

UK Shareholders Association

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29 March 2005

Dear xxxxxxxx,

Thank you for responding to our letter concerning Ferraris Group Plc. Our comments on this company are as follows:

In the two and a half year period since the beginning of the financial year in September 2003, the Ferraris board has overseen a substantial destruction of shareholder value and has increased financial risk. UKSA believes this has been achieved by a combination of (i) overpaying for Bionostics – the last acquisition, (ii) departing from the Group’s core business – cardiorespiratory diagnostics - into a field in which the Board had no previous experience, and (iii) poor operating management.

The record is below:

£'000	2002 31 Aug	2003 31Aug	2004 31 Aug	17 Feb 2005
Share Price (pence)	140	136.5	118.5	92
Profit after tax	(963)	925	(10,144)	
eps (pence) before goodwill amortisation	2.7	9.9	(14.3)	
Intangible assets	33,451	59,359	50,678	
Tangible assets	2,009	(6,093)	(10,259)	
Net Assets	35,460	53,266	40,419	
Borrowings	16,646	26,741	25,158	

UKSA—The independent voice of the private shareholder

The United Kingdom Shareholders’ Association Limited

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In the 12 months to 17 Feb 2005, the Ferraris share price has under performed the FTSE techmark Mediscience index by 42%. It has under performed the FTSE Healthcare Index by 36%. Since 31 August 2002, the share price has declined 34%.

Ferraris Overpaid Substantially For Bionostics.

In June 2003, Ferraris acquired Bionostics for £20.17million (a net \$31million plus expenses) and departed from its core business. The acquisition was expensive given that Bionostics' last recorded pre-tax profits were £1.7 million and net assets £3.3 million. Bionostics failed to reach its forecasts in the year after acquisition.

Has The Board Rewarded Management Failures?

The recent record of the operating management is one of numerous profit warnings and share price reductions. There were two profit warnings in 2004 and the last was on 13 Jan 2005. Throughout 2003 and 2004 period the Chairman and the Board have not made any changes to the executive management and appear to have rewarded failure.

In March 2004, Ferraris sold a subsidiary, ITL (Univac), for a loss of £8.28 million. This is an extraordinary example of value destruction. ITL was acquired in 2000 for approx £6 million and at that time the CEO of ITL was Steven Mills, the current CEO of Ferraris.

During 2003/4, the CEO's base salary rose from £172,500 to £225,000 and he received a £69,000 bonus, this when the company had made substantial losses. In the same period, remuneration of non-executives increased and the salary of the non-executive Chairman rose from £60,000 to £108,000 including a £40,000 bonus. The non-executives' remuneration is substantially above the norm for this size of company. Furthermore, the bonuses appear to be partly transaction-based which is contrary to good corporate governance as it can encourage "deals" for their own sake which usually destroys shareholder value.

What Needs To Be Done.

The board needs to consider replacing the current CEO and COO with a team who have experience in running healthcare equipment companies.

The Chairman Needs to Consider His Position on the Board.

The reorganised board urgently needs to stabilise the business and seek a value-enhancing merger with a US or German competitor or medical equipment group.

How You Can Support The Campaign.

One immediate step you should take is to write to the Chairman of Ferraris, Ian Dighe, at the following address: Ferraris Group plc, 6th Floor, 39 Bennetts Hill, Birmingham, B2 5SN, making clear your views on these issues and supporting our proposals above. We will be in touch at a later date if the directors fail to respond and your support on more specific action is required.

The UK Shareholders Association (UKSA) campaigns vigorously of course to improve shareholder democracy and tackle underperforming companies.

If you have any questions on the above, please contact either David Blundell on 01937-572327, email: dwwb@btinternet.com, or myself on 020-8467-2686, email: roger.lawson@btclick.com.

Yours sincerely

Roger Lawson
Communications Director