



## VECTURA UNAPPROVED SHARE OPTION PLAN 2004

**IMPORTANT: PLEASE READ AND MAKE YOUR CHOICE**

**THIS LETTER SUPERSEDES THE LETTER DATED 28 JULY 2021 FROM VECTURA AND PMI BIDDER. PLEASE READ THIS LETTER CAREFULLY.**

**ANY CHOICES YOU MADE IN RELATION TO THE LETTER DATED 28 JULY 2021 FROM VECTURA AND PMI BIDDER WILL NOT TAKE EFFECT.**

**YOU NEED TO DECIDE ON THE ACTION YOU WISH TO TAKE IN RELATION TO THE INCREASED OFFER BY PMI BIDDER AND SUBMIT A CHOICE.**

**IF YOU DO NOT TAKE ANY ACTION AND THE OFFER BECOMES EFFECTIVE, YOUR OPTIONS WILL LAPSE.**

**This Letter is important and explains the impact of the Offer on your options and what you need to do. Please read it carefully in conjunction with the Offer Document.**

**You will need to decide whether you want to exercise your options and accept the Offer. More detail is set out in this Letter but if you want to exercise and accept the Offer so as to receive the consideration for your Vectura Shares at the earliest opportunity, you must do that before 5.00pm (London time) on 14 September 2021.**

**Please note that all unexercised options will lapse in full two months after the Effective Date (unless they lapse earlier in accordance with their terms). If you do nothing, your options will lapse and you will receive no value for them. Therefore, we recommend that you exercise your options before they lapse.**

**THIS LETTER IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. THIS LETTER CONTAINS A PROPOSAL RELATING TO THE OFFER WHICH, IF IMPLEMENTED IN FULL IN ACCORDANCE WITH THE PROPOSALS SET OUT IN THE OFFER DOCUMENT, WILL RESULT IN THE CANCELLATION OF THE LISTING OF VECTURA SHARES ON THE OFFICIAL LIST AND OF ADMISSION TO TRADING OF VECTURA SHARES ON THE LONDON STOCK EXCHANGE'S MAIN MARKET FOR LISTED SECURITIES. If you are in any doubt about the Offer or the contents of this Letter or what action you should take, you should consult your stockbroker, solicitor, accountant or other independent financial adviser who is duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom, or, if not, an appropriately authorised independent adviser.**



Vectura Group plc  
One, Prospect West  
Chippenham  
Wiltshire  
SN14 6FH

PMI Global Services Inc.  
120 Park Avenue New York  
10017 New York  
United States

27 August 2021

Dear Colleague

**Offer for Vectura Group plc ("Vectura") by PMI Global Services Inc. ("PMI Bidder"): how it affects your options and the action you need to take to receive value for them.**

### **Background to the Offer**

As you know, PMI and PMI Bidder announced on 8 August 2021 an increased offer for Vectura by PMI Bidder at a price of 165 pence per Vectura Share.

On 9 August 2021, PMI and PMI Bidder announced that they were of the view that the proposed acquisition by PMI was in the best interests of Vectura Shareholders and therefore, in order to increase the certainty of its execution, PMI and PMI Bidder had determined, with the consent of the Takeover Panel, to implement the acquisition by way of the Offer rather than a scheme of arrangement.

On 12 August 2021, the Vectura Directors announced their intention to recommend the Offer from PMI Bidder.

On 16 August 2021, the Offer Document containing full details of the Offer, including the terms and conditions, was posted or otherwise made available to holders of Vectura Shares and other persons with information rights in Vectura.

### **Why are we writing to you again?**

This Letter tells you about the impact of the Offer on the options you hold under the Unapproved Plan, the choices you have and what you need to do. **Once you have made your choice, you will not be able to change it.**

At the back of this Letter you will find a definitions section which explains the key defined terms used in this Letter. A copy of this Letter can also be found on Vectura's website at <https://www.vectura.com/investors/cash-offer-by-pmi>.

### **Proposal**

PMI Bidder is required by the Takeover Code to make an "appropriate proposal" to holders of options to safeguard their interests in the context of the Offer. The proposal is that you agree now to exercise any options you hold and accept the Offer.

## Recommendation

The Vectura Directors, who have been so advised by J.P. Morgan Cazenove and Rothschild & Co as to the financial terms of the proposal, consider the terms of the proposal set out in this Letter to be fair and reasonable in the context of the Offer. 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 15(b) of the Takeover Code.

The Vectura Directors recommend that you accept the proposal as set out in this Letter. You should consider your own personal circumstances, including your tax position, when deciding your preferred timing for exercising the options you hold.

## Interim Dividend

As an optionholder, you were not eligible to receive the Interim Dividend of 19 pence per Vectura Share paid by Vectura to Vectura Shareholders. Instead, on exercise of your options, you will receive a cash bonus equal in value to the Interim Dividend multiplied by the number of Vectura Shares you receive on exercise.

## Questions

If you have any questions on the contents of this Letter, please contact Kirstan Boynton via email on [VecShareScheme@vectura.com](mailto:VecShareScheme@vectura.com) but please be aware that no legal, tax, financial or investment advice on the Offer, the Unapproved Plan and/or your choices can be provided by Vectura, PMI or PMI Bidder.

Yours faithfully

Yours faithfully



Kevin Matthews  
Remuneration Committee Chair

Deepak Mishra  
Director

For and on behalf of  
**Vectura Group plc**

For and on behalf of  
**PMI Global Services Inc.**

## IMPACT ON YOUR OPTIONS

### 1. When can I exercise my options?

You can exercise your options at any time from now up to the date that they lapse—this will be two months after the Effective Date (unless they lapse earlier under the plan rules).

**NOTE: Please remember that persons on a Vectura insider or restricted list may not deal in Vectura securities, including exercising options, during a restricted period or without obtaining prior clearance to deal in accordance with the Vectura dealing code.**

### 2. What are my choices?

You have three choices:

#### **Choice 1: PMI Bidder's proposal: exercise your options and accept the Offer**

PMI Bidder's proposal is that you elect to exercise your options and accept the Offer. If the Offer becomes effective, each of the Vectura Shares you receive on exercise of your options will then be bought by PMI Bidder under the Offer. You will receive 165 pence in cash for each Vectura Share (subject to the deductions mentioned below).

You will not need to fund the exercise price yourself – it will be deducted automatically from the cash proceeds paid to you and any tax and social security contributions which the Vectura Group is required to withhold will also be deducted.

To accept PMI Bidder's proposal, please complete the enclosed Form of Instruction and return the form to [execshareplans@ybs.co.uk](mailto:execshareplans@ybs.co.uk).

If you wish to accept the Offer and receive your consideration as soon as possible and at the same time as Vectura Shareholders who accept the Offer, you will need to exercise your options and accept the Offer by ticking "Box 1" on the Form of Instruction and return the form by **no later than 5.00pm (London time) on 14 September 2021**.

If you want to exercise your options and accept the Offer at a different time, you can exercise your options **whilst the Offer remains open for acceptance** by ticking "Box 2" on the Form of Instruction. It is not yet known how long the Offer will remain open for acceptance following the First Closing Date, but the Offer will not close for acceptance before the date which is 21 days after the Effective Date.

#### **Choice 2: exercise your options only (and do not accept the Offer)**

You do not have to accept PMI Bidder's proposal as set out in Choice 1 above. You may instead elect to exercise your options and receive Vectura Shares but not accept the Offer. If you wish to do this, you will need to tick "Box 3" on the enclosed Form of Instruction and return the form to [execshareplans@ybs.co.uk](mailto:execshareplans@ybs.co.uk) **by no later than 5 Business Days before the date that is two months after the Effective Date**, assuming the Offer becomes effective.

You will need to fund the exercise price yourself and make arrangements with Vectura to settle any tax and social security contributions which the Vectura Group is required to withhold.

By exercising your options under Choice 2, you will also be electing not to participate in the Offer and not to receive value for your Vectura Shares from PMI Bidder under the Offer.

Please be aware that if the Offer becomes effective, depending on the number of Vectura Shares PMI Bidder (and/or another member of the PMI Group) acquires (or becomes entitled to acquire), PMI Bidder can (and has said it intends to):

- exercise its statutory rights to require you to sell your Vectura Shares on the terms of the Offer in any event; and/or
- procure the cancellation of the listing of Vectura Shares on the London Stock Exchange, meaning that it would be much more difficult for your Vectura Shares to be sold in the future.

Until PMI Bidder obtains 90% of the Vectura Shares, you will remain as a minority shareholder even if the Offer becomes effective.

### **Choice 3: Do nothing**

If you do nothing and the Offer becomes effective, your options will lapse two months after the Effective Date, at the latest, and you will not be entitled to any Vectura Shares or any cash consideration from the Offer.

#### **3. Can I exercise my options in full?**

Yes, you can exercise your options in full and choose whether or not to accept the Offer when you exercise your options.

#### **4. Will I be entitled to receive dividends?**

No. You will be paid a cash bonus equal in value to the Interim Dividend multiplied by the number of Vectura Shares you receive on exercise of your options.

#### **5. If my Vectura Shares are bought by PMI Bidder, when will I receive my cash consideration after I exercise my options?**

##### **For Choice 1:**

If the Offer becomes effective and you have submitted your election to exercise and accept before 5.00 pm (London time) on 14 September 2021, the cash consideration will be payable by PMI Bidder within 14 days of the Effective Date.

If the Offer becomes effective and your election to exercise and accept is received after 5.00 pm (London time) on 14 September 2021 but whilst the Offer remains open for acceptance, the cash consideration will be payable by PMI Bidder within 14 days of receipt of your election.

In either case, the consideration will be received on your behalf and then paid to you (less deductions for the exercise price and income tax and social security contributions required to be deducted by the Vectura Group) through the next practicable payroll after the cash consideration has been paid by PMI Bidder.

**For Choice 2:**

If you choose to exercise your options but do not accept the Offer, you will not participate in the Offer and receive any cash consideration for your Vectura Shares from PMI Bidder under the Offer.

However, as noted above, please be aware that PMI Bidder may be entitled, depending on the number of Vectura Shares which PMI Bidder (and/or another member of the PMI Group) acquires (or becomes entitled to acquire), to exercise its statutory rights to require you to sell any Vectura Shares you hold from the exercise of your options, on the terms of the Offer in any event. If this were to occur, you would receive the consideration for your Vectura Shares as soon as practicable after PMI Bidder acquires your Vectura Shares.

**For Choice 3:**

If you do nothing and the Offer becomes effective, your options will lapse two months after the Effective Date, at the latest, and you will not be entitled to receive any Vectura Shares or cash consideration from the Offer.

**6. Can I make different choices for different options?**

Yes, if you hold options granted in different years, you can choose to exercise each of those options and whether or not to accept the Offer or choose not to exercise the options at all.

Any choice you make for an option in a particular year will apply to all of that option.

**7. What happens under the other Vectura Share Plans?**

If you also participate in any other Vectura Share Plans, you will receive a separate communication about these plans.

**8. What happens if I leave the Vectura Group?**

You will be able to exercise your options and choose whether or not to accept the Offer at any time until the earlier of (A) six months from the date you left the Vectura Group and (B) two months from the Effective Date (subject to any earlier lapse date), after which time any unexercised options will lapse. You will need to ensure that you have submitted a request to exercise your options and accept the Offer (if you wish to do so) by completing the Form of Instruction so it is received and processed before your options lapse.

**9. How do I pay the income tax and social security contributions?**

For exercises under Choice 1, any income tax and social security contributions that the Vectura Group is required to deduct will be deducted from the cash consideration payable to you by PMI Bidder for the Vectura Shares you receive on exercise and the cash bonus paid to you in relation to the Interim Dividend.

For exercises under Choice 2, you will need to make separate arrangements with Vectura to pay any income tax and social security contributions in line with Vectura's normal practice.

## 10. Why am I receiving another letter?

The letter you received on 28 July 2021 also related to the offer for Vectura by PMI Bidder. However, the terms of that offer have now changed and the structure of the offer and the offer price are now different, as set out in this Letter.

This Letter tells you about the impact of the Offer on the options you hold under the Unapproved Plan, the choices you have and what you need to do. Although the letter dated 28 July 2021 and this Letter look very similar, they are different.

You can also disregard the letter you received on 18 June 2021 relating to the offer for Vectura by Murano Bidco Limited. That offer is no longer going ahead and instead Vectura has decided to proceed with the increased offer by PMI Bidder.

**If you have already made an election to exercise your options, this will no longer take effect. You will need to decide on the action you wish to take in relation to the Offer by PMI Bidder and submit a new election. If you do not take any action and the Offer becomes effective, your options will lapse.**

## 11. How do I access the online portal?

To access the online portal, to see details of your options, you'll need to do the following:

- Go to [www.vu-live.com](http://www.vu-live.com) in your web browser.
- Select the login button at the top right-hand corner of the screen.
- Enter your email address and password.

*What if I have forgotten my password?*

If you are logging in for the first time or have forgotten your password, select "*reset password*" and enter your email address. You will be sent an email which contains a link to create a new password. Once you have created the new password, you will be able to access the portal.

## OFFER SUMMARY

### 1. How does the Offer work?

Under the Offer, PMI Bidder has offered to buy all of the issued and to be issued Vectura Shares – but only if:

- valid acceptances of the Offer have been received by a specified time in respect of Vectura Shares which, together with any Vectura Shares acquired or agreed to be acquired during the Offer Period, will result in PMI Bidder and/or another member of the PMI Group holding more than 50% of the Vectura Shares; and
- the other conditions of the Offer are met.

The date when these conditions have all been met (or waived) is when the Offer becomes "effective" (the "**Effective Date**") and we will let you know when and if that happens.

Following the Offer becoming effective and subject to having acquired or agreed to acquire a certain percentage of the Vectura Shares, PMI Bidder can (and has said that it intends to):

- procure the cancellation of the listing of Vectura Shares on the London Stock Exchange; and/or
- exercise its statutory rights to require the Vectura Shareholders who have not accepted the Offer to sell their Vectura Shares on the terms of the Offer.

If you want to read more about this, please go to <https://www.vectura.com/investors/cash-offer-by-pmi> on the Vectura website where you will find the Offer Document. A copy of this Letter is also available on the same Vectura website.

### 2. What can Vectura Shareholders receive under the Offer?

For each Vectura Share sold to PMI Bidder under the Offer, a Vectura Shareholder will receive 165 pence.

### 3. When will the Effective Date occur?

The Effective Date is not yet known. The timing of the Effective Date will be announced when known.

### 4. What will happen if the Offer does not become effective?

If the Offer does not become effective for any reason, your options will continue unaffected as before (regardless of any choices you have made).

If you have already exercised options and hold Vectura Shares, your Vectura Shares will not be impacted.



## DEFINITIONS

"Business Day"	a day (other than Saturdays, Sundays and public holidays in the United Kingdom) on which banks are open for business in London
"Effective Date"	the date on which the Offer becomes or is declared wholly unconditional in accordance with the Offer Document
"First Closing Date"	1.00 pm (London time) on 15 September 2021
"Form of Instruction"	the form of instruction provided with this Letter
"Interim Dividend"	the interim dividend of 19 pence for each Vectura Share held at 6.00 p.m. on 28 May 2021
"J.P. Morgan Cazenove"	J.P. Morgan Securities plc, which conducts its UK investment banking business as J.P. Morgan Cazenove
"Letter"	the letter dated 27 August 2021 from Vectura and PMI Bidder explaining the impact of the Offer on options under the Unapproved Plan
"London Stock Exchange"	London Stock Exchange plc
"Offer"	the recommended cash offer made by PMI Bidder for the entire issued and to be issued share capital of Vectura on the terms and subject to the conditions set out in the Offer Document
"Offer Document"	the document dated 16 August 2021 sent to Vectura Shareholders to explain the Offer
"Offer Period"	the offer period (as defined by the Takeover Code (which is defined in the Offer Document)) relating to Vectura, which commenced on 26 May 2021
"PMI"	Philip Morris International Inc.
"PMI Bidder"	PMI Global Services Inc., a wholly owned direct subsidiary of PMI
"PMI Bidder Directors"	the directors of PMI Bidder from time to time
"PMI Group"	PMI and its direct and indirect subsidiary undertakings including, following the Offer becoming effective, the Vectura Group
"PMI Responsible Persons"	the persons from PMI whose names are listed in paragraph 2(c) of Part 5 of the Offer Document
"Rothschild & Co"	N. M. Rothschild & Sons Limited
"Takeover Code"	the City Code on Takeovers and Mergers
"Tax Summary"	the tax summary provided by Vectura
"Unapproved Plan"	the Vectura Unapproved Share Option Plan 2004
"Vectura"	Vectura Group plc, incorporated in England with registered number 03418970
"Vectura Directors" or "Vectura Board"	the board of directors of Vectura from time to time
"Vectura Group"	Vectura and its direct and indirect subsidiary undertakings
"Vectura Shareholders"	holders of Vectura Shares

**"Vectura Share Plans"**

the Vectura Approved Share Option Plan, the Unapproved Plan, the Vectura 2012 Long Term Incentive Plan, the Vectura 2015 Long Term Incentive Plan, the Vectura Deferred Share Bonus Plan 2017, the Vectura 2014 Sharesave Scheme, the Vectura Share Incentive Plan, the Vectura Global Share Incentive Plan, the SkyePharma Share Incentive Plan 2014 and the SkyePharma International Share Plan 2014

**"Vectura Shares"**

ordinary shares of 0.0271 pence each in the capital of Vectura

## LEGAL NOTES:

*The release, publication or distribution of this Letter in or into any 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 the laws of other jurisdictions should inform themselves of, and observe, any applicable requirements.*

*J.P. Morgan Cazenove is authorised in the United Kingdom by the Prudential Regulation Authority ("PRA") and regulated in the United Kingdom by the PRA and the Financial Conduct Authority ("FCA"). J.P. Morgan Cazenove is acting as financial adviser and corporate broker exclusively for Vectura and no one else in connection with the Offer and will not regard any other person as its client in relation to the Offer 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 the Offer or any matter or arrangement referred to herein.*

*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 Letter 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 Letter.*

*Each of J.P. Morgan Cazenove and Rothschild & Co has given and not withdrawn its written consent to the issue of this Letter with the inclusion of references to its name in the form and context in which it appears.*

*The PMI Bidder Directors, whose names are set out in paragraph 2(a) of Part 5 of the Offer Document, and the PMI Responsible Persons, whose names are set out in paragraph 2(b) of Part 5 of the Offer Document, accept responsibility for the information contained in this Letter other than the information for which responsibility is taken by others pursuant to paragraph 1(b) of Part 5 of the Offer Document or pursuant to the next paragraph below. To the best of the knowledge and belief of the PMI Bidder Directors and the PMI Responsible Persons (who have taken all reasonable care to ensure that such is the case), the information contained in this Letter for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.*

*The Vectura Directors, whose names are set out in paragraph 2(c) of Part 5 of the Offer Document, accept responsibility for the information contained in this Letter (including any expression of opinion and the Tax Summary) relating to Vectura, the Vectura Group and themselves, their close relatives, related trusts and other connected persons and other persons acting in concert with Vectura (as the term is used in the Takeover Code). To the best of the knowledge and belief of the Vectura Directors (who have taken all reasonable care to ensure that such is the case), the information (including any expression of opinion) contained in this Letter for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.*

*Accidental omission to dispatch this Letter to, or any failure to receive the same by, any person shall not invalidate anything set out in this Letter. Your awards are governed by the rules of the Unapproved Plan and in the event of a conflict between this Letter and the rules of the Unapproved Plan or any relevant legislation, the rules of the Unapproved Plan or the legislation will prevail.*

*Receipt of documents will not be acknowledged. All documents sent by or to a participant in the Unapproved Plan will be sent at the individual's own risk. If a participant has received this Letter in electronic form, he/she may request that copies of this Letter be sent to him/her in hard copy form and that all future documents sent to him/her be in hard copy form. Requests should be submitted to [execshareplans@ybs.co.uk](mailto:execshareplans@ybs.co.uk).*

*Please also read the additional information addressed to people in certain countries as set out in the "OVERSEAS SHAREHOLDERS" section at paragraph 12 of Part 1A of the Offer Document as if that wording is set out in this Letter and addressed to you, as appropriate.*

*The statements contained in this Letter are not to be construed as legal, investment, financial or tax advice. If you are in any doubt about the contents of this Letter, you should consult your own legal adviser, investment adviser, financial adviser or tax adviser for legal, investment, financial or tax advice.*