied by the Company; and
  - (c) the Company may, before this authority expires, make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert any security into shares to be granted after it expires and the Directors may allot shares or grant rights to subscribe for or convert any security into shares in pursuance of such offer or agreement as if this authority had not expired.
10. Disapplication of Pre-Emption Rights:

That:

  - (a) the Directors be given power:
    - (i) (subject to the passing of resolution 9 set out in this Notice) to allot equity securities (as defined in Section 560(1) of the Companies Act 2006) for cash pursuant to the authority conferred on them by resolution 9 set out in this Notice under Section 551 of the Companies Act 2006; and

- (ii) to allot equity securities (as defined in Section 560(3) of the Companies Act 2006) for cash,

in either case as if Section 561(1) of the Companies Act 2006 did not apply to the allotment but this power shall be limited:

- (A) to the allotment of equity securities in connection with an offer or issue of equity securities to or in favour of:
  - I. holders of shares in proportion (as nearly as may be practicable) to their existing holdings; and
  - II. holders of other equity securities if this is required by the rights of those securities or, if the directors consider it necessary, as permitted by the rights of those securities;

and so that the Directors may make such exclusions or other arrangements as they consider expedient in relation to treasury shares, fractional entitlements, record dates, shares represented by depositary receipts, legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange or any other matter; and

- (B) to the allotment of equity securities (otherwise than under (A) above) up to a maximum nominal amount of £203,489.19;
- (b) this power shall expire at the conclusion of the next Annual General Meeting of the Company in 2013 or, if earlier, on 31 May 2013; and
- (c) the Company may, before this power expires, make an offer or agreement which would or might require equity securities to be allotted after it expires and the Directors may allot equity securities in pursuance of such offer or agreement as if this power had not expired.

#### 11. Purchase of Own Shares

That:

the Company be and is hereby generally and unconditionally authorised pursuant to Section 701 of the Companies Act 2006 to make market purchases (within the meaning of section 693(4) of such Act) of ordinary shares of 5p each in the capital of the Company ("Ordinary Shares") on such terms as the Directors think fit provided that:

- (a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is limited to 8,139,568 Ordinary Shares;
- (b) the minimum price which may be paid for each Ordinary Share is 5p;
- (c) the maximum price (exclusive of expenses) which may be paid for each Ordinary Share is an amount equal to the higher of (i) 105 per cent. of the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Company agrees to buy the shares concerned; and (ii) the higher of the price of the last independent trade of any Ordinary Share and the highest current bid for an Ordinary Share as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buyback programmes and stabilisation of financial instruments (2273/2003); and
- (d) the authority conferred by this resolution shall expire at the conclusion of the next Annual General Meeting of the Company in 2013 or on 31 May 2013, whichever is earlier (except in relation to the purchase of Ordinary Shares, the contract for which was concluded before such date and which is completed wholly or partly after such date) unless such authority is renewed prior to such time.

#### 12. Notice Period for Meetings:

That: a General Meeting, other than an Annual General Meeting, may be called on not less than 14 clear days' notice.

13. Amendments to VERBS

That the directors be and are hereby authorised to amend the rules of the Microgen Value Enhancement & Realisation Bonus Scheme (“VERBS”) in the manner described in the Chairman’s letter dated 6 March 2012, and the directors be and are hereby authorised to do all acts and things necessary for the carrying out of the amended VERBS rules as they may consider appropriate, notwithstanding that the directors may be interested in the same.

By order of the Board

**Anjum O’Neill**  
*Company Secretary*

6 March 2012

*Registered office:*  
Old Change House  
128 Queen Victoria Street  
London EC4V 4BJ

## Notes

The following notes explain your general rights as a shareholder and your rights to attend and vote at the AGM or to appoint someone else to vote on your behalf:

1. Only holders of ordinary shares, or their duly appointed representatives, are entitled to attend, vote and speak at the Meeting. A member is entitled pursuant to Section 324 of the Companies Act 2006 to appoint (a) proxy(ies), who need not be (a) member(s) to attend, vote and speak on his/her behalf.
2. A Form of Proxy is enclosed and instructions for its use are shown on the form. The appointment of a proxy will not prevent a member from subsequently attending, voting and speaking at the Meeting in person.
3. If you wish, you may register the appointment of a proxy for the Meeting electronically, by accessing the Company's Registrar's website [www.capitashareportal.com](http://www.capitashareportal.com) where full details of the procedures are given. The proxy appointment and instructions must be received by Capital Registrars not less than 48 hours before the time for holding the Meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the Meeting or adjourned meeting) for the taking of the poll at which it is to be used.
4. (a) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service should follow 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.  
  
(b) 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'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 to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID: RA10) not less than 48 hours before the time for holding the 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 Applications 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.  
  
(c) CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear 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 Instruction. 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) 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 service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The CREST Manual can be reviewed at [www.euroclear.com/CREST](http://www.euroclear.com/CREST).  
  
(d) 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.
5. At the Annual General Meeting of the Company to be held on 24 April 2012 the votes will be taken on a show of hands unless a poll is demanded and the results will be released to the London Stock Exchange and published on the Company's website [www.microgen.com](http://www.microgen.com).
6. A 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 such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
7. The statement of the rights of members in relation to the appointment of proxies in paragraphs 1 to 4 above does not apply to a Nominated Person. The rights described in these paragraphs can only be exercised by registered members of the Company.
8. 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.
9. Copies of any contract of service, letters of appointment and deeds of indemnity between the Directors and the Company or any of its subsidiaries (or a memorandum of the terms thereof) will be available at the Registered Office of the Company during normal business hours until the conclusion of the Meeting, and at the place of the Meeting from at least 30 minutes prior to the Meeting until its conclusion.
10. The Company, pursuant to the Uncertificated Securities Regulations 2001, specifies that only those shareholders on the Register of Members as at 6.00 pm on Friday 20 April 2012 (or, if the Meeting is adjourned, as at 6.00 pm on the day two working days prior to the date of the adjourned meeting) shall be entitled to attend in person or by proxy and vote at the Meeting in respect of the number of shares registered in their names at the time. Changes to entries on the ordinary register after 6.00 pm on Friday 20 April 2012 (or if this Meeting is adjourned, changes to entries on the Register of Members after 6.00 pm two days prior to the date of any adjourned Meeting) shall be disregarded in determining the right of any person to attend or vote at the Meeting.
11. Under Section 319A of the 2006 Act, any member attending the Meeting has the right to ask questions in relation to the business of the Meeting. 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.
12. As at 5 March 2012 (being the last business day prior to the publication of this Notice) the Company's issued share capital, and the total number of voting rights, consists of 81,395,677 ordinary shares.
13. Shareholders are advised that, unless otherwise stated, any telephone number, website and email address set out in this Notice of Meeting, Form of Proxy or Chairman's letter should not be used for the purpose of serving information on the

Company (including the service of documents or information relating to the proceedings at the Company's Annual General Meeting).

14. A copy of this Notice, and other information required by Section 311A of the Companies Act 2006 can be found at [www.microgen.com](http://www.microgen.com).