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If you no longer hold any shares in SThree plc, please send this document, together with the enclosed form of proxy, 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.

## **STHREE PLC**

### **Adoption of Long Term Incentive Plan and amendments to Minority Interests in Subsidiaries.**

To be valid, proxy appointments for the Extraordinary General Meeting must be received not later than 10 am on 5 November 2006 (see page 8 for instructions).

**SThree plc**  
**(Registered in England No. 3805979)**

Registered Office:

41-44 Great Windmill Street  
London  
W1D 7NB

18 October 2006

Dear Shareholder,

**Adoption of Long Term Incentive Plan and amendments to minority interests in subsidiaries**

I am writing to explain the proposals which are to be put to shareholders of SThree plc at an Extraordinary General Meeting to be held on 7 November 2006 at 10 am at Home House, 20 Portman Square, London W1H 6LW.

In summary, this letter sets out the business of the meeting, namely:

- (1) approval of a Long Term Incentive Plan (the “Plan”); and
- (2) amendments to minority interests in subsidiaries of the Company (the “Minority Interests”).

The basis for and rationale for each proposal is set out below.

**Proposed approval of the SThree Long Term Incentive Plan (resolution 1)**

The Remuneration Committee has recently reviewed executive remuneration in conjunction with its advisors, Towers Perrin; a key objective of the review was to design a new long-term incentive plan for executive directors and other members of the senior management team. The Remuneration Committee’s objective is to develop a share-based plan that will support SThree’s philosophy and culture, as well as providing an incentive to increase shareholder value and to build up holdings in SThree’s shares.

The Board is therefore seeking shareholders’ approval for a new long-term incentive plan which, if approved, will replace the existing Executive Share Option Scheme operated by the Company before flotation. The main features of the new Plan are as follows:

- Executive directors and other executives will be eligible each year to an award of shares.
- Awards can be either of free shares, to be received in a number of years, or grants of market value options.
- The plan rules will provide for an annual maximum on the face value of awards (whether of free shares or market value options) of 175% of salary in respect of shares for any current or future participants. In any event, over a three year period it is the Remuneration Committee’s intention that no executive director will receive in aggregate share awards with a face value in excess of 450% of salary.

- The proposed face value of awards for executive directors participating in the first tranche of awards under the Plan will be 120% of salary.
- For executive directors, awards of shares will normally vest only if a performance criterion has been fulfilled three years after the date of grant. There will be no facility to re-test the performance criterion. In the case of other participants, the Remuneration Committee has a discretion to decide whether or not a performance condition should apply to their grants.
- For executive directors, the performance condition for the first tranche of awards under the Plan will be relative total shareholder return (TSR). For these awards, all the shares will vest only where SThree's TSR is at or above the upper quartile of a selection of UK-listed peer group companies. No shares will vest for these awards if SThree's TSR performance is below median and 30% of the shares will vest at median with linear vesting in between. The Remuneration Committee will also ensure that the underlying financial performance of the Company is also taken into account when determining to what extent these awards have vested.

A detailed summary of the Plan is set out in Part A of the Appendix to this letter.

In the future the Remuneration Committee may wish to operate a comparable long-term incentive plan for the benefit of overseas executives. Therefore, shareholder approval is also being sought now to authorise the Board to establish long-term incentive schemes in the future that will be based on the Plan but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such schemes will be treated as counting against any limits on individual or overall participation in the Plan.

### **Proposed amendment of the Minority Interests (resolution 2)**

At the AGM in May 2006, the Company sought and obtained shareholder approval to make offers to employees to buy shares in the business that they manage. This arrangement is not open to executive directors, nor does the Remuneration Committee intend that it should.

Shareholder approval is sought to approve a similar offer to a key member of the leadership team who runs one of SThree's leading brands. The objective is to provide the Managing Director of Huxley Associates Limited with a material stake in the businesses he runs and hence this arrangement is based on a different philosophy to the new long-term incentive plan described above.

To enable the Managing Director to participate, certain amendments are required to the offers of the various subsidiaries of Huxley Associates Limited; details of the amendments, and of the companies involved, are set out in Part B of the Appendix to this letter.

The Board believes that the introduction of the new LTIP, and the amendment to the Minority Interests, upon which major shareholders have been consulted, will provide appropriate incentives to executives to increase shareholder value.

### **Action to be taken**

Shareholders will find enclosed a form of proxy for use in connection with the Extraordinary General Meeting. Whether or not you intend to be present at the meeting, you are requested to complete, sign and return the form of proxy as soon as possible, and, in any event, by 10 am on 5 November 2006. Submission of a proxy appointment will not prevent you from attending and voting at the meeting in person should you wish to do so.

## **Recommendation**

Your Directors believe that both the proposed resolutions are in the best interests of the Company and its shareholders and unanimously recommend you to vote in favour of the resolutions set out in the attached notice as they intend to do in respect of their own shareholdings.

Yours sincerely

A handwritten signature in black ink, appearing to read "A. B. Cleaver". The signature is written in a cursive style with a horizontal line under the name.

**Sir Anthony Cleaver**  
**Chairman**

## **THE APPENDIX**

### **PART A: THE STHREE LONG TERM INCENTIVE PLAN**

Set out below is a summary of the rules of the SThree Long Term Incentive Plan (the “**Plan**”) proposed to be adopted by the Company.

#### **Eligibility**

An award may be granted in each financial year to executives of SThree (including executive directors) and its subsidiary companies who are selected by the Remuneration Committee.

#### **Grant of awards**

Awards may normally only be granted in the six weeks beginning with the date on which the Plan is approved and adopted by the Company, and thereafter in the six week period following the announcement by SThree of its results for any period. Awards may be granted outside these periods in exceptional circumstances. Subject to shareholder approval of the Plan, it is proposed that the first grant will be made in 2007 following announcement of the Company’s annual results for the year ending 30 November 2006. No awards may be granted more than 10 years after the adoption of the Plan. Awards are personal to participants and may not be transferred except on death. Awards are not pensionable.

Awards may be made in several forms, as determined by the Remuneration Committee at the date of the grant in the light of accounting and tax consequences. Awards can be either of market value options or of free shares. In the case of free shares, awards can take the form of: (a) a contingent right to acquire shares at no cost; (b) a nil cost option; and (c) a gift of shares forfeitable in the event that specified conditions are not met.

#### **Individual limit**

The initial value of an award granted in any year will be determined by the Remuneration Committee. The rules of the Plan permit annual awards of shares (whether market value options or free shares) up to a maximum of 175 per cent. of the participant’s basic salary. The number of shares which are the subject of the award will be calculated by dividing the value of the award by the average middle market quotations of SThree Ordinary Shares on the London Stock Exchange over up to 5 dealing days prior to the date of the award.

#### **Exercise price of market value options**

In the case of market value options, the price payable for each Ordinary Share will be determined by the Remuneration Committee before the grant of the option, but shall not be less than the average middle market quotations of SThree Ordinary Shares on the London Stock Exchange for up to 5 dealing days prior to the date of the award.

#### **Overall limits**

The Plan contains the following limits on the issue of Ordinary Shares:

- (i) the number of Ordinary Shares that may be issued under the Plan in any 10 year period, or on the exercise of options granted in that 10 year period under any SThree executive share option scheme (excluding any shares issued on exercise of options granted before SThree’s listing), may not exceed such number of Ordinary Shares as represents five per cent. of the Ordinary Shares in issue from time to time; and

- (ii) the number of Ordinary Shares that may be issued under the Plan in any 10 year period, or that may be issued on the exercise of options granted in that 10 year period (excluding any shares issued on exercise of options granted before SThree's listing) under all SThree's employee share schemes (or issued otherwise than on exercise of options) in any 10 year period, may not exceed such number of Ordinary Shares as represents 10 per cent. of the Ordinary Shares in issue from time to time.

Shares may be transferred out of treasury to satisfy awards under the Plan, but any shares so transferred will be treated as issued for the purposes of the limits in (i) and (ii) above whilst institutional guidelines so require. The Plan may also operate in conjunction with an employee benefit trust in respect of existing shares.

### **Performance conditions**

The Plan provides that the performance conditions shall normally apply to awards granted to executive Directors. The Remuneration Committee has decided the performance condition for the first awards in 2007, and will decide an appropriate performance condition for subsequent awards. For 2007 awards, the proportion of the award, if any, that an executive Director will ultimately receive, will depend upon SThree's performance during a three-year period commencing at the beginning of the financial year in which the award is made, or such other date as the Remuneration Committee may decide (the "**measurement period**").

For 2007 awards, performance will be measured by comparing the total shareholder return ("**TSR**") achieved by SThree over the measurement period with that of other companies in a comparator group chosen by the Remuneration Committee. The Remuneration Committee has chosen a comparator group of 18 companies for awards in 2007, but will review this comparator group closer to the date awards are to be made to reflect any changes in circumstances.

No shares will vest under these awards if SThree's TSR performance is below the 50th percentile. At the 50th percentile, 30 per cent. of the shares that are the subject of the award will vest, rising on a straight-line basis to 100 per cent. vesting at the 75th percentile and above.

Notwithstanding SThree's relative TSR performance, shares will only become eligible for release or exercise to the extent that the Remuneration Committee is satisfied that this is justified by the underlying financial performance of SThree over the measurement period.

In the case of awards to participants who are not directors of the Company, the Remuneration Committee can decide whether or not a performance condition should apply to these awards.

### **Timing of release or exercise**

In the case of awards to executive Directors, shares will not normally be released (or capable of exercise) until the third anniversary of the award date. The Remuneration Committee can set a different vesting period for employees who are not directors of the Company. Any options will cease to be capable of exercise not later than the tenth anniversary of the award date.

### **Entitlement to dividends**

In the case of awards of free shares, the Remuneration Committee may decide at any time that where an award vests at the end of the measurement period a cash amount, equivalent to the dividends that would have been paid on the vested shares from the commencement of the measurement period, will be paid to participants when the shares are released.

### **Cash alternative**

The Remuneration Committee may decide at their discretion that when shares are due to be released, a participant may be paid the cash equivalent of the market value of the shares, instead of the actual shares. On the exercise of a market value option, the Remuneration Committee may resolve that a participant should receive a cash payment equal to the difference between the exercise price and the market value of the shares (or shares to this value) instead of transferring the shares to him.

### **Cessation of employment**

A participant who leaves the Group's service before the release date will normally forfeit any award to which he would otherwise have been entitled, unless in exceptional circumstances the Remuneration Committee determines otherwise, in which case some of the shares may be released or market value options exercised, following the participant ceasing employment. In determining the value of the benefit to be released in these circumstances, the Remuneration Committee will normally take into account the length of time that the participant was employed during the measurement period as well as the level of achievement of the performance conditions under the Plan.

### **Change of control**

In the event of a takeover, reconstruction or winding-up of SThree, shares may be released or options exercised early. In determining the value of the benefit to be released in these circumstances, the Remuneration Committee will normally take into account the length of time between the start of the measurement period and the triggering event, as well as the level of performance up to the date of the triggering event.

### **Variation of capital**

In the event of a variation of share capital, the Remuneration Committee may make such adjustments to the number of shares subject to an award as it considers appropriate.

### **Alteration**

The Remuneration Committee has the right to alter the rules of the Plan. The prior approval of the Company in general meeting must be obtained in the case of any amendment to the advantage of participants which is made to the provisions relating to eligibility, limits, variations of capital, the maximum entitlement for any one participant and the basis for determining a participant's entitlement to shares. However, any minor amendment to benefit the administration of the Plan or to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, any member of the Group or the trustees, may be made without prior approval of the Company in general meeting. Any amendment that is to the disadvantage of participants requires the consent of a majority of them.

**A copy of the proposed rules of the Plan will be available for inspection at the offices of SThree plc at 41-44 Great Windmill Street, London W1D 7NB and Clifford Chance LLP at 10 Upper Bank Street, Canary Wharf, London E14 5JJ during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this notice until the date of the meeting and will also be available for at least 15 minutes prior to and at the meeting. The directors of the Company reserve the right up to the time of the meeting to make such amendments and additions as they may consider necessary or desirable to the proposed rules of the Plan, provided that such amendments and additions do not conflict in any material respect with the summary of the Plan set out in the Appendix to this letter.**

## **PART B: AMENDMENTS TO THE MINORITY INTERESTS**

### **Offers to employees of Minority Interests in certain SThree plc subsidiaries.**

At the Company's 2006 Annual General Meeting, shareholders approved the offer to employees of the Company and its subsidiaries of purchasing shareholdings in certain of the Company's subsidiaries.

It is now proposed that in the case of eight Huxley companies for which shareholder approval was obtained (namely, Huxley Associates Banking & Finance Limited, Huxley Associates Banking and Finance NV, Huxley Associates Finance Resourcing Inc., Huxley Associates S Limited, Huxley Associates M Limited, Huxley Associates N Limited, Huxley Associates Nederland BV and Huxley Associates BV), a similar offer should be made to the Managing Director of Huxley Associates Limited. As a result the relevant companies will share common features as follows:

(i) *Share Capital*

Each Huxley company will have three classes of shares, the "A" ordinary shares and "B" ordinary shares previously approved by shareholders, and a new class of "C" ordinary shares, to be held by the Managing Director. The "A" ordinary shares will continue to be held by the Company. The "B" ordinary shares and "C" ordinary shares, which can be offered to employees, will together not be more than 25 per cent of the ordinary share capital of each subsidiary; whilst they will together have up to 25 of the voting power of the subsidiary, they are entitled to up to only 20 per cent of any dividend on the ordinary shares. There will also be one preference share in issue.

(ii) *Eligibility*

No director of the Company may acquire shares in the relevant subsidiary. Shares will only be offered to employees of the Group. Employees may acquire shares in more than one subsidiary.

(iii) *Purchase price and financing*

The price payable for the "C" ordinary shares will be their unrestricted market value, as determined by an independent third party share valuer. The Group may lend the purchase price to the employee, on terms the loan is outstanding until such employee ceases to hold the shares or ceases to be employed by the Group. A market rate of interest will be charged on the loan. These arrangements mirror the arrangements for the "B" ordinary shares approved by shareholders at the 2006 Annual General Meeting.

(iv) *Cessation of employment*

If a "C" ordinary shareholder ceases to be employed by any company in the Group, under provisions contained in the articles of association of that company, he can be required to sell the "C" ordinary shares, in the same way as a "B" ordinary shareholder. If the sale is within five years of the issue of the "C" ordinary shares, the price payable for the "C" ordinary shares can be the lower of their market value and the amount paid up on the "C" ordinary shares (or, in exceptional circumstances and at the Company's discretion, such other price, not exceeding market value). If the sale is later than five years after the issue of the "C" ordinary shares, the price payable for the "C" ordinary shares is their market value. These arrangements mirror the arrangements for the "B" ordinary shares approved by shareholders at the 2006 AGM. For these purposes, market value is determined by computing the earnings per ordinary share multiplied by two-thirds of the price/earnings ratio of the Company. The price/earnings ratio is calculated on the adjusted earnings per share published in the Company's annual accounts.

(v) *Restrictions on transfer*

The same restrictions on transfer that applied to the “B” ordinary shares will also apply to the “C” ordinary shares.

(vi) *Consideration payable*

The discretion for the Company if it purchases “B” ordinary shares to pay the consideration in cash or Ordinary Shares in the Company will apply equally if it purchases “C” ordinary shares.

(vii) *Restrictions on alterations*

As previously approved by shareholders, certain provisions of the arrangements outlined above, namely the persons who are eligible to acquire shares in the relevant subsidiary, the maximum percentage of shares in the subsidiary which may be offered to employees, and the terms on which the Company can acquire the shares from the employees cannot be altered to the advantage of employee shareholders without the prior approval of the Company’s shareholders in general meeting (except for minor amendments to benefit administration, or to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for the employee shareholders, the relevant subsidiary or for members of the Group).

(viii) *Pension benefits*

The acquisition of shares by employees, and their subsidiaries will not give rise to any pensionable benefit.

A standard form Articles of Association, containing the full details of the “C” ordinary shares which Group employees can acquire, and the terms on which they can dispose of such shares, will be available for inspection at 41-44 Great Windmill Street, London W1D 7NB, the registered office of the Company, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this notice until the date of the Meeting and will be available at the place of the Meeting for at least 15 minutes prior to and at the Meeting.

The Company reserves the right to make such changes to the Articles of Association for an overseas subsidiary as it may be advised is necessary or desirable to take account of local legal requirements.

## **SThree plc**

### **Notice of Extraordinary General Meeting**

Notice is hereby given that an Extraordinary General Meeting of SThree plc will be held at Home House, 20 Portman Square, London W1H 6LW on 7 November 2006 at 10 am to consider the following resolutions, which are proposed as ordinary resolutions:

#### **ORDINARY RESOLUTIONS**

##### **Resolution 1**

THAT the SThree Long Term Incentive Plan, the main features of which are summarised in Part A of the Appendix to the Chairman's letter on pages 5 to 7 of this document and a copy of which is produced to the meeting and initialled by the Chairman for the purpose of identification, be and is hereby approved and adopted and the Board be authorised to establish future long-term incentive schemes for the benefit of executives outside the United Kingdom based on the Plan but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such schemes will be treated as counting against any limits on individual or overall participation in the Plan.

##### **Resolution 2**

THAT the Company be and is hereby authorised to offer employees of the Company and its subsidiaries the opportunity within 12 months of the date of the 2006 Annual General Meeting, held on 3 May 2006, to purchase shareholdings in certain of the Company's subsidiaries as detailed in, and on the terms set out, in Part B of the Appendix to the Chairman's letter on pages 8 to 9 of this document.

#### **By order of the Board**

**Ian Colletts**  
**Company Secretary**

18 October 2006  
41-44 Great Windmill Street  
London W1D 7NB

#### **Proxies**

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him or her. A proxy need not be a member of the Company. A form of proxy is enclosed. Subject to the provisions for proxies and corporate representatives, only registered holders of Ordinary Shares of the Company are entitled to attend and vote at the meeting.

The form of proxy should be completed, signed and returned to the Registrar, Capita Registrars, in accordance with the instructions on the form of proxy so as to be received no later than 48 hours before the start of the meeting.

## **Electronic proxy appointment through CREST**

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Extraordinary General Meeting to be held on 7 November 2006 and any adjournment(s) thereof 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'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 is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time for receipt of proxy appointments specified 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 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 CRESTCo 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 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 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.

