

Letter from the Chairman

Notice of 2016 Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND
REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to what action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent advisor duly authorised under the Financial Services and Markets Act 2000.

If you have recently sold or otherwise transferred all your shares in Vectura Group plc, please pass this document and the accompanying document(s) to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

Notice of the Annual General Meeting of Vectura Group plc (the "Company") to be held at 12.00 noon at the offices of Covington & Burling LLP, 265 Strand, London WC2R 1BH on Wednesday 7 September 2016 is set out on pages 3 and 4 of this document.

Whether or not you propose to attend the Annual General Meeting, please complete and submit a Form of Proxy either in hardcopy or by electronic means in accordance with the instructions printed on the enclosed form as soon as possible but in any event so as to be received by not later than 12.00 noon on Monday 5 September 2016. If you hold Vectura Group plc shares in CREST, you may also appoint a proxy using CREST by following the instructions set out on page 7 of this document. Completion and return of the Form of Proxy will not preclude you from attending and voting at the Annual General Meeting in person, should you so wish.

Directors

Bruno Angelici (Non-Executive Chairman)
Frank Condella (Non-Executive Vice Chairman)
James Ward-Lilley (Chief Executive Officer)
Andrew Derodra (Chief Financial Officer)
Dr Trevor Phillips (Chief Operating Officer)
Dr Susan Foden (Non-Executive Director and Senior Independent Director)
Neil Warner (Non-Executive Director)
Dr Per-Olof Andersson (Non-Executive Director)
Dr Thomas Werner (Non-Executive Director)

Registered office
Vectura Group plc
One Prospect West
Chippenham
Wiltshire SN14 6FH
www.vectura.com

3 August 2016

Dear shareholder

Annual General Meeting

I am pleased to invite you to the Annual General Meeting of Vectura Group plc (the "Company") for 2016. The Annual General Meeting will take place on Wednesday 7 September 2016 at the offices of Covington & Burling LLP, 265 Strand, London WC2R 1BH and will start at 12.00 noon.

Registration for the Annual General Meeting will open at 11.30 a.m.

Your vote counts

Your vote is important to us – you can:

- attend and vote at the Annual General Meeting; or
- complete and return the enclosed Form of Proxy; or
- lodge your proxy using the internet; or
- register your proxy vote electronically by using the service provided by Euroclear UK & Ireland Limited for members of CREST.

The appointment of a proxy will not prevent you from attending the meeting and voting in person if you wish to do so.

Enclosed with this circular are the following:

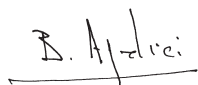
- Annual General Meeting Attendance Card and Form of Proxy; and
- a pre-paid envelope for the return of your Form of Proxy.

The Annual Report and Accounts for the year ended 31 March 2016 was previously distributed on 27 May 2016. It is also available to you electronically at www.vectura.com.

If you have any questions regarding your shareholding (e.g. share certificates) or you have received more than one copy of this Notice, please call our Registrars, Computershare Investor Services PLC, on 0370 707 1387.

Your Directors consider that all of the resolutions proposed to be approved at the Annual General Meeting are in the best interests of the Company and shareholders as a whole. Accordingly, we recommend that you vote in favour of all the resolutions, as we propose to do in respect of our own holdings, which amount to 0.13% of the issued ordinary share capital of the Company.

Yours sincerely



Bruno Angelici
Chairman
Vectura Group plc

Notice is hereby given that the Annual General Meeting of Vectura Group plc will be held at the offices of Covington & Burling LLP, 265 Strand, London WC2R 1BH on Wednesday 7 September 2016 at 12.00 noon, for the purposes of considering and, if thought fit, passing the following resolutions:

Resolutions 1 to 15 (inclusive) will be proposed as ordinary resolutions and each resolution must receive over 50% of the votes cast to be passed.

Resolutions 16 to 18 (inclusive) will be proposed as special resolutions and each resolution must receive at least 75% of the votes cast in order to be passed.

Ordinary resolutions

- 1 To receive the Company's Annual Report and Accounts (including the Strategic and Directors' reports) for the year ended 31 March 2016, together with the Independent auditor's report.
- 2 To receive and approve the Directors' remuneration report for the year ended 31 March 2016 (excluding the Directors' remuneration policy as set out on pages 69 to 74 of the Annual Report and Accounts for the year ended 31 March 2016).
- 3 To elect James Ward-Lilley as a Director of the Company.
- 4 To elect Frank Condella as a Director of the Company.
- 5 To elect Andrew Derodra as a Director of the Company.
- 6 To elect Dr Thomas Werner as a Director of the Company.
- 7 To re-elect Bruno Angelici as a Director of the Company.
- 8 To re-elect Dr Trevor Phillips as a Director of the Company.
- 9 To re-elect Dr Susan Foden as a Director of the Company.
- 10 To re-elect Neil Warner as a Director of the Company.
- 11 To re-elect Dr Per-Olof Andersson as a Director of the Company.
- 12 To re-appoint Deloitte LLP as the Company's auditor to hold office from the conclusion of this meeting until the conclusion of the next meeting at which the accounts of the Company are laid.
- 13 To authorise the Directors to determine the auditor's remuneration.

14 That the Directors be authorised to:

- (a) amend the rules of the Vectura Group plc Share Incentive Plan (the "Plan") to permit awards to be made under the Plan until 6 September 2026; and
- (b) establish similar plans modified to take account of local tax, exchange control or securities laws in overseas territories, provided that shares made available under those plans are treated as counting against the limits on individual or overall participation in the Plan.

15 That the Directors of the Company be generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 to exercise all the powers of the Company to:

- (a) allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company up to an aggregate nominal amount of £56,407.34; and
- (b) allot further equity securities (as defined in section 560 of the Companies Act 2006) up to an aggregate nominal amount of £56,407.34 in connection with a rights issue in favour of shareholders where the equity securities respectively attributable to the interest of all shareholders are as proportionate (as nearly as practicable) to the respective numbers of shares held by them, subject to such exclusions or other arrangements specified in paragraph (a) of resolution 16,

provided that this authority shall, unless renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company, or on 6 December 2017, whichever is the earlier (save that the Company may, at any time before the expiry, revocation or variation of such authority, make any offer or enter into any agreement that would or might require shares to be allotted or rights to be granted after the expiry, revocation or variation of such authority and the Directors may allot shares or grant rights in pursuance of any such offer or agreement as if the authority conferred hereby had not expired, been revoked or varied). This authority is in substitution for all previous general authorities conferred upon the Directors.

Special resolutions

16 That, subject to the passing of resolution 15 and in accordance with sections 570 and 573 of the Companies Act 2006, the Directors of the Company be generally and unconditionally authorised to allot equity securities of the Company (as defined in section 560 of the Companies Act 2006) for cash under the authority given by resolution 15 and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be limited:

- (a) to the allotment of equity securities in connection with a rights issue or other pre-emptive offer in favour of ordinary shareholders where the equity securities are proportionate (as nearly as practicable) to the respective number of ordinary shares held by such holders, but subject to such exclusions or other arrangements as the Directors may deem necessary or desirable in relation to fractional entitlements or legal or practical problems arising in, or pursuant to, the laws of any territory or the requirements of any regulatory body or stock exchange in any territory; and
- (b) to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) above) up to an aggregate nominal amount of £8,461.10,

such authority to be subject to the continuance of the authority conferred by resolution 15 and to expire unless renewed, revoked or varied by the Company in general meeting, at the conclusion of the next Annual General Meeting of the Company or, if earlier, on 6 December 2017 but, in each case, prior to its expiry, revocation or variation the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted or rights to be granted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities or grant rights (and sell treasury shares) under any such offer or agreement as if the authority had not expired, been revoked or varied.

17 That, subject to the passing of resolution 15 and in accordance with sections 570 and 573 of the Companies Act 2006, the Directors of the Company be generally and unconditionally authorised (in addition to any authority granted under resolution 16) to allot equity securities of the Company (as defined in section 560 of the Companies Act 2006) for cash under the authority given by resolution 15 and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be:

- (a) limited to the allotment of equity securities or sale of treasury shares up to an aggregate nominal amount of £8,461.10; and
- (b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice (3 August 2016),

such authority to be subject to the continuance of the authority conferred by resolution 15 and to expire unless renewed, revoked or varied by the Company in general meeting, at the conclusion of the next Annual General Meeting of the Company or, if earlier, on 6 December 2017 but, in each case, prior to its expiry, revocation or variation the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted or rights to be granted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities or grant rights (and sell treasury shares) under any such offer or agreement as if the authority had not expired, been revoked or varied.

18 To authorise the calling of any general meetings of the Company other than an Annual General Meeting by notice of at least 14 clear days.

By order of the Board



John Murphy
Company Secretary
Vectura Group plc
3 August 2016

Resolutions to be decided by a poll

1 All resolutions proposed at the Annual General Meeting will be decided by a poll. This is a more transparent method of voting and means that the votes of all shareholders, including those of our shareholders who cannot attend the meeting but who submit a Form of Proxy, are counted. In accordance with Article 42 of the Company's Articles of Association, at the beginning of the meeting the Chairman of the Annual General Meeting will demand a poll on each of the resolutions.

Entitlement to attend and vote

2 To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the number of votes that may be cast), the Company specifies, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, that shareholders must be registered in the Register of Members of the Company as at 6.00 p.m. on Monday 5 September 2016 (or, in the event of any adjournment, at 6.00 p.m. on the date that is two business days before the date of the adjourned meeting).

Changes to entries in the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote (and the number of votes they may cast) at the Annual General Meeting or adjourned meeting.

Appointment of proxies

3 Members of the Company entitled to attend, speak and vote at the Annual General Meeting are entitled to appoint a proxy to exercise on their behalf all or any of their rights to attend, speak and vote at the Annual General Meeting. A shareholder may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy or proxies may be appointed by:

- (a) completing and returning the accompanying hardcopy Form of Proxy (see notes 11, 12 and 13); or
- (b) lodging a proxy using the internet (see note 14); or
- (c) through the CREST electronic proxy appointment service (see notes 16 to 19). If you wish your proxy to speak on your behalf at the Annual General Meeting you will need to appoint a proxy of your own choice (not the Chairman) and give your instructions directly to them.

- 4 The return of a completed Form of Proxy, the lodgement of a proxy using the internet or any CREST Proxy Instruction will not prevent a shareholder attending the Annual General Meeting and voting in person if he or she wishes to do so. If you have appointed a proxy and attend the meeting in person, your proxy appointment will be automatically terminated.
- 5 The statement of the rights of shareholders in relation to the appointment of proxies in notes 3 and 4 above does not apply to Nominated Persons (see note 20). The rights described in notes 3 and 4 above can be exercised only by shareholders of the Company.
- 6 A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter that is put before the Annual General Meeting.
- 7 To change your proxy instructions, please submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
- 8 Where you have appointed a proxy using the hardcopy Form of Proxy and would like to change the instructions using another hardcopy Form of Proxy, please contact the Company's Registrars' helpline on 0370 707 1387 or, if telephoning from outside the UK, on +44 370 707 1387 from Monday to Friday between 8.30 a.m. and 5.30 p.m. Calls to Computershare's 0370 number from landlines are typically charged up to 9p per minute; calls from mobiles typically cost between 8p and 40p per minute. Calls from landlines and mobiles are included in free call packages but providers' costs may vary. Calls to Computershare from outside the UK are charged at applicable international rates. Calls may be recorded and monitored randomly for security and training purposes. Computershare cannot provide advice on the merits of the proposed resolutions, nor give any financial, legal or tax advice.
- 9 If you submit more than one valid proxy appointment in respect of the same shares, the appointment received last before the latest time for the receipt of proxies will take precedence.

Notes **continued**

Appointment of proxies continued

10 In order to revoke a proxy instruction, you will need to inform the Company by sending a signed notice, clearly stating your intention to revoke your proxy appointment, to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. In the case of a shareholder that is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received no later than 12.00 noon on Monday 5 September 2016, or 48 hours before the time appointed for the holding of an adjourned Annual General Meeting. If you attempt to revoke your proxy appointment but the revocation is received after the time specified, then, subject to note 4, your proxy appointment will remain valid.

Appointment of proxy using hardcopy Form of Proxy

11 A Form of Proxy that may be used to make such appointment and give proxy instructions accompanies this Notice. If you do not have a Form of Proxy and believe that you should have one, or if you require additional forms, please contact Computershare Investor Services PLC on 0370 707 1387. The notes to the Form of Proxy that accompanies this Notice explain how to direct your proxy to vote or withhold your vote on each resolution.

12 In the case of joint holders, the signature of only one of the joint holders is required on the Form of Proxy. Where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the more senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first-named being the more senior).

13 To be valid, any hardcopy Form of Proxy must be completed and signed and received by post or (during normal business hours only) by hand at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY no later than 12.00 noon on Monday 5 September 2016, or 48 hours before the time appointed for the holding of an adjourned Annual General Meeting or (in the case of a poll taken otherwise than at or on the same day as the Annual General Meeting or adjourned Annual General Meeting) for the taking of the poll at which it is to be used.

14 As an alternative to completing the hardcopy Form of Proxy, you can submit your proxy by electronic means by lodging a proxy with Computershare Investor Services PLC using the internet at www.eproxyappointment.com. You will be asked to enter a control number, shareholder reference number (SRN) and PIN, all of which are printed on the hardcopy Form of Proxy that accompanies this Notice, and to agree to certain terms and conditions. To be valid, a proxy lodged by electronic means must be lodged no later than 12.00 noon on Monday 5 September 2016, or 48 hours before the time appointed for the holding of an adjourned Annual General Meeting or (in the case of a poll taken otherwise than at or on the same day as the Annual General Meeting or adjourned Annual General Meeting) for the taking of the poll at which it is to be used.

Receipt of documents or information relating to proxies

15 You may submit any documents relating to proxies, such as any document necessary to show the validity of, or otherwise relating to, the appointment of a proxy or a notice of termination of the authority of a proxy, by email to web.queries@computershare.co.uk. However, any Form of Proxy sent to this email address will not be valid. Any proxy should either be submitted in hardcopy in accordance with note 13, by electronic means in accordance with note 14, or through the CREST electronic proxy appointment service in accordance with notes 16 to 19.

Appointment of proxies through CREST

- 16 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so 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.
- 17 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 the specifications of Euroclear UK & Ireland Limited (the operators of CREST), and must contain the information required for such instruction, 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 3RA50) by 12.00 noon on Monday 5 September 2016. 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.
- 18 CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. 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, to procure that his or her 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 regard, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

- 19 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.

Nominated Persons

- 20 If you are a person who has been nominated by a shareholder under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person"):
- (a) You may have a right under an agreement between you and the shareholder ("Relevant Member") who has nominated you to have information rights to be appointed or to have someone else appointed as a proxy for the Annual General Meeting.
 - (b) If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.
 - (c) Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

Corporate representatives

- 21 Any corporation that is a member can appoint one or more corporate representatives to exercise on its behalf the same powers as if it were an individual member of the Company, provided that it does so in relation to different shares held.

Issued shares and total voting rights

- 22 As at 25 July 2016 (being the latest practicable date prior to the printing of this Notice) the Company's issued share capital consisted of 676,888,146 ordinary shares of 0.025p each, carrying one vote each. At 25 July 2016 the Company did not hold any shares in treasury. Therefore, the total number of voting rights in the Company as at 25 July 2016 was 676,888,146.

Notes **continued**

Issued shares and total voting rights continued

23 Further information can be found at www.vectura.com about:

- (a) the matters set out in this Notice;
- (b) the total number of shares in the Company and the shares of each class in respect of which shareholders are entitled to exercise voting rights at the Annual General Meeting;
- (c) the total number of voting rights that shareholders are entitled to exercise at the Annual General Meeting in respect of the shares of each class; and
- (d) any shareholders' statements, shareholders' resolutions and shareholders' matters of business received by the Company after the date of this Notice.

Entitlement to ask questions

24 Pursuant to section 319A of the Companies Act 2006, any shareholder attending the Annual General Meeting has the right to ask questions relating to the business being dealt with at the meeting. In certain circumstances, prescribed by section 319A, the Company need not answer a question. For example, where answering the question would interfere unduly with the operation of the meeting or involve disclosure of confidential information, or where the answer is in the undesirable interest of the Company.

Entitlement to raise audit concerns

25 Under section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:

- (a) the audit of the Company's accounts (including the Independent auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or
- (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which the annual accounts were laid in accordance with section 437 of the Companies Act 2006.

The Company may not require the shareholder requesting any such website publication to pay its expenses in complying with section 527 or section 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 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 that may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

Details of communications

26 Except as provided above, shareholders who wish to communicate with the Company in relation to the Annual General Meeting should do so by writing to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. No other methods of communication will be accepted. In particular, you may not use any electronic address provided either in this Notice of Annual General Meeting or in any related documents (including in the Chairman's letter and the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

Documents on display

27 The following documentation, is available for inspection during business hours at the registered office of the Company and at the offices of Covington & Burling LLP, 265 Strand, London WC2R 1BH on any weekday (public holidays excluded) from the date of this Notice until the close of the meeting, and will also be available for inspection at the place of the Annual General Meeting from 10.30 a.m. on the day of the meeting:

- (a) copies of the Executive Directors' service contracts and contracts of appointment between the Non-Executive Directors and the Company;
- (b) the rules and trust deed of the Vectura Group plc Share Incentive Plan;
- (c) copies of the Company's Articles of Association; and
- (d) copies of this Notice and the Annual Report and Accounts of the Company for the year ended 31 March 2016.

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

Resolutions 1 to 15 (inclusive) are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast (more than 50%) must be in favour of the resolution. Resolutions 16 to 18 (inclusive) are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast (at least 75%) must be in favour of the resolution.

The Directors consider that all the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole. The Board unanimously recommends that you vote in favour of all the resolutions, as they propose to do in respect of their own beneficial holdings of ordinary shares in the issued share capital of the Company.

Ordinary resolutions

Resolution 1 – Annual Report and Accounts

The Company is required to present to the shareholders of the Company its Annual Report and Accounts, including the Strategic report, the Directors' report and the Independent auditor's report, at the Annual General Meeting. This provides an opportunity to discuss the performance of the Company during the year, its management and its prospects for the future. A copy of the Annual Report and Accounts of the Company for the year ended 31 March 2016 was sent to you on 27 May 2016, or made available to you electronically on that date. It is also available to you on our website at www.vectura.com.

Resolution 2 – Directors' remuneration report

This resolution proposes that the Directors' remuneration report for the year ended 31 March 2016, as set out on pages 75 to 88 of the Annual Report and Accounts, be approved by the meeting.

This resolution is an advisory vote and the Directors' remuneration arrangements are not conditional upon it.

There have been no changes to the Directors' remuneration policy contained within the Directors' remuneration report (as set out on pages 69 to 74 of the Annual Report and Accounts) since it was approved on 24 September 2015 at a general meeting.

Resolutions 3 to 11 – election and re-election of Directors

Article 56 of the Company's Articles of Association and provision B.7 of the UK Corporate Governance Code (September 2014) published by the Financial Reporting Council (the "UK Corporate Governance Code") require that any person appointed by the Board to fill a casual vacancy or as an additional Director shall hold office only until the next Annual General Meeting. James Ward-Lilley was appointed to the Board as Chief Executive Officer on 24 September 2015 and offers himself for election. Following the merger with Skyepharma PLC on 10 June 2016, three new directors were appointed to the Board: Frank Condella was appointed as Non-Executive Vice Chairman, Andrew Derodra was appointed as Chief Financial Officer and Dr Thomas Werner

was appointed as a Non-Executive Director. They all offer themselves for election.

Provision B.7 of the UK Corporate Governance Code also provides that Non-Executive Directors of a company may serve for longer than nine years, subject to annual re-election. Dr Susan Foden has served for longer than nine years as a Non-Executive Director of the Company and, accordingly, is retiring and standing for re-election.

In addition, the UK Corporate Governance Code provides that all Directors of FTSE 350 companies should be subject to annual election by shareholders and as such all remaining Directors not referred to above offer themselves for re-election.

The Board has a process for evaluation of its own performance and its Committees and that of the individual Directors. The performance of all Directors has been so evaluated and it has been determined that they each perform effectively and show full commitment to their roles on the Board. It is the Board's intention to conduct an externally facilitated Board evaluation in 2017.

The Board recommends that you support the re-election of each of the retiring Directors standing for re-election and the election of James Ward-Lilley, Frank Condella, Andrew Derodra and Dr Thomas Werner. Biographical details of each Director can be found in Appendix 1 to this Notice.

Resolutions 12 and 13 – re-appointment of auditor

It is a requirement of the Companies Act 2006 that the Company's auditor be appointed at each general meeting at which accounts are laid. The Audit Committee keeps under review the independence and objectivity of the external auditor. Further information can be found in the Annual Report and Accounts on page 63. After considering relevant information, the Audit Committee has recommended to the Board the re-appointment of Deloitte LLP as auditor. Resolution 13 proposes that the Directors be authorised to determine the auditor's remuneration.

Resolution 14 – amendment to the rules of the Share Incentive Plan and authority for international arrangements

The Vectura Group plc Share Incentive Plan (the "Plan") was approved by shareholders in 2006. It is a UK tax-advantaged plan available to most UK employees and the Board considers it to have been a success in enabling employees to share in the Company's success and identify their interests with those of shareholders. The authority to operate the Plan expires on 27 September 2016. Resolution 14 seeks shareholder authority to operate the Plan for a further ten years and authorise the Directors to establish similar arrangements for employees outside the UK. The Plan's principal features are summarised in Appendix 2 to this Notice.

The Directors consider the amendment of the Plan to be in the best interests of the Company and its shareholders as a whole and unanimously recommend that the shareholders vote in favour of the resolution.

Ordinary resolutions continued

Resolution 15 – authority to allot shares

Under section 551 of the Companies Act 2006, the Directors are prevented, subject to certain exceptions, from allotting shares without the authority of the shareholders in general meeting. This resolution is proposed as an ordinary resolution to authorise the Directors to allot relevant securities up to an aggregate nominal amount of £56,407.34 (representing approximately one-third of the share capital of the Company in issue at 25 July 2016).

In line with The Investment Association guidelines, the authority will also permit the Directors to allot an additional one-third of the Company's share capital in issue as at the date of this Notice, provided such additional shares are reserved for a fully pre-emptive rights issue.

The Directors' authority will expire on the earlier of the conclusion of the next Annual General Meeting and 6 December 2017. The Directors have no immediate plans to make use of this authority. At 25 July 2016 the Company did not hold any ordinary shares in treasury.

Special resolutions

Resolutions 16 and 17 – disapplication of pre-emption rights

Under section 561 of the Companies Act 2006, when new shares are allotted, they must first be offered to existing shareholders pro rata to their holdings. The Directors are seeking the disapplication of pre-emption rights in accordance with the Statement of Principles ("Statement of Principles") issued by the Pre-Emption Group.

The Statement of Principles states that in addition to the previous standard annual disapplication of pre-emption rights of up to a maximum equal to 5% of issued ordinary share capital, the Pre-Emption Group is supportive of companies extending the general disapplication authority by an additional 5% for certain purposes. The Company confirms that it intends to use the additional 5% only in connection with an acquisition or specified capital investment.

Resolution 16 renews the authorities previously granted to the Directors to:

- (a) allot shares in the Company in connection with a rights issue or other pre-emptive offer; and
- (b) otherwise allot shares in the Company for cash up to a maximum nominal amount of £8,461.10 (representing approximately 5% of the share capital of the Company in issue at 25 July 2016),

in each case as if the pre-emption rights of section 561 of the Companies Act 2006 did not apply.

In addition, resolution 16 permits the Directors to deal with fractional entitlements and any legal or regulatory problems arising in any territory on any offer of new shares to be made to shareholders on a pro rata basis.

Resolution 17 seeks separate and additional authority in accordance with the Statement of Principles as detailed above and the Directors confirm that the Company will only allot shares representing more than 5% of its issued ordinary share capital for cash pursuant to the authority referred to in resolution 17, where that allotment is in connection with an acquisition or specified capital investment, which is announced contemporaneously with the allotment.

The Directors also confirm, in accordance with the Statement of Principles, their intention that (except in relation to an issue pursuant to resolution 17 in respect of the additional 5% referred to above) no more than 7.5% of the issued ordinary share capital of the Company (excluding treasury shares) will be issued for cash on a non-pre-emptive basis during any rolling three-year period without prior consultation with shareholders.

Save in respect of issues of shares in connection with employee share schemes, the Directors have no immediate plans to make use of the authority sought in resolutions 16 and 17. The Directors consider the authority sought to be appropriate in order to provide the Company with flexibility to take advantage of business opportunities as they arise. Shareholders should note that resolutions 16 and 17 are subject to resolution 15 being passed.

If both resolutions 16 and 17 are approved, the authorities will expire on 6 December 2017 or, if earlier, the date of the next Annual General Meeting.

Resolutions 18 – notice of general meetings

This resolution seeks to renew an authority granted at last year's Annual General Meeting to allow the Company to call general meetings other than an Annual General Meeting on 14 clear days' notice.

Under the Companies Act 2006 the notice period required for general meetings of the Company is 21 days unless shareholders approve a shorter notice period, which cannot, however, be fewer than 14 clear days (Annual General Meetings will continue to be held on at least 21 clear days' notice). If passed, this resolution will enable the Company to retain maximum flexibility to seek shareholder approval for any future change or transaction more quickly, where it is thought by the Directors to be an advantage to the shareholders as a whole to do so. The resolution will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

Shareholders should note that to call a general meeting on fewer than 21 clear days' notice, the Company will be required to provide a means for all shareholders to vote electronically for that meeting.

Appendix 1: Directors' biographies



Bruno Angelici
Non-Executive Chairman **R** **N**

Bruno Angelici, 68, was appointed to the Vectura Board on 1 December 2013.

Bruno is a French national with an MBA (Kellogg School of Management) and business and law degrees from Reims.

Bruno's career includes senior management roles in pharmaceutical and medical device companies. Bruno retired from AstraZeneca in 2010 as executive vice president international after a 20-year career. He was responsible for Europe, Japan, Asia Pacific, Latin America, the Middle East and Africa, having originally joined as president of ICI Pharmaceuticals France. Prior to this, he was at Baxter, a US-based global supplier of medical devices. He has extensive international experience, including in the US, and brings a deep understanding to the Company of the medical device and pharmaceutical industries.

Bruno is a non-executive director of Smiths Group plc, a technology group, and Novo Nordisk A/S, a global healthcare company and world leader in diabetes care. He is also a member of the Global Advisory Board of Takeda Pharmaceutical Company Ltd, Japan, the largest pharmaceutical company in Asia, and a member of the supervisory board of Wolters Kluwer NV, a global information services and publishing company.



Frank Condella
Non-Executive Vice Chairman **N** **A**

Frank Condella, 62, was appointed Vice Chairman on 10 June 2016 upon completion of the merger with Skyepharma PLC.

Frank had been non-executive chairman of Skyepharma PLC since January 2010. He previously served as chief executive officer of Skyepharma PLC from 2006 until 2008 and then as non-executive director from 2008 until becoming chairman.

Frank has over 30 years' experience in the pharmaceutical industry. He has a wide-ranging business background, including senior leadership roles in the pharmaceutical and healthcare industry, with particular expertise in sales, marketing, manufacturing, product development, licensing, mergers and acquisitions. He is currently a non-executive director of Juniper Pharmaceuticals, Inc. He served as president, chief executive officer and a director of Juniper Pharmaceuticals from 2009 until 2016. Previously, he was a non-executive director of Fulcrum Pharma Ltd and Prosonix Ltd, president of European operations of IVAX, chief executive officer of Faulding Pharmaceuticals, vice president of the specialty care products business of Roche and vice president and general manager of the Lederle unit of American Home Products (Pfizer). He is a US citizen and holds a BS in pharmacy and an MBA from Northeastern University in Boston.



James Ward-Lilley
Chief Executive Officer

James Ward-Lilley, 51, was appointed Chief Executive Officer of Vectura on 24 September 2015.

James is a BA Hons graduate, has an MBA and holds an Institute of Marketing Diploma.

Prior to joining Vectura, James was vice president respiratory, inflammation & autoimmunity, global product and portfolio strategy (GPPS) at AstraZeneca. In this role James had responsibility for the development of AstraZeneca's respiratory, inflammation and autoimmunity (RIA) strategy, which included the acquisitions of Almirall's respiratory business and Pearl Therapeutics.

Prior to this, James led the AstraZeneca investor relations team from 2011 to 2012.

James had an extensive career at AstraZeneca, spanning 28 years across a variety of commercially focused roles. James progressed from sales and marketing roles in the UK through to country head of Belgium and Luxembourg, a position he held between 2002 and 2005. He then led AstraZeneca's business in China to become the number one pharmaceutical company in the market in 2008. James went on to become regional vice president for Central Eastern Europe and the Middle East, where the business enjoyed a period of strong growth, with sales doubling to US\$2bn during his tenure.

Committee membership

R Remuneration Committee **N** Nomination Committee **A** Audit Committee **●** Committee chairman



Andrew Derodra
Chief Financial Officer

Andrew Derodra, 49, was appointed Chief Financial Officer on 10 June 2016 upon completion of the merger with Skyepharma PLC.

Prior to joining Vectura, Andrew had been chief financial officer of Skyepharma PLC since November 2013. Andrew has spent over 25 years working in senior finance and strategic roles within five FTSE 100 groups, most recently with Tate & Lyle PLC where he was group vice president finance and control from 2011. Prior to that he was with SABMiller PLC, where he held a succession of roles culminating in business transformation director – Europe, before which he was with Diageo PLC, British Airways Plc and Reed Elsevier PLC. He is a Fellow of the Chartered Institute of Management Accountants and holds a BA (Hons) in mathematics from Oxford University.



Dr Trevor Phillips
Chief Operations Officer
and President of US Operations

Dr Trevor Phillips, 55, joined the Vectura Board in June 2012. He was appointed Chief Operations Officer in July 2011, having joined the Company in January 2010 as President of US Operations.

Trevor has a BSc in microbiology from the University of Reading and a PhD in microbial biochemistry from the University of Wales. He was awarded an MBA from Henley Management College in 1997.

Prior to Vectura, Trevor gained extensive international experience in organisational leadership, management and pharmaceutical drug development in a number of senior roles, including positions as CEO and president of the US publicly held company Critical Therapeutics Inc, following six years as the company's chief operating officer. During his time at Critical Therapeutics, Trevor was involved in setting up commercial partnerships, product in-licensing and out-licensing, managing drug development and NDA filings, commercial product manufacturing and mergers and acquisitions. Between 1986 and 2002 Trevor held a number of management positions at Sepracor, Scotia Pharmaceuticals, Accenture, GlaxoWellcome Research and Development and Simbec Research Limited.



Dr Susan Foden
Non-Executive Director and
Senior Independent Director **R** **N**

Dr Susan Foden, 63, joined the Vectura Board in January 2007.

Susan has a background in technology transfer and venture capital. From 2000 to 2003 she was an investor director with the London-based venture capital firm Merlin Biosciences. In 1987 she founded Cancer Research Campaign Technology (CRCT), now Cancer Research Technology (the commercialisation arm of Cancer Research UK) and was its CEO until 2000. Prior to CRCT, Susan was head of Academic Liaison at Celltech Ltd. She studied biochemistry at the University of Oxford from where she obtained an MA and a DPhil.

Susan is a non-executive director of BTG plc, BerGenBio AS, Evgen Pharma plc and Cell Therapy Catapult Ltd. She is an Investment Committee member of CD3, the joint initiative in drug discovery between the European Investment Fund and the University of Leuven.

Committee membership

R Remuneration Committee **N** Nomination Committee **A** Audit Committee **●** Committee chairman



Neil Warner

Non-Executive Director **R** **A**

Neil Warner, 63, joined the Vectura Board in February 2011.

Neil has significant financial and managerial experience in multinational businesses. He was finance director at Chloride Group plc, a position he held for 14 years until the company's acquisition by Emerson Electric. Prior to this, he spent six years at Exel plc (formerly Ocean Group plc and acquired by DHL/Deutsche Post in December 2005), where he held a number of senior posts in financial planning, treasury and control. He has also held senior positions in Balfour Beatty plc (formerly BICC Group plc), Alcoa and PricewaterhouseCoopers and was a non-executive director of Dechra Pharmaceuticals plc, where he was the senior independent director and chair of the audit committee. Neil has an economics degree from the University of Leeds and is a Fellow of the Institute of Chartered Accountants.

Neil is senior independent director and audit committee chair of Trifast plc, a global leader in design, technology and manufacturing of industrial fasteners for the automotive and technology sectors. Neil is also currently the non-executive chairman of Enteq Upstream plc, a specialist reach and recovery products and technologies provider to the upstream oil and gas services market, and a non-executive director of Directa Plus plc, one of the largest producers and suppliers of graphene-based products in the world.



Dr Per-Olof Andersson

Non-Executive Director **N** **A**

Dr Per-Olof Andersson, 63, joined the Vectura Board in April 2015.

Per-Olof was born in Sweden and studied medicine at Lund University. Per-Olof has an international R&D track record within the pharmaceuticals, bio-pharmaceuticals and speciality pharmaceutical industries and considerable experience in respiratory therapeutic development. In 2011, Per-Olof retired from Almirall where he was executive director for R&D and a member of the board of directors. Prior to joining Almirall in 2006, Per-Olof had a distinguished international career at Pharmacia and Pfizer over a period of nearly 20 years. Since 2011, Per-Olof has been an independent consultant advising biotech and pharmaceutical companies and, in particular, working with Almirall.



Dr Thomas Werner

Non-Executive Director **R** **A**

Dr Thomas Werner, 60, was appointed Non-Executive Director on 10 June 2016 upon completion of the merger with Skyepharma PLC.

Thomas had been a non-executive director of Skyepharma PLC since May 2009.

Thomas has over 30 years of experience in the pharmaceutical industry, previously as senior vice president of GlaxoSmithKline where he was managing director for Germany and also co-ordinated their European oncology business. Prior to that, he was responsible for Glaxo Wellcome Germany and Central Europe, Bristol-Myers Squibb Germany and Convatec Germany/Central Europe. Dr Werner sits on the boards of Basilea Pharmaceutica Ltd, Riemsler Pharma GmbH and BSN Medical. He is chairman of the investor advisory committee of the Seventure (France) Health for Life capital investment fund. Beside his business responsibilities he has previously served for many years on the board of trustees of the Paul Ehrlich Foundation and the Robert Koch Foundation and was a director of the American Chamber of Commerce in Germany representing healthcare companies. He is a German citizen and holds a degree in chemistry from the University of Göttingen.

Committee membership

R Remuneration Committee **N** Nomination Committee **A** Audit Committee **●** Committee chairman

Operation

The Board of Directors of the Company (the "Board") will supervise the operation of the Plan. The Plan is intended to comply with Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003 ("Schedule 2") as amended and re-enacted from time to time in order to qualify for UK tax reliefs.

The Plan has the following elements that the Board may offer to eligible employees:

- (a) **"Free Shares"**, are ordinary shares in the Company ("Shares") issued for free.

The market value of Free Shares awarded to an employee in a tax year may not exceed £3,600 or any other limit permitted by Schedule 2. Free Shares may be awarded equally or by reference to salary or length of service and awards may also reflect performance.

- (b) **"Partnership Shares"**, are Shares an employee buys out of pre-tax earnings.

The market value of Partnership Shares an employee can buy in any tax year may not exceed £1,800 (or 10% of the employee's salary, if lower), or any other limit permitted by Schedule 2. Funds used to purchase Partnership Shares are deducted from an employee's pre-tax earnings. Deductions may be accumulated over a period of up to 12 months and then used to buy Shares.

- (c) **"Matching Shares"**, are Shares awarded free to an employee who buys Partnership Shares.

The Board may award up to two Matching Shares for every Partnership Share bought (or any other maximum ratio permitted by Schedule 2).

Shares may not be awarded under the Plan later than ten years after its approval by shareholders.

Eligibility

UK tax-resident employees of the Company and designated subsidiaries are eligible to participate. The Board may allow non-UK tax-resident employees to participate. The Board may require employees to have completed up to 18 months' service to participate. All eligible employees must be invited to participate.

Retention of Shares

Shares acquired or awarded under the Plan must be held by the Plan trustee. Free Shares and Matching Shares must normally be retained by the trustee for at least three years. The Board may decide that Free Shares and Matching Shares will be forfeited in specified circumstances.

Participants can withdraw Partnership Shares from the Plan at any time (but withdrawal within three years of acquisition will normally cause any related Matching Shares to be forfeited).

If an employee ceases employment with the Company's Group, his shares must be withdrawn from the Plan (if not forfeited).

Corporate events

If a general offer is made to shareholders, participants can direct the trustees how to act in relation to their Shares. If there is a corporate reorganisation, participants' Shares may be replaced by shares in a new holding company.

Dividends

Dividends paid on participants' Shares may be used either to acquire additional Shares ("Dividend Shares") or distributed to participants.

Rights attaching to Shares

Participants are beneficial owners of Shares held on their behalf by the Plan trustee.

Shares allotted to the Plan trustee under the Plan will rank equally with Shares then in issue except for rights arising by reference to a record date prior to their allotment.

Overall Plan limits

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

In any ten calendar years, the Company may not issue (or grant rights to issue) more than 10% of its issued ordinary share capital under the Plan and any other employee share plan adopted by the Company. Treasury Shares count as new issue Shares for this purpose unless institutional investor bodies decide that they need not count.

Variation of capital

On a variation of the Company's share capital, Shares held in the Plan are treated in the same way as other shares. In the event of a rights issue, participants can direct the Plan trustee how to act on their behalf.

Alterations

The Board may alter the Plan, provided prior shareholder approval is obtained for alterations to the advantage of participants relating to eligibility, limits on participation, 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 acquired and the adjustment of awards.

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

General

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

No benefits received under the Plan will be pensionable.

Overseas plans

The shareholder resolution to extend the life of the Plan allows the Board to establish similar plans for overseas territories that take account of local tax, exchange control or securities laws, provided any Shares made available under them count against the limits on individual and overall participation in the Plan.



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