

Vectura Group plc

Incorporated and registered in England and Wales
Number 3418970

Letter from the Chairman Notice of 2012 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 adviser duly authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of 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 the Company to be held at 12.00 noon at the offices of Olswang LLP, 90 High Holborn, London WC1V 6XX, on 18 September 2012 is set out on pages 2 and 3 of this document.

Whether or not you propose to attend the Annual General Meeting, please complete, sign and return the accompanying Form of Proxy in accordance with the instructions thereon as soon as possible and in any event so that it is received by Computershare Investor Services PLC by not later than 12.00 noon on Friday, 14 September 2012. 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.



A leader in inhaled pharmaceuticals

Letter from the Chairman

Directors

Jack Cashman (Non-Executive Chairman)
Dr Chris Blackwell (Chief Executive)
Dr Trevor Phillips (Chief Operating Officer)
Anne Hyland (Chief Financial Officer)
Dr John Brown (Non-Executive Director)
Dr Susan Foden (Non-Executive Director)
Neil Warner (Non-Executive Director)

Registered Office

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

24 August 2012

Dear Shareholder

Annual General Meeting

I am pleased to invite you to the Annual General Meeting of Vectura Group plc ("the Company") for 2012. The Annual General Meeting will take place on Tuesday, 18 September 2012 at the offices of our legal advisers, Olswang LLP, 90 High Holborn, London WC1V 6XX 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;
- 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.

Enclosed with this circular are the following:

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

The Annual Report and Accounts for the year ended 31 March 2012 was previously distributed on 15 June 2012. 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 0870 707 1387.

Your Directors consider that all of the resolutions proposed for the Annual General Meeting are in the best interests of the Company and shareholders as a whole. We recommend that you vote in favour of these resolutions, as we propose to do in respect of our own holdings, which amount to 0.76% of the ordinary issued share capital of the Company.

Yours sincerely



Jack Cashman
Chairman
Vectura Group plc

Vectura Group plc (the "Company")

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Vectura Group plc will be held at the offices of Olswang LLP, 90 High Holborn, London WC1V 6XX on Tuesday, 18 September 2012 at 12.00 noon, for the purposes of considering and, if thought fit, passing the resolutions below.

Resolutions 1 to 10 (inclusive) will be proposed as ordinary resolutions and resolutions 11 and 12 will be proposed as special resolutions.

Ordinary business

Ordinary resolutions

- 1 To receive the Directors' Report and the Annual Report and Accounts of the Company for the year ended 31 March 2012 and the Auditors' report on those accounts.
- 2 To approve the Report on remuneration for the year ended 31 March 2012.
- 3 To elect as a Director Dr Trevor Phillips in accordance with Article 56 of the Company's Articles of Association and in accordance with the UK Corporate Governance Code, who was appointed by the Board since the last Annual General Meeting.
- 4 To re-elect as a Director Dr Susan Foden, who is retiring in accordance with Article 58 of the Company's Articles of Association.
- 5 To re-elect as a Director Dr John Brown, who is retiring in accordance with Article 58 of the Company's Articles of Association.
- 6 To re-elect as a Director Mr Jack Cashman, who is retiring in accordance with the UK Corporate Governance Code.
- 7 To re-appoint Deloitte LLP as the Company's auditors to hold office from the conclusion of this meeting until the conclusion of the next meeting at which the Accounts are laid.
- 8 To authorise the Directors to determine the auditors' remuneration.

Special business

Ordinary resolutions

- 9** That the Directors of the Company be generally and unconditionally authorised for the purposes of section 551 Companies Act 2006 to exercise all the powers of the Company to 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 value of £27,790.89. This authority shall, unless renewed, varied or revoked by the Company, expire at the conclusion of the next Annual General Meeting of the Company, or on 17 December 2013, whichever is the earlier, (provided that the Company may before such expiry make offers or enter into agreements that would or might require shares to be allotted or rights to be granted after this authority expires and the Directors of the Company may allot shares or grant rights in pursuance of any such offer or agreement as if this authority had not expired). This authority is in substitution for all previous general authorities conferred on the Directors in accordance with section 80 Companies Act 1985 or section 551 Companies Act 2006.
- 10** That the rules of the Vectura Group plc 2012 Long-Term Incentive Plan (the "Plan"), the principal terms of which are set out in Appendix 1 of the Circular and produced in draft to this meeting and, for the purposes of identification, initialled by the Chairman, be approved and the Directors be authorised to:
- (a) make such modifications to the Plan as they may consider appropriate to take account of the requirements of best practice and for the implementation of the Plan and to adopt the Plan as so modified and to do all such other acts and things as they may consider appropriate to implement the Plan; and
- (b) establish further plans 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 further plans are treated as counting against the limits on individual or overall participation in the Plan.

Special resolutions

- 11** That, subject to the passing of resolution 9 above, and in accordance with section 570 Companies Act 2006, the Directors of the Company be generally empowered to allot equity securities (as defined in section 560 Companies Act 2006) for cash pursuant to the authority conferred by resolution 9 above as if section 561 Companies Act 2006 did not apply to any such allotment provided that such power shall be limited to the allotment of equity securities: (a) 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) otherwise than pursuant to paragraph (a) of this resolution, up to an aggregate nominal amount of £8,337.27, being 10% of the issued share capital as at 15 August 2012 (being the latest practicable date prior to the printing of this Notice). This power shall expire at the conclusion of the next Annual General Meeting of the Company, or on 17 December 2013, whichever is the earlier (save that the Company may, at any time before the expiry of such power, make any offer or enter into any agreement that would or might require equity securities to be allotted after the expiry of such power and the Directors may allot equity securities in pursuance of any such offer or agreement as if such power conferred hereby had not expired).
- 12** That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

By order of the Board



Anne Hyland
Company Secretary and Chief Financial Officer

24 August 2012

Notes

Resolutions to be decided by a poll

- 1 All resolutions proposed at the Annual General Meeting will be decided by a poll. This 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 votes they may 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 p.m. on 14 September 2012 (or, in the event of any adjournment, at 6 p.m. on the date that is two business days before the date of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the 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 and to speak and vote at the Annual General Meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that 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 hard copy Form of Proxy (see notes 11, 12 and 13); (b) lodging a proxy by electronic means (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/she wishes to do so.
- 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 these paragraphs can be exercised only by shareholders of the Company. The revocation notice must be received no later than 48 hours before the time appointed for the holding of the 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.
- 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, 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 hard-copy Form of Proxy and would like to change the instructions using another hard-copy Form of Proxy, please contact the Company's Registrars helpline on 0870 707 1387 or, if telephoning from outside the UK, on +44 870 707 1387 from Monday to Friday between 8.30 a.m. and 5.30 p.m. Calls to Computershare's 0870 number are generally charged at 5.1 pence per minute (including VAT) from a BT landline, but costs using other providers may vary. Calls to Computershare from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and 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.

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.

Appointment of proxy using hard copy 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 0870 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 hard copy 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 Friday 14th September 2012, 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.

Lodging a proxy using the internet

14 As an alternative to completing the hard copy 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 hard copy 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 48 hours before the time appointed for the holding of the Annual General Meeting or 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 address will not be valid. Any proxy should either be submitted in hard copy 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 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 14 September 2012. 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.

Notes continued

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 Any 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 the right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

21 If you are a "Nominated Person":

(a) You may have a right under an agreement between you and the shareholder who has nominated you to have information rights ("Relevant Member") 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

22 Any corporation that is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

Issued shares and total voting rights

23 As at 15 August 2012 (being the latest practicable date prior to the printing of this Notice) the Company's issued share capital consisted of 333,490,706 ordinary shares, carrying one vote each. As at 15 August 2012 the Company did not hold any shares in treasury. Therefore, the total number of voting rights in the Company as at 15 August 2012 was 333,490,706.

24 Further information can be found at:

www.vectura.com/investors/shareholderservice/agm

about: (i) the matters set out in this notice; (ii) 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; (iii) 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 (iv) any shareholders' statements, shareholders' resolutions and shareholders' matters of business received by the Company after the date of this notice.

Entitlement to ask questions

25 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.

Entitlement to raise audit concerns

26 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: (i) the audit of the Company's accounts (including the Auditors' report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders 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 auditors 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

27 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

28 The following documentation, which is available for inspection during business hours at the registered office of the Company and at the offices of Olswang LLP, 90 High Holborn, London WC1V 6XX on any weekday (public holidays excluded) from the date of this Notice until the close of the meeting, 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 until the conclusion of the meeting:

- (a) copies of the Executive Directors' service contracts and contracts of appointment between the Non-Executive Directors and the Company, and
- (b) printed copies of this Notice and the Annual Report and Accounts of the Company for the year ended 31 March 2012, and
- (c) the draft rules of the Vectura Group plc 2012 Long-Term Incentive Plan.

Explanation of business to be conducted at the Annual General Meeting

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

Resolutions 1 to 10 (inclusive) are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 11 and 12 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast 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 – accounts and reports

The Company is required to present to the shareholders of the Company its report and accounts and the Auditors' report on the accounts to shareholders at a 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 2012 was sent to you on 15 June 2012, or made available to you electronically on that date. It is also available to you on our website at www.vectura.com.

Resolution 2 – Report on remuneration

This resolution proposes that the Report on remuneration for the year ended 31 March 2012 be approved by the meeting. The report is set out in pages 23 to 31 of the Annual Report and Accounts.

Resolutions 3 to 6 – election of Directors

Article 56 of the Company's Articles of Association and provision B7 of the UK Corporate Governance Code (June 2010) by the Financial Reporting Council ("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 and then shall be eligible for election. Pursuant to the Company's Articles of Association such election shall not be taken into account in determining the number of directors who are to retire by rotation at such meeting. Dr Phillips was appointed to the Board on 1 June 2012 and now offers himself for election.

Provision B7 of the UK Corporate Governance Code provides that Non-Executive Directors of a company may serve for longer than nine years, subject to annual re-election. Mr Jack Cashman 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, Article 58 of the Company's Articles of Association requires that at least one-third of the Board retire each year by rotation. Article 59 provides how the Directors who are to retire are selected. Dr Susan Foden and Dr John Brown were last reappointed in 2010 and will retire and seek re-election.

The Board has a process for evaluation of its own performance and that of its individual Directors. These evaluations are carried out on a regular basis throughout the year. The performances of Mr Cashman, Dr Foden and Dr Brown have been so evaluated and it has been determined that they perform effectively and show full commitment to their roles on the Board. The Board recommends that you support the re-election of each of the retiring Directors standing for re-election and the election of Dr Phillips.

Biographical details of the Directors, including those seeking re-election at the Annual General Meeting, are to be found on pages 18 to 20 of the Annual Report and Accounts.

Resolutions 7 and 8 – appointment of auditors

It is a requirement that the Company's auditors be appointed at each general meeting at which accounts are laid. The Audit Committee keeps under review the independence and objectivity of the external auditors, further information on which can be found in the Annual Report and Accounts. After considering relevant information, the Audit Committee has recommended to the Board the re-appointment of Deloitte LLP. Resolution 8 proposes that the Directors be authorised to determine the auditors' remuneration.

Resolution 9 – authority to allot shares

Under section 551 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 value of £27,790.89 (representing approximately 33.3% of the share capital of the Company in issue at 15 August 2012). The Directors' authority will expire on the earlier of 17 December 2013 and the conclusion of the next Annual General Meeting. The Directors have no immediate plans to make use of this authority. At 15 August 2012 the Company did not hold any ordinary shares in treasury.

Resolution 10 – Long-Term Incentive Plan

The Remuneration Committee has recently carried out a review of the Company's senior executive remuneration policy, with a particular focus on the long-term incentive arrangements for Executive Directors and other key senior employees ("Executives"). The Vectura Group plc 2005 Long-Term Incentive Plan expired in September 2010. The 2008 Value Realisation Plan ("VRP") created units in a pool of value for allocation to The Leadership Team (including executive directors). These units convert into shares if a change of control occurs prior to October 2013 (at prices of £1.27 or above). The VRP will expire in October 2013 and will not be renewed. The main objective of this review was therefore the development of an appropriate replacement long-term incentive plan.

The Remuneration Committee felt that it was critical that Executives continue to have a long-term whole-share element to their package. The proposed new 2012 Vectura Group plc Long-Term Incentive Plan (the "Plan"), which has been developed with the assistance of New Bridge Street (an Aon Hewitt company), reflects current and best practice and aims to:

- incentivise and retain the key individuals who drive the business of the Company;
- more closely align Executives' interests with those of shareholders;
- ensure an appropriate balance in the Executives' compensation between the fixed and performance-based elements;
- adhere to corporate governance requirements and changes in the publicised opinions of institutional shareholders and their representative bodies about long-term incentives;
- reward Executives for delivering the Company's objectives and enhancing returns to shareholders; and
- ensure the best cost-v-benefit ratio for the Company and its shareholders.

A summary of the principal terms of the Plan can be found in Appendix 1 to this Notice.

Special resolutions

Resolution 11 – disapplication of pre-emption rights

Under section 561 Companies Act 2006, when new shares are allotted they must first be offered to existing shareholders pro rata to their holdings. This special resolution renews, for the period ending on 17 December 2013 or, if earlier, the date of the next Annual General Meeting, the authorities previously granted to the Directors to: (a) allot shares of the Company in connection with a rights issue or other pre-emptive offer; and (b) otherwise allot shares of the Company

up to a maximum nominal value of £8,337.27 (representing approximately 10% of the share capital of the Company in issue at 15 August 2012) as if the pre-emption rights of section 561 Companies Act 2006 did not apply.

In addition, the resolution 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.

Save in respect of issues of shares in respect of employee share schemes, the Directors have no immediate plans to make use of this authority.

The Directors are seeking authority for the disapplication of pre-emption rights over 10% of the issued share capital, as this will allow the Directors to, for example, issue shares to allow partners to buy new shares as part of collaboration or licensing deals in a much more timely and cost-effective manner than would be the case if they were required to offer such shares pre-emptively to all shareholders, and therefore incur the significant expense of producing a full Prospectus for such relatively small issues of shares. A 10% disapplication is common among small and mid-cap companies, as the 5% disapplication that is standard among larger companies would not enable them to raise a meaningful amount.

Shareholders have given Vectura authority for a 10% disapplication in all years since 2006.

Resolution 12 – 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.

Changes made to the Companies Act 2006 by the Shareholders' Rights Regulations increase the notice period required for general meetings of the Company to 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 that may require such approval. 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 I – Summary of the principal terms of the Vectura Group plc 2012 Long-Term Incentive Plan (the “Plan”)

Operation

The Remuneration Committee of the board of directors of the Company (the “Committee”) will supervise the operation of the Plan.

Eligibility

Any employee of the Company (including an Executive Director) and its subsidiaries will be eligible to participate in the Plan at the discretion of the Committee.

Grant of awards

The Committee may grant awards to acquire ordinary shares in the Company (“Shares”) within six weeks following the Company’s announcement of its results for any period. The Committee may also grant awards within six weeks of shareholder approval of the Plan or at any other time when the Committee considers there are exceptional circumstances that justify the granting of awards.

The Committee may grant awards as conditional awards, nil (or nominal) cost options or as forfeitable shares. The Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash, although it does not currently intend to do so.

An award may not be granted more than five years after shareholder approval of the Plan.

No payment is required for the grant of an award. Awards are not transferable, except on death. Awards are not pensionable.

Individual limit

An individual may not receive awards in any financial year over Shares having a market value in excess of 200% of his or her annual base salary in that financial year.

It is the Committee’s current intention that Executive Directors would normally receive awards of 100% of salary, with a lower percentage of salary being granted to other senior executives.

Performance conditions

The vesting of awards will normally be subject to performance conditions set by the Committee.

The initial awards to be granted under the Plan will be based on the Company’s total shareholder return (“TSR”) performance measured against the general market and against a sector comparator group over a three-year performance period.

- 50% of the initial awards will be based on the Company’s relative TSR performance compared against that of the constituents of the FTSE Small Cap index at the time of grant.

- 50% of the initial awards will be based on the Company’s relative TSR performance compared against the following selected companies in the Euro Stoxx Pharmaceuticals & Biotechnology Index: Ablynx, Active Biotech, Algeta, AKL-Abello, BB Biotech N, BTG, Faes Farma, Galapagos, Genmab, Hikma Pharmaceuticals, Ipsen, Medivir, Recordati, Stada Arzneimittel, Swedish Orphan Biovitrum, Tubize Financiere, Virbac and Zeltia.

The initial awards will vest as follows:

Rank of the Company’s TSR against the TSR of the members of the relevant comparator group	Company’s TSR performance vs FTSE Small Cap (% of total number of Shares under award that vests)	Company’s TSR performance vs selected Euro Stoxx Pharmaceuticals & Biotechnology Index constituents (% of total number of Shares under award that vests)
Below median	0%	0%
Median	12.5%	12.5%
Between median and upper quartile	Between 12.5% and 50% on a straight line basis	Between 12.5% and 50% on a straight line basis
Upper quartile or above	50%	50%

Irrespective of the extent to which the relative TSR conditions described above have been met, the Committee may decrease or increase the percentage of vesting of the award based on its assessment of the Company’s underlying performance over the performance period against a range of factors including the Company’s underlying financial performance, absolute shareholder returns and progress against milestones. Any exercise of this discretion by the Committee will be fully disclosed to shareholders with an explanation of the Committee’s reasoning in the Remuneration Report for the relevant year. Furthermore, the Company will consult with its major shareholders before exercising its discretion to increase the percentage of any award that vests.

The Committee can set different performance conditions from those described above for future awards provided that, in the reasonable opinion of the Committee, the new targets are not materially less challenging in the circumstances than those described above.

The Committee may also vary the performance conditions applying to existing awards if an event has occurred that causes the Committee to consider that it would be appropriate to amend the performance conditions, provided the Committee considers the varied conditions are

fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question.

Vesting of awards

Awards will normally vest three years after grant to the extent that the applicable performance conditions (see above) have been satisfied and provided the participant is still employed in the Company's group. Awards structured as options are then exercisable up until the tenth anniversary of grant unless they lapse earlier.

Clawback

The Committee may decide that an award will be subject to clawback where there has been a material misstatement of the Company's financial results, an error in assessing the performance conditions to which an award is subject or for any other matter which it deems relevant (including without limitation if the participant's employment is terminated for gross misconduct). The Committee may require the satisfaction of the clawback by a reduction in the vesting, or size of, any other award and/or a requirement to make a cash payment of the after-tax amount being clawed back.

Dividend equivalents

The Committee may decide that participants will receive a payment (in cash and/or Shares) on or shortly following the settlement of their awards, of an amount equivalent to the dividends that would have been paid on those Shares between the time when the awards were granted and the time when they are exercised. This amount may assume the reinvestment of dividends. Alternatively, participants may have their awards increased as if dividends were paid on the Shares subject to their award and then reinvested in further Shares.

Cessation of employment

As a general rule, an award will lapse upon a participant ceasing to hold employment or be a director within the Company's group. However, if a participant ceases to be an employee or a director because of injury, disability, ill health, retirement, redundancy, death, the employing company or business being sold out of the Company's group or in other circumstances at the discretion of the Committee, then the award will vest on the date when it would have vested if the participant had not ceased such employment or office. The extent to which an award will vest in these situations will depend upon two factors: (i) the extent to which the performance conditions have been satisfied on the normal vesting date (i.e. at the time they would have been assessed had the participant not ceased employment or office); and (ii) the pro-rating of the award to reflect the reduced period of time between its grant and vesting, although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

If a participant ceases to be an employee or director in the Company's group for one of the "good leaver" reasons specified above, the Committee can decide in exceptional circumstances, that his award will vest on the date of cessation, subject to: (i) the performance conditions measured at that time; and (ii) pro-rating by reference to the time of cessation as described above.

Corporate events

In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation), all awards will vest early subject to: (i) the extent that the performance conditions have been achieved at that time; and (ii) the pro-rating of the awards to reflect the reduced period of time between their grant and vesting, although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

In the event of an internal reorganisation, awards will be replaced by equivalent new awards over shares in a new holding company unless the Committee decides that awards should vest on the basis that would apply in the case of a takeover (as described above).

In the event that a demerger, special dividend or other similar event is proposed which, in the opinion of the Committee, would affect the market price of Shares to a material extent, then the Committee may determine that the awards will vest on the basis that would apply in the case of a takeover (as described above).

Participants' rights

Awards of conditional shares and options will not confer any shareholder rights until the awards have vested or the options have been exercised and the participants have received their Shares. Holders of awards of forfeitable Shares will have shareholder rights from when the awards are made except they may be required to waive their rights to receive dividends.

Rights attaching to Shares

Any Shares allotted when an award vests or is exercised will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Variation of capital

In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event that materially affects the market price of the Shares, the Committee may make such adjustment as it considers appropriate to the number of Shares subject to an award and/or the exercise price payable (if any).

Appendix I – Summary of the principal terms of the Vectura Group plc 2012 Long-Term Incentive Plan (the “Plan”) continued

Overall Plan limits

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

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than:

(a) 10 per cent of the issued ordinary share capital of the Company under the Plan and any other employee share plans (including non-discretionary plans) adopted by the Company; and

(b) 5 per cent of the issued ordinary share capital of the Company under the Plan and any other discretionary executive share plan adopted by the Company.

Treasury Shares will count as new issue Shares for the purposes of these limits unless institutional investors decide that they need not count.

Shares issued or to be issued under awards or options granted before the Company listed on the London Stock Exchange will not count towards these limits.

Alterations to the Plan

The Committee may, at any time, amend the Plan in any respect, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Shares or the transfer of treasury Shares, the basis for determining a participant’s entitlement to, and the terms of, the Shares or cash to be acquired and the adjustment of awards.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made 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 participants or for any company in the Company’s group. Shareholder approval will also not be required for any amendments to any performance condition applying to an award.

Overseas plans

The shareholder resolution to approve the Plan will allow the Board to establish further plans for overseas territories, any such plan to be similar to the Plan, but modified to take account of local tax, exchange control or securities laws, provided that any Shares made available under such further plans are treated as counting against the limits on individual and overall participation in the Plan.



A leader in inhaled pharmaceuticals

Vectura Group plc

One Prospect West
Chippenham
Wiltshire SN14 6FH
United Kingdom

T +44 (0)1249 667700

F +44 (0)1249 667701

E investorqueries@vectura.com

www.vectura.com

Registered in England and Wales

Number: 3418970