

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately. If you have sold all of your shares in Vernalis plc please pass this document and the documents accompanying it to the purchaser or to the agent through whom the sale was effected for onward transmission to the purchaser.

Vernalis plc

(Registered in England No: 2304992)



Notice of Annual General Meeting

Notice is hereby given that the twenty-first Annual General Meeting ("AGM") of Vernalis plc (the "Company") will be held at 11.00am on Thursday 25 June 2009 at the offices of Morrison and Foerster (UK) LLP at CityPoint, One Ropemaker Street, London EC2Y 9AW to transact the following business:

Ordinary business

To consider and, if thought fit, pass resolutions 1 to 8 which will be proposed as ordinary resolutions:

- 1** To receive the accounts and related reports of the directors and auditors for the year ended 31 December 2008.
- 2** To approve the remuneration report contained within the report and accounts for the year ended 31 December 2008.
- 3** To re-elect Dr P J Fellner as a director.
- 4** To re-elect Dr A Baxter as a director.
- 5** To re-elect Ms C C Ferguson as a director.
- 6** To re-elect Mr I Garland as a director.
- 7** To re-elect Mr D Mackney as a director.
- 8** To re-appoint PricewaterhouseCoopers LLP as auditors and authorise the directors to determine their remuneration.

Special business

To consider and, if thought fit, pass the following resolutions, which will be proposed as to resolution 9 as an ordinary resolution and as to resolutions 10 and 11 as special resolutions:

- 9** Authority to allot relevant securities:

That:

- a) the directors be generally and unconditionally authorised, in accordance with Section 80 of the Companies Act 1985, to exercise all powers of the Company to:
 - i) allot relevant securities (as defined for the purposes of that Section) up to an aggregate nominal amount of £3,874,483; and
 - ii) allot equity securities (within the meaning of Section 94(2) of the Companies Act 1985) up to an additional aggregate nominal amount of £3,874,483 in connection with a rights issue which satisfies the conditions and may be subject to all or any of the exclusions specified in paragraph (a)(A) of the next following resolution (resolution 10);
- b) this authority shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, on 30 June 2010;
- c) the Company may, before this authority expires, make an offer or agreement which would or might require relevant securities to be allotted after it expires; and
- d) previous unutilised authorities under Section 80 of the Companies Act 1985 granted by resolutions of shareholders at the AGM and Extraordinary General Meeting ("EGM") of the Company held in 2008 and General Meeting ("GM") of the Company held on 18 May 2009 shall cease to have effect (save to the extent that the same are exercisable pursuant to Section 80(7) of the Companies Act 1985 by reason of any offer or agreement made prior to the date of these resolutions which would or might require relevant securities to be allotted on or after that date).

10 Authority to disapply pre-emption rights:

That:

- a) the directors be given power (subject to the passing of resolution 9 above) to allot equity securities (as defined in Section 94(2) of the Companies Act 1985 for the purposes of Section 89 of that Act) pursuant to the general authority conferred on them by that resolution under Section 80 of that Act as if Section 89(1) of that Act did not apply to the allotment but this power shall be limited:
 - A) to the allotment of equity securities in connection with a rights issue, open offer, scrip dividend scheme or other pre-emptive offer or scheme, to or in favour of ordinary shareholders on the register on a date fixed by the directors where the equity securities respectively attributable to the interests of all those shareholders are proportionate (as nearly as practicable) to the respective numbers of ordinary shares held by them on that date but the directors may make such exclusions or other arrangements as they consider expedient in relation to fractional entitlements, legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange; and
 - B) to the allotment (other than under (A) above) of equity securities for cash having a nominal amount not exceeding in aggregate £581,172;
- b) this power shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, on 30 June 2010;
- c) previous unutilised authorities under Section 95 of the Companies Act 1985 granted by resolutions of shareholders at the AGM and EGM of the Company held in 2008 and GM of the Company held on 18 May 2009 shall cease to have effect (save to the extent that the same are exercisable pursuant to Section 95(4) of the Companies Act 1985 by reason of any offer or agreement made prior to the date of these resolutions which would or might require equity securities to be allotted on or after that date); and
- d) the Company may, before this power expires, make an offer or agreement which would or might require equity securities to be allotted after it expires.

11 That in accordance with the Articles of Association a GM other than an AGM may be called on not less than 14 clear days' notice.

By order of the Board

J A D Slater
Company Secretary
21 May 2009

Vernalis plc
Oakdene Court
613 Reading Road
Winnersh
Berkshire, RG41 5UA

Notes

- 1 Members are entitled to appoint a proxy to exercise all or any of their rights to attend and speak and vote on their behalf at a meeting. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a member of the Company.

To appoint more than one proxy, the Form of Proxy may be photocopied and completed for each proxy holder. The proxy holder's name should be written on the Form of Proxy together with the number of shares in relation to which the proxy is authorised to act. The box on the Form of Proxy must also be ticked to indicate that the proxy instruction is one of multiple instructions being given.
- 2 A Form of Proxy has been provided for use by members. To be valid it should be completed, signed and delivered (together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority) to the Company's Registrars, Capita Registrars (Proxies), PO Box 25, Beckenham, Kent, BR3 4BR, not later than 48 hours before the time appointed for holding the AGM or any adjourned meeting or, in the case of a poll taken subsequently to the date of the AGM, not less than 24 hours before the time appointed for the taking of the poll.
- 3 Any person to whom this Notice is provided who is a person nominated under Section 146 of the CA 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
- 4 The statement of the rights of shareholders in relation to the appointment of proxies in Notes 1 and 2 does not apply to Nominated Persons. The rights described in those Notes can only be exercised by shareholders of the Company.
- 5 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with CRESTCo's specification and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the registrar (ID: RA10) by 11.00am on 23 June 2009. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers, should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

- 6 Completion and return of a Form of Proxy or any CREST Proxy Instruction will not prevent members from attending and voting in person at the meeting or any adjournment thereof.
- 7 As at 20 May 2009 (being the last practicable business day prior to the publication of this Notice) the Company's issued share capital consists of 58,117,245 ordinary 20 pence shares, carrying one vote each. Therefore the total voting rights in the Company as at 20 May 2009 are 58,117,245.
- 8 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company gives notice that only those members entered on the register of members of the Company at 6:00pm on 23 June 2009 will be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time. Changes to entries on the register after 6:00pm on 23 June 2009 will be disregarded in determining the rights of any person to attend and vote at the meeting or any adjourned meetings (as the case may be).
- 9 Copies of directors' service contracts and letters of appointment for non-executive directors and copies of deed polls relating to directors' indemnities are available for inspection at the registered office of the Company and at the offices of Morrison and Foerster (UK) LLP, City Point, One Ropemaker Street, London EC2Y 9AW, during normal business hours and at the place of the AGM from 10.45am until the conclusion of the meeting.
- 10 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the Chairman is being appointed as described in (i) above.

Explanation of the resolutions to be proposed at the Annual General Meeting

Resolution 1: Report and accounts

For each financial period, the directors are required to lay the audited accounts, the directors' report and the auditors' report before the Company in general meeting.

Resolution 2: Remuneration report

The Companies Act 2006 requires companies quoted on the London Stock Exchange to put an ordinary resolution to shareholders at the AGM seeking approval of the remuneration report. The remuneration report is set out in full on pages 28 to 34 of the annual report.

Resolutions 3 to 7: Re-election of directors

In accordance with the Combined Code on Corporate Governance, any director who has been appointed since the previous AGM must stand for re-election at the next AGM after his or her appointment and, thereafter, at intervals of no more than three years. Biographical details of all directors, including those standing for re-election and the Board's recommendation for those proposed for re-election, are contained on pages 17 and 20 of the annual report.

Resolution 8: Re-appointment of auditors

At each general meeting at which accounts are laid before shareholders, the Company is required to appoint auditors to serve until the next such meeting. Accordingly, resolution 8 seeks the re-appointment of PricewaterhouseCoopers LLP as the Company's auditors to serve until the next AGM of the Company and, in accordance with normal practice, authority for the directors to determine their remuneration.

Resolutions 9 and 10: Directors' authority to allot shares

Under Section 80 of the Companies Act 1985 (the "Act"), the directors cannot allot shares in the Company (other than shares allotted pursuant to an employee share scheme) unless they are authorised to do so by the Company in general meeting. Resolution 9 will be proposed as an ordinary resolution to seek a new authority, which will replace any existing authorities granted prior to the AGM. It is proposed that the directors be authorised to allot shares, subject to the normal pre-emption rights reserved to shareholders contained in the Companies Act 1985. Previously, The Association of British Insurers ("ABI") recommended that a company seek an annual authority to allot up to a third of their issued share capital, however, the ABI have recently issued new guidelines permitting a company to seek authority to allot an additional third of their issued share capital provided such additional third is reserved for a fully pre-emptive rights issue. Paragraph (a)(ii) of resolution 9 reflects this change in the ABI's recommendation.

If the directors wish to use the authority conferred in resolution 9 to allot any of the unissued shares for cash, Section 89(1) of the Act requires that the new shares must be offered first to existing shareholders in proportion to their existing shareholdings. An offer of this type is generally called a "rights issue" and the shareholders' entitlement to be offered the new shares is known as a "pre-emption right".

However, for legal, regulatory and practical reasons, it might not be possible for new shares allotted by means of a rights issue to be issued to certain shareholders, particularly those resident overseas. Further, it might, in some circumstances, be in the Company's interests for the directors to be able to allot some shares for cash without having to offer them first to existing shareholders. To enable this to be done, shareholders must first waive these pre-emption rights.

Accordingly, resolution 10 seeks the renewal of the authority granted at the AGM held on 26 June 2008, the effect of which is to modify the pre-emption rights of existing shareholders as follows:

Sub-paragraph (A) of resolution 10 seeks authority for the directors to make any arrangements which may be necessary to deal with any legal, regulatory and practical problems arising from a rights issue or other pre-emptive offer, for example, by excluding affected shareholders from the rights issue or other pre-emptive offer; and

Sub-paragraph (B) of resolution 10 seeks the waiver of existing shareholders' pre-emption rights, but only for new shares with a maximum aggregate nominal value of £581,172, equivalent to 5 per cent of the Company's issued ordinary share capital as at 20 May 2009. If granted, this authority will enable the directors to allot new securities without further reference to shareholders. However, the interests of existing shareholders are protected in that their proportionate interests in the Company cannot be reduced by more than 5 per cent through the issue of new shares for cash.

The proposed authorities, if granted, will expire at the conclusion of the 2010 AGM or, if earlier, on 30 June 2010. It is the directors' intention to renew these authorities annually. The directors do not intend to issue more than 7.5 per cent of the issued share capital of the Company for cash, on a non pre-emptive basis, in any rolling three year period without prior consultation with the Investment Committees of the Association of British Insurers and the National Association of Pension Funds.

Resolution 11 – Notice of Meetings

This resolution is required to reflect the proposed implementation in August 2009 of the Shareholder Rights Directive. The regulation implementing this Directive will increase the notice period for general meetings of the Company to 21 days. The Company is currently able to call general meetings (other than an AGM) on 14 clear days' notice and would like to preserve this ability. In order to be able to do so after August 2009, shareholders must have approved the calling of meetings on 14 days' notice and Resolution 11 seeks such approval. The approval will be effective until the Company's next AGM when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 days' notice.

Recommendation

The directors consider that each of the proposals detailed in the Notice of Meeting will be of benefit to and in the best interests of the Company and the shareholders as a whole. The directors intend to vote in favour of all resolutions in respect of their own beneficial holdings of ordinary shares in the Company and unanimously recommend other shareholders to do likewise.