

PMI GLOBAL SERVICES INC

and

VECTURA GROUP PLC

COOPERATION AGREEMENT

RELATING TO THE PROPOSED ACQUISITION OF
VECTURA GROUP PLC

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THIS AGREEMENT is made on 9 July 2021:

BETWEEN:

- (1) PMI Global Services Inc., a company incorporated in Delaware with file number 3590514 ("**PMI Bidder**"); and
- (2) Vectura Group plc, a public limited company incorporated in England and Wales whose registered office is at One, Prospect West, Chippenham, Wiltshire, SN14 6FH, United Kingdom with registered number 03418970 ("**Vectura**"),

together referred to as the "**parties**" and each as a "**party**" to this agreement (the "**Agreement**").

WHEREAS:

- (A) PMI Bidder, a wholly owned subsidiary of Philip Morris International, Inc., proposes to announce immediately following execution of this Agreement, a firm intention to make a recommended offer for the entire issued and to be issued ordinary share capital of Vectura on the terms and subject to the conditions set out in the 2.7 Announcement (the "**Transaction**").
- (B) The parties intend that the Transaction will be implemented by way of a scheme of arrangement of Vectura pursuant to Part 26 of the Act (the "**Scheme**"), but PMI Bidder reserves the right, as set out in (and subject to the terms and conditions of) the 2.7 Announcement and this Agreement, to elect to implement the Transaction by way of a contractual takeover offer as defined in Chapter 3 of Part 28 of the Act and as governed by the Code (the "**Offer**").
- (C) The parties have agreed to take certain steps to effect the implementation and conduct of the Transaction and wish to enter into this Agreement to record their respective rights, commitments and obligations relating to such steps.

IT IS AGREED as follows:

1. INTERPRETATION

1.1 In this Agreement:

"**2.7 Announcement**" means the announcement to be released by PMI Bidder and Vectura pursuant to Rule 2.7 of the Code in relation to the Transaction, in substantially the form set out in Schedule 2 (*2.7 Announcement*);

"**Acceptance Condition**" means, if applicable, the acceptance condition to the Offer;

"**Act**" means the Companies Act 2006 as amended from time to time;

"**Adverse Recommendation Change**" means:

- (a) if Vectura makes an announcement prior to the publication of the Scheme Document that:

- (i) the Vectura Directors no longer intend to make the Vectura Board Recommendation or intend adversely to modify or qualify such recommendation;
 - (ii) it shall not convene the Court Meeting or the General Meeting; or
 - (iii) it intends not to publish the Scheme Document;
- (b) any failure to include the Vectura Board Recommendation in the Scheme Document;
- (c) any withdrawal, adverse qualification or adverse modification of the Vectura Board Recommendation (it being understood that the issue of any holding statement(s) by the Vectura Board following a change of circumstances shall not constitute such a withdrawal, adverse qualification or adverse modification so long as any such holding statement contains an express statement that such recommendation is not withdrawn, qualified or modified);
- (d) if, after the Scheme has been approved by Vectura Shareholders and/or the approval of the Vectura Resolutions at the General Meeting, the Vectura Directors announce that they shall not implement the Scheme (other than in connection with an announcement of an Offer or revised offer by PMI Bidder or one of its concert parties for Vectura); or
- (e) a third party announces a firm intention under the Code to make an offer or revised offer (whether or not it is subject to the satisfaction or waiver of any pre-conditions) for Vectura which is recommended by the Vectura Directors;

"Antitrust Regulatory Conditions" means the Conditions set out in paragraphs 3(a) and 3(b) of Part A of Appendix 1 to the 2.7 Announcement;

"Awards" means options granted under the Vectura Share Plans;

"Business Day" means a day, other than a Saturday or Sunday or public or bank holiday, on which banks in London are generally open for business;

"Clean Team and Joint Defence Agreement" means the clean team and joint defence agreement entered into between Vectura and Philip Morris Products S.A. and their respective legal counsel on 15 June 2021 including any subsequent agreement in writing to be bound by the terms of the Clean Team and Joint Defence Agreement executed by Additional Counsel (as defined in the Clean Team and Joint Defence Agreement);

"Clearances" means all approvals, consents, clearances, permissions, confirmations, comfort letters and waivers that may need to be obtained, all filings that may need to be made and all waiting periods that may need to have expired, from or under any Laws or practices applied by any Relevant Authority (or under any agreements or arrangements to which any Relevant Authority is a party), in each case that are necessary and/or expedient to satisfy one or more of the Regulatory Conditions; and any reference to any Clearance having been "**satisfied**" shall be construed as meaning that the foregoing has been obtained, or where relevant, made or expired;

"Code" means the UK City Code on Takeovers and Mergers in force as at 4 July 2021 and interpreted by the Panel;

"Competing Proposal" means:

- (a) an offer (including a partial, exchange or tender offer), merger, acquisition, dual-listed structure, scheme of arrangement, reverse takeover and/or business merger (or the announcement of a firm intention to do the same), the purpose of which is to acquire, directly or indirectly, 30 per cent. or more of the ordinary issued or to be issued ordinary share capital of Vectura (when aggregated with the shares already held by the acquiror and any person acting or deemed to be acting in concert with the acquiror) or any arrangement or series of arrangements which results in any person acquiring, consolidating or increasing control (as defined in the Code) of Vectura;
- (b) the acquisition or disposal, directly or indirectly, of all or a significant proportion (being 30 per cent. or more) of the business, assets and/or undertakings of the Vectura Group calculated by reference to any of its revenue, profits or value taken as a whole;
- (c) a demerger, or any material reorganisation and/or liquidation, involving all or a significant proportion (being 30 per cent. or more) of the Vectura Group calculated by reference to any of its revenue, profits or value taken as a whole; or
- (d) any other transaction which would be reasonably likely materially to preclude, impede or delay or prejudice the implementation of the Transaction (including, for the avoidance of doubt, any transaction or arrangement which would constitute a Class 1 transaction for the purposes of the Listing Rules undertaken by a member of the Vectura Group),

in each case which is not effected by PMI Bidder (or a person acting in concert with PMI Bidder) or at PMI Bidder's direction or with PMI Bidder's agreement, whether implemented in a single transaction or a series of transactions and whether conditional or otherwise;

"Conditions" means:

- (a) for so long as the Transaction is being implemented by means of the Scheme, the conditions to the implementation of the Transaction (including the Scheme) as set out in Appendix 1 to the 2.7 Announcement and to be set out in the Scheme Document and
- (b) for so long as the Transaction is being implemented by means of an Offer, the conditions referred to in (a) above, as amended by replacing the Scheme Conditions with the Acceptance Condition,

in each case as amended by PMI Bidder with the consent of Vectura and, where required, the Panel;

"**Confidentiality Agreement**" means the confidentiality agreement entered into between Philip Morris Products S.A., Vectura and Vectura Limited in connection with the Transaction dated 7 June 2021;

"**Court**" means the High Court of Justice in England and Wales;

"**Court Meeting**" means the meeting of the holders of Vectura Shares to be convened by order of the Court pursuant to section 896 of the Act for the purpose of considering and, if thought fit, approving the Scheme, notice of which will be set out in the Scheme Document, including any adjournment thereof;

"**Court Sanction Date**" means the date on which the Scheme is sanctioned by the Court;

"**DRP**" means the Vectura directors' remuneration policy as approved by Vectura Shareholders from time to time;

"**Effective Date**" means the date upon which either:

- (a) the Scheme becomes effective in accordance with its terms; or
- (b) if PMI Bidder elects to implement the Transaction by way of the Offer, the Offer becomes or is declared unconditional in all respects;

"**FCA Handbook**" means the Financial Conduct Authority's Handbook of rules and guidance as amended from time to time;

"**FDI Regulatory Conditions**" means the Conditions set out in paragraphs 3(c) to 3(d) (inclusive) of Part A of Appendix 1 to the 2.7 Announcement;

"**Law**" means any applicable statutes, common law, rules, ordinances, regulations, codes, orders, judgments, injunctions, writs, decrees, directives, governmental guidelines or interpretations having the force of law or bylaws, in each case, of a Relevant Authority;

"**Long Stop Date**" means 11.59 p.m. London time on 31 December 2021 or such later time and/or date as may be agreed by the parties in writing (if applicable with the Panel's consent or the Court's approval);

"**Notice**" has the meaning given to it in Clause 11.1;

"**Offer**" has the meaning given to it in Recital (B), and any reference to Offer also includes any increased, renewed or revised offer;

"**Offer Document**" means, if PMI Bidder elects to implement the Transaction by means of an Offer, the document setting out (among other things) details of the Transaction and the full terms and conditions of the Offer, to be sent to (among others) the Vectura Shareholders, including any revised or supplementary offer document;

"**Panel**" means the UK Panel on Takeovers and Mergers;

"**PMI Bidder Directors**" means the directors of PMI Bidder from time to time;

"**PMI Group**" means PMI Bidder, its ultimate parent undertaking and such parent undertaking's subsidiary undertakings from time to time and "**member of the PMI Group**" shall be construed accordingly;

"**Regulation**" means Council Regulation (EC) No 139/2004 (as amended);

"**Regulatory Conditions**" means the Antitrust Regulatory Conditions, the FDI Regulatory Conditions and the Condition set out in paragraph 3(e) of Part A of Appendix 1 to the 2.7 Announcement;

"**Regulatory Information Service**" means a regulatory information service as defined in the FCA Handbook;

"**Relevant Authority**" means any central bank, ministry, governmental, quasi-governmental, national, supranational (including the European Union), statutory, regulatory, environmental, administrative, supervisory, fiscal or investigative body or authority (including any antitrust, competition or merger control authority, any sectoral ministry or regulator and any foreign investment review body), tribunal, court, trade agency, association, institution, employee representative body or any other body or person whatsoever in any jurisdiction, including, without limitation, the Panel;

"**Relevant Third Parties**" has the meaning given to it in Clause 17.1;

"**Remedies**" means any conditions, obligations, measures, commitments, modifications, undertakings, remedies (including, but not limited to, disposals and any pre-divestiture reorganisations) or assurance (financial or otherwise) offered or required in connection with the obtaining of any Clearances provided, in each such case, that these solely relate to the Company and/or its subsidiaries' business and/or assets;

"**Sanction Hearing**" means the hearing of the Court of the petition to sanction the Scheme pursuant to section 899 of the Act, including any adjournment thereof;

"**Scheme**" has the meaning given to it in Recital (B), and reference to the Scheme also includes any modified, renewed or revised scheme;

"**Scheme Conditions**" means the Conditions relating to the Scheme becoming effective in accordance with its terms, set out in paragraphs 1 and 2 of Part A of Appendix 1 to the 2.7 Announcement;

"**Scheme Document**" means the circular to be sent to (among others) Vectura Shareholders setting out (among other things) details of the Transaction, the full terms and conditions of the Scheme and the explanatory statement required pursuant to Part 26 of the Act and incorporating the notices convening the Court Meeting and the Vectura General Meeting, including any revised or supplementary circular;

"**SIPs**" means the Vectura Share Incentive Plan, the Vectura Global Share Incentive Plan, the Skyepharma Share Incentive Plan 2014 and the Skyepharma International Share Plan;

"**Transaction**" has the meaning given to it in Recital (A);

"**Vectura Board**" means the board of directors of Vectura from time to time;

"Vectura Board Recommendation" means a unanimous and unqualified recommendation by the Vectura Board to Vectura Shareholders (i) that Vectura Shareholders vote in favour of the Scheme at the Court Meeting and the Vectura Resolutions at the General Meeting or (ii) if PMI Bidder elects to implement the Transaction by means of the Offer, to accept the Offer, as the case may be;

"Vectura Bonus Scheme" means the guidelines relating to the Vectura bonus arrangements as disclosed to PMI Bidder prior to the date of this Agreement and Vectura's past practice on redundancy;

"Vectura Directors" means the directors of Vectura from time to time;

"Vectura EBT" means the Vectura Employee Benefit Trust;

"Vectura General Meeting" means the general meeting of holders of Vectura Shares which are in issue as at the Voting Record Time (including any adjournment thereof) to be convened and held in connection with the Transaction to consider, and if thought fit, approve the shareholder resolution(s) necessary to enable Vectura to implement the Transaction;

"Vectura Group" means Vectura and its subsidiary undertakings from time to time and **"member of the Vectura Group"** shall be construed accordingly;

"Vectura Remuneration Committee" means the remuneration committee of the board of directors of Vectura as constituted prior to the Effective Date;

"Vectura Resolutions" means such shareholder resolutions of Vectura to be proposed at the General Meeting for the purposes of, amongst other things, approving and implementing the Scheme and certain amendments to the articles of association of Vectura;

"Vectura Share Plans" means the Vectura Approved Share Option Plan, the Vectura Unapproved Share Option Plan, the Vectura 2012 Long Term Incentive Plan, the Vectura 2015 Long Term Incentive Plan Long Term Incentive Plan, the Vectura Group plc Deferred Share Bonus Plan 2017 and the Vectura Group plc 2014 Sharesave Scheme;

"Vectura Shareholders" means the registered holders of Vectura Shares from time to time;

"Vectura Shares" means the ordinary shares of 0.0271 pence each in the capital of Vectura; and

"Voting Record Time" has the meaning given to it in the 2.7 Announcement.

1.2 In this Agreement, except where the context otherwise requires:

1.2.1 the expression **"group"**, in relation to a party, means that party together with its subsidiaries and subsidiary undertakings from time to time;

1.2.2 the expressions **"subsidiary"**, **"subsidiary undertaking"**, **"parent"** and **"parent undertaking"** shall have the meanings given in the Act;

- 1.2.3 the expression "**acting in concert**" has the meaning given to it in the Code;
- 1.2.4 a reference to an enactment or statutory provision includes a reference to any subordinate legislation made under the relevant enactment or statutory provision and is a reference to that enactment, statutory provision or subordinate legislation as from time to time amended, consolidated, modified, re-enacted or replaced;
- 1.2.5 references to one gender include other genders;
- 1.2.6 words in the singular include the plural and vice versa;
- 1.2.7 a reference to a "**person**" includes a reference to an individual, an individual's executors or administrators, a partnership, a firm, a body corporate, an unincorporated association, government, state or agency of a state, local or municipal authority or government body, a joint venture or association (in any case, whether or not having separate legal personality);
- 1.2.8 a reference to a Recital, Clause or Schedule (other than to a schedule to a statutory provision) shall be a reference to a recital, clause or schedule (as the case may be) to this Agreement;
- 1.2.9 references to times are to London time;
- 1.2.10 any reference to a "**day**" (including within the phrase "**Business Day**") shall mean a period of 24 hours running from midnight to midnight;
- 1.2.11 references to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall in respect of any jurisdiction other than England be deemed to include what most nearly approximates the English legal term in that jurisdiction;
- 1.2.12 references to "**writing**" shall include any modes of reproducing words in any legible form and include email except where otherwise expressly stated;
- 1.2.13 a reference to "**includes**" or "**including**" shall mean "includes without limitation" or "including without limitation" respectively;
- 1.2.14 the rule known as the *ejusdem generis* rule shall not apply and accordingly general words introduced by the word "other" shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things;
- 1.2.15 general words shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words;
- 1.2.16 where the words "reasonable endeavours" are used in this Agreement in relation to the performance of any act by a party, such party shall be required to take only those steps in performing such act as are commercially reasonable having

regard to such party's circumstances at the time, but shall not be required to ensure such act's performance by assuming material expenditure or otherwise;

1.2.17 a reference to any other document referred to in this Agreement is a reference to that other document as amended, varied, novated or supplemented at any time; and

1.2.18 references to this Agreement include this Agreement as amended or supplemented in accordance with its terms.

1.3 The headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

1.4 The Schedules form part of this Agreement and shall have the same force and effect as if set out in the body of this Agreement and any reference to this Agreement shall include the Schedules.

2. PUBLICATION OF THE 2.7 ANNOUNCEMENT AND TERMS OF THE TRANSACTION

2.1 The obligations of the parties under this Agreement, other than Clause 1, this Clause 2.1 and Clause 9 to 24 (inclusive), shall be conditional on the release of the 2.7 Announcement via a Regulatory Information Service at or before 10.00 a.m. on 9 July 2021 or such later date and time as the parties may agree (and, where required by the Code, the Panel may approve). Clause 1, this Clause 2.1 and Clause 9 to 24 (inclusive) shall take effect on and from execution of this Agreement.

2.2 The terms of the Transaction shall be as set out in the 2.7 Announcement, together with such other terms as may be agreed by the parties in writing (save in the case of an improvement to the terms of the Transaction, which shall be at the sole discretion of PMI Bidder) and, where required by the Code, approved by the Panel. The terms of the Transaction at the date of posting of the Scheme Document shall be set out in the Scheme Document. Should PMI Bidder elect to implement the Transaction by way of an Offer, the terms of the Transaction shall be set out in the announcement made in accordance with paragraph 8 of Appendix 7 of the Code of the switch to an Offer and in the Offer Document.

3. REGULATORY CLEARANCES

3.1 PMI Bidder undertakes to Vectura, to the extent permitted by applicable Law and subject to the terms of the Offer and without prejudice to its ability to invoke any of the Conditions (with the consent of the Panel) or its obligations under the Code, to cooperate with Vectura and its professional advisers to use its reasonable endeavours to implement the Transaction in substantially the form contemplated by the 2.7 Announcement.

3.2 Without prejudice to the foregoing, PMI Bidder shall use its reasonable endeavours to secure the Clearances as soon as reasonably practicable following the date of this Agreement and in any event in sufficient time to enable the Effective Date to occur by the Long Stop Date provided always that, for the purposes of this Clause 3.2 only, using "its reasonable endeavours" shall also include using all reasonable endeavours to offer or accept any Remedies required to satisfy the Regulatory Conditions.

- 3.3 Except where otherwise required by applicable Law or a Relevant Authority, PMI Bidder shall after reasonable consultation with Vectura:
- 3.3.1 determine the strategy to be pursued for obtaining the Clearances including timing and sequencing for contacting and corresponding with the Relevant Authorities;
 - 3.3.2 contact and correspond with the Relevant Authorities promptly and diligently in relation to the Clearances, including submitting and preparing, with the assistance of Vectura in accordance with this Agreement, all necessary filings, notifications and submissions; and
 - 3.3.3 be responsible for the payment of all filing fees required in connection with the Clearances, unless such fees are payable by Vectura under applicable local Law.
- 3.4 Save to the extent prohibited by applicable Law or the Relevant Authority, each party undertakes to the other party to:
- 3.4.1 provide as soon as reasonably practicable, and in any event in sufficient time before any applicable deadline or due date:
 - (a) all such information as may be necessary for the parties to determine in which jurisdictions any merger control, regulatory or other filing, notification or submission with a Relevant Authority may be necessary or expedient for the purposes of obtaining the Clearances;
 - (b) all such information as may reasonably be required for inclusion in any filings, notifications or submissions to any Relevant Authority for the purposes of obtaining the Clearances or for inclusion in any responses to any requests for further information consequent upon such filings, notifications or submissions; and
 - (c) all such other assistance as may reasonably be required for the purposes of obtaining the Clearances;
 - 3.4.2 provide as soon as reasonably practicable in consultation with the other party such information and access to management and employees as any Relevant Authority may or, in the case of management only, the other party may, reasonably require for the purposes of making a filing, notification or submission to any Relevant Authority in connection with the Clearances;
 - 3.4.3 provide, or procure the provision of, to the other party (and/or its legal advisers) draft copies of all filings, notifications, submissions, material correspondence and material communications (including, in the case of material non-written correspondence or communications, reasonably detailed summaries of such correspondence or communications) intended to be submitted, sent or communicated to any Relevant Authority in connection with obtaining any Clearance, at such time as will allow the other party (and/or its legal advisers) a reasonable opportunity to review and comment on such filings, notifications, submissions, correspondence and communications before they are submitted,

- sent or communicated, together with final copies so submitted, sent or communicated;
- 3.4.4 take into account reasonable comments made promptly by the other party (and/or its legal advisers) on draft copies of filings, notifications, submissions, material correspondence and material communications provided pursuant to Clause 3.4.3;
 - 3.4.5 as soon as reasonably practicable provide, or procure the provision of, to the other party (and/or its legal advisers) copies of all filings, notifications, submissions, material correspondence and material communications in the form finally submitted, sent or communicated to any Relevant Authority in connection with obtaining any Clearance (including, in the case of material non-written correspondence or communications, reasonably detailed summaries of such correspondence or communications);
 - 3.4.6 as soon as reasonably practicable notify the other party (and/or its legal advisers) of, and provide copies of, any material correspondence and material communications (including, in the case of material non-written correspondence or communications, reasonably detailed summaries of such correspondence or communications) received from any Relevant Authority in connection with obtaining the Clearances;
 - 3.4.7 give the other party (and/or its legal advisers) reasonable notice of any meetings, hearings or material telephone calls with any Relevant Authority in connection with obtaining the Clearances and allow the other party (and/or its legal advisers) to attend and make reasonable oral submissions during any such meetings, hearings or telephone calls (provided, where practicable, such oral submissions have been discussed by the parties in advance) and, where such attendance and participation is not recommended or permitted by applicable Law or the Relevant Authority, to provide, to the extent so permitted, the other party with a written summary of such meeting, hearing or telephone call as soon as reasonably practicable following the meeting, hearing or telephone call;
 - 3.4.8 keep the other party (and/or its legal advisers) informed as soon as reasonably practicable of developments which are material or potentially material to obtaining of any of the Clearances; and
 - 3.4.9 not withdraw a filing, submission or notification made to any Relevant Authority in connection with obtaining any of the Clearances without the prior consent of the other party.
- 3.5 PMI Bidder shall be responsible for preparing first drafts of any written submission regarding each Regulatory Condition and shall as soon as practicable following the date of this Agreement and, in any case, not later than twenty Business Days following the date of this Agreement, prepare and submit the notifications required to satisfy the Antitrust Regulatory Conditions.
- 3.6 PMI Bidder shall not, without the prior written consent of Vectura (such consent not to be unreasonably withheld, delayed or conditioned):

- 3.6.1 request a referral to the European Commission pursuant to Article 4(5) of the Regulation. Unless otherwise agreed, the parties each undertake to take all reasonable action to resist a referral to the European Commission pursuant to Article 22 of the Regulation; or
 - 3.6.2 elect to notify the Transaction to the United Kingdom Competition and Markets Authority under section 96 of the Enterprise Act 2002.
- 3.7 If a provision of this Agreement obliges PMI Group or Vectura (the "**disclosing party**") to disclose any information to the other party in connection with securing the Clearances:
- 3.7.1 that is personally identifiable information of a director, partner, officer or employee of the disclosing party or any member of its group or any of their respective affiliates, unless that information can reasonably be anonymised (in which case the disclosing party shall provide the relevant information on an anonymous basis);
 - 3.7.2 which the disclosing party reasonably considers to be commercially or competitively sensitive;
 - 3.7.3 which the disclosing party is prohibited from disclosing by applicable Law or the terms of an existing contract; or
 - 3.7.4 where such disclosure would result in the loss of privilege that subsists in relation to such information (including legal professional privilege),

the disclosing party may redact such information from any documents shared with the other party and / or, to the extent permitted by applicable Law, disclose the relevant information to the other party on an outside counsel basis as Restricted Information as defined in, and pursuant to, the Clean Team and Joint Defence Agreement, provided that neither party will be required to disclose information to the other under this Clause 3 if and to the extent such disclosure would reasonably material adverse effect on the disclosing party's legitimate business interest, and such information may be provided by the disclosing party directly to the Relevant Authority (and in such circumstances, the disclosing party shall provide, or procure the provision of, to the other a non-confidential version of such information).

- 3.8 Except with the prior written consent of Vectura, until the Regulatory Conditions are fulfilled, PMI Bidder shall not, and shall procure that no member of the PMI Group, take, or omit to take, or permit or cause to be taken or omitted to be taken, any action, or enter into any acquisition, transaction or other agreement which would, or would be reasonably likely to, have the effect of preventing, materially impeding, materially delaying or materially prejudicing the satisfaction of the Regulatory Conditions or completion of the Transaction at the earliest practicable date.

4. **SCHEME DOCUMENT**

- 4.1 Subject to Clause 3.7, PMI Bidder shall (and will procure that each member of the PMI Group shall):

- 4.1.1 as soon as reasonably practicable provide to Vectura (and/or its legal advisers) all such information about itself, the PMI Bidder Directors, the PMI Group or any other person acting in concert with PMI Bidder (including any information required by the Code or under other applicable Law, including in relation to the intentions of PMI Bidder) as may be reasonably requested and which is required by Vectura (and/or its legal advisers), having regard to the Code and other applicable Law, for inclusion in the Scheme Document;
- 4.1.2 as soon as reasonably practicable provide all such other assistance and access as may be reasonably required for the preparation of the Scheme Document and any other document required by the Code or other applicable Law to be published in connection with the Scheme, including access to, and procuring that reasonable assistance is provided by, PMI Bidder's relevant professional advisers; and
- 4.1.3 procure that the PMI Bidder Directors (and any other person connected with PMI Bidder and/or the PMI Group, as required by the Panel) accept responsibility, in the terms required by the Code, for all the information in the Scheme Document (including any expressions of opinion), and any other document required by the Code or other applicable Law to be published in connection with the Scheme, relating to themselves (and their close relatives (as defined in the Code), related trusts and companies and persons connected with them), the PMI Group, PMI Bidder's concert parties, the financing of the Transaction, information on PMI Bidder's future plans for the Vectura Group and its management and employees, any statements of the opinion, belief, intention or expectation of PMI Bidder or the PMI Bidder Directors in relation to the Transaction or the enlarged PMI Group following the Effective Date and any other information in the Scheme Document for which an offeror and/or its directors are required to accept responsibility under the Code.

5. IMPLEMENTATION OF THE SCHEME

- 5.1 Where the Transaction is being implemented by way of the Scheme, PMI Bidder undertakes to deliver a notice in writing to Vectura prior to the Sanction Hearing confirming either:
 - 5.1.1 the satisfaction or waiver of the Conditions (other than the Scheme Conditions); or
 - 5.1.2 its intention to invoke one or more Conditions (if permitted by the Panel) and providing reasonable details of the event which has occurred, or circumstances which have arisen, which PMI Bidder reasonably considers entitles it to invoke such Condition or treat it as unsatisfied or incapable of satisfaction and why (if applicable under the Code) PMI Bidder considers such event or circumstance to be sufficiently material for the Panel to permit it to invoke such Condition.
- 5.2 Where the Transaction is being implemented by way of the Scheme, PMI Bidder shall instruct counsel to appear on its behalf at the Sanction Hearing and undertake to the Court to be bound by the terms of the Scheme in so far as it relates to PMI Bidder to the extent that all the Conditions (other than the Scheme Conditions) have been satisfied or waived prior to or on the date of the Sanction Hearing.

- 5.3 Where the Transaction is being implemented by way of the Scheme, PMI Bidder shall vote in favour of the resolutions proposed at the Vectura General Meeting in respect of any Vectura Shares it holds (whether beneficially or otherwise) at the Voting Record Time, save to the extent that PMI Bidder invokes one or more Conditions (if permitted by the Panel) in which case PMI Bidder shall provide to Vectura reasonable details of the event which has occurred, or circumstances which have arisen, which PMI Bidder considers entitles it to invoke such Condition or treat it as unsatisfied or incapable of satisfaction and why (if applicable under the Code) PMI Bidder considers such event or circumstance to be sufficiently material for the Panel to permit it to invoke such Condition.
- 5.4 If PMI Bidder becomes aware of any fact, matter or circumstance that it reasonably considers would entitle PMI Bidder to invoke any of the Conditions and the Panel would permit it to so invoke (applying the test set out in Rule 13.5 of the Code to the extent such Rule is relevant), PMI Bidder (subject to any restriction under applicable Law) shall inform Vectura as soon as reasonably practicable.

6. VECTURA SHARE PLANS AND EMPLOYEE MATTERS

The parties agree that the provisions of Schedule 1 (Vectura Share Plans and Employee Matters) with respect to certain employee-related matters shall be implemented in accordance with that Schedule.

7. DIRECTORS AND OFFICERS INSURANCE

- 7.1 To the extent permitted by applicable Law, for six years after the Effective Date, PMI Bidder shall procure that the members of the Vectura Group honour and fulfil their respective obligations (if any) existing as at the date of this Agreement to indemnify their respective current directors and officers and to advance reasonable expenses, and provide all reasonable assistance to the current Vectura Directors and officers to the extent they need to make a claim against the existing Vectura directors' and officers' insurance policy (including an associated run off cover), in each case with respect to matters existing or occurring at or prior to the Effective Date.
- 7.2 PMI Bidder acknowledges that Vectura may purchase directors' and officers' liability insurance cover for both current and former directors and officers of the Vectura Group, including directors and officers who retire or whose employment is terminated as a result of the Transaction, for acts and omissions up to and including the Effective Date, in the form of runoff cover for a period of six years following the Effective Date, provided that such insurance cover will be with reputable insurers and provide cover, in terms of amount and breadth, substantially equivalent to that provided under the Vectura Group's directors' and officers' liability insurance as at the date of this Agreement.

8. CODE AND RELEVANT LAW

- 8.1 Nothing in this Agreement shall in any way limit the parties' obligations or those of their respective directors under the Code and any other applicable Law, and any uncontested rulings of the Panel as to the application of the Code in conflict with the terms of this Agreement shall take precedence over the terms of this Agreement.

8.2 The parties agree that, if the Panel determines that any provision of this Agreement that requires Vectura to take or not take action, whether as a direct obligation or as a condition to any other person's obligation (however expressed), is not permitted by Rule 21.2 of the Code, that provision shall have no effect and shall be disregarded and neither Vectura nor Vectura Directors shall have any obligation to take or not take any such action.

8.3 Nothing in this Agreement shall oblige Vectura or the Vectura Directors to recommend an Offer or a Scheme proposed by PMI Bidder, any member of the PMI Group or any other person acting in concert with PMI Bidder.

9. **TERMINATION**

9.1 This Agreement shall terminate with immediate effect and subject to Clauses 9.2 and 9.3, all rights and obligations of the parties under this Agreement shall cease immediately as follows:

9.1.1 if agreed in writing between the parties at any time;

9.1.2 if the 2.7 Announcement is not released via a Regulatory Information Service at or before 10.00 a.m. on 9 July 2021 (unless, prior to that time, the parties have agreed another later time and date in accordance with Clause 2.1);

9.1.3 upon service of written notice by PMI Bidder to Vectura, if one or more of the following occurs:

(a) an Adverse Recommendation Change occurs;

(b) a Competing Proposal becomes effective or is declared or becomes unconditional in all respects; or

9.1.4 upon service of written notice by either party to the other party, if prior to the Long Stop Date, any Condition has been invoked by PMI Bidder (where the invocation of the relevant Condition has been permitted by the Panel);

9.1.5 the Transaction is withdrawn, terminated or lapses in accordance with its terms prior to the Long Stop Date and, where required, with the consent of the Panel (other than (i) where such lapse or withdrawal is as a result of the exercise of PMI Bidder's right to effect a switch from the Scheme to the Offer; or (ii) it is otherwise to be followed within five Business Days (or such other period as Vectura and PMI Bidder may agree) by an announcement under Rule 2.7 of the Code made by PMI Bidder or any person acting in concert with PMI Bidder (or deemed to be acting in concert with PMI Bidder) to implement the Transaction by a different offer or scheme); or

9.1.6 unless otherwise agreed by the parties in writing or required by the Panel, if the Effective Date has not occurred by the Long Stop Date.

9.2 Termination of this Agreement shall be without prejudice to the rights of either party which have or may have arisen at or prior to termination.

9.3 This Clause 9 and Clauses 1, 8 and 10 to 20 (inclusive), 23 and 24 shall survive termination of this Agreement.

10. WARRANTIES AND UNDERTAKINGS

10.1 Each of the parties warrants to the other on the date of this Agreement that:

10.1.1 it has the requisite power and authority to enter into and perform its obligations under this Agreement;

10.1.2 this Agreement constitutes its legal, valid and binding obligations in accordance with its terms; and

10.1.3 the execution and delivery of, and performance of its obligations under, this Agreement shall not:

- (a) result in a breach of any provision of its constitutional documents;
- (b) result in a breach of, or constitute a default under, any instrument (which is material in the context of the Transaction) to which it is a party or by which it is bound; or
- (c) result in a breach of any order, judgment or decree of any court or governmental agency to which it is a party or by which it is bound.

10.2 No party shall have any claim against the other for breach of warranty after the Effective Date (without prejudice to any liability to fraudulent misrepresentation or fraudulent misstatement).

10.3 PMI Bidder warrants to Vectura that as at the date of this Agreement no shareholder resolution of PMI Bidder is required to implement the Transaction.

11. NOTICES

11.1 A notice under or in connection with this Agreement (a "**Notice**") shall be:

11.1.1 in writing;

11.1.2 in the English language; and

11.1.3 delivered personally or sent by first class post pre-paid recorded delivery (and air mail if overseas) or by email to the party due to receive the Notice at the address specified in Clause 11.2 (or to another address specified by that party by not less than seven days' written notice to the other party).

11.2 The address referred to in Clause 11.1.3 is:

11.2.1 in the case of PMI Bidder:

Address: FAO Yann Guerin, Philip Morris Products S.A., Avenue de Rhodanie 50, 1007 Lausanne, Switzerland

Email: [REDACTED]

Marked for the attention of Yann Guerin, Associate General Counsel,

and in the case of any Notice given to the address specified above, a copy (which shall not constitute Notice) shall be provided by email to the email address specified above;

11.2.2 in the case of Vectura:

Address: Manning House, 22 Carlisle Pl, Westminster, London SW1P 1JA

Email: [REDACTED]

Marked for the attention of: John Murphy, General Counsel and Company Secretary;

11.3 A party may change its notice details on giving notice to the other party of the change in accordance with Clauses 11.1, 11.2 and 11.4.

11.4 Unless there is evidence that it was received earlier, a Notice is deemed given:

11.4.1 if delivered personally, when left at the address referred to in Clause 11.2;

11.4.2 if sent by post, except air mail, two Business Days after posting it;

11.4.3 if sent by air mail, six Business Days after posting it; or

11.4.4 if sent by email, when sent provided that receipt shall not occur if the sender receives an automated message indicating that the message has not been delivered to the recipient.

Any Notice sent outside of the hours of 9am to 5.30pm shall be deemed to be given at the start of the next Business Day.

11.5 Each party shall, where it sends a Notice by email to the other party, within two Business Days send a hard copy of the relevant Notice via hand delivery or first class post to the physical address of the other party.

12. **REMEDIES AND WAIVERS**

12.1 No delay or omission by any party to this Agreement in exercising any right, power or remedy provided by Law or under this Agreement shall:

12.1.1 affect that right, power or remedy; or

12.1.2 operate as a waiver of it.

12.2 The single or partial exercise of any right, power or remedy provided by Law or under this Agreement shall not preclude any other or further exercise of it or the exercise of any other right, power or remedy.

12.3 The rights, powers and remedies provided in this Agreement are cumulative and not exclusive of any rights, powers and remedies provided by Law.

12.4 Without prejudice to any other rights and remedies which either party may have, each party acknowledges and agrees that damages alone may not be an adequate remedy for any breach by either party of the provisions of this Agreement and the other party shall be entitled to seek the remedies of injunction, specific performance and other equitable remedies, for any threatened or actual breach of any such provision of this Agreement by a party hereto and no proof of special damages shall be necessary for the enforcement by either party of the rights under this Agreement.

13. **VARIATION**

No variation of this Agreement shall be valid unless it is in writing (which, for this purpose, does not include email) and signed by or on behalf of each of the parties.

14. **INVALIDITY**

14.1 If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the Law of any jurisdiction, that shall not affect or impair:

14.1.1 the legality, validity or enforceability in that jurisdiction of any other provision of this Agreement; or

14.1.2 the legality, validity or enforceability under the Law of any other jurisdiction of that or any other provision of this Agreement,

and, if such provision would be valid and enforceable if deleted in whole or in part or reduced in application, such provision shall apply with such deletion or modification as may be necessary to make it valid and enforceable.

15. **ENTIRE AGREEMENT**

15.1 Save for the Confidentiality Agreement and the Clean Team and Joint Defence Agreement (each of which remain in force) and any other agreements the parties agree in writing are deemed to be included in this Clause 15, this Agreement constitutes the whole and only agreement between the parties relating to the Transaction and supersedes any previous agreement whether written or oral between the parties in relation to the Transaction.

15.2 Except in the case of fraud, each party acknowledges that it is entering into this Agreement in reliance upon only this Agreement and that it is not relying upon any pre-contractual statement that is not set out in this Agreement.

15.3 Except in the case of fraud, no party shall have any right of action (including those in tort or arising under statute) against the other party arising out of or in connection with any pre-contractual statement except to the extent that it is repeated in this Agreement.

15.4 For the purposes of this Clause 15, "**pre-contractual statement**" means any draft, agreement, undertaking, representation, warranty, promise, assurance or arrangement of any nature whatsoever, whether or not in writing, relating to the subject matter of this Agreement made or given by any person at any time before the date of this Agreement.

16. **LANGUAGE**

16.1 Each Notice or other communication under or in connection with this Agreement shall be in English.

17. **THIRD PARTY RIGHTS**

17.1 Clause 7 is intended to confer benefits on and be enforceable by the third parties referred to therein (the "**Relevant Third Parties**").

17.2 Subject to Clause 17.1, a person who is not a party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of term of, or enjoy any benefit under, this Agreement.

17.3 The parties may terminate, rescind, vary, amend or waive any provision of this Agreement without the consent of the Relevant Third Parties, except that any variation, amendment or waiver of Clause 7 shall require the consent of any affected Relevant Third Party.

17.4 Notwithstanding anything that may be expressed or implied in this Agreement and without prejudice to Clause 17.1 above, the parties acknowledge and agree that no recourse hereunder, or under any documents or instruments delivered in connection herewith, may be had against any past, present or future officer, agent or employee of either party, any direct or indirect holder of any equity interests or securities of either party (whether such holder is a limited or general partner, member, manager, stockholder or otherwise), any controlling person or affiliate of either party, or any direct or indirect director, officer, employee, partner, affiliate, member, manager, controlling person, agent or representative of any of the foregoing (any such person or entity, a "**Related Person**" and collectively, "**Related Persons**"), whether by the enforcement of any judgment or assessment or by any legal or equitable proceeding, or by virtue of any statute, regulation or other applicable law, and no personal liability whatsoever will attach to, be imposed on or otherwise be incurred by, any Related Person under this Agreement or any document or instrument delivered in connection herewith.

18. **NO PARTNERSHIP**

No provision of this Agreement creates a partnership between any of the parties or makes a party the agent of another party for any purpose. A party has no authority or power to bind, to contract in the name of, or to create a liability for another party in any way or for any purpose.

19. **ASSIGNMENT**

Except as otherwise expressly provided in this Agreement and provided that (i) PMI Bidder shall be entitled to assign the benefit of this Agreement to another member of the PMI Group and (ii) Vectura shall be entitled to assign the benefit of this Agreement to another member of the Vectura Group, no party shall be entitled to assign (whether absolutely or by way of security and whether in whole or in part), transfer, mortgage, charge, declare itself a trustee for a third party of, or otherwise dispose of (in any manner whatsoever) the benefit of this Agreement (or any part of it) or sub-contract in

any manner whatsoever its performance under this Agreement without the prior written consent of the other party.

20. COSTS AND EXPENSES

Save as expressly provided otherwise, each party shall pay its own costs and expenses in relation to the negotiation, preparation, execution and carrying into effect of this Agreement and any matter contemplated by it.

21. FURTHER ASSURANCE

Each party shall, at its own cost, use reasonable endeavours to, or procure that any relevant third party shall, do and/or execute and/or perform all such further deeds, documents, assurances, acts and things as may reasonably be required to give effect to this Agreement.

22. PROCESS AGENT

PMI Bidder agrees that it shall at all times maintain an agent for service of process and any other documents and proceedings in England. PMI Bidder confirms that Philip Morris Limited, 10 Hammersmith Grove, London W6 7AP has been appointed as its agent to receive and acknowledge on its behalf service of any claim form, application notice, order, judgement or other notice of legal process in England.

23. COUNTERPARTS

23.1 This Agreement may be executed in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each party has executed at least one counterpart. Each counterpart shall constitute an original of this Agreement, but all the counterparts shall together constitute but one and the same instrument.

23.2 Delivery of an executed counterpart signature page of this Agreement by email (pdf) or facsimile shall be as effective as delivery of a manually executed counterpart of this Agreement. In relation to each counterpart, upon confirmation by or on behalf of the signatory that the signatory authorises the attachment of such counterpart signature page on the final text of this Agreement, such counterpart signature page shall take effect with such final text as a complete authorised counterpart.

24. GOVERNING LAW AND JURISDICTION

24.1 This Agreement is to be governed by and construed in accordance with English law. Any matter, claim or dispute arising out of or in connection with this Agreement, whether contractual or non-contractual, is to be governed by and determined in accordance with English law.

24.2 The parties irrevocably submit to the exclusive jurisdiction of the courts of England and Wales in respect of any matter, claim or dispute arising out of or in connection with this Agreement, whether contractual or non-contractual.

IN WITNESS WHEREOF the parties have executed this Agreement on the date first set out above.

EXECUTED BY

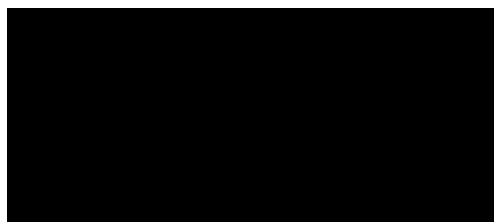
acting for and on behalf of
PMI GLOBAL SERVICES INC.

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Denis Tikhonov
VP M&A
08/07/2021

EXECUTED BY)
JOHN MURPHY -)
COMPANY SECRETARY)
)
acting for and on behalf of)
VECTURA GROUP PLC)



SCHEDULE 1
VECTURA SHARE PLANS AND EMPLOYEE MATTERS

PART 1
VECTURA SHARE PLANS AND SIPs

1 Appropriate proposals to be made

- 1.1 Subject to applicable legal and regulatory requirements, PMI Bidder shall make appropriate proposals to the participants in the Vectura Share Plans, where and as required under Rule 15 of the Code, based on the treatment set out in Paragraph 3 below (the "**Proposals**"). Vectura and PMI Bidder intend that (i) the Proposals will be detailed in joint letters from Vectura and PMI Bidder to participants in the relevant Vectura Share Plans and (ii) the treatment of the SIPs will be detailed in joint letters from Vectura and PMI Bidder to participants in the SIPs. The joint letters will be prepared by Vectura and agreed with PMI Bidder and distributed by Vectura at the same time as the Scheme Document is published (or such later time as Vectura and PMI Bidder and the Panel may agree).
- 1.2 If the Transaction is implemented by way of a Scheme, the parties will ensure the timetable for its implementation is fixed so far as possible to enable Awards which provide for vesting and/or exercise on the Court Sanction Date to vest or be exercised in sufficient time to enable the resulting Vectura Shares to be bound by the Scheme on the same terms as Vectura Shares held by Vectura Shareholders.
- 1.3 If the Transaction is implemented by way of an Offer, references to Court Sanction Date in this Schedule will be read as if they refer to the date on which the Offer becomes or is declared unconditional in all respects and the parties shall work together in good faith to agree any modifications to the Proposals as may be necessary or desirable.

2 Exercise of discretions and administration of the Vectura Share Plans and the SIPs

- 2.1 Subject always to Rule 21 of the Code and subject to this Agreement, PMI Bidder acknowledges that before completion of the Transaction, the Vectura Directors (and, where appropriate the Vectura Remuneration Committee) may operate the Vectura Share Plans and the SIPs as they consider appropriate in accordance with the rules of the relevant Vectura Share Plan, the SIPs, the DRP and Vectura's normal practice.
- 2.2 PMI Bidder acknowledges that, from the date of this Agreement, Vectura may satisfy the vesting or exercise of any Awards or any awards under the SIPs by issuing new Vectura Shares or transferring market purchased shares or cash-settling Awards, always in accordance with the terms of the relevant Vectura Share Plan or the SIPs.
- 2.3 Subject always to Vectura's ability to make recommendations to the trustee of the Vectura EBT to use any unallocated Vectura Shares held in the Vectura EBT to satisfy

Awards vesting or being exercised in the normal course, Vectura intends, in priority to the issue of new Vectura Shares, to recommend to the trustee of the Vectura EBT that the trustee will use the Vectura Shares held in the Vectura EBT to satisfy the vesting or exercise of any Awards which occurs in connection with the Transaction.

- 2.4 Vectura and PMI Bidder agree that Vectura will propose an amendment to the Vectura articles of association and inclusion of a new article (to be set out in the notice of the Vectura General Meeting) under which, with effect from the Effective Date, Vectura Shares which are issued or transferred after the Effective Date as a result of the exercise of Awards under the Vectura Share Plans will be transferred to PMI Bidder for the same cash consideration as is payable by PMI Bidder to Vectura Shareholders under the Scheme .

3 Treatment of outstanding Awards under the Vectura Share Plans

- 3.1 Vectura confirms that as at 8 July 2021 there were the following options / awards outstanding under the Vectura Share Plans:

Vectura Share Plan	Form of Award(s)	Number of Vectura Shares subject to outstanding awards
Vectura Approved Share Option Plan	Option	2,578
Vectura Unapproved Share Option Plan	Option	43,092
Vectura Long Term Incentive Plans (2012 and 2015)	Option	16,197,814
Vectura Group plc Deferred Share Bonus Plan 2017	Option	193,377
Vectura Group plc 2014 Sharesave Scheme	Option	2,123,663
Unvested free and matching awards under the Vectura Global Share Incentive Plan		574,278
Total		19,134,802

- 3.2 Vectura further confirms that as at 8 July 2021 there were the following Vectura Shares held in trust on behalf of participants in the SIPs:

Arrangement	Number of Vectura Shares held under the SIPs:
Vectura Share Incentive Plan	3,929,511
Vectura Global Share Incentive Plan – partnership shares	102,574
Vectura Global Share Incentive Plan – vested free and matching shares	246,626
Skyepharma Share Incentive Plan 2014	53,914
Skyepharma International Share Plan – vested shares	41,831
Total	4,374,456

- 3.3 Vectura confirms that, save for the options and awards under the Vectura Share Plans and SIPs in the amounts referred to at Paragraphs 3.1 and 3.2, there are no other share incentive schemes, and that no other options or awards have been granted under the Vectura Share Plans and SIPs.

- 3.4 ***Vectura Approved Share Option Plan ("Approved Plan"), Vectura Unapproved Share Option Plan ("Unapproved Plan") and 2012 Long Term Incentive Plan ("2012 LTIP")***

All Awards under the Approved Plan, Unapproved Plan and 2012 LTIP have vested and will be treated as set out in Paragraph 3.8 below.

- 3.5 ***2015 Long Term Incentive Plan ("2015 LTIP")***

Awards granted under the 2015 LTIP which are unvested immediately before the Court Sanction Date will vest on the Court Sanction Date on the basis determined by the Vectura Remuneration Committee in accordance with the 2015 LTIP rules.

- 3.6 ***Vectura Group plc Deferred Share Bonus Plan 2017 ("DSBP")***

Awards granted under the DSBP which are unvested immediately before the Court Sanction Date will vest in full on the Court Sanction Date.

- 3.7 ***Vectura Group plc 2014 Sharesave Scheme ("SAYE")***

- 3.7.1 Awards granted under the SAYE which are unvested immediately before the Court Sanction Date will vest and become exercisable on the Court Sanction Date in accordance with the SAYE rules.

- 3.7.2 PMI Bidder agrees to make an ex gratia payment to those participants who exercise their Awards under the SAYE on the Court Sanction Date or during the exercise period permitted under the SAYE rules of a gross amount which shall be equal to the difference between the exercise price per Vectura Share and the value of the cash consideration payable by PMI Bidder to Vectura Shareholders under the Scheme plus a dividend equivalent equal to the value of the Interim Dividend (as defined below) multiplied by the additional number of Vectura Shares the participant would have acquired if they had continued their savings contract linked to their Award for the remainder of the savings contract.
- 3.7.3 For the avoidance of doubt, to the extent any income tax and/or employee social security contributions arise on the ex gratia payment, such income tax and/or social security will be payable by the participant.

3.8 ***Vested Awards***

Awards under the Vectura Share Plans which are vested prior to, or which vest on, Court Sanction shall remain exercisable as follows:

- 3.8.1 for the Approved Plan, Unapproved Plan and the SAYE, for a period of six months (as set out in the rules of the relevant plan); and
- 3.8.2 for the 2012 LTIP, 2015 LTIP and DSBP for a period of one month (as set out in the rules of the relevant plan),

from the Court Sanction Date and unless, they lapse earlier in accordance with the rules of the relevant plan, will lapse on the expiry of such period.

4 **Treatment of the SIPs**

4.1 ***Vectura Share Incentive Plan ("UK SIP") and Skyepharma Share Incentive Plan 2014 ("Skyepharma SIP")***

Vectura Shares held in the UK SIP trust and Skyepharma SIP trust will participate in the Scheme on the same terms as for other Vectura Shareholders.

4.2 ***Vectura Global Share Incentive Plan ("Global SIP") and Skyepharma International Share Plan ("Skyepharma ISP")***

- 4.2.1 Vectura Shares held in the Global SIP trust and Skyepharma ISP trust will participate in the Scheme on the same terms as for other Vectura Shareholders.
- 4.2.2 Awards granted under the Global SIP which are unvested immediately before the Court Sanction Date will vest on the Court Sanction Date.

5 **Interim dividend**

5.1 PMI Bidder acknowledges that in order to provide participants in the Vectura Share Plans and the SIPs with the benefit of the 19 pence cash dividend for each Vectura Share held at 6.00 p.m. on 28 May 2021 (the "**Interim Dividend**") payable by Vectura to Vectura Shareholders, the following shall apply:

5.1.1 a dividend equivalent shall be payable in cash to participants in the 2012 LTIP, 2015 LTIP, the DSBP and the Global SIP on the vesting or exercise of their Awards equal to the value of the Interim Dividend; and

5.1.2 Vectura shall pay to each participant in the Unapproved Plan, the Approved Plan and the SAYE, an ex gratia payment on exercise of their Awards equal to the Interim Dividend multiplied by each Vectura Share received on exercise,

and Vectura confirms no other dividend equivalent payments or similar are accrued on any Awards.

5.2 For the avoidance of doubt, to the extent any income tax and/or employee social security contributions arise on such payments, such income tax and/or social security will be payable by the participant

6 **Employee Benefit Trust**

6.1 As at the date of this Agreement, the Vectura EBT holds approximately £27,537.80 in cash and 570,138 Vectura Shares.

6.2 Vectura and PMI Bidder agree that the trustee of the Vectura EBT will be requested to use the Vectura Shares that it holds to satisfy outstanding Awards as far as possible.

6.3 To the extent there are insufficient Vectura Shares in the Vectura EBT to satisfy outstanding Awards, Vectura will consult with PMI Bidder on whether to request the trustee to use the cash in the Vectura EBT (and any additional funding as is necessary) to subscribe for new Vectura Shares or purchase existing Vectura Shares to satisfy outstanding Awards.

PART 2
EMPLOYEE MATTERS

1 Ordinary course of business arrangements

PMI Bidder acknowledges that, prior to the Effective Date, Vectura will carry out annual (or other periodic) pay reviews, appraisals and promotion rounds in the ordinary course of business and consistent with past practice.

2 Annual bonus

2.1 Vectura and PMI Bidder agree that:

2.1.1 bonus determinations for any Vectura financial year completed before the Effective Date will be undertaken by Vectura and determined and paid by Vectura in accordance with the DRP and consistent with past practice with payment being made on the normal bonus payment date; and

2.1.2 for the Vectura financial year in which the Effective Date occurs:

(i) bonus determinations for the period up to the Effective Date will be undertaken by Vectura and determined and paid by Vectura in accordance with the DRP and consistent with normal practice with payment being made on the normal bonus payment date; and

(ii) bonus determinations for the period from the Effective Date to the end of that financial year will be undertaken by PMI Bidder with payment being made on the normal bonus payment date.

3 Continuing employment

3.1 PMI Bidder will, on and following the Effective Date, fully observe the existing contractual terms and conditions of employment of all employees of Vectura, including in relation to pensions, in accordance with applicable Law.

3.2 For twelve months following the Effective Date, and without prejudice to any rights of Vectura or PMI Bidder to dismiss any person in accordance with applicable Law, Vectura and PMI Bidder agree that for each employee on or immediately before the Effective Date who remains in employment PMI Bidder will:

3.2.1 maintain base pay, benefits, allowances and variable pay opportunities that are no less favourable in the aggregate than those provided to such employee immediately before the Effective Date (having regard to the fact that Vectura will not be listed following the Effective Date and that PMI Bidder intends to introduce incentive plans in keeping with private equity ownership); and/or

3.2.2 not amend any material terms and conditions of employment (whether or not in writing) to the employee's detriment,

save (a) where such employee has consented in writing to the amendment; or (b) where such change is made either (i) pursuant to the exercise of a contractual right of Vectura which existed at the date of this Agreement, exercised reasonably and in good faith by Vectura; or (ii) as a result of any closure or change announced by Vectura on or before the date of this Agreement; or (iii) pursuant to or as a result of any programme, plan and/or cost savings targets disclosed by Vectura on or before the date of this Agreement.

4 **Remuneration on severance**

4.1 Vectura and PMI Bidder acknowledge and agree that where any employee of the Vectura Group is served with (or serves) notice of a Qualifying Termination within the period of twelve months from the Effective Date, the employee will:

4.1.1 be paid any applicable statutory redundancy payment (if any) and any enhanced redundancy payment to which the employee is entitled under the Vectura Redundancy Policy;

4.1.2 receive any bonus entitlement calculated on a pro-rata basis to the date of termination, to the extent provided by the Vectura Bonus Scheme;

4.1.3 in respect of any outstanding Awards (for the avoidance of doubt, to the extent such Awards are vested on the Court Sanction Date and remain outstanding during the period referred to in Paragraph 3.8), be treated as a good leaver (or any similar or equivalent concept);

4.1.4 receive a reasonable and appropriate contribution to their legal fees consistent with Vectura's practice if required to sign a settlement agreement on termination of employment; and

4.1.5 as provided for by a Vectura Redundancy Policy, receive outplacement counselling.

4.2 In this Schedule, a "**Qualifying Termination**" is:

4.2.1 any termination of employment by the applicable employer by reason of redundancy or other similar concept under any applicable Law; or

4.2.2 a termination by reason of the employee's resignation, where they are found by a court of competent jurisdiction to have been, or their employer agrees that they have been, dismissed in circumstances amounting to constructive dismissal (or other similar concept under any applicable law); or

4.2.3 a termination by reason of the employee's resignation by reason of a breach of one or more of the obligations set out in Paragraph 3.2 above.

4.3 In this Schedule, a "**Vectura Redundancy Policy**" is any policy or established practice of the Vectura Group which is in existence at the date of this Agreement and has been

disclosed to PMI Bidder prior to the date of this Agreement and/or any policy or arrangement agreed between Vectura and PMI Bidder from time to time.

SCHEDULE 2
2.7 ANNOUNCEMENT

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN WHOLE OR IN PART IN, INTO OR FROM ANY JURISDICTION OTHER THAN THE UNITED KINGDOM WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

9 July 2021

RECOMMENDED CASH ACQUISITION

of

Vectura Group plc ("Vectura")

by

PMI Global Services Inc. ("PMI Bidder")

**a wholly owned direct subsidiary of Philip Morris International Inc. ("PMI")
to be implemented by a Scheme of Arrangement
under Part 26 of the Companies Act 2006**

Summary

- The boards of Vectura, PMI and PMI Bidder are pleased to announce that they have reached agreement on the terms of a recommended cash acquisition pursuant to which PMI Bidder shall acquire all of the issued and to be issued ordinary shares of Vectura ("**Vectura Shares**"). The Acquisition is to be effected by means of a scheme of arrangement under Part 26 of the Companies Act.
- Pursuant to the Acquisition, holders of Vectura Shares ("**Vectura Shareholders**") shall be entitled to receive:

for each Vectura Share held 150 pence in cash

(the "Cash Consideration")

- The Cash Consideration represents a premium of approximately:
 - 10 per cent. to the cash consideration of 136 pence per Vectura Share under the terms of the Carlyle Offer;
 - 55 per cent. to the volume weighted average Ex-Dividend Closing Price of 97 pence per Vectura Share for the 3 months ended 25 May 2021 (being the last Business Day prior to the announcement of the offer from Carlyle);
 - 53 per cent. to the volume weighted average Ex-Dividend Closing Price of 98 pence per Vectura Share for the 1 month ended 25 May 2021 (being the last Business Day prior to the announcement of the offer from Carlyle); and

- 46 per cent. to the Ex-Dividend Closing Price per Vectura Share of 103 pence per Vectura Share on 25 May 2021 (being the last Business Day prior to the announcement of the offer from Carlyle).
- The Cash Consideration and the Interim Dividend of 19 pence per Vectura Share which was paid on 11 June 2021 together value the Vectura Shares at 169 pence each (the "**Acquisition Value**"). The Acquisition Value values the entire issued and to be issued ordinary share capital of Vectura at approximately £1.045 billion.
- If, on or after the date of this announcement, any dividend, distribution or other return of value is declared, made or paid, or becomes payable, by Vectura with a record time falling prior to the Effective Time, PMI Bidder reserves the right to reduce the Cash Consideration payable for each Vectura Share by an amount up to the amount of such dividend, distribution or other return of value. In such circumstances, Vectura Shareholders would be entitled to retain any such dividend, distribution or other return of value declared, made or paid.
- The Vectura Directors have withdrawn their recommendation of the Carlyle Offer and will adjourn the Carlyle Offer Shareholder Meetings convened for 12 July 2021.

Background to and reasons for the Acquisition

- PMI is expanding into products beyond tobacco and nicotine, as part of a natural evolution into a broader healthcare and wellness company. In February 2021, it announced its ambition to generate at least \$1 billion in annual net revenues from Beyond Nicotine products by 2025 and identified respiratory drug delivery as a key focus. Since becoming an independent company in 2008, PMI has invested over \$8 billion in the development, scientific substantiation and commercialisation of innovative smoke-free products, with the aim of disrupting its own traditional business – the manufacturing and sale of cigarettes – and accelerating the end of smoking.
- This ambition is founded on PMI's strong understanding of aerosolisation and respiratory technology, its promising product development pipeline, and its willingness to continue investing in research and development, manufacturing and commercialisation. A combination of expertise in life sciences, inhalation technology, the use of natural ingredients, commercial deployment and experience of how to change consumer behaviour is the strong foundation for PMI's Beyond Nicotine business.
- PMI has committed substantial financial and human resources to developing, scientifically substantiating and commercialising innovative technologies to improve the lives of adult smokers, thereby transforming its business as it purposefully works to phase out cigarettes for a smoke-free future. It has already built the world's leading smoke-free brand (*IQOS*) and business in five years since the first full launch, with net revenues of \$6.8 billion in 2020 representing almost one quarter of its business. PMI aims to be a predominantly smoke-free company by 2025, with more than half of its net revenues from smoke-free products. A version of its innovative *IQOS* heated tobacco product was the first electronic smoke-free alternative to cigarettes to be authorised as a "Modified Risk Tobacco Product" by the FDA.
- PMI's Beyond Nicotine strategy articulates a clear long-term ambition to leverage its know-how and capabilities in inhalation and aerosolisation into key focus areas such as

respiratory drug delivery – notably in inhaled therapeutics. By 2025, PMI aims to generate at least \$1 billion in net revenues from products beyond tobacco and nicotine.

- PMI intends for Vectura to operate as an autonomous business unit, forming the backbone of PMI's inhaled therapeutic business. PMI is supportive of Vectura's current strategy to become one of the leading CDMOs in this segment and believes there are attractive opportunities to develop and launch proprietary inhaled therapeutic products together, and to expand the geographic reach of Vectura's business.
- The market for inhaled therapeutics is large and growing rapidly as technologies improve, with significant potential to expand into new application areas beyond the current market offering. Vectura is well positioned in this area, and PMI believes it can leverage Vectura's strengths together with its own to create better products to target unmet medical and consumer needs, in addition to being supportive of Vectura's current strategy to become one of the leading CDMOs in its segment. Under its ownership, PMI believes that Vectura can further enhance an already strong foundation through the access to capital and complementary expertise the Acquisition would provide.
- PMI has already committed resources to its own internal pipeline for the development of inhaled over-the-counter and prescription products. By adding Vectura's differentiated technologies and pharmaceutical development expertise for the delivery of complex inhaled therapeutics to PMI's existing strengths and expertise in inhalation (including pre-clinical safety and toxicology, clinical development and regulatory) PMI believes this would be a compelling combination. In addition, PMI announced on 1 July 2021 its agreement to acquire Fertin Pharma, a leader in the oral delivery of selfcare wellness products.
- The Acquisition presents a further and meaningful opportunity to accelerate PMI's Beyond Nicotine journey by harnessing Vectura's highly complementary human capital, technology, high quality infrastructure and deep know-how of inhalable formulation and device design development and analysis, drug/device combination, and pharmaceutical management processes and systems.
- PMI's board and management are committed to investing in scientific excellence over the long-term. They believe that Vectura can further thrive under PMI's ownership, supported by the sharing of expertise, technology and ample financial resources – empowering Vectura's skilled employees and management to deliver enhanced products for patients and partners and long-term growth and returns.
- PMI believes that Vectura's capabilities and experienced management team – supported by more than 200 scientists in formulation, devices, inhalation, regulatory teams and clinical manufacturing – will help PMI develop its healthcare and wellness operations and PMI believes that Vectura will play a pivotal role in driving its Beyond Nicotine business forward.
- In summary, PMI believes that, with Vectura operating as an autonomous business unit and forming the backbone of PMI's inhaled therapeutics business, the Acquisition will allow PMI and Vectura to accelerate their respective business models and drive the creation of a fully-owned pipeline of products across a broad range of sectors in the prescription drugs and over-the-counter categories, for example within cardiovascular and pain management, in addition to a number of selfcare wellness remedies. PMI believes the shared commitment to scientific excellence and access to capital that the Acquisition would provide

can drive the development of innovative products and solutions which can improve people's lives and deliver a greater net positive impact on society.

Vectura Recommendation

- On 26 May 2021, Vectura and Murano, a newly formed company indirectly controlled by funds managed by Carlyle Europe Partners V, announced that they had agreed the terms of an acquisition of the entire issued and to be issued ordinary share capital of Vectura by Murano, to be implemented by a scheme of arrangement (the "**Carlyle Offer**"). The scheme document in respect of the Carlyle Offer was published on 18 June 2021 which included a unanimous recommendation from the Vectura Directors to the Vectura Shareholders to vote in favour of the Carlyle Offer at the Carlyle Offer Shareholder Meetings.
- In light of the superior proposal per Vectura Share put forward by PMI Bidder as compared to Murano, the Vectura Directors, who have been so advised by J.P. Morgan Cazenove and Rothschild & Co as to the financial terms of the Acquisition, consider the terms of the Acquisition to be fair and reasonable. In providing their financial advice to the Vectura Directors, J.P. Morgan Cazenove and Rothschild & Co have taken into account the commercial assessments of the Vectura Directors. Rothschild & Co is providing independent financial advice to the Vectura Directors for the purposes of Rule 3 of the Takeover Code.
- Accordingly, the Vectura Directors intend to recommend unanimously that Vectura Shareholders vote in favour of the Scheme at the Court Meeting and the resolutions to be proposed at the Vectura General Meeting, each to be convened in due course. The Vectura Directors have withdrawn their recommendation of the Carlyle Offer and will adjourn the Carlyle Offer Shareholder Meetings.

Information on PMI, PMI Bidder and Vectura

- In 2016 PMI announced its new purpose: to deliver a smoke-free future by focusing its resources on developing, scientifically substantiating and responsibly commercializing smoke-free products that are less harmful than smoking, with the aim of completely replacing cigarettes as soon as possible. This commitment was reaffirmed last year by PMI's Board of Directors in its Statement of Purpose, which explains how PMI is disrupting its business from the inside, leading the industry toward a future without cigarettes, acknowledging stakeholders, and ensuring the long-term success of the company.
- As of March 31, 2021, PMI estimates that 14.0 million adults around the world have already switched to its *IQOS* heated tobacco product and stopped smoking, with a further 5.1 million *IQOS* users in various stages of conversion. PMI's smoke-free products are available for sale in 66 markets in key cities or nationwide. In the US, a version of *IQOS* has received marketing authorisation from the FDA under the premarket tobacco product application (PMTA) pathway; the FDA has also authorised the marketing of a version of *IQOS* and its consumables as a Modified Risk Tobacco Product (MRTP), finding that an exposure modification order for these products is appropriate to promote the public health.
- Through multidisciplinary capabilities in product development, state-of-the-art facilities and scientific substantiation, as well as clinical, PMI aims to ensure that its smoke-free products meet adult consumer preferences and rigorous regulatory requirements. PMI's smoke-free product portfolio includes heat-not-burn and nicotine-containing vapor products, with a stated intention to enter the nicotine pouch segment in 2021.

- Vectura is a provider of innovative inhaled drug delivery solutions that enable partners to bring their medicines to patients. With differentiated proprietary technology and pharmaceutical development expertise, Vectura is one of the few companies globally with the device, formulation and development capabilities to deliver a broad range of complex inhaled therapies. Vectura has thirteen key inhaled and eleven non-inhaled products marketed by major global pharmaceutical partners with global royalty streams, and a diverse partnered portfolio of drugs in clinical development.

Timetable and Conditions

- It is intended that the Acquisition will be implemented by way of a scheme of arrangement under Part 26 of the Companies Act, further details of which are contained in the full text of this announcement and will be set out in the Scheme Document. PMI Bidder reserves the right to implement the Acquisition by way of a Takeover Offer, subject to the Panel's consent.
- Completion of the Acquisition will be conditional, inter alia, on the following matters:
 - the approval of the Scheme by a majority in number of the Vectura Shareholders who are present and vote at the Court Meeting, either in person or by proxy, and who represent 75 per cent. or more in value of the Vectura Shares voted by those Vectura Shareholders;
 - the approval by Vectura Shareholders of the resolutions relating to the Acquisition representing at least 75 per cent. of votes cast at the General Meeting;
 - the sanction of the Scheme by the Court;
 - the delivery of a copy of the Court Order to the Registrar of Companies;
 - the satisfaction or waiver of the UK National Security and Investment Condition and the German Foreign Investment Condition; and
 - approval under the respective merger control rules by the Competition and Consumer Protection Commission of the Republic of Ireland and the Japanese Fair Trade Commission being obtained.
- The Acquisition is subject to the full terms and Conditions which will be set out in the Scheme Document. Subject to the satisfaction or (where applicable) waiver of the Conditions, the Acquisition is expected to become Effective during H2 2021.
- The Scheme Document, containing further information about the Acquisition and notices of the Court Meeting and the General Meeting, together with an indicative timetable for implementation of the Scheme, will be dispatched to Vectura Shareholders (together with the Forms of Proxy) as soon as is reasonably practicable and, in any event, within 28 days of the date of this announcement (unless the Panel consents to a later date). The Court Meeting and the General Meeting are expected to be held in August 2021. Subject to certain restrictions relating to persons resident in Restricted Jurisdictions, the Scheme Document will also be made available on Vectura's website at www.Vectura.com and PMI's website at www.PMI.com.

Commenting on the Acquisition, Bruno Angelici, Vectura's chairman said:

The acquisition by PMI recognises Vectura's differentiated technologies, skills and expertise in inhalation and the continued development and supply of important medicines to patients.

We recognise the material increase in the price offered to Shareholders under the Acquisition when compared with the Carlyle Offer and have accordingly recommended the Acquisition to Shareholders. The Acquisition will provide our people with the opportunity to form the backbone of an autonomous inhaled therapeutic business unit of PMI, helping develop products to improve patients' lives and address unmet medical needs.

Commenting on the Acquisition, Jacek Olczak, PMI's Chief Executive Officer said:

We are delighted to welcome Vectura's great people and management team to join us in the next stage of our mission to improve people's lives through innovative developments in science and technology. We see Vectura's combination of device, formulation and development capabilities for inhaled therapeutics as highly complementary to our existing expertise, pipeline and experience in aerosolisation. The market for inhaled therapeutics is large and growing rapidly, with significant opportunities to address unmet needs. By joining forces and investing our resources in the continued scientific excellence of our two companies we can secure critical capabilities to accelerate our long-term growth in Beyond Nicotine products, which is a core strategic focus for PMI. We aim to achieve the first milestone of at least \$1 billion in Beyond Nicotine net revenues by 2025 as we continue to evolve into a broader healthcare and wellness company.

This summary should be read in conjunction with the full text of this announcement. The Acquisition shall be subject to the Conditions and further terms set out in Appendix I to this announcement and to the full terms and conditions which shall be set out in the Scheme Document. Appendix II to this announcement contains the sources of information and bases of calculations of certain information contained in this announcement. Appendix III contains definitions of certain expressions used in this summary and in this announcement.

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DLA Piper UK LLP is retained as legal adviser to PMI and PMI Bidder.

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Important Notices

*Merrill Lynch International ("**BofA Securities**"), a subsidiary of Bank of America Corporation, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting exclusively for PMI in connection with the matters set out in this announcement and for no one else and will not be responsible to anyone other than PMI for providing the protections afforded to its clients or for providing advice in relation to the subject matter of this announcement or any other matters referred to in this announcement.*

*J.P. Morgan Securities plc, which conducts its UK investment banking business as J.P. Morgan Cazenove ("**J.P. Morgan Cazenove**"), is authorised in the United Kingdom by the PRA and regulated in the United Kingdom by the PRA and the FCA. J.P. Morgan Cazenove is acting as financial adviser and corporate broker exclusively for Vectura and no one else in connection with the matters set out in this announcement and will not regard any other person as its client in relation to the matters in this announcement and will not be responsible to anyone other than Vectura for providing the protections afforded to clients of J.P. Morgan Cazenove or its affiliates, nor for providing advice in relation to any matter referred to herein.*

*N.M. Rothschild & Sons Limited ("**Rothschild & Co**"), which is authorised and regulated by the FCA in the United Kingdom, is acting exclusively for Vectura and for no one else in connection with the subject matter of this announcement and will not be responsible to anyone other than Vectura for providing the protections afforded to its clients or for providing advice in connection with the subject matter of this announcement.*

*Numis Securities Limited ("**Numis**"), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for Vectura and no one else in connection with the matters set out in this announcement and will not regard any other person as its client in relation to the matters in this announcement and will not be responsible to anyone other than Vectura for providing the protections afforded to clients of Numis, nor for providing advice in relation to any matter referred to herein.*

Further Information

This announcement is for information purposes only and does not constitute an offer to sell or an invitation to purchase any securities or the solicitation of an offer to buy any securities, pursuant to the Acquisition or otherwise.

The Acquisition shall be made solely by means of the Scheme Document (or, if the Acquisition is implemented by way of a Takeover Offer, any document by which the Takeover Offer is made) which, together with the Forms of Proxy (or form of acceptance), shall contain the full terms and conditions of the Acquisition, including details of how to vote in respect of the Acquisition.

This announcement has been prepared for the purpose of complying with English law and the Takeover Code and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws of jurisdictions outside England and Wales.

Vectura and PMI Bidder shall prepare the Scheme Document to be distributed to Vectura Shareholders. Vectura and PMI Bidder urge Vectura Shareholders to read the Scheme Document when it becomes available because it shall contain important information relating to the Acquisition.

This announcement does not constitute a prospectus or prospectus exempted document.

Overseas Shareholders

The release, publication or distribution of this announcement in or into certain jurisdictions other than the United Kingdom may be restricted by law. Persons who are not resident in the United Kingdom or who are subject to other jurisdictions should inform themselves of, and observe, any applicable requirements.

Unless otherwise determined by PMI Bidder or required by the Takeover Code, and permitted by applicable law and regulation, the Acquisition shall not be made available, directly or indirectly, in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction and no person may vote in favour of the Acquisition by any such use, means, instrumentality or form within a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction. Accordingly, copies of this announcement and all documents relating to the Acquisition are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction, and persons receiving this announcement and all documents relating to the Acquisition (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such jurisdictions where to do so would violate the laws in that jurisdiction.

The availability of the Acquisition to Vectura Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are resident. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable requirements.

The Acquisition shall be subject to the applicable requirements of the Takeover Code, the Panel, the London Stock Exchange and the Financial Conduct Authority.

Additional information for US investors

The Acquisition relates to shares of a UK company and is proposed to be effected by means of a scheme of arrangement under the laws of England and Wales. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules under the US Exchange Act.

Accordingly, the Acquisition is expected to be made subject to the disclosure and procedural requirements and practices applicable in the United Kingdom and to schemes of arrangement under the laws of England and Wales which differ from the disclosure and other requirements of the United States tender offer and proxy solicitation rules. Neither the SEC, nor any securities commission of any state of the United States, has approved the Acquisition, passed upon the fairness of the Acquisition or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offence in the United States.

However, if PMI Bidder were to elect (with the consent of the Panel) to implement the Acquisition by means of a takeover offer, such takeover offer shall be made in compliance with all applicable United States laws and regulations, including any applicable exemptions under the US Exchange Act. Such a takeover would be made in the United States by PMI Bidder and no one else.

In the event that the Acquisition is implemented by way of a takeover offer, in accordance with normal United Kingdom practice, PMI Bidder or its nominees, or its brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, shares or other securities of Vectura outside of the US, other than pursuant to the Acquisition, until the date on which the Acquisition and/or Scheme becomes effective, lapses or is otherwise withdrawn. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases or arrangements to purchase shall be disclosed as required in the UK, shall be reported to a Regulatory Information Service and shall be available on the London Stock Exchange website at www.londonstockexchange.com.

Each Vectura Shareholder is urged to consult their independent professional adviser immediately regarding the tax consequences of the Acquisition applicable to them, including under applicable United States state and local, as well as overseas and other, tax laws.

Financial information relating to Vectura included in this announcement and the Scheme Document has been or shall have been prepared in accordance with accounting standards applicable in the United Kingdom and may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

Vectura is organised under the laws of a country other than the United States. Some or all of the officers and directors of Vectura, respectively, are residents of countries other than the United States. In addition, most of the assets of Vectura are located outside the United States. As a result, it may be difficult for US shareholders of Vectura to effect service of process within the United States upon Vectura or its officers or directors or to enforce against them a judgment of a US court predicated upon the federal or state securities laws of the United States.

Forward-Looking Statements

This announcement (including information incorporated by reference in this announcement), oral statements made regarding the Acquisition, and other information published by Vectura, PMI Bidder or

any member of the PMI Group contain statements which are, or may be deemed to be, "forward-looking statements". Such forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and on numerous assumptions regarding the business strategies and the environment in which PMI Bidder or any member of the PMI Group shall operate in the future and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

The forward- looking statements contained in this announcement relate to PMI Bidder or any member of the PMI Group's future prospects, developments and business strategies, the expected timing and scope of the Acquisition and other statements other than historical facts. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "will look to", "would look to", "plans", "prepares", "anticipates", "expects", "is expected to", "is subject to", "budget", "scheduled", "forecasts", "synergy", "strategy", "goal", "cost-saving", "projects" "intends", "may", "will", "shall" or "should" or their negatives or other variations or comparable terminology. Forward-looking statements may include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of PMI Bidder's, any member of the PMI Group or Vectura's operations and potential synergies resulting from the Acquisition; and (iii) the effects of global economic conditions and governmental regulation on PMI Bidder's, any member of the PMI Group or Vectura's respective businesses.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. These events and circumstances include changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates, future business combinations or disposals, and any epidemic, pandemic or disease outbreak. If any one or more of these risks or uncertainties materialises or if any one or more of the assumptions prove incorrect, actual results may differ materially from those expected, estimated or projected. Such forward-looking statements should therefore be construed in the light of such factors.

Neither Vectura or any of PMI Bidder or any member of the PMI Group, nor any of their respective associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement shall actually occur. Given these risks and uncertainties, potential investors should not place any reliance on forward-looking statements.

Specifically, statements of estimated cost savings and synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. Due to the scale of the Vectura Group, there may be additional changes to the Vectura Group's operations. As a result, and given the fact that the changes relate to the future, the resulting cost synergies may be materially greater or less than those estimated.

The forward-looking statements speak only at the date of this announcement. All subsequent oral or written forward-looking statements attributable to any member of the PMI Group or Vectura Group, or any of their respective associates, directors, officers, employees or advisers, are expressly qualified in their entirety by the cautionary statement above.

Vectura, the PMI Group and PMI Bidder expressly disclaim any obligation to update such statements other than as required by law or by the rules of any competent regulatory authority, whether as a result of new information, future events or otherwise.

No profit forecasts or estimates

No statement in this announcement is intended as a profit forecast or estimate for any period and no statement in this announcement should be interpreted to mean that earnings or earnings per share for Vectura for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for Vectura.

Disclosure requirements of the Takeover Code

Under Rule 8.3(a) of the Takeover Code, any person who is interested in 1 per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 p.m. (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Takeover Code, any person who is, or becomes, interested in 1 per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 p.m. (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they shall be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at <http://www.thetakeoverpanel.org.uk/>, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact

the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

Electronic communications

Please be aware that addresses, electronic addresses and certain information provided by Vectura Shareholders, persons with information rights and other relevant persons for the receipt of communications from Vectura may be provided to PMI Bidder during the Offer Period as requested under Section 4 of Appendix 4 of the Takeover Code to comply with Rule 2.11(c) of the Takeover Code.

Publication on website and availability of hard copies

A copy of this announcement shall be made available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on Vectura's website at www.Vectura.com and on PMI's website at www.PMI.com by no later than 12 noon (London time) on the business day following the date of this announcement. For the avoidance of doubt, the contents of this website are not incorporated into and do not form part of this announcement.

You may request a hard copy of this announcement by contacting Vectura's registrar, Computershare Investor Services Plc, on 0370 707 1387 (or from outside of the UK, on +44 (0)370 707 1387) between 8:30 a.m. to 5:30 p.m. Monday to Friday (London time) or by submitting a request in writing to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ. Please note that Computershare cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. You may also request that all future documents, announcements and information to be sent to you in relation to the Acquisition should be in hard copy form.

Rounding

Certain figures included in this announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

General

If the Acquisition is effected by way of a Takeover Offer, such offer becomes or is declared unconditional in all respects and sufficient acceptances are received, PMI Bidder intends to exercise its rights to apply the provisions of Chapter 3 of Part 28 of the Companies Act so as to acquire compulsorily the remaining Vectura Shares in respect of which the Takeover Offer has not been accepted.

Investors should be aware that PMI Bidder may purchase Vectura Shares otherwise than under any Takeover Offer or the Scheme such as pursuant to privately negotiated purchases.

If you are in any doubt about the contents of this announcement or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor or independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriate authorised independent financial adviser.

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN WHOLE OR IN PART IN, INTO OR FROM ANY JURISDICTION OTHER THAN THE UNITED KINGDOM WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

9 July 2021

RECOMMENDED CASH ACQUISITION

of

Vectura Group plc ("Vectura")

by

PMI Global Services Inc. ("PMI Bidder")

**a wholly owned direct subsidiary of PMI International Inc.
to be implemented by a Scheme of Arrangement
under Part 26 of the Companies Act 2006**

1. Introduction

The boards of Vectura, PMI and PMI Bidder are pleased to announce that they have reached agreement on the terms of a recommended cash acquisition (the "**Acquisition**") pursuant to which PMI Bidder shall acquire all of the issued and to be issued ordinary shares of Vectura ("**Vectura Shares**"). The Acquisition is to be effected by means of a scheme of arrangement under Part 26 of the Companies Act.

2. The Acquisition

- Pursuant to the Acquisition, which shall be subject to the Conditions and further terms set out in Appendix I to this announcement and to be set out in the Scheme Document, holders of Vectura Shares ("**Vectura Shareholders**") shall be entitled to receive:

for each Vectura Share held 150 pence in cash

(the "Cash Consideration")

- The Cash Consideration represents a premium of approximately:
 - 10 per cent. to the cash consideration of 136 pence per Vectura Share under the terms of the Carlyle Offer;
 - 55 per cent. to the volume weighted average Ex-Dividend Closing Price of 97 pence per Vectura Share for the 3 months ended 25 May 2021 (being the last Business Day prior to the announcement of the offer from Carlyle); and
 - 53 per cent. to the volume weighted average Ex-Dividend Closing Price of 98 pence per Vectura Share for the 1 month ended 25 May 2021 (being the last Business Day prior to the announcement of the offer from Carlyle); and

- 46 per cent. to the Ex-Dividend Closing Price per Vectura Share of 103 pence per Vectura Share on 25 May 2021 (being the last Business Day prior to the announcement of the offer from Carlyle).
- The Cash Consideration and the Interim Dividend of 19 pence per Vectura Share which was paid on 11 June 2021 together value the Vectura Shares at 169 pence each (the "**Acquisition Value**"). The Acquisition Value values the entire issued and to be issued ordinary share capital of Vectura at approximately £1.045 billion.

If, on or after the date of this announcement, any dividend, distribution or other return of value is declared, made or paid, or becomes payable, by Vectura with a record time falling prior to the Effective Time, PMI Bidder reserves the right to reduce the Cash Consideration payable under the Acquisition by an amount up to the amount of such dividend, distribution or other return of value or excess. In such circumstances, Vectura Shareholders would be entitled to retain any such dividend, distribution or other return of value declared, made or paid.

It is expected that the Scheme Document shall be published as soon as practicable and, in any event, (save with the consent of the Panel) within 28 days of this announcement. It is expected that the Scheme shall become effective during H2 2021.

3. **Background to and reasons for the Acquisition**

Key Messages

- PMI is expanding into products beyond tobacco and nicotine, as part of a natural evolution into a broader healthcare and wellness company. In February 2021, it announced its ambition to generate at least \$1 billion in annual net revenues from Beyond Nicotine products by 2025, and identified respiratory drug delivery as a key focus. Since becoming an independent company in 2008, PMI has invested over \$8 billion in the development, scientific substantiation and commercialisation of innovative smoke-free products, with the aim of disrupting its own traditional business – the manufacturing and sale of cigarettes – and accelerating the end of smoking.
- This ambition is founded on PMI's strong understanding of aerosolisation and respiratory technology, its promising product development pipeline, and its willingness to continue investing in research and development, manufacturing and commercialisation. A combination of expertise in life sciences, inhalation technology, the use of natural ingredients, commercial deployment and experience of how to change consumer behaviour is the strong foundation for PMI's Beyond Nicotine business.
- PMI has committed substantial financial and human resources to developing, scientifically substantiating and commercialising innovative technologies to improve the lives of adult smokers, thereby transforming its business as it purposefully works to phase out cigarettes for a smoke-free future. It has already built the world's leading smoke-free brand (*IQOS*) and business in five years since the first full launch, with net revenues of \$6.8 billion in 2020 representing almost one quarter of its business. PMI aims to be a predominantly smoke-free company by 2025, with more than half of its net revenues from smoke-free products. A

version of its innovative *IQOS* heated tobacco product was the first electronic smoke-free alternative to cigarettes to be authorised as a "Modified Risk Tobacco Product" by the FDA.

- PMI's Beyond Nicotine strategy articulates a clear long-term ambition to leverage its know-how and capabilities in inhalation and aerosolisation into key focus areas such as respiratory drug delivery – notably in inhaled therapeutics. By 2025, PMI aims to generate at least \$1 billion in net revenues from products beyond tobacco and nicotine.
- PMI intends for Vectura to operate as an autonomous business unit, forming the backbone of PMI's inhaled therapeutic business. PMI is supportive of Vectura's current strategy to become one of the leading CDMOs in this segment and believes there are attractive opportunities to develop and launch proprietary inhaled therapeutic products together, and to expand the geographic reach of Vectura's business.
- The market for inhaled therapeutics is large and growing rapidly as technologies improve, with significant potential to expand into new application areas beyond the current market offering. Vectura is well positioned in this area, and PMI believes it can leverage Vectura's strengths together with its own to create better products to target unmet medical and consumer needs, in addition to being supportive of Vectura's current strategy to become one of the leading CDMOs in the segment. Under its ownership, PMI believes that Vectura can further enhance an already strong foundation through the access to capital and complementary expertise the Acquisition would provide.
- PMI has already committed resources to its own internal pipeline for the development of inhaled over-the-counter and prescription products. By adding Vectura's differentiated technologies and pharmaceutical development expertise for the delivery of complex inhaled therapeutics to PMI's existing strengths and expertise in inhalation (including pre-clinical safety and toxicology, clinical development and regulatory), PMI believes this would be a compelling combination. In addition, PMI announced on 1 July 2021 its agreement to acquire Fertin Pharma, a leader in the oral delivery of selfcare wellness products.
- PMI's board and management are committed to investing in scientific excellence over the long-term. They believe that Vectura can further thrive under PMI's ownership, supported by the sharing of expertise, technology and ample financial resources – empowering Vectura's skilled employees and management to deliver enhanced products for patients and partners and long-term growth and returns.
- The Acquisition presents a further and meaningful opportunity to accelerate PMI's Beyond Nicotine journey by harnessing Vectura's highly complementary human capital, technology, high quality infrastructure and deep know-how of inhalable formulation and device design development and analysis, drug/device combination, and pharmaceutical management processes and systems.
- PMI believes that Vectura's capabilities and experienced management team – supported by more than 200 scientists in formulation, devices, inhalation, regulatory teams and clinical manufacturing – will help PMI develop its healthcare and wellness operations and PMI believes that Vectura will play a pivotal role in driving its Beyond Nicotine business forward.
- In summary, PMI believes, with Vectura operating as an autonomous business unit and forming the backbone of PMI's inhaled therapeutics business that the Acquisition will allow PMI and Vectura to accelerate their respective business models and drive the creation of

a fully-owned pipeline of products across a broad range of sectors in the prescription drugs and over-the-counter categories, for example within cardiovascular and pain management, in addition to a number of selfcare wellness remedies. PMI believes the shared commitment to scientific excellence and access to the capital that the Acquisition would provide can drive the development of innovative products and solutions which can improve people's lives and deliver a greater net positive impact on society.

Background to PMI's Strategy

PMI is committed to building a sustainable business for sustainable growth over the long term. The main driver of this growth comes from addressing its biggest impact on society – that of the product. The first core element of this action is reflected in its continued commitment to developing smoke-free alternatives to accelerate the end of smoking. The second core element is the development and commercialisation of scientifically substantiated products and solutions Beyond Nicotine that aim to improve people's lives and deliver a net positive impact on society.

Since becoming an independent company in 2008, PMI has invested over \$8 billion in the development, scientific substantiation and commercialisation of innovative smoke-free products, with the aim of disrupting its own traditional business – the manufacturing and sale of cigarettes – and accelerating the end of smoking. PMI's ambition is for smoke-free products to account for more than 50% of total net revenues by 2025, having already reached approximately 24% in 2020, just five years after the first national launch of its initial smoke-free IQOS product.

In support of this smoke-free future, PMI has amassed significant expertise in aerosolisation and inhalation; and built world-class scientific assessment capabilities, including in the areas of aerosol chemistry and physics, pre-clinical systems toxicology and clinical studies, as well as behavioural research and post-market studies. PMI has met strict regulatory requirements in its sector, including in the US, where the FDA has authorised the marketing of a version of PMI's leading heated tobacco product IQOS as a "Modified Risk Tobacco Product" and deemed it 'appropriate for the promotion of public health'. This authorisation marked the first and so far only time that the FDA granted a marketing order for an innovative electronic alternative to cigarettes following a multi-year review of PMI's extensive scientific evidence package.

The critical next leg in PMI's transformation is leveraging this expertise and capabilities to expand into products beyond tobacco and nicotine, as part of a natural evolution in to a broader healthcare and wellness company. In February 2021, it announced its ambition to generate at least \$1 billion in annual net revenues from Beyond Nicotine products by 2025, and identified respiratory drug delivery and selfcare wellness products, such as botanicals, as key focus corridors. This ambition is founded on PMI's strong understanding of aerosolisation and respiratory technology, its promising product development pipeline, and its willingness to continue investing in research and development, manufacturing and commercialisation. A combination of expertise in life sciences, inhalation technology, the use of natural ingredients, commercial deployment and experience of how to change consumer behaviour is the strong foundation for PMI's Beyond Nicotine business.

In addition to its existing capabilities, PMI has developed a pipeline focused on inhaled therapeutics and selfcare wellness products for a wide variety of applications, for example within cardiovascular and pain management. PMI has allocated significant resources to research and development and equity investments, with a focus on addressable segments,

including but not limited to cardiovascular diseases and pain management, in addition to a number of selfcare wellness remedies.

4. Vectura Recommendation

On 26 May 2021, Vectura and Murano, a newly formed company indirectly controlled by funds managed by Carlyle Europe Partners V, announced that they had agreed the terms of an acquisition of the entire issued and to be issued ordinary share capital of Vectura by Murano, to be implemented by scheme of arrangement (the "Carlyle Offer"). The scheme document in respect of the Carlyle Offer was published on 18 June 2021 which included a unanimous recommendation from the Vectura Directors to the Vectura Shareholders to vote in favour of the Carlyle Offer at the Carlyle Offer Shareholder Meetings.

In light of the superior proposal per Vectura Share put forward by PMI Bidder as compared to the offer made by Murano, the Vectura Directors, who have been so advised by J.P. Morgan Cazenove and Rothschild & Co as to the financial terms of the Acquisition, consider the terms of the Acquisition to be fair and reasonable. In providing their financial advice to the Vectura Directors, J.P. Morgan Cazenove and Rothschild & Co have taken into account the commercial assessments of the Vectura Directors. Rothschild & Co is providing independent financial advice to the Vectura Directors for the purposes of Rule 3 of the Takeover Code.

Accordingly, the Vectura Directors intend to recommend unanimously that Vectura Shareholders vote in favour of the Scheme at the Court Meeting and the resolutions to be proposed at the Vectura General Meeting, each to be convened in due course. The Vectura Directors have withdrawn their recommendation of the Carlyle Offer and will adjourn the Carlyle Offer Shareholder Meetings.

5. Background to and reasons for the recommendation

At the time of the Carlyle Offer, the Vectura Directors concluded that the Carlyle Offer reflected the strength of the Vectura business today and its future prospects, and provided an opportunity for Vectura Shareholders to realise their investment in Vectura in cash in the near term. While the Vectura Directors believe the Vectura Group is well positioned for future continued success and that the long-term prospects of the Vectura Group are strong as an independent listed entity, it also recognises that uncertainties exist, many of which are beyond Vectura's control, all of which have been covered in the Carlyle Offer announcement.

The PMI Offer is a material increase and represents a significantly higher cash price per share to Vectura Shareholders.

The Vectura Directors note that PMI intends to operate Vectura as an autonomous business unit that will form the backbone of PMI's inhaled therapeutic business. Vectura Directors have also noted that PMI intends to increase the total level of expenditure on research and development that will further benefit Vectura's differentiated technologies and development expertise for the delivery of complex inhaled therapeutics.

Against this backdrop, the Vectura Directors have carefully considered the terms of PMI's Offer and note that:

- the Cash Consideration of 150 pence per Vectura Share represents:
 - an increase of 14 pence (or 10 per cent.) in cash for each Vectura Share as compared to the cash consideration under the Carlyle Offer of 136 pence per Vectura Share;

- a premium of 55 per cent. to the volume weighted average Ex-Dividend Closing Price per of 97 pence per Vectura Share for the 3 months ended 25 May 2021 (being the last Business Day prior to the announcement of the Carlyle Offer); and
- a premium of approximately 46 per cent. to the Ex-Dividend Closing Price per Vectura Share of 103 pence on 25 May 2021 (being the last Business Day prior to the announcement of the Carlyle Offer).
- the Acquisition Value of 169 pence per Vectura Share represents:
 - an increase of 14 pence (or 9 per cent.) in cash for each Vectura Share as compared to the acquisition value of 155 pence in cash for each Vectura Share under the Carlyle Offer; and
 - an implied adjusted enterprise value multiple of approximately 13.9x Vectura's adjusted EBITDA of £61 million for the 12 month period ended 31 December 2020.

Furthermore, the Vectura Directors have also had regard to PMI's intentions for the business, management and employees of Vectura. The Vectura Directors are pleased to note the great importance attached by PMI to the skills, knowledge and expertise of Vectura's management and employees in executing its strategy.

Accordingly, following careful consideration of the above factors, the Vectura Directors intend unanimously to recommend the Acquisition to Vectura Shareholders. The Vectura Directors have withdrawn their recommendation of the Carlyle Offer and will adjourn the Carlyle Offer Shareholder Meetings.

6. Information on the PMI Group and PMI Bidder

In 2016 PMI announced its new purpose: to deliver a smoke-free future by focusing its resources on developing, scientifically substantiating and responsibly commercializing smoke-free products that are less harmful than smoking, with the aim of completely replacing cigarettes as soon as possible. This commitment was reaffirmed last year by PMI's Board of Directors in its Statement of Purpose, which explains how PMI is disrupting its business from the inside, leading the industry toward a future without cigarettes, acknowledging stakeholders, and ensuring the long-term success of the company.

As of March 31, 2021, PMI estimates that 14.0 million adults around the world have already switched to its *IQOS* heated tobacco product and stopped smoking, with a further 5.1 million *IQOS* users in various stages of conversion. PMI's smoke-free products are available for sale in 66 markets in key cities or nationwide. In the US, a version of *IQOS* has received marketing authorisation from the FDA under the premarket tobacco product application (PMTA) pathway; the FDA has also authorised the marketing of a version of *IQOS* and its consumables as a Modified Risk Tobacco Product (MRTP), finding that an exposure modification order for these products is appropriate to promote the public health.

By the end of 2020, PMI's smoke-free products accounted for almost a quarter of its total net revenues, compared to essentially zero in 2015. In February of this year, PMI announced the goal for its smoke-free products to account for more than 50% of its total net revenues by 2025, and to generate at least \$1 billion in annual net revenues from Beyond Nicotine products in 2025.

PMI Bidder is a Delaware corporation having its registered seat at 120, Park Avenue New York, 10017 New York, United States, and is a wholly owned direct subsidiary of PMI.

7. Information on Vectura

Vectura is a public limited company registered in England and Wales. The Vectura Shares are listed on the Official List of the London Stock Exchange.

Vectura is a provider of innovative inhaled drug delivery solutions that enable partners to bring their medicines to patients. With differentiated proprietary technology and pharmaceutical development expertise, Vectura is one of the few companies globally with the device, formulation and development capabilities to deliver a broad range of complex inhaled therapies.

Vectura has thirteen key inhaled and eleven non-inhaled products marketed by major global pharmaceutical partners with global royalty streams, and a diverse partnered portfolio of drugs in clinical development.

8. Strategy, directors, management, employees, research and development and locations

PMI's Acquisition is part of a long-term commitment to the transformation of its business, not a search for short term gains and efficiency. PMI intends that Vectura would operate as an autonomous business unit of PMI following the Acquisition and sees employees as a key part of the Acquisition.

PMI believes that one of the major reasons Vectura has achieved the success they have to date is due in large part to the scientific & technical capabilities of the company, the diversity of Vectura's management and the strength of its workforce. The continuity of Vectura's management team and workforce is therefore critical to PMI's long-term goals. PMI has no intention of making any material changes to the conditions of employment for management or employees and intends to further invest in Vectura's capabilities and expertise, to maintain robust leadership development practices as well as the long-term employability of its workforce to further secure and boost its success over time.

As a Fortune 500 company with around 70,000 employees worldwide, PMI can provide long-term employee development and financial stability.

PMI intends to ensure business continuity in the delivery of Vectura's existing business lines and would continue with already announced plans regarding Vectura's headquarters and operations and has no plans for other changes to operations and locations.

Vectura's organisation and science will be a cornerstone of PMI's inhaled therapeutic and wellness propositions of the future. PMI believes that its Beyond Nicotine aerosolisation technologies and development pipeline would provide additional predictability, stability, and security for the future and would complement Vectura's current CDMO activities.

PMI is fully aware of Vectura's capabilities in the inhalation segment and has strong belief in its ability to innovate and support drug development in this segment. In addition to products currently in the pipeline, PMI believes that Vectura's platform and technology can also benefit from PMI's developing pipeline and that the Acquisition will facilitate the augmentation of the combined product portfolio of Vectura and PMI. PMI is supportive of Vectura's current strategy to become one of the leading CDMOs in this segment. PMI further believes that a combination

with PMI can bring Vectura significant institutional knowledge, commercial scale, experience in relevant areas and greater financial flexibility and capacity.

Prior to this announcement, consistent with market practice, PMI has been granted access to Vectura's senior management for the purposes of confirmatory due diligence.

Employees and management

PMI believes that one of the major reasons Vectura has achieved the success they have to date is due in no small part to the strength, scientific & technical capabilities and diversity of Vectura's management and the deep scientific expertise of its employees.

Vectura's management and employees will continue to be key to its future success which will be complemented and enhanced by the PMI Group's current capabilities and resources evidenced by PMI's standing as a widely recognised top employer and leader in gender equality, equitable pay, and environmental, social and corporate governance measures. Such recognitions include being:

- the first international company to achieve global EQUAL-SALARY certification;
- included in the 2021 Bloomberg Gender-Equity Index;
- a certified Global Top Employer for five consecutive years by the Top Employers Institute;
- ranked on CDP's A list for climate change for seven years in a row and awarded CDP's "triple A" score in 2020 for efforts to combat climate change and the protection of forests and water security; and
- included in the Dow Jones Sustainability Index North America.

PMI sees Vectura's management team presence and continuity as a critical component of the value of the company and PMI's long term ambitious strategic goals along with the expertise and skills possessed by employees throughout the Company. As such, PMI has no intention of making any material changes to the conditions of employment, nor does PMI intend to make any changes to the balance of skills and functions of Vectura's employees and management. PMI intends to further invest in people capabilities and expertise, and maintain Vectura's robust leadership development practices, as well as the long-term employability of its employees to further secure and boost its success over time.

There may be some limited restructuring required following completion of the Acquisition. In particular, once Vectura ceases to be a listed company, certain corporate and support functions relating to Vectura's status as a listed company may potentially require limited reductions in headcount. Other than in certain corporate and support functions relating to Vectura's status as a listed company, PMI does not intend to make any other headcount reductions, including in the UK.

It is intended that, upon completion of the Acquisition, each of the non-executive members of the Vectura Board shall resign from his or her office as a director of Vectura. Separately, PMI intends to approach select non-executive board members following the Acquisition to explore

how their expertise and experience may be of value to guiding the continued development of the business under PMI's ownership, although no such discussions have taken place thus far.

Existing rights and pensions

PMI confirms that, following the Acquisition becoming Effective, the existing contractual and employment rights, including Vectura's pension schemes, of Vectura's management and employees will be respected in accordance with applicable law.

PMI does not intend to make any material changes to the terms & conditions of Vectura's pension schemes, including the employer contributions, accrual of benefits for existing members or the rights of admission of new members.

Management incentivisation arrangements

PMI believes that the value of Vectura is driven by its management and employees and while PMI has not entered into, and has not discussed any form of incentivisation/retention arrangements with, members of Vectura's management, PMI expects to put in place certain incentive arrangements for the management of Vectura following the Acquisition becoming Effective, reflecting the autonomous operation of Vectura under PMI's ownership.

PMI also intends following the Acquisition becoming Effective to provide compensation and incentive programs consistent with Vectura's current compensation schemes, and to establish retention arrangements for Vectura's employees that will be jointly formulated between PMI and Vectura.

Research and development

PMI intends to continue Vectura's existing co-development projects and in-market partnerships and collaborations, and increase the total level of expenditure on research and development in line with PMI's plans and ambitions for Vectura.

In addition, PMI expects that joining forces will create an opportunity for Vectura to continue growing the CDMO business - while honouring existing commitments - and at the same time, together with PMI, take the lead in the creation of a fully owned pipeline of products across a broad range of sectors in the inhaled therapeutics and selfcare wellness space. PMI further expects that Vectura will have the opportunity to undertake the development of inhalable drug/device combinations end-to-end, being part of fully integrated teams where DDC is at its core, and utilising capabilities that PMI would be able to provide (such as pre-clinical, clinical, regulatory expertise and global reach). PMI intends to provide funding to conduct device/technology innovation and execute product development, and to bring such innovations to market with a view to enhancing the current pipeline of products.

Headquarters, locations and fixed assets

As disclosed in its Annual Report and Accounts 2020, Vectura intends to move part of its functions from its headquarters in Chippenham to a new Inhalation Centre of Excellence in the South West of England. PMI intends to continue with this transition. PMI does not intend to make any other material changes in the locations of Vectura's headquarters and headquarter functions.

Lyon site

In March 2021 Vectura signed a put option for the sale of the Lyon manufacturing facility. The sale was completed on 9 June 2021.

Muttenz Site

As announced in November 2020, Vectura intends to significantly reduce the research and development operations in Muttenz, Switzerland by 2022 (including in respect of employees). PMI intends to continue with this footprint optimisation.

Save as set out above, PMI Bidder has no intention to change the locations of Vectura's places of business or to redeploy the fixed assets of Vectura.

Trading Facilities

Vectura Shares are currently listed on the Official List and admitted to trading on the London Stock Exchange. As set out in paragraph 13, applications will be made for the cancellation of the listing of Vectura Shares on the Official List and the cancellation of trading of the Vectura Shares on the Main Market of the London Stock Exchange.

9. Vectura Share Plans

Participants in the Vectura Share Plans shall be contacted regarding the effect of the Scheme on their rights under the Vectura Share Plans and, where necessary, appropriate proposals shall be made to such participants in due course. Further details of the terms of such proposals shall be included in the Scheme Document.

The Scheme will extend to any Vectura Shares issued pursuant to the exercise of options or vesting of awards granted under the Vectura Share Plans at or before the Scheme Record Time. The Scheme will not extend to Vectura Shares issued after the Scheme Record Time. However, it is proposed to amend Vectura's articles of association at the General Meeting to provide that, if the Acquisition becomes Effective, any Vectura Shares issued to any person other than PMI Bidder or its nominees after the Scheme Record Time (including in satisfaction of an option exercised under one of the Vectura Share Plans) will be automatically transferred to PMI Bidder in consideration for the payment by PMI Bidder to those persons of an amount equal to the consideration payable for each Vectura Share so transferred.

Interim Dividend

Participants in the Vectura Share Incentive Plan (SIP), the Vectura Global Share Incentive Plan, the Skyepharma Share Incentive Plan and the Skyepharma International Share Plan participated in the Interim Dividend, in respect of the Vectura Shares they held as at 28 May 2021, in the same way as other Vectura Shareholders. In order to provide participants in the other Vectura Share Plans with the benefit of the Interim Dividend:

- an amount equal to the amount of the Interim Dividend shall be payable in cash to participants in the 2012 Vectura Long Term Incentive Plan, the 2015 Vectura Long Term Incentive Plan, the Vectura Deferred Share Bonus Plan and the Vectura Global Share Incentive Plan on the exercise or vesting of their awards equal to the value of the Interim Dividend for each Vectura Share received on exercise or vesting; and

- Vectura shall pay to each participant in the Vectura Approved Share Option Plan, the Vectura Unapproved Share Option Plan and the Vectura Sharesave (SAYE) scheme, an ex gratia cash payment on exercise of their awards equal to the amount of the Interim Dividend multiplied by the number of Vectura Shares received on exercise.

10. Financing

The Cash Consideration payable by PMI Bidder under the terms of the Acquisition will be funded from PMI Group's existing cash resources.

BofA Securities, financial adviser to PMI Bidder, is satisfied that sufficient resources are available to satisfy in full the Cash Consideration payable to Vectura Shareholders under the terms of the Acquisition.

11. Offer-related arrangements

Confidentiality Agreement

Philip Morris Products S.A. and Vectura entered into a confidentiality agreement dated 7 June 2021 (the "**Confidentiality Agreement**") pursuant to which an affiliate of PMI Bidder, Philip Morris Products S.A. has undertaken to (i) keep confidential information relating to, inter alia, the Acquisition and Vectura and not to disclose it to third parties (other than to certain permitted parties) unless required by law or regulation; and (ii) use the confidential information only for the purpose of the Acquisition.

These confidentiality obligations shall remain in force for a period of 24 months from the date of the Confidentiality Agreement. This agreement also includes customary non-solicitation obligations on Philip Morris Products S.A. and its affiliates.

Clean Team and Joint Defence Agreement

Philip Morris Products S.A., Vectura and their respective counsel entered into a clean team and joint defence agreement dated 15 June 2021, the purpose of which is to ensure that the exchange and/or disclosure of certain materials relating to the parties and in relation to, in particular, the regulatory workstreams (including foreign investment and antitrust) only takes place between their respective legal counsel and external experts, and does not diminish in any way the confidentiality of such materials and does not result in a waiver of any privilege, right or immunity that might otherwise be available.

Co-operation Agreement

PMI Bidder and Vectura have entered into a co-operation agreement dated on or around the date of this announcement, pursuant to which:

- a) PMI Bidder has agreed to incur certain obligations with a view to securing the regulatory clearances and authorisations necessary to satisfy the Regulatory Conditions as soon as reasonably practicable; and
- b) PMI Bidder and Vectura have agreed to certain undertakings to co-operate in relation to obtaining such regulatory clearances and authorisations.

The Co-operation Agreement also contains provisions that shall apply in respect of the Vectura Share Plans and certain other employee-related matters.

The Co-operation Agreement shall be terminated with immediate effect if: (i) PMI Bidder and Vectura so agree in writing; (ii) the Acquisition is withdrawn, terminated or lapses in accordance with its terms prior to the Long Stop Date and, where required, with the consent of the Panel (other than in certain limited circumstances); or (iii) unless otherwise agreed by the parties in writing or required by the Panel, the Effective Date has not occurred by the Long Stop Date.

Each of PMI Bidder and Vectura has the right to terminate the Co-operation Agreement if, prior to the Long Stop Date, any Condition is invoked by PMI Bidder (where such invocation has been permitted by the Panel).

PMI Bidder has the right to terminate the Co-operation Agreement if: (i) the Vectura Board announces that it shall not convene the Court Meeting or the General Meeting or that it does not intend to publish the Scheme Document; (ii) in certain circumstances if the Vectura Board otherwise withdraws, adversely modifies or adversely qualifies its recommendation of the Acquisition; (iii) a third party announces a firm intention under the Takeover Code to make an offer for Vectura which is recommended by the Vectura Board, or (iv) a competing proposal becomes effective or is declared or becomes wholly unconditional.

12. Structure of and Conditions to the Acquisition

It is intended that the Acquisition shall be effected by means of a Court-approved scheme of arrangement between Vectura and Vectura Shareholders under Part 26 of the Companies Act, although PMI Bidder reserves the right to implement the Acquisition by means of a Takeover Offer (subject to Panel consent).

The purpose of the Scheme is to provide for PMI Bidder to become the holder of the entire issued and to be issued ordinary share capital of Vectura. This is to be achieved by the transfer of the Vectura Shares to PMI Bidder, in consideration for which the Vectura Shareholders shall receive the Cash Consideration per Vectura Share on the basis set out in paragraph 2 of this announcement. The Scheme does not include the acquisition of the Vectura Preference Shares. The holder(s) of the Vectura Preference Shares are entitled to receive notice of and attend, but not vote at, the General Meeting.

The Acquisition shall be subject to the Conditions and further terms set out below and in Appendix I to this announcement and to be set out in the Scheme Document and shall only become Effective if, among other things, the following events occur on or before the Long Stop Date or such later date as may be agreed by PMI Bidder and Vectura (with the Panel's consent and as the Court may approve (if such consent or approval is required)):

- (i) the approval of the Scheme by a majority in number of the Vectura Shareholders who are present and vote, whether in person or by proxy, at the Court Meeting and who represent 75 per cent. in value of the Vectura Shares voted by those Vectura Shareholders;
- (ii) the resolutions required to approve and implement the Scheme being duly passed by Vectura Shareholders representing at least 75 per cent. of votes cast at the General Meeting (or any adjournment thereof);

- (iii) the approval of the Scheme by the Court (with or without modification but subject to any modification being on terms acceptable to Vectura and PMI Bidder);
- (iv) the delivery of a copy of the Court Order to the Registrar of Companies;
- (v) the satisfaction or waiver of the UK National Security and Investment Condition and the German Foreign Investment Condition; and
- (vi) approval under the respective merger control rules by the Competition and Consumer Protection Commission of the Republic of Ireland and the Japanese Fair Trade Commission being obtained.

The Scheme shall lapse if:

- the Court Meeting and the General Meeting are not held by the 22nd day after the expected date of such meetings to be set out in the Scheme Document in due course (or such later date as may be agreed between PMI Bidder and Vectura) and, if required, the Court may allow);
- the Court Hearing is not held by the 22nd day after the expected date of such hearing to be set out in the Scheme Document in due course (or such later date as may be agreed between PMI Bidder and Vectura) and, if required, the Court may allow); and
- the Scheme does not become effective by the Long Stop Date,

provided, however, that the deadlines for the timing of the Court Meeting, the General Meeting and the Court Hearing as set out above may be waived by PMI Bidder, and the deadline for the Scheme to become effective may be extended by agreement between Vectura and PMI Bidder (with the Panel's consent and as the Court may approve (if such consent or approval is required)).

Upon the Scheme becoming effective, it shall be binding on all Vectura Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting (and if they attended and voted, whether or not they voted in favour).

On the Effective Date, share certificates in respect of Vectura Shares shall cease to be valid and entitlements to Vectura Shares held within the CREST system shall be cancelled. The Cash Consideration payable in respect of the Acquisition will be despatched by or on behalf of PMI Bidder to Vectura Shareholders no later than 14 days after the Effective Date.

Further details of the Scheme, including an indicative timetable for its implementation, shall be set out in the Scheme Document which shall be published as soon as practicable and, in any event, (save with the consent of the Panel) within 28 days of this announcement. Subject to satisfaction (or waiver, where applicable) of the Conditions, the Scheme is expected to become effective during H2 2021.

13. De-listing and re-registration

Prior to the Scheme becoming effective, it is intended that an application will be made for the cancellation of trading of the Vectura Shares on the London Stock Exchange's main market for listed securities and for the cancellation of the listing of Vectura Shares on the Official List, in each case to take effect following the Effective Date. The last day of dealings in Vectura Shares

on the Main Market of the London Stock Exchange is expected to be the Business Day immediately prior to the Effective Date and no transfers shall be registered after 6.00 p.m. on that date.

It is also proposed that, following the Effective Date, Vectura shall be re-registered as a private limited company. A special resolution to approve the re-registration will be proposed at the General Meeting.

14. Dividends

If, on or after the date of this announcement, any dividend, distribution or other return of value is declared, made or paid, or becomes payable, by Vectura with a record time falling prior to the Effective Time, PMI Bidder reserves the right to reduce the Cash Consideration payable under the Acquisition by an amount up to the amount of such dividend, distribution or other return of value or excess. In such circumstances, Vectura Shareholders would be entitled to retain any such dividend, distribution or other return of value declared, made or paid.

15. Disclosure of Interests in Vectura

As at the close of business on 8 July 2021 (being the last practicable date prior to the date of this announcement) neither PMI Bidder nor any of its directors nor, so far as PMI Bidder is aware, any person acting in concert (within the meaning of the Takeover Code) with it has (i) any interest in or right to subscribe for any relevant securities of Vectura; (ii) any short positions in respect of relevant Vectura Shares (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery; (iii) any dealing arrangement (of the kind referred to in Note 11 of the definition of Acting in Concert in the Takeover Code) in relation to Vectura Shares or in relation to any securities convertible or exchangeable into Vectura Shares; nor (iv) borrowed or lent any relevant Vectura Shares (including, for these purposes, any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Takeover Code), save for any borrowed shares which had been either on-lent or sold.

'Interests in securities' for these purposes arise, in summary, when a person has long economic exposure, whether absolute or conditional, to changes in the price of securities (and a person who only has a short position in securities is not treated as interested in those securities). In particular, a person shall be treated as having an 'interest' by virtue of the ownership, voting rights or control of securities, or by virtue of any agreement to purchase, option in respect of, or derivative referenced to, securities.

It has not been practicable for PMI Bidder to make enquiries of all of its concert parties in advance of the release of this announcement. Therefore, all relevant details in respect of PMI Bidder's concert parties shall be included in the Opening Position Disclosure in accordance with Rule 8.1(a) and Note 2(a)(i) on Rule 8 of the Takeover Code.

16. General

PMI Bidder reserves the right to elect (with the consent of the Panel) to implement the Acquisition by way of a Takeover Offer for the Vectura Shares as an alternative to the Scheme. In such event, the Takeover Offer shall be implemented on the same terms, so far as applicable, as those which would apply to the Scheme, subject to appropriate amendments, including

(without limitation) an acceptance condition set at 90 per cent. or such lesser percentage (being more than 50 per cent.) as PMI Bidder may decide or as required by the Panel, of the shares to which such Takeover Offer relates.

The Acquisition shall be made subject to the Conditions and further terms set out in Appendix I to this announcement and to the full terms and conditions which will be set out in the Scheme Document. The bases and sources of certain financial information contained in this announcement are set out in Appendix II to this announcement. Certain terms used in this announcement are defined in Appendix III to this announcement.

It is expected that the Scheme Document and the Forms of Proxy accompanying the Scheme Document shall be published as soon as practicable and, in any event, (save with the consent of the Panel) within 28 days of this announcement. The Scheme Document and Forms of Proxy shall be made available to all Vectura Shareholders at no charge to them.

BofA Securities (as PMI Bidder's financial advisers) and J.P. Morgan Cazenove and Rothschild & Co (as Vectura's financial advisers) have each given and not withdrawn their consent to the publication of this announcement with the inclusion herein of the references to their names in the form and context in which they appear.

17. Documents available on website

Copies of the following documents shall be made available on Vectura's website at www.Vectura.com and on PMI's website at www.PMI.com until the Effective Date:

- the offer-related arrangements or other agreement, arrangement or commitment permitted under, or excluded from, Rule 21 of the Takeover Code, each as referred to in paragraph 11 above;
- the letters of consent referred to in paragraph 16 above; and
- this announcement.

Enquiries:

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DLA Piper UK LLP is retained as legal adviser to PMI and PMI Bidder.

Clifford Chance LLP is retained as legal adviser to Vectura.

Important Notices

*Merrill Lynch International ("**BofA Securities**"), a subsidiary of Bank of America Corporation, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting exclusively for PMI in connection with the matters set out in this announcement and for no one else and will not be responsible to anyone other than PMI for providing the protections afforded to its clients or for providing advice in relation to the subject matter of this announcement or any other matters referred to in this announcement.*

*J.P. Morgan Securities plc, which conducts its UK investment banking business as J.P. Morgan Cazenove ("**J.P. Morgan Cazenove**"), is authorised in the United Kingdom by the PRA and regulated in the United Kingdom by the PRA and the FCA. J.P. Morgan Cazenove is acting as financial adviser and corporate broker exclusively for Vectura and no one else in connection with the matters set out in this announcement and will not regard any other person as its client in relation to the matters in this announcement and will not be responsible to anyone other than Vectura for providing the protections afforded to clients of J.P. Morgan Cazenove or its affiliates, nor for providing advice in relation to any matter referred to herein.*

*N.M. Rothschild & Sons Limited ("**Rothschild & Co**"), which is authorised and regulated by the FCA in the United Kingdom, is acting exclusively for Vectura and for no one else in connection with the subject matter of this announcement and will not be responsible to anyone other than Vectura for providing the protections afforded to its clients or for providing advice in connection with the subject matter of this announcement.*

*Numis Securities Limited ("**Numis**"), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for Vectura and no one else in connection with the matters set out in this announcement and will not regard any other person as its client in relation to the matters in this announcement and will not be responsible to anyone other than Vectura for providing the protections afforded to clients of Numis, nor for providing advice in relation to any matter referred to herein.*

Further information

This announcement is for information purposes only and does not constitute an offer to sell or an invitation to purchase any securities or the solicitation of an offer to buy any securities, pursuant to the Acquisition or otherwise.

The Acquisition shall be made solely by means of the Scheme Document (or, if the Acquisition is implemented by way of a Takeover Offer, any document by which the Takeover Offer is made) which, together with the Forms of Proxy (or form of acceptance), shall contain the full terms and conditions of the Acquisition, including details of how to vote in respect of the Acquisition.

This announcement has been prepared for the purpose of complying with English law and the Takeover Code and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws of jurisdictions outside England and Wales.

Vectura and PMI Bidder shall prepare the Scheme Document to be distributed to Vectura Shareholders. Vectura and PMI Bidder urge Vectura Shareholders to read the Scheme Document when it becomes available because it shall contain important information relating to the Acquisition.

This announcement does not constitute a prospectus or prospectus exempted document.

Overseas Shareholders

The release, publication or distribution of this announcement in or into certain jurisdictions other than the United Kingdom may be restricted by law. Persons who are not resident in the United Kingdom or who are subject to other jurisdictions should inform themselves of, and observe, any applicable requirements.

Unless otherwise determined by PMI Bidder or required by the Takeover Code, and permitted by applicable law and regulation, the Acquisition shall not be made available, directly or indirectly, in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction and no person may vote in favour of the Acquisition by any such use, means, instrumentality or form within a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction. Accordingly, copies of this announcement and all documents relating to the Acquisition are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction, and persons receiving this announcement and all documents relating to the Acquisition (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such jurisdictions where to do so would violate the laws in that jurisdiction.

The availability of the Acquisition to Vectura Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are resident. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable requirements.

The Acquisition shall be subject to the applicable requirements of the Takeover Code, the Panel, the London Stock Exchange and the Financial Conduct Authority.

Additional information for US investors

The Acquisition relates to shares of a UK company and is proposed to be effected by means of a scheme of arrangement under the laws of England and Wales. A transaction effected by means of a

scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules under the US Exchange Act.

Accordingly, the Acquisition is expected to be made subject to the disclosure and procedural requirements and practices applicable in the United Kingdom and to schemes of arrangement under the laws of England and Wales which differ from the disclosure and other requirements of United States tender offer and proxy solicitation rules.

However, if PMI Bidder were to elect (with the consent of the Panel) to implement the Acquisition by means of a takeover offer, such takeover offer shall be made in compliance with all applicable United States laws and regulations, including any applicable exemptions under the US Exchange Act. Such a takeover would be made in the United States by PMI Bidder and no one else.

In the event that the Acquisition is implemented by way of a takeover offer, in accordance with normal United Kingdom practice, PMI Bidder or its nominees, or its brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, shares or other securities of Vectura outside of the US, other than pursuant to the Acquisition, until the date on which the Acquisition and/or Scheme becomes effective, lapses or is otherwise withdrawn. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases or arrangements to purchase shall be disclosed as required in the UK, shall be reported to a Regulatory Information Service and shall be available on the London Stock Exchange website at www.londonstockexchange.com.

Each Vectura Shareholder is urged to consult their independent professional adviser immediately regarding the tax consequences of the Acquisition applicable to them, including under applicable United States state and local, as well as overseas and other, tax laws.

Financial information relating to Vectura included in this announcement and the Scheme Document has been or shall have been prepared in accordance with accounting standards applicable in the United Kingdom and may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

Vectura is organised under the laws of a country other than the United States. Some or all of the officers and directors of Vectura are residents of countries other than the United States. In addition, most of the assets of Vectura are located outside the United States. As a result, it may be difficult for US shareholders of Vectura to effect service of process within the United States upon Vectura or its officers or directors or to enforce against them a judgment of a US court predicated upon the federal or state securities laws of the United States.

Forward-Looking Statements

This announcement (including information incorporated by reference in this announcement), oral statements made regarding the Acquisition, and other information published by Vectura, PMI Bidder or any member of the PMI Group contain statements which are, or may be deemed to be, "forward-looking statements". Such forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and on numerous assumptions regarding the business strategies and the environment in which PMI Bidder or any member of the PMI Group shall operate in the future and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

The forward- looking statements contained in this announcement relate to PMI Bidder or any member of the PMI Group's future prospects, developments and business strategies, the expected timing and scope of the Acquisition and other statements other than historical facts. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "will look to", "would look to", "plans", "prepares", "anticipates", "expects", "is expected to", "is subject to", "budget", "scheduled", "forecasts", "synergy", "strategy", "goal", "cost-saving", "projects" "intends", "may", "will", "shall" or "should" or their negatives or other variations or comparable terminology. Forward-looking statements may include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of PMI Bidder's, any member of the PMI Group or Vectura's operations and potential synergies resulting from the Acquisition; and (iii) the effects of global economic conditions and governmental regulation on PMI Bidder's, any member of the PMI Group or Vectura's respective businesses.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. These events and circumstances include changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates, future business combinations or disposals, and any epidemic, pandemic or disease outbreak. If any one or more of these risks or uncertainties materialises or if any one or more of the assumptions prove incorrect, actual results may differ materially from those expected, estimated or projected. Such forward-looking statements should therefore be construed in the light of such factors.

Neither Vectura or any of PMI Bidder or any member of the PMI Group, nor any of their respective associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement shall actually occur. Given these risks and uncertainties, potential investors should not place any reliance on forward-looking statements.

Specifically, statements of estimated cost savings and synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. Due to the scale of the Vectura Group, there may be additional changes to the Vectura Group's operations. As a result, and given the fact that the changes relate to the future, the resulting cost synergies may be materially greater or less than those estimated.

The forward-looking statements speak only at the date of this announcement. All subsequent oral or written forward-looking statements attributable to any member of the PMI Group or Vectura Group, or any of their respective associates, directors, officers, employees or advisers, are expressly qualified in their entirety by the cautionary statement above.

Vectura, the PMI Group and PMI Bidder expressly disclaim any obligation to update such statements other than as required by law or by the rules of any competent regulatory authority, whether as a result of new information, future events or otherwise.

No profit forecasts or estimates

No statement in this announcement is intended as a profit forecast or estimate for any period and no statement in this announcement should be interpreted to mean that earnings or earnings per share for

PMI Bidder or Vectura, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for PMI Bidder or Vectura, as appropriate.

Disclosure requirements of the Takeover Code

Under Rule 8.3(a) of the Takeover Code, any person who is interested in 1 per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 p.m. (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Takeover Code, any person who is, or becomes, interested in 1 per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 p.m. (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they shall be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at <http://www.thetakeoverpanel.org.uk>, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

Electronic communications

Please be aware that addresses, electronic addresses and certain information provided by Vectura Shareholders, persons with information rights and other relevant persons for the receipt of

communications from Vectura may be provided to PMI Bidder during the Offer Period as requested under Section 4 of Appendix 4 of the Takeover Code to comply with Rule 2.11(c) of the Takeover Code.

Publication on website and availability of hard copies

A copy of this announcement shall be made available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on Vectura's website at www.Vectura.com and on PMI Bidder's website at www.PMI.com by no later than 12 noon (London time) on the business day following the date of this announcement. For the avoidance of doubt, the contents of this website are not incorporated into and do not form part of this announcement.

You may request a hard copy of this announcement by contacting Vectura's registrar, Computershare Investor Services Plc, on 0370 707 1387 (or from outside of the UK, on +44 (0)370 707 1387) between 8:30 a.m. to 5:30 p.m. Monday to Friday (London time) or by submitting a request in writing to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ. Please note that Computershare cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. You may also request that all future documents, announcements and information to be sent to you in relation to the Acquisition should be in hard copy form.

Rounding

Certain figures included in this announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

General

If the Acquisition is effected by way of a Takeover Offer, such offer becomes or is declared unconditional in all respects and sufficient acceptances are received, PMI Bidder intends to exercise its rights to apply the provisions of Chapter 3 of Part 28 of the Companies Act so as to acquire compulsorily the remaining Vectura Shares in respect of which the Takeover Offer has not been accepted.

Investors should be aware that PMI Bidder may purchase Vectura Shares otherwise than under any Takeover Offer or the Scheme such as pursuant to privately negotiated purchases.

If you are in any doubt about the contents of this announcement or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor or independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriate authorised independent financial adviser.

APPENDIX I
CONDITIONS AND FURTHER TERMS OF THE ACQUISITION

Part A: Conditions of the Scheme and the Acquisition

1. The Acquisition is conditional upon the Scheme becoming unconditional and effective, subject to the Takeover Code, by not later than the Long Stop Date.
2. The Scheme shall be subject to the following conditions:
 - 2.1
 - (i) its approval by a majority in number of the Vectura Shareholders who are present and vote, whether in person or by proxy, at the Court Meeting and who represent 75 per cent. or more in value of the Vectura Shares voted by those Vectura Shareholders; and
 - (ii) such Court Meeting being held on or before the 22nd day after the expected date of the Court Meeting to be set out in the Scheme Document in due course (or such later date as may be agreed by PMI Bidder and Vectura and, if required, the Court may allow);
 - 2.2
 - (i) the resolutions required to implement the Scheme being duly passed by Vectura Shareholders representing 75 per cent. or more of votes cast at the General Meeting; and
 - (ii) such General Meeting being held on or before the 22nd day after the expected date of the General Meeting to be set out in the Scheme Document in due course (or such later date as may be agreed by PMI Bidder and Vectura and, if required, the Court may allow);
 - 2.3
 - (i) the sanction of the Scheme by the Court (with or without modification but subject to any modification being on terms acceptable to Vectura and PMI Bidder) and the delivery of a copy of the Court Order to the Registrar of Companies; and
 - (ii) the Court Hearing being held on or before the 22nd day after the expected date of the Court Hearing to be set out in the Scheme Document in due course (or such later date as may be agreed by PMI Bidder and Vectura and, if required, the Court may allow).
3. In addition, subject as stated in Part B below and to the requirements of the Panel, the Acquisition shall be conditional upon the following Conditions and, accordingly, the Court Order

shall not be delivered to the Registrar of Companies unless such Conditions (as amended if appropriate) have been satisfied or, where relevant, waived:

Republic of Ireland

- (a) the occurrence of one of the following events:
 - (i) the Irish Competition and Consumer Protection Commission (the "**Irish Authority**") having informed PMI Bidder and Vectura in writing under section 21(2)(a) of the Irish Competition Act 2002 – 2017 (the "**Irish Competition Act**") that the Acquisition may be put into effect without any proposals from any of the parties under section 20(3) of the Irish Competition Act being taken into account;
 - (ii) the period specified in section 21(2) of the Irish Competition Act having lapsed without the Irish Authority having informed the parties of the determination (if any) it has made under the said section;
 - (iii) the period of 120 working days after the relevant appropriate date having elapsed without the Irish Authority having made a determination under section 22(3) of the Irish Competition Act in relation to the Acquisition (the "**Irish Antitrust Condition**");

Japan

- (b) following the filing of a notification of the Acquisition under the Law relating to Prohibition of Private Monopolisation and Maintenance of Fair Trade (Law No. 54 of 14 April 1947, as amended (the "**Law**")):
 - (i) the waiting period (i.e., thirty calendar days, or any shorter period if designated by the Japan Fair Trade Commission (the "**JFTC**") in its notification of shortening the waiting period, following the date of the notification (the "**Waiting Period**")) has expired; and
 - (ii) the JFTC has issued to PMI Bidder, within the Waiting Period or, if the JFTC has requested PMI Bidder to submit necessary reports, information or materials (the "**Reports**") under Paragraph 9, Article 10 of the Law (including mutatis mutandis application under the Law) during the Waiting Period, within one hundred and twenty calendar days following the date of the notification or ninety calendar days following the date of the JFTC's acceptance of all the Reports, whichever is later, a written notice confirming the JFTC's decision not to issue a cease and desist order without attaching to its decision any conditions or obligations (the "**Japanese Antitrust Condition**");

UK National Security and Investment

- (c)
 - (i) in the event that the National Security and Investment Act 2021 (the "**NSI Act**") comes into force before the Effective Date and PMI Bidder and Vectura, acting reasonably, agree that a mandatory notification is required under the NSI Act; or

- (ii) in response to a voluntary notification in relation to the NSI Act,

the Secretary of State for Business, Energy and Industrial Strategy informing PMI Bidder that the Acquisition does not give rise to concerns necessitating further action on its part ("**UK National Security and Investment Condition**");

German Foreign Investment

- (d) the German Ministry for Economic Affairs and Energy (*Bundesministerium für Wirtschaft and Energie*):
 - (i) having either issued a certificate of non-objection (*Unbedenklichkeitsbescheinigung*) pursuant to Sec. 58(1) sentence 1 of the Foreign Trade and Payments Ordinance (*Außenwirtschaftsverordnung*, the "**AWV**") or a clearance decision pursuant to Sec. 58a(1) sentence 1 AWV (*Freigabe*) in relation to the Acquisition (hereinafter, each a "**Formal Decision**"), or
 - (ii) having neither issued a Formal Decision nor initiated a formal investigation pursuant to Sec. 55(1), (3) AWV within the statutory review period pursuant to Sec. 14a(1) no. 1, (3), (5) of the Foreign Trade and Payments Act (*Außenwirtschaftsgesetz*, the "**AWG**"), in relation to the Acquisition after receipt of a due application for a Formal Decision, or
 - (iii) having, in the event of a formal investigation pursuant to Sec 55(1), (3) AWV, approved the Acquisition by issuing a Formal Decision, or
 - (iv) failed to prohibit the Acquisition within the period specified in Sec. 59(1) AWV in conjunction with Sec. 14a(1) no. 2, (4), (5), (6) and (7) AWG, or
 - (v) having declared in writing that the Acquisition can be closed without having obtained prior approval by the German Ministry for Economic Affairs and Energy ("**German Foreign Investment Condition**"),

provided that the German Foreign Investment Condition shall be deemed to be satisfied at the time upon which each of the Irish Antitrust Condition and the Japanese Antitrust Condition have been satisfied or waived or confirmed or are inapplicable, save that where (i) before such time, the German Ministry for Economic Affairs and Energy has informed PMI Bidder and/or Vectura that the Acquisition cannot be closed without having obtained prior approval by the German Ministry for Economic Affairs and Energy, or (ii) PMI Bidder and Vectura, acting reasonably, agree that it can reasonably be assumed that the German Ministry for Economic Affairs and Energy believes this to be the case;

Notifications, waiting periods and Authorisations

- (e) excluding the Conditions set out under paragraphs 3(a) to (d) above, all notifications, filings or applications which are necessary or reasonably considered necessary by PMI Bidder having been made in connection with the Acquisition and all necessary waiting periods (including any extensions thereof) under any applicable legislation or regulation of any jurisdiction having expired, lapsed or been terminated (as appropriate) and all statutory and regulatory obligations in any jurisdiction having been complied with in

each case in respect of the Acquisition and all Authorisations deemed reasonably necessary or appropriate by PMI Bidder in any jurisdiction for or in respect of the Acquisition and, except pursuant to Chapter 3 of Part 28 of the Companies Act, the acquisition or the proposed acquisition of any shares or other securities in, or control or management of, Vectura or any other member of the Wider Vectura Group by any member of the Wider PMI Group having been obtained in terms and in a form reasonably satisfactory to PMI Bidder from all appropriate Relevant Authorities or (without prejudice to the generality of the foregoing) from any person or bodies with whom any member of the Wider Vectura Group or the Wider PMI Group has entered into contractual arrangements and all such Authorisations necessary, appropriate or desirable to carry on the business of any member of the Wider Vectura Group in any jurisdiction having been obtained and all such Authorisations remaining in full force and effect at the time at which the Acquisition becomes otherwise wholly unconditional and there being no notice or intimation of an intention to revoke, suspend, restrict, modify or not to renew such Authorisations;

General antitrust and regulatory

- (f) excluding the Conditions set out under paragraphs 3(a) to (d) above, no Relevant Authority having given notice of a decision to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference (and in each case, not having withdrawn the same), or having required any action to be taken or otherwise having done anything, or having enacted, made or proposed any statute, regulation, decision, order or change to published practice (and in each case, not having withdrawn the same) and there not continuing to be outstanding any statute, regulation, decision or order which would or might reasonably be expected to:
 - (i) require, prevent or materially delay the divestiture or materially alter the terms envisaged for such divestiture by any member of the Wider PMI Group or by any member of the Wider Vectura Group of all or any material part of its businesses, assets or property or impose any limitation on the ability of all or any of them to conduct their businesses (or any part thereof) or to own, control or manage any of their assets or properties (or any part thereof) to an extent which is material in the context of the Wider PMI Group or the Wider Vectura Group, in either case taken as a whole;
 - (ii) other than pursuant to Chapter 3 of Part 28 of the Companies Act, require any member of the Wider PMI Group or the Wider Vectura Group to acquire or offer to acquire any shares, other securities (or the equivalent) or interest in any member of the Wider Vectura Group or any asset owned by any Relevant Authority (other than in the implementation of the Acquisition), which is material in the context of the Wider PMI Group or the Wider Vectura Group, in either case taken as a whole;
 - (iii) impose any material limitation on, or result in a material delay in, the ability of any member of the Wider PMI Group directly or indirectly to acquire, hold or to exercise effectively all or any rights of ownership in respect of shares or other securities in Vectura or on the ability of any member of the Wider Vectura Group or any member of the Wider PMI Group directly or indirectly to hold or exercise effectively all or any rights of ownership in respect of shares or other securities (or the equivalent) in, or to exercise voting or management control

over, any member of the Wider Vectura Group to an extent which is material in the context of the Wider Vectura Group or the Wider PMI Group, in either case taken as a whole;

- (iv) otherwise materially adversely affect any or all of the business, assets, profits or prospects of any member of the Wider Vectura Group or any member of the Wider PMI Group;
- (v) result in any member of the Wider Vectura Group or the Wider PMI Group ceasing to be able to carry on business under any name under which it presently carries on business;
- (vi) make the Acquisition, its implementation or the acquisition or proposed acquisition of any shares or other securities in, or control or management of, Vectura by any member of the Wider PMI Group void, unenforceable and/or illegal under the laws of any relevant jurisdiction, or otherwise, directly or indirectly, materially prevent or prohibit, restrict, restrain, or delay or otherwise to a material extent or otherwise materially interfere with the implementation of, or impose material additional conditions or obligations with respect to, or otherwise materially challenge, impede, interfere or require material amendment of the Acquisition or the acquisition or proposed acquisition of any shares or other securities in, or control or management of, Vectura by any member of the Wider PMI Group;
- (vii) require, prevent or materially delay a divestiture by any member of the Wider PMI Group of any shares or other securities (or the equivalent) in any member of the Wider Vectura Group or any member of the Wider PMI Group; or
- (viii) impose any limitation on the ability of any member of the Wider PMI Group of any member of the Wider Vectura Group to conduct, integrate or co-ordinate all or any part of its business with all or any part of the business of any other member of the Wider PMI Group and/or the Wider Vectura Group which is material in the context of the Wider Vectura Group or the Wider PMI Group, in either case taken as a whole,

and all applicable waiting and other time periods (including any extensions thereof) during which any such Relevant Authority could decide to take, institute, implement or threaten any such action, proceeding, suit, investigation, enquiry or reference or take any other step under the laws of any jurisdiction in respect of the Acquisition or the acquisition or proposed acquisition of any Vectura Shares or otherwise intervene having expired, lapsed or been terminated;

Certain matters arising as a result of any arrangement, agreement, etc.

- (g) except as Disclosed, there being no provision of any arrangement, agreement, lease, licence, franchise, permit or other instrument to which any member of the Wider Vectura Group is a party or by or to which any such member or any of its assets is or may be bound, entitled or be subject or any event or circumstance which, as a consequence of the Acquisition or the acquisition or the proposed acquisition by any member of the Wider PMI Group of any shares or other securities (or the equivalent) in Vectura or because of a change in the control or management of any member of the

Wider Vectura Group or otherwise, would reasonably be expected to result in, and in each case to an extent which is material in the context of the Wider PMI Group or the Wider Vectura Group as a whole:

- (i) any monies borrowed by, or any other indebtedness, actual or contingent, of, or any grant available to, any member of the Wider Vectura Group being or becoming repayable, or capable of being declared repayable, immediately or prior to its or their stated maturity date or repayment date, or the ability of any such member to borrow monies or incur any indebtedness being withdrawn or inhibited or being capable of becoming or being withdrawn or inhibited;
- (ii) the enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any member of the Wider Vectura Group or any such mortgage, charge or other security interest (whenever created, arising or having arisen) becoming enforceable;
- (iii) any liability of any member of the Wider Vectura Group to make any severance, termination, bonus or other payment to any of its directors, or other officers;
- (iv) the rights, liabilities, obligations, interests or business of any member of the Wider Vectura Group or any member of the Wider PMI Group under any such arrangement, agreement, licence, permit, lease or instrument or the interests or business of any member of the Wider Vectura Group or any member of the Wider PMI Group in or with any other person or body or firm or company (or any arrangement or arrangement relating to any such interests or business) being or becoming capable of being terminated, or adversely modified or affected or any onerous obligation or liability arising or any adverse action being taken thereunder;
- (v) any member of the Wider Vectura Group ceasing to be able to carry on business under any name under which it presently carries on business;
- (vi) the value of, or the financial or trading position or prospects of, any member of the Wider Vectura Group being prejudiced or adversely affected; or
- (vii) the creation or acceleration of any liability (actual or contingent) by any member of the Wider Vectura Group other than trade creditors or other liabilities incurred in the ordinary course of business,

and no event having occurred which, under any provision of any arrangement, agreement, licence, permit, franchise, lease or other instrument to which any member of the Wider Vectura Group is a party or by or to which any such member or any of its assets are bound, entitled or subject, would, or would reasonably be expected to, result in any of the events or circumstances as are referred to in Conditions 3(g)(i) to (vii));

Certain events occurring since 31 December 2020

- (h) except as Disclosed, no member of the Wider Vectura Group having since 31 December 2020:
 - (i) save as between Vectura and its wholly owned subsidiaries or between such wholly owned subsidiaries and save for the issue or transfer out of treasury of

Vectura Shares on the exercise of options or vesting of awards granted in the ordinary course under the Vectura Share Plans issued or agreed to issue or authorised or proposed or announced its intention to authorise or propose the issue, of additional shares of any class, or securities or securities convertible into, or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares, securities or convertible securities or transferred or sold or agreed to transfer or sell or authorised or proposed the transfer or sale of Vectura Shares out of treasury (except, where relevant, as between Vectura and wholly owned subsidiaries of Vectura or between the wholly owned subsidiaries of Vectura and except for the issue or transfer out of treasury of Vectura Shares on the exercise of employee share options or vesting of employee share awards in the ordinary course under the Vectura Share Plans);

- (ii) except for the Interim Dividend (and except for the recommendation only of the Special Dividend), recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus, dividend or other distribution (whether payable in cash or otherwise) other than dividends (or other distributions whether payable in cash or otherwise) lawfully paid or made by any wholly owned subsidiary of Vectura to Vectura or any of its wholly owned subsidiaries;
- (iii) other than pursuant to the Acquisition (and except for transactions between Vectura and its wholly owned subsidiaries or between the wholly owned subsidiaries of Vectura) implemented, effected, authorised or proposed or announced its intention to implement, effect, authorise or propose any merger, demerger, reconstruction, amalgamation, scheme, commitment or acquisition or disposal of assets or shares or loan capital (or the equivalent thereof), in any undertaking or undertakings and in each case to an extent which is material in the context of the Wider Vectura Group taken as a whole;
- (iv) except for transactions between Vectura and its wholly owned subsidiaries or between the wholly owned subsidiaries of Vectura disposed of, or transferred, mortgaged or created any security interest over any material asset or any right, title or interest in any material asset or authorised, proposed or announced any intention to do so, to an extent which, in each case, is material in the context of the Wider Vectura Group taken as a whole;
- (v) except for transactions between Vectura and its wholly owned subsidiaries or between the wholly owned subsidiaries of Vectura, issued, authorised or proposed or announced an intention to authorise or propose, the issue of or made any change in or to the terms of any debentures or become subject to any contingent liability or incurred or increased any indebtedness to an extent which, in each case, is material in the context of the Wider Vectura Group taken as a whole;
- (vi) entered into or varied or authorised, proposed or announced its intention to enter into or vary any material contract, arrangement, agreement, transaction or commitment (whether in respect of capital expenditure or otherwise) which is of a long term, unusual or onerous nature or magnitude or which is or which involves or could involve an obligation of a nature or magnitude which is reasonably likely to be materially restrictive on the business of any member of

the Wider Vectura Group to an extent which, in each case, is material in the context of the Wider Vectura Group taken as a whole;

- (vii) entered into or varied the terms of, or made any offer (which remains open for acceptance) to enter into or vary to a material extent the terms of any contract, service agreement, commitment or arrangement with any director or, senior executive of any member of the Wider Vectura Group save for salary increases or bonuses in the ordinary course;
- (viii) proposed, agreed to provide or modified the terms of any share option scheme, incentive scheme or other benefit relating to the employment or termination of employment of any employee of the Wider Vectura Group, which is material in the context of the Wider Vectura Group taken as a whole;
- (ix) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or reduced or, except in respect of the matters mentioned in sub-paragraph (i) above, made any other change to any part of its share capital to an extent which is material in the context of the Wider Vectura Group as a whole;
- (x) waived, compromised or settled any claim which is material in the context of the Wider Vectura Group taken as a whole;
- (xi) terminated or varied the terms of any agreement or arrangement between any member of the Wider Vectura Group and any other person in a manner which would, or would reasonably be expected to, have a material adverse effect on the financial position of the Wider Vectura Group taken as a whole;
- (xii) made any material alteration to its memorandum or articles of association or other incorporation documents (in each case, other than in connection with the Scheme);
- (xiii) except in relation to changes made or agreed as a result of, or arising from, changes to legislation, made or agreed or consented to any significant change to:
 - (A) the terms of the trust deeds and rules constituting the pension scheme(s) established by any member of the Wider Vectura Group for its directors, employees or their dependants;
 - (B) the contributions payable to any such scheme(s) or to the benefits which accrue, or to the pensions which are payable, thereunder;
 - (C) the basis on which qualification for, or accrual or entitlement to, such benefits or pensions are calculated or determined; or
 - (D) the basis upon which the liabilities (including pensions) of such pension schemes are funded, valued, made, agreed or consented to;
- (xiv) been unable, or admitted in writing that it is unable, to pay its debts or commenced negotiations with one or more of its creditors with a view to rescheduling or restructuring any of its indebtedness, or having stopped or

suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business which is material in the context of the Wider Vectura Group taken as a whole;

- (xv) (other than in respect of a member of the Wider Vectura Group which is dormant and was solvent at the relevant time) taken or proposed any steps, corporate action or had any legal proceedings instituted or threatened against it in relation to the suspension of payments, a moratorium of any indebtedness, its winding-up (voluntary or otherwise), dissolution, reorganisation or for the appointment of a receiver, administrator, manager, administrative receiver, trustee or similar officer of all or any material part of its assets or revenues or any analogous or equivalent steps or proceedings in any jurisdiction or appointed any analogous person in any jurisdiction or had any such person appointed;
- (xvi) (except for transactions between Vectura and its wholly owned subsidiaries or between the wholly owned subsidiaries), made, authorised, proposed or announced an intention to propose any change in its loan capital;
- (xvii) entered into or implemented, any joint venture, asset or profit sharing arrangement, partnership or merger of business or corporate entities which, in each case, is material in the context of the Wider Vectura Group taken as a whole;
- (xviii) having taken (or agreed to take) any action which requires or would require, the consent of the Panel or the approval of Vectura Shareholders in general meeting in accordance with, or as contemplated by, Rule 21.1 of the Takeover Code; or
- (xix) entered into any agreement, arrangement, commitment or contract or passed any resolution or made any offer (which remains open for acceptance) with respect to or announced an intention to, or to propose to, effect any of the transactions, matters or events referred to in this Condition 3(h);

No adverse change, litigation, regulatory enquiry or similar

- (i) except as Disclosed, since 31 December 2020 there having been:
 - (i) no adverse change and no circumstance having arisen which would be or be reasonably likely to be expected to result in any material adverse change in, the business, assets, financial or trading position or profits or prospects or operational performance of any member of the Wider Vectura Group to an extent which is material in the context of the Wider Vectura Group taken as a whole;
 - (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings having been threatened, announced or instituted by or against or remaining outstanding against or in respect of, any member of the Wider Vectura Group or to which any member of the Wider Vectura Group is or is reasonably likely to be a party (whether as claimant, defendant or otherwise) having been

threatened, announced, instituted or remaining outstanding by, against or in respect of, any member of the Wider Vectura Group, which, in any such case, would reasonably be expected to have a material adverse effect on the Wider Vectura Group as a whole;

- (iii) no enquiry, review or investigation by, or complaint or reference to, any Relevant Authority against or in respect of any member of the Wider Vectura Group having been threatened, announced or instituted or remaining outstanding by, against or in respect of any member of the Wider Vectura Group, which, in any such case, would reasonably be expected to have a material adverse effect on the Wider Vectura Group as a whole;
- (iv) no contingent or other liability having arisen or become apparent to PMI Bidder or increased other than in the ordinary course of business which is reasonably likely to affect materially and adversely the business, assets, financial or trading position or profits or prospects of any member of the Wider Vectura Group to an extent which is material in the context of the Wider Vectura Group taken as a whole;
- (v) no member of the Wider Vectura Group having conducted its business in breach of applicable laws and regulations in a manner which is material in the context of the Wider Vectura Group as a whole; and
- (vi) no steps having been taken and no omissions having been made which are reasonably likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider Vectura Group which is necessary for the proper carrying on of its business and the withdrawal, cancellation, termination or modification of which is material and likely to have an adverse effect on the Wider Vectura Group taken as a whole;

No discovery of certain matters regarding information, liabilities and environmental issues

- (j) except as Disclosed, PMI Bidder not having discovered since 31 December 2020:
 - (i) that any financial, business or other information concerning the Wider Vectura Group publicly announced prior to the date of this announcement or disclosed to any member of the Wider PMI Group by or on behalf of any member of the Wider Vectura Group prior to the date of this announcement is misleading, contains a material misrepresentation of any fact, or omits to state a fact necessary to make that information not misleading, and which is, in any case, material in the context of the Wider Vectura Group taken as a whole;
 - (ii) that any member of the Wider Vectura Group or any partnership, company or other entity in which any member of the Wider Vectura Group has a significant economic interest and which is not a subsidiary undertaking of Vectura is subject to any liability, contingent or otherwise and which is material in the context of the Wider Vectura Group taken as a whole;

- (iii) any information which affects the impact of any information disclosed at any time by or on behalf of the Wider Vectura Group and which is material in the context of the Wider Vectura Group taken as a whole;
- (iv) that any past or present member of the Wider Vectura Group has not complied in any material respect with all applicable legislation, regulations or other requirements of any jurisdiction or any Authorisations relating to the use, treatment, storage, carriage, disposal, discharge, spillage, release, leak or emission of any waste or hazardous substance or any substance likely to impair the environment (including property) or harm human or animal health or otherwise relating to environmental matters or the health and safety of humans, which non-compliance would be likely to give rise to any liability including any penalty for non-compliance (whether actual or contingent) on the part of any member of the Wider Vectura Group which is material in the context of the Wider Vectura Group taken as a whole;
- (v) that there has been a material disposal, discharge, spillage, accumulation, release, leak, emission or the migration, production, supply, treatment, storage, transport or use of any waste or hazardous substance or any substance likely to impair the environment (including any property) or harm human or animal health which (whether or not giving rise to non-compliance with any law or regulation), would be likely to give rise to any material liability (whether actual or contingent) on the part of any member of the Wider Vectura Group;
- (vi) that there is or is reasonably likely to be any material obligation or liability (whether actual or contingent) or requirement to make good, remediate, repair, reinstate or clean up any property, asset or any controlled waters currently or previously owned, occupied, operated or made use of or controlled by any past or present member of the Wider Vectura Group (or on its behalf), or in which any such member may have or previously have had or be deemed to have had an interest, under any environmental legislation, common law, regulation, notice, circular, Authorisation or order of any Relevant Authority in any jurisdiction or to contribute to the cost thereof or associated therewith or indemnify any person in relation thereto in any such case which is material in the context of the Wider Vectura Group taken as a whole; or
- (vii) that circumstances exist (whether as a result of making the Acquisition or otherwise) which would be reasonably likely to lead to any Relevant Authority instituting (or whereby any member of the Wider Vectura Group would be likely to be required to institute), an environment audit or take any steps which would in any such case be reasonably likely to result in any actual or contingent liability to improve or install new plant or equipment or to make good, repair, reinstate or clean up any property of any description or any asset now or previously owned, occupied or made use of by any past or present member of the Wider Vectura Group (or on its behalf) or by any person for which a member of the Wider Vectura Group is or has been responsible, or in which any such member may have or previously have had or be deemed to have had an interest, which is material in the context of the Wider Vectura Group taken as a whole;

Anti-corruption, sanctions and criminal property

- (k) except as Disclosed, PMI Bidder not having discovered that:
- (i) any past or present member of the Wider Vectura Group or any person that performs or was performing services for or on behalf of any such company (including any past or present director, officer, employee or agent) is or has, in each case only whilst a member of or performing services for or on behalf of the Wider Vectura Group, engaged in any activity, practice or conduct which would constitute an offence under the Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977 or any other applicable anti-corruption legislation;
 - (ii) any past or present member of the Wider Vectura Group has engaged in any transaction which would cause any member of the Wider PMI Group to be in breach of applicable law or regulation upon completion of the Acquisition, including the economic sanctions of the United States Office of Foreign Assets Control or HM Treasury & Customs, or any government, entity or individual targeted by any of the economic sanctions of the United Nations, United States or the European Union or any of its member states;
 - (iii) any member of the Wider Vectura Group, or any of their respective directors, officers or employees, is ineligible to be (or any past member of the Wider Vectura Group was, or any past director, officer or employee who was at any time during the course of their engagement with any past or present member of the Wider Vectura Group, ineligible to be) awarded any contract or business under section 23 of the Public Contracts Regulations 2006 or section 26 of the Utilities Contracts Regulations (2006) (each as amended); or
 - (iv) any asset of any member of the Wider Vectura Group constitutes criminal property as defined by section 340(3) of the Proceeds of Crime Act 2002 (but disregarding paragraph (b) of that definition).

Part B: Certain further terms of the Acquisition

1. Subject to the requirements of the Panel, PMI Bidder reserves the right to waive:
 - (i) the deadline set out in Condition 1 and any of the deadlines set out in Condition 2 for the timing of the Court Meeting, the General Meeting and/or the Court Hearing. If any such deadline is not met, PMI Bidder shall make an announcement by 8.00 a.m. on the Business Day following such deadline confirming whether it has invoked or waived the relevant Condition or agreed with Vectura to extend the deadline in relation to the relevant Condition; and
 - (ii) in whole or in part, all or any of the above Conditions 3(a) to 3(k) (inclusive).
2. If PMI Bidder is required by the Panel to make an offer for Vectura Shares under the provisions of Rule 9 of the Takeover Code, PMI Bidder may make such alterations to any of the above Conditions and terms of the Acquisition as are necessary to comply with the provisions of that Rule.

3. The Acquisition shall lapse and the Scheme shall not become Effective if:
- (i) in so far as the Acquisition or any matter arising from or relating to the Scheme or Acquisition constitutes a concentration with a Community dimension within the scope of the Regulation, the European Commission initiates proceedings under Article 6(1)(c) of the Regulation; or
 - (ii) the Acquisition or any matter arising from or relating to the Scheme or Acquisition becomes subject to a CMA Phase 2 Reference,

in each case, before the date of the Court Meeting.

4. PMI Bidder shall be under no obligation to waive (if capable of waiver), to determine to be or remain satisfied or to treat as fulfilled any of Conditions 3(a) to 3(k) (inclusive) by a date earlier than the latest date for the fulfilment of that Condition notwithstanding that the other Conditions of the Acquisition may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such Conditions may not be capable of fulfilment.
5. The Vectura Shares acquired under the Acquisition shall be acquired fully paid and free from all liens, equities, charges, encumbrances, options, rights of pre-emption and any other third party rights and interests of any nature and together with all rights now or hereafter attaching or accruing to them, including, without limitation, voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid, or becomes payable, or any other return of value (whether by reduction of share capital or share premium account or otherwise) made with a record time falling on or after the Effective Time.
6. If, on or after the date of this announcement, any dividend, distribution or other return of value is declared, paid or made, or becomes payable, by Vectura and with a record time falling prior to the Effective Time, PMI Bidder reserves the right (without prejudice to any right of PMI Bidder, with the consent of the Panel, to invoke Condition 3(h)(ii) of this Appendix I) to reduce the Cash Consideration payable under the Acquisition by an amount up to the amount of such dividend, distribution or other return of value. In such circumstances, Vectura Shareholders would be entitled to retain any such dividend, distribution or other return of value declared, made or paid or having become payable.

If on or after the date of this Announcement, and to the extent that any such dividend, distribution or other return of value is declared, paid or made, or becomes payable, prior to the Effective Time and PMI Bidder exercises its rights under this paragraph 6 to reduce the consideration payable under the Acquisition, any reference in this announcement to the Cash Consideration payable shall be deemed to be a reference to the Cash Consideration as so reduced.

If and to the extent that any such dividend, distribution or other return of value has been declared or announced but not paid or made or is not payable by reference to a record time prior to the Effective Time or shall be (i) transferred pursuant to the Acquisition on a basis which entitles PMI Bidder to receive the dividend, distribution or other return of value and to retain it; or (ii) cancelled, the Cash Consideration payable under the Acquisition shall not be subject to change in accordance with this paragraph 6.

PMI Bidder also reserves the right to reduce the Cash Consideration payable under the Acquisition in such circumstances as are, and by such amount as is, permitted by the Panel.

Any exercise by PMI Bidder of its rights referred to in this paragraph 6 shall be the subject of an announcement and, for the avoidance of doubt, shall not be regarded as constituting any revision or variation of the Acquisition.

7. PMI Bidder reserves the right to elect (with the consent of the Panel) to implement the Acquisition by way of a Takeover Offer for the Vectura Shares as an alternative to the Scheme. In such event, the Takeover Offer shall be implemented on the same terms, so far as applicable, as those which would apply to the Scheme, subject to appropriate amendments, including (without limitation) an acceptance condition set at 90 per cent. or such lesser percentage (being more than 50 per cent.) as PMI Bidder may decide or as required by the Panel, of the shares to which such Takeover Offer relates.
8. The availability of the Acquisition to persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions. Persons who are not resident in the United Kingdom should inform themselves about and observe any applicable requirements.
9. Unless otherwise determined by PMI Bidder or required by the Takeover Code and permitted by applicable law and regulation, the Acquisition is not being and will not be made, directly or indirectly, in, into or from, or by use of the mails of, or by any means of instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of, any jurisdiction where to do so would violate the laws of that jurisdiction.
10. Under Rule 13.5(a) of the Code, PMI Bidder may not invoke a Condition to the Acquisition so as to cause the Acquisition not to proceed, to lapse or to be withdrawn unless the circumstances which give rise to the right to invoke the Condition are of material significance to PMI Bidder in the context of the Acquisition. Whether or not such Condition can be invoked would be determined by the Panel. The Conditions in paragraphs 1 and 2 of Part A of this Appendix I are not subject to this provision of the Takeover Code.
11. Each of the Conditions shall be regarded as a separate Condition and shall not be limited by reference to any other Condition.
12. The Acquisition is governed by the law of England and Wales and is subject to the jurisdiction of the English courts and to the Conditions and further terms set out in this Appendix I and to the full terms and conditions which will be set out in the Scheme Document. The Acquisition shall be subject to the applicable requirements of the Takeover Code, the Panel, the London Stock Exchange and the Financial Conduct Authority.

APPENDIX II
SOURCES OF INFORMATION AND BASES OF CALCULATION

- (i) As at 8 July 2021 (being the last Business Day prior to publication of this announcement), there were 599,485,373 Vectura Shares in issue.
- (ii) Any references to the issued and to be issued share capital of Vectura are based on:
- the 599,485,373 Vectura Shares in issue referred to in paragraph (i) above (which includes 570,138 Vectura Shares held in the Vectura Group Employee Benefit Trust and 3,929,511 Vectura Shares in the Vectura Group Employee Share Trust to be used to satisfy options and awards under the Vectura Share Plans); and
 - up to 18,564,664 Vectura Shares which may be issued on or after the date of this announcement to satisfy the exercise of options or vesting of awards pursuant to the Vectura Share Plans.
- (iii) The value of the acquisition based on the Acquisition Value of 169 pence per Vectura Share is calculated on the basis of the issued and to be issued share capital of Vectura (as set out in paragraph (ii) above).
- (iv) Closing Prices and volume-weighted average prices are taken from Bloomberg and have been rounded to the nearest pence.
- (v) Where quoted, foreign exchange spot rates are taken from Bloomberg.
- (vi) Unless otherwise stated, all prices quoted for Vectura Shares are Closing Prices.
- (vii) The adjusted enterprise value of Vectura implied by the Acquisition Value is calculated on the basis of:
- a. the issued and to be issued share capital of Vectura (as set out in paragraph (ii) above) multiplied by the Acquisition Value of 169 pence per Vectura Share; minus
 - b. total enterprise value-to-equity bridge of £65.4 million, comprised of £78.6 million of cash, net of £4.2 million of long/short-term borrowings, £2.1 million of retirement benefit obligations and £6.9 million of long/short-term provisions, each as at 31 December 2020; and minus
 - c. £127.6 million of cash received relating to the GSK litigation case, as announced on 21 April 2021.
- (viii) Vectura's adjusted EBITDA for the 12 months ended 31 December 2020 is calculated by adjusting the operating profit for the non-cash items of depreciation, amortisation and share-based compensation, and for items that are reported as exceptional items, in each case, for the same period.
- (ix) Unless otherwise stated, the financial information relating to Vectura is extracted from the audited consolidated financial statements of Vectura for the financial year to 31 December 2020, prepared in accordance with International Financial Reporting Standards.

APPENDIX III DEFINITIONS

The following definitions apply throughout this announcement unless the context requires otherwise:

Acquisition	the recommended cash offer being made by PMI Bidder to acquire the entire issued and to be issued ordinary share capital of Vectura not already directly or indirectly owned by PMI Bidder to be effected by means of a scheme of arrangement (or by way of takeover offer under certain circumstances described in this announcement) and, where the context admits, any subsequent revision, variation, extension or renewal thereof
Acquisition Value	169 pence for each Vectura Share
Authorisations	regulatory authorisations, orders, recognitions, grants, consents, clearances, confirmations, certificates, determinations, licences, permissions, exemptions or approvals
Beyond Nicotine	PMI's stated aim of expanding its product portfolio beyond tobacco and nicotine products
BofA Securities	Merrill Lynch International, a subsidiary of Bank of America Corporation, which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom
Business Day	a day (other than Saturdays, Sundays and public holidays in the UK) on which banks are open for business in London
Carlyle Court Meeting	the meeting of Vectura Shareholders convened by order of the Court under section 899 of the Companies Act for the purpose of considering and, if thought fit, approving the scheme to implement the Carlyle Offer (with or without amendment) and any adjournment or postponement thereof, scheduled to be held on 12 July 2021
Carlyle General Meeting	the general meeting of Vectura Shareholders to be convened in connection with the Scheme, to consider, and if thought fit, approve various matters in connection with the Carlyle Offer, including any adjournment or postponement thereof, scheduled to be held on 12 July 2021
Carlyle Offer	the cash offer of 136 pence per Vectura Share made for the entire issued and to be issued ordinary share capital of Vectura made by Murano, to be implemented by scheme of arrangement and announced on 26 May 2021
Carlyle Offer Shareholder Meetings	the Carlyle Court Meeting and the Carlyle General Meeting

Cash Consideration	150 pence in cash for each Vectura Share
CDMO	contract development and manufacturing organisation
Closing Price	the closing middle market price of a Vectura Share on a particular trading day as derived from Bloomberg
CMA Phase 2 Reference	a reference of the Acquisition under section 33 of the Enterprise Act 2002 to the chair of the Competition and Markets Authority for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013
Companies Act	the Companies Act 2006, as amended
Competition and Markets Authority	a UK statutory body established under the Enterprise and Regulatory Reform Act 2013
Conditions	the conditions to the implementation of the Acquisition, as set out in Part A of Appendix I to this announcement and to be set out in the Scheme Document
Co-operation Agreement	the agreement dated on or around the date of this announcement between PMI Bidder and Vectura relating to, among other things, the implementation of the Acquisition, as described in paragraph 11 of this announcement
Court	the High Court of Justice in England and Wales
Court Hearing	the hearing of the Court to sanction the Scheme under section 899 of the Companies Act and, if such hearing is adjourned, reference to commencement of any such hearing shall mean the commencement of the final adjournment thereof
Court Meeting	the meeting of Vectura Shareholders to be convened pursuant to an order of the Court under the Companies Act for the purpose of considering and, if thought fit, approving the Scheme (with or without amendment), including any adjournment thereof, notice of which is to be contained in the Scheme Document
Court Order	the order of the Court sanctioning the Scheme
CREST	a relevant system (as defined in the Regulations) for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear
DDC	Drug Device Combination

Dealing Disclosure	has the same meaning as in Rule 8 of the Takeover Code
Disclosed	any information fairly disclosed by or on behalf of Vectura (i) in the annual report and accounts of the Vectura Group for the financial year ended 31 December 2020; (ii) in this announcement; (iii) in any other announcement to a Regulatory Information Service by or on behalf of Vectura prior to the publication of this announcement; (iv) in the virtual data room operated on behalf of Vectura for the purposes of the Acquisition (which PMI Bidder and/or its advisers were able to access prior to the date of this announcement); or (v) as otherwise fairly disclosed to PMI Bidder (or its officers, employees, agents or advisers in their capacity as such) in writing or at any management presentation prior to the date of this announcement by or on behalf of Vectura
Effective	in the context of the Acquisition: <ul style="list-style-type: none"> (a) if the Acquisition is implemented by way of the Scheme, the Scheme having become effective pursuant to its terms; or (b) if the Acquisition is implemented by way of the Takeover Offer, the Takeover Offer having been declared or become unconditional in all respects in accordance with the Code
Effective Date	the date on which either the Scheme becomes effective in accordance with its terms or, if PMI Bidder elects, and the Panel consents, to implement the Acquisition by way of the Takeover Offer, the date on which the Takeover Offer becomes or is declared unconditional in all respects
Effective Time	the time at which the Scheme becomes effective in accordance with its terms
Euroclear	Euroclear UK and Ireland Limited
Ex-Dividend Closing Price	the Closing Price of a Vectura Share on a particular trading day as derived from Bloomberg, less 19 pence, being the value of the Interim Dividend
FCA or Financial Conduct Authority	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the UK Financial Services and Markets Act 2000
FDA	the US Food and Drug Administration

Forms of Proxy	the forms of proxy in connection with each of the Court Meeting and the General Meeting, which shall accompany the Scheme Document
General Meeting	the general meeting of Vectura Shareholders (including any adjournment thereof) to be convened in connection with the Scheme
German Foreign Investment Condition	has the meaning given to it in paragraph 3(d) of Part A of Appendix I to this announcement
Interim Dividend	the interim dividend of 19 pence for each Vectura Share paid on 11 June 2021
J.P. Morgan Cazenove	J.P. Morgan Securities plc, which conducts its UK investment banking business as J.P. Morgan Cazenove
Listing Rules	the rules and regulations made by the Financial Conduct Authority under the Financial Services and Markets Act 2000 (as amended), and contained in the publication of the same name, as amended from time to time
London Stock Exchange	London Stock Exchange plc
Long Stop Date	11.59 p.m. on 31 December 2021 or such later date as may be agreed in writing by PMI Bidder and Vectura (with the Panel's consent and as the Court may approve (if such consent or approval is required))
Murano	Murano Bidco Limited, a newly formed company indirectly controlled by funds managed by Carlyle Europe Partners V, with registered number 13412569
Offer Period	the offer period (as defined by the Takeover Code) relating to Vectura, which commenced on 26 May 2021
Official List	the Official List of the London Stock Exchange
Opening Position Disclosure	has the same meaning as in Rule 8 of the Takeover Code
Overseas Shareholders	Vectura Shareholders (or nominees of, or custodians or trustees for Vectura Shareholders) not resident in, or nationals or citizens of, the United Kingdom
Panel	the Panel on Takeovers and Mergers
PMI	Philip Morris International Inc.
PMI Bidder	PMI Global Services Inc.

PMI Group	PMI and its direct and indirect subsidiary undertakings including, following the Acquisition becoming Effective, the Vectura Group
PRA	the UK Prudential Regulation Authority
Register	the register of members of the Company
Registrar of Companies	the Registrar of Companies in England and Wales
Regulations	the Uncertificated Securities Regulations 2001 (SI2001 No. 3755), as amended from time to time
Regulatory Conditions	the Conditions set out in paragraphs 3(a) to 3(d) and 3(e) of Part A of Appendix I to this announcement
Regulatory Information Service	any of the services set out in Appendix I to the Listing Rules
Relevant Authority	any central bank, ministry, governmental, quasi-governmental, supranational (including the European Union), statutory, regulatory, environmental, administrative, fiscal or investigative body, authority or tribunal (including any national or supranational antitrust, competition or merger control authority, any sectoral ministry or regulator, any court and any foreign investment review body), national, state, municipal or local government (including any subdivision, court, tribunal, administrative agency or commission or other authority thereof), any entity owned or controlled by them, any private body exercising any regulatory, taxing, importing or other authority, trade agency, association, institution or professional or employee representative body in any jurisdiction, including, for the avoidance of doubt, the Panel
Restricted Jurisdiction	any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure or other formality which Vectura or PMI Bidder regards as unduly onerous if information concerning the Acquisition is sent or made available to Vectura Shareholders
Rothschild & Co	N.M. Rothschild & Sons Limited
Scheme or Scheme of Arrangement	the proposed scheme of arrangement under Part 26 of the Companies Act between Vectura and the Scheme Shareholders in connection with the Acquisition, with or subject to any modification, addition or condition approved or imposed by the Court and agreed by Vectura and PMI Bidder

Scheme Document	the document to be sent to Vectura Shareholders containing, amongst other things, the Scheme and the notices convening the Court Meeting and the General Meeting
Scheme Record Time	the time and date specified as such in the Scheme Document
Scheme Shareholders	holders of Scheme Shares
Scheme Shares	<p>the Vectura Shares:</p> <ul style="list-style-type: none"> (i) in issue at the date of the Scheme Document and which remain in issue at the Scheme Record Time; (ii) (if any) issued after the date of the Scheme Document but before the Voting Record Time and which remain in issue at the Scheme Record Time; and (iii) (if any) issued at or after the Voting Record Time but before the Scheme Record Time on terms that the holder thereof shall be bound by the Scheme or in respect of which the original or any subsequent holders thereof are, or have agreed in writing to be, bound by the Scheme and, in each case, which remain in issue at the Scheme Record Time <p>excluding, in any case, any Vectura Shares held by or on behalf of PMI Bidder or any member of the PMI Group or held by Vectura in treasury</p>
Significant Interest	in relation to an undertaking, a direct or indirect interest of 20 per cent. or more of the total voting rights conferred by the equity share capital (as defined in section 548 of the Companies Act) of such undertaking
Statement of Purpose	the Statement of Purpose adopted by PMI's board of directors and issued in its proxy statement of 26 March 2020
Takeover Code	the City Code on Takeovers and Mergers

Takeover Offer	should the Acquisition be implemented by way of a takeover offer as defined in Chapter 3 of Part 28 of the Companies Act, the offer to be made by or on behalf of PMI Bidder to acquire the entire issued and to be issued ordinary share capital of Vectura not then held by PMI Bidder and, where the context admits, any subsequent revision, variation, extension or renewal of such takeover offer
UK or United Kingdom	has the meaning given to it in paragraph 3(c) of Part A of Appendix I to this announcement
UK National Security and Investment Condition	has the meaning given to it in paragraph 3(c) of Part A of Appendix I to this announcement
United States or US	the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia and all other areas subject to its jurisdiction and any political sub-division thereof
US Exchange Act	the United States Securities Exchange Act 1934, as amended
Vectura or Company	Vectura Group plc
Vectura Directors	the directors of Vectura at the time of this announcement or, where the context so requires, the directors of Vectura from time to time
Vectura Group	Vectura and its subsidiary undertakings and, where the context permits, each of them
Vectura Preference Shares	the existing unconditionally allotted or issued and fully paid redeemable preference shares of Vectura with a nominal value of £1.00 each
Vectura Shareholders Shareholders	or the holders of Vectura Shares
Vectura Shares	the existing unconditionally allotted or issued and fully paid ordinary shares of 0.0271 pence each in the capital of Vectura and any further such ordinary shares which are unconditionally allotted or issued before the Scheme becomes effective

Vectura Share Plans

the Vectura Approved Share Option Plan, the Vectura Unapproved Share Option Plan, the 2012 Vectura Long-Term Incentive Plan, the 2015 Vectura Long-Term Incentive Plan, the Vectura Deferred Share Bonus Plan, the Vectura Sharesave (SAYE) scheme and the Vectura Share Incentive Plan (SIP), the Vectura Global Share Incentive Plan, the SkyePharma Share Incentive Plan and the SkyePharma International Share Plan

Voting Record Time

the time and date specified in the Scheme Document by reference to which entitlement to vote at the Court Meeting will be determined

Wider PMI Group

PMI and each of its subsidiary undertakings and associated undertakings and any other undertaking, body corporate, partnership, joint venture or person in which PMI and such undertakings (aggregating their interests) have a Significant Interest and

Wider Vectura Group

Vectura and associated undertakings and any other undertaking, body corporate, partnership, joint venture or person in which Vectura and such undertakings (aggregating their interests) have a Significant Interest

For the purposes of this announcement, "**subsidiary**", "**subsidiary undertaking**", "**undertaking**" and "**associated undertaking**" have the respective meanings given thereto by the Companies Act.

All references to "**pounds**", "**pounds Sterling**", "**Sterling**", "**£**", "**pence**", "**penny**" and "**p**" are to the lawful currency of the United Kingdom.

All references to "**US\$**", "**USD**", "**\$**" and "**US Dollars**" are to the lawful currency of the United States.

All the times referred to in this announcement are London times unless otherwise stated.

References to the singular include the plural and vice versa.