

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

PART TWO OF THIS DOCUMENT COMPRISES AN EXPLANATORY STATEMENT IN COMPLIANCE WITH SECTION 897 OF THE COMPANIES ACT AND DETAILS OF A PROPOSED ACQUISITION WHICH, IF IMPLEMENTED, WILL RESULT IN THE CANCELLATION OF THE ADMISSION TO TRADING OF VERNALIS SHARES ON AIM.

If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are taking advice in a territory outside the United Kingdom.

If you have sold or otherwise transferred all of your Vernalis Shares or Vernalis ADSs, please send this document and the accompanying documents (but not the personalised Forms of Proxy) at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in, into or from any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction. If you have sold or otherwise transferred part only of your holding of Vernalis Shares or Vernalis ADSs, please retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

The release, publication or distribution of this document and/or the accompanying documents (in whole or in part) in or into jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Neither this document nor any of the accompanying documents do or are intended to constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities or the solicitation of any vote or approval pursuant to the Scheme or otherwise, in any jurisdiction in which such offer, invitation or solicitation is unlawful. This document is not a prospectus.

**Recommended cash acquisition of
Vernalis plc
by
Ligand Holdings UK Ltd.
(a wholly-owned subsidiary of Ligand Pharmaceuticals Incorporated)
to be effected by means of a scheme of arrangement of Vernalis plc
under Part 26 of the Companies Act 2006**

This document (including any documents incorporated into it by reference), together with the accompanying Forms of Proxy, should be read as a whole. Your attention is drawn to the letter from the Chairman of Vernalis in Part One of this document, which contains the unanimous recommendation of the Vernalis Directors that you vote in favour of the Scheme at the Court Meeting and the special resolution to be proposed at the General Meeting. A letter from Evercore explaining the Scheme appears in Part Two of this document and constitutes an explanatory statement in compliance with section 897 of the Companies Act.

Notices of the Court Meeting and the General Meeting of Vernalis, each of which will be held at the offices of Covington & Burling LLP, 265 Strand, London WC2R 1BH on 2 October 2018, are set out on pages 73 to 79 of this document. The Court Meeting will start at 11.00 a.m. on that date and the General Meeting at 11.15 a.m. or as soon thereafter as the Court Meeting is concluded or adjourned.

Action to be taken by Vernalis Shareholders is set out on pages 27 to 28 of this document. It is important that, for the Court Meeting, as many votes as possible are cast so that the Court may be satisfied that there is a fair and reasonable representation of Scheme Shareholders' opinion. The blue Form of Proxy is to be used in connection with the Court Meeting and the yellow Form of Proxy is to be used in connection with the General Meeting. Whether or not you intend to attend both or either of the Court Meeting or the General Meeting, Vernalis Shareholders are asked to complete and return the enclosed blue and yellow Forms of Proxy in accordance with the instructions printed thereon as soon as possible, but in any event so as to be received by Vernalis' registrar, Link Asset Services, not later than 48 hours before the relevant Meeting, excluding any part of a day that is not a business day. Vernalis Shareholders who hold Vernalis Shares in uncertificated form (that is, in CREST) may also appoint a proxy through the CREST electronic proxy appointment service by following the instructions set out on

pages 27 to 28 of this document. If the blue Form of Proxy for the Court Meeting is not lodged by the relevant time, it may be handed to the Chairman of the Court Meeting or to Vernalis' registrar, Link Asset Services, on behalf of the Chairman of the Court Meeting before the start of the Court Meeting. However, in the case of the General Meeting, if the yellow Form of Proxy is not lodged by the relevant time, it will be invalid.

If you have any questions about this document, the Court Meeting or the General Meeting, or how to complete the Forms of Proxy, please call Link Asset Services on 0871 664 0300 (calls to this number from the UK will be charged at 12p per minute plus your phone company's access charge) or on +44 371 664 0300 from outside the UK (calls to this number from outside the UK will be charged at the applicable international rate). The helpline is open between 9.00 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Certain terms used in this document are defined in Part Eight of this document.

Evercore, which is authorised and regulated by the FCA in the United Kingdom, is acting solely for Vernalis as financial adviser in relation to the matters referred to in this document and for no one else. Evercore will not be responsible to anyone other than Vernalis for providing the protections afforded to its clients or for providing advice in relation to the contents of this document or any arrangement referred to herein. Neither Evercore, nor any of its affiliates, owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person other than Vernalis in connection with this document, any statement contained herein or otherwise. Evercore has given, and not withdrawn, its consent to the inclusion in this document of the references to its name and the advice it has given to Vernalis in the form and context in which they appear.

Canaccord Genuity, which is authorised and regulated by the FCA in the United Kingdom, is acting solely for Vernalis as Nominated Adviser and broker in relation to the matters referred to in this document and for no one else. Canaccord Genuity will not be responsible to anyone other than Vernalis for providing the protections afforded to its clients or for providing advice in relation to the contents of this document or any arrangement referred to herein. Neither Canaccord Genuity, nor any of its affiliates, owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person other than Vernalis in connection with this document, any statement contained herein or otherwise. Canaccord Genuity has given, and not withdrawn, its consent to the inclusion in this document of the references to its name and the advice it has given to Vernalis in the form and context in which they appear.

finnCap, which is authorised and regulated by the FCA in the United Kingdom, is acting exclusively as financial adviser to Ligand UK and for no one else in connection with the matters referred to in this document and will not be responsible to anyone other than Ligand UK for providing the protections afforded to its clients or for providing advice in relation to the matters referred to in this document. Neither finnCap, nor any of its affiliates, owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of finnCap in connection with this document, any statement contained herein or otherwise. finnCap has given, and not withdrawn, its consent to the inclusion in this document of the references to its name in the form and context in which they appear.

MTS is acting exclusively as financial adviser to Ligand UK and for no one else in connection with the matters referred to in this document and will not be responsible to anyone other than Ligand UK for providing the protections afforded to its clients or for providing advice in relation to the matters referred to in this document. MTS is a US registered broker dealer and is not advising Ligand UK for the purposes of the Code. Neither MTS, nor any of its affiliates, owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of MTS in connection with this document, any statement contained herein or otherwise.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by Vernalis, the Vernalis Directors, Ligand UK, the Ligand UK Directors, or by Evercore, Canaccord Genuity, finnCap or MTS or any other person involved in the Acquisition. Neither the delivery of this document nor holding the Meetings, the Court Hearing, or the filing of the Court Order shall, under any circumstances, create any implication that there has been no change in the affairs of the Vernalis Group or the Ligand Group since the date of this document or that the information in, or incorporated into, this document is correct as at any time subsequent to its date.

IMPORTANT NOTICE

The release, publication or distribution of this document in or into jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, any applicable legal or regulatory requirements. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Acquisition disclaim any responsibility or liability for the violation of such restrictions by any person.

Neither this document nor any of the accompanying documents do or are intended to constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities or the solicitation of any vote or approval pursuant to the Scheme or otherwise, in any jurisdiction in which such offer, invitation or solicitation is unlawful. This document and the accompanying Forms of Proxy have been prepared for the purposes of complying with English law, the rules of the London Stock Exchange, the AIM Rules and the Code, and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside of England and Wales.

Unless otherwise determined by Ligand UK or required by the Code, and permitted by applicable law and regulation, the Acquisition will not be made available, directly or indirectly, in or 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 document and all documents relating to the Acquisition are not being, and must not be, directly or indirectly, mailed, transmitted or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction or any other jurisdiction where to do so would constitute a violation of the laws of that jurisdiction, and persons receiving such documents (including agents, custodians, nominees and trustees) must not mail or otherwise forward, distribute or send such documents in or into or from any Restricted Jurisdiction. Doing so may render invalid any related purported vote in respect of the Acquisition.

The Acquisition relates to the shares of an English company and is being made by means of a scheme of arrangement provided for under English company law. 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 subject to the disclosure requirements and practices applicable in the United Kingdom to schemes of arrangement which differ from the disclosure requirements of United States tender offer and proxy solicitation rules. If, in the future, Ligand UK exercises the right to implement the Acquisition by way of a Takeover Offer and determines to extend such Takeover Offer into the United States, the Acquisition will be made pursuant to applicable UK tender offer rules and securities laws and otherwise in accordance with the requirements of the Code. Accordingly, any such Takeover Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, that are different from those applicable to tender offers made in accordance with US procedures and law. Financial information included in this document and the Scheme Document has been or will be prepared in accordance with accounting standards applicable in the United Kingdom that 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.

It may be difficult for US holders of Vernalis Shares (and Vernalis ADS Holders) to enforce their rights and any claim arising out of the US federal securities laws, since Vernalis is located in a non-US jurisdiction, and some or all of their officers and directors may be residents of a non-US jurisdiction. US holders of Vernalis Shares and Vernalis ADS Holders may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

The receipt of cash pursuant to the Acquisition by US holders of Vernalis Shares and Vernalis ADS Holders as consideration for the transfer of Vernalis Shares pursuant to the Scheme may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other, tax laws. Each Vernalis Shareholder (including US holders of Vernalis Shares and Vernalis ADS Holders) is urged to consult his independent professional adviser immediately regarding the tax consequences of the Acquisition applicable to him.

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.

In accordance with normal UK practice and pursuant to Rule 14e-5(b) of the US Exchange Act, Ligand UK or its nominees or brokers (acting as agents) may from time to time make certain purchases of, or arrangements to purchase, Vernalis Shares outside the United States, other than pursuant to the Acquisition, until the date on which the Takeover Offer 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 will be disclosed as required in the UK, will be reported to the Regulatory News Service of the London Stock Exchange and will be available on the London Stock Exchange website.

The statements contained in this document are made as at the date of this document, unless some other time is specified in relation to them, and service of this document shall not give rise to any implication that there has been no change in the facts set forth in this document since such date. Nothing in this document shall be deemed to be a forecast, projection or estimate of the future financial performance of Vernalis, the Vernalis Group, Ligand UK or the Ligand Group except where otherwise stated.

Forward-looking statements

This document contains statements about the Ligand Group and the Vernalis Group which are, or may be deemed to be, "forward-looking statements" and which are prospective in nature. All statements other than statements of historical fact included in this document may be forward-looking statements. They are based on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "predicts", "intends", "anticipates", "believes", "targets", "aims", "projects", "future-proofing" or words or terms of similar substance or the negative of such words or terms, as well as variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. 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 the Ligand Group's or the Vernalis Group's operations and potential synergies resulting from the Acquisition; and (iii) the effects of global economic conditions and governmental regulation on the Ligand Group's or the Vernalis Group's business.

Such forward-looking statements involve known and unknown risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors may cause the actual results, performance or achievements of the Ligand Group or the Vernalis Group to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These factors include changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or disposals. For a discussion of important factors which could cause actual results to differ from forward-looking statements in relation to the Ligand Group or the Vernalis Group, refer to the annual report and accounts of the Ligand Group for the financial year ended 31 December 2017 and of the Vernalis Group for the financial year ended 30 June 2017, respectively. Each of the Ligand Group and the Vernalis

Group, and each of their respective members, directors, officers, employees, advisers and persons acting on their behalf, expressly disclaims any intention or obligation to update or revise any forward-looking or other statements contained in this document, whether as a result of new information, future events or otherwise, except as required by applicable law.

No member of the Ligand Group, nor the Vernalis Group, nor any of their respective associates, directors, officers, employees or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur.

Except as expressly provided in this document, no forward-looking or other statements have been reviewed by the auditors of the Ligand Group or the Vernalis Group. All subsequent oral or written forward-looking statements attributable to any member of the Ligand Group or Vernalis Group, or any of their respective associates, directors, officers, employees or advisers, are expressly qualified in their entirety by the cautionary statement above.

No profit forecast and profit estimate

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

Disclosure requirements of the Code

Under Rule 8.3(a) of the 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) of the Code 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 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, save to the extent that these details have previously been disclosed under Rule 8 of the Code. A Dealing Disclosure by a person to whom Rule 8.3(b) of the Code 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 will be deemed to be a single person for the purpose of Rule 8.3 of the Code.

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 of the Code).

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 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.

Rounding

Certain figures included in this document 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.

Publication on website and availability of hard copies

A copy of this document will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, for inspection on the Ligand Group's website at www.investor.ligand.com/vernalisoffer and on Vernalis' website at www.vernalis.com promptly and in any event by no later than 12 noon (London time) on the business day following the date of this document. For the avoidance of doubt the contents of those websites are not incorporated into, and do not form part of, this document.

Vernalis Shareholders may request a hard copy of this document, free of charge, by contacting Vernalis on +44 (0) 118 938 0015. Vernalis Shareholders may also request that all future documents, announcements and information to be sent to them in relation to the Acquisition should be in hard copy form.

Electronic communications

Please be aware that addresses, electronic addresses and certain information provided by Vernalis Shareholders and Vernalis ADS Holders, persons with information rights and other relevant persons for the receipt of communications from Vernalis may be provided to Ligand UK during the Offer Period as required under Section 4 of Appendix 4 of the Code to comply with Rule 2.11(c) of the Code.

This document is dated 6 September 2018.

TO VOTE ON THE ACQUISITION

This page should be read in conjunction with the rest of this document, and in particular, the section headed “**ACTIONS TO BE TAKEN**” set out on pages 27 to 28 of this document and the notices of the Court Meeting and the General Meeting at Part Nine and Part Ten of this document.

IT IS IMPORTANT THAT, FOR THE COURT MEETING, AS MANY VOTES AS POSSIBLE ARE CAST SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR AND REASONABLE REPRESENTATION OF SCHEME SHAREHOLDER OPINION. YOU ARE THEREFORE STRONGLY URGED TO COMPLETE, SIGN AND RETURN YOUR FORMS OF PROXY OR TO APPOINT A PROXY THROUGH THE CREST ELECTRONIC PROXY APPOINTMENT SERVICE (AS APPROPRIATE) AS SOON AS POSSIBLE.

THE VERNALIS DIRECTORS RECOMMEND UNANIMOUSLY THAT YOU VOTE IN FAVOUR OF THE SCHEME AT THE COURT MEETING AND THE SPECIAL RESOLUTION RELATING TO THE ACQUISITION TO BE PROPOSED AT THE GENERAL MEETING AS THE VERNALIS DIRECTORS WHO HOLD VERNALIS SHARES HAVE IRREVOCABLY UNDERTAKEN TO DO IN RESPECT OF THEIR OWN BENEFICIAL HOLDINGS OF VERNALIS SHARES.

Whether or not you plan to attend the Meetings, you should:

1. complete, sign and return the blue Form of Proxy for use at the Court Meeting, or alternatively, if you hold your Vernalis Shares in CREST, appoint a proxy through the CREST electronic proxy appointment service, so as to be received no later than 11.00 a.m. on 28 September 2018; and
2. complete, sign and return the yellow Form of Proxy for use at the General Meeting, or alternatively, if you hold your Vernalis Shares in CREST, appoint a proxy through the CREST electronic proxy appointment service, so as to be received no later than 11.15 a.m. on 28 September 2018.

If the blue Form of Proxy for the Court Meeting is not returned by the above time, it may be handed to the Chairman of the Court Meeting or to Vernalis’ registrar, Link Asset Services, on behalf of the Chairman of the Court Meeting before the start of the Court Meeting. However, in the case of the General Meeting, if the yellow Form of Proxy is not returned so as to be received by the time mentioned above and in accordance with the instructions on the Form of Proxy it will be invalid.

Registered holders of Vernalis ADSs should complete and return the ADS Voting Cards in respect of the Vernalis ADSs to the Depositary, so as to be received before 5.00 p.m. (Eastern Time) on 24 September 2018. Vernalis ADS Holders should refer to Part Six of this document, which contains important information relevant to such holders. Vernalis ADS Holders that hold through accounts with brokers or other securities intermediaries should provide Voting instructions in accordance with the instructions received from and by the cut-off times specified by, their respective securities intermediaries.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear’s specifications and must contain the information required for such instructions as described in the CREST Manual (available via www.euroclear.com). The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Vernalis’ registrar, Link Asset Services (participant ID RA10), not later than 11.00 a.m. on 28 September 2018 in the case of the Court Meeting and not later than 11.15 a.m. on 28 September 2018 in the case of the General Meeting (or, in the case of an adjourned meeting, not less than 48 hours before the time and date set for the adjourned meeting, excluding any part of a day that is not a business day). For this purpose, the time of receipt will be taken to be the time

(as determined by the time stamp applied to the message by the CREST Applications Host) from which Link Asset Services is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s), should note that Euroclear 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 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. CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Vernalis may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Regulations.

If you wish to appoint more than one proxy in respect of your shareholding, please contact Link Asset Services on the number provided below to obtain (an) additional proxy form(s). Alternatively, you may photocopy the enclosed proxy form or, if you are a CREST member, please follow the procedures set out in the CREST manual.

The completion and return of Forms of Proxy or the submission of a proxy via the CREST electronic proxy appointment service will not prevent you from attending and voting at the Court Meeting and/or General Meeting, or any adjournments of such Meetings, in person should you wish to do so and are entitled to do so.

The results of the Court Meeting and the General Meeting will be announced through a Regulatory Information Service and also published on Vernalis' website at www.vernalis.com once the votes have been counted and verified.

Shareholder helpline

If you have **any questions about this document**, the Court Meeting or the General Meeting or how to complete the Forms of Proxy or to appoint a proxy through the CREST electronic proxy appointment service, **please call** Link Asset Services on 0871 664 0300 (calls to this number from the UK will be charged at 12p per minute plus your phone company's access charge) or on +44 371 664 0300 from outside the UK (calls to this number from outside the UK will be charged at the applicable international rate). The helpline is open between 9.00 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

The following indicative timetable sets out expected dates for the implementation of the Scheme.

<i>Event</i>	<i>Time and/or date</i>
Latest time for lodging Forms of Proxy and registering proxy appointments through CREST for the:	
Court Meeting (blue form)	11.00 a.m. on 28 September 2018 ⁽¹⁾
General Meeting (yellow form)	11.15 a.m. on 28 September 2018 ⁽²⁾
Voting Record Time for the Court Meeting and the General Meeting	close of business on 28 September 2018 ⁽³⁾
Court Meeting	11.00 a.m. on 2 October 2018
General Meeting	11.15 a.m. on 2 October 2018 ⁽⁴⁾
The following dates are indicative only and are subject to change⁽⁵⁾	
Court Hearing	8 October 2018
Last day of dealings in, and for registration of transfers of, and for disablement in CREST of, Vernalis Shares	6.00 p.m. on 8 October 2018
Scheme Record Time	6.00 p.m. on 8 October 2018
Dealings in Vernalis Shares suspended	7.30 a.m. on 9 October 2018
Expected Effective Date of the Scheme	9 October 2018
Cancellation of admission to trading of Vernalis Shares on AIM	7.00 a.m. on 10 October 2018
Despatch of cheques and crediting of CREST for Cash Consideration due under the Scheme	By 23 October 2018
Long Stop Date	31 December 2018 ⁽⁶⁾

Notes:

1. It is requested that blue Forms of Proxy for the Court Meeting be lodged not later than 48 hours before the time appointed for the Court Meeting, excluding any part of a day that is not a business day. Blue Forms of Proxy not so lodged may be handed to the Chairman of the Court Meeting or Link Asset Services on behalf of the Chairman of the Court Meeting before the start of the Court Meeting.
2. Yellow Forms of Proxy for the General Meeting must be lodged not later than 48 hours before the time appointed for the General Meeting, excluding any part of a day that is not a business day. Yellow Forms of Proxy for the General Meeting not lodged by this time will be invalid.
3. If either the Court Meeting or the General Meeting is adjourned, the Voting Record Time for the relevant adjourned meeting will be close of business on the day which is two days before the date of the adjourned meeting, excluding any part of a day that is not a business day.
4. Or as soon as the Court Meeting shall have concluded or been adjourned.
5. These dates are indicative only and will depend, among other things, on the date upon which: (i) the Conditions are satisfied or (if capable of waiver) waived; (ii) the Court sanctions the Scheme; and (iii) the Court Order is delivered to the Registrar of Companies.
6. This is the latest date by which the Scheme may become effective unless Ligand UK and Vernalis agree (and the Panel and, if required, the Court permit) a later date.

All references in this document to times are to London time unless otherwise stated. The dates and times given are indicative only and are based on Vernalis' current expectations and may be subject to change (including as a result of changes to the regulatory timetable). If any of the expected times and/or dates above change, the revised times and/or dates will be notified to Vernalis Shareholders by announcement through a Regulatory Information Service with such announcement being made available on the Ligand Group's website at www.investor.ligand.com/vernalisoffer and on Vernalis' website at www.vernalis.com. Vernalis ADS Holders and overseas Vernalis Shareholders should refer to Part Six of this document, which contains important information relevant to such holders.

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PART ONE

LETTER FROM THE CHAIRMAN OF VERNALIS PLC

Incorporated in England and Wales with registered number 02304992

Directors

Dr Peter Fellner (*Non-executive Chairman*)
Ian Garland (*Chief Executive Officer*)
David Mackney (*Chief Financial Officer*)
Carol Ferguson (*Non-executive Director*)
Nigel Sheail (*Non-executive Director*)
Lisa Schoenberg (*Non-executive Director*)

Registered Office
100 Berkshire Place
Wharfedale Road
Winnersh
Berkshire
RG41 5RD

6 September 2018

To the holders of Vernalis Shares and Vernalis ADSs and, for information only, to holders of options or awards under the Vernalis Share Schemes and persons with information rights

Dear Shareholder

RECOMMENDED CASH ACQUISITION OF VERNALIS PLC BY LIGAND HOLDINGS UK LTD.

1. Introduction

On 9 August 2018, the Boards of Vernalis and Ligand UK announced that they had agreed the terms of a recommended cash offer pursuant to which Ligand UK will acquire the entire issued and to be issued share capital of Vernalis.

I am writing to you today to set out the background to the Acquisition and the reasons why the Vernalis Directors consider the terms of the Acquisition to be fair and reasonable and are unanimously recommending that you vote (and that Vernalis ADS Holders instruct the Depositary to vote) in favour of the Acquisition. I draw your attention to the letter from Evercore set out in Part Two of this document which gives details about the Acquisition and to the additional information set out in Part Seven of this document.

In order to approve the terms of the Acquisition, the Scheme will require approval at the Court Meeting and will require Vernalis Shareholders to vote in favour of the special resolution relating to the Acquisition to be proposed at the General Meeting, to be held at the offices of Covington & Burling LLP, 265 Strand, London WC2R 1BH at 11.00 a.m. and 11.15 a.m. respectively on 2 October 2018. Details of the actions you are asked to take are set out in paragraph 14 of Part Two of this document. The recommendation of the Vernalis Directors is set out in paragraph 16 of this letter. Vernalis ADS Holders should refer to Part Six of this document, which contains important information relevant to such holders.

2. Summary of the terms of the Acquisition

The Acquisition will be implemented by way of a Court-sanctioned scheme of arrangement between Vernalis and Scheme Shareholders under Part 26 of the Companies Act.

Under the terms of the Acquisition, which will be subject to the terms and conditions set out in Part Three of this document, Scheme Shareholders will receive:

6.2 pence in cash for each Vernalis Share

The terms of the Acquisition value the entire issued share capital of Vernalis at approximately £32.67 million.

Vernalis ADS Holders will receive consideration paid under the terms of the Acquisition in respect of the Vernalis Shares underlying their Vernalis ADSs in accordance with the terms of the Deposit Agreement upon surrender of their Vernalis ADSs. Each Vernalis ADS represents two Vernalis Shares.

The Acquisition represents a premium of approximately:

- 45.7 per cent. to the Closing Price of 4.3 pence per Vernalis Share as at 14 March 2018, being the last business day before the Vernalis Directors announced the commencement of the formal sale process for Vernalis under the terms of the Code;
- 29.1 per cent. to the volume weighted average price of 4.8 pence per Vernalis Share for the 30 days ended 14 March 2018; and
- 1.7 per cent. to the volume weighted average price of 6.1 pence per Vernalis Share for the three months ended 14 March 2018.

The Vernalis Shares will be acquired by Ligand UK fully paid and free from all liens, equitable interests, charges, encumbrances, rights of pre-emption and any other third party rights or interests whatsoever and together with all rights existing at the Effective Date or thereafter attaching thereto, including (without limitation) the right to receive and retain, in full, all dividends and other distributions (if any) declared, made or paid or any other return of capital (whether by way of reduction of share capital or share premium account or otherwise) made on or after the Effective Date in respect of the Vernalis Shares.

If any dividend or other distribution in respect of the Vernalis Shares is declared, paid or made on or after the date of this document, Ligand UK reserves the right to reduce the consideration payable for each Vernalis Share under the terms of the Acquisition by the amount per Vernalis Share of such dividend or distribution.

The Acquisition is conditional upon, amongst other things, the approval of the Scheme by the Scheme Shareholders and the sanction of the Scheme by the Court. Part Three of this document sets out the Conditions and further terms to which the Acquisition will be subject. The Acquisition does not require the approval of Ligand shareholders.

The Acquisition will be financed from the Ligand Group's existing cash resources.

3. Background to and reasons for the Acquisition

The Ligand Group's strategy is to develop and acquire technologies that help pharmaceutical companies discover and develop medicines, and is focused on maintaining a diversified portfolio of assets across therapeutic areas and technologies. The Ligand Group has a long history of identifying promising assets, making acquisitions, implementing operational improvements and supporting the development of its assets pursuing this strategy.

Ligand UK has stated that the Acquisition is entirely complimentary to the Ligand Group's strategy and that Vernalis brings to the Ligand Group an attractive suite of commercial opportunities including partnered programs and established partner relationships, together with a promising portfolio of development assets, in each case across a number of therapeutic areas and technology types.

Ligand UK believes that the Acquisition, being the Ligand Group's first acquisition in Europe, is an exciting opportunity for the Ligand Group to expand its footprint into the region with Vernalis' accomplished research and development expertise at its Cambridge facility and opportunities to derive operational and financial efficiencies across the business.

4. Background to and reasons for the Vernalis Board recommendation

On 28 February 2018, Vernalis announced that the total number of Tuzistra® XR prescriptions for the financial year ended 30 June 2018 was expected to be below guidance, progress with its cough cold pipeline had been slower than it had hoped and that, as a consequence, it would be conducting a strategic review of Vernalis' business. On 15 March 2018, Vernalis announced that it had undertaken a detailed evaluation of alternative forms of restructuring and concluded that it was not financially viable to sustain Vernalis' independent US commercial sales and marketing operation. Consequently, Vernalis determined to wind down its US commercial business and to seek offers for Vernalis by way of a "formal sale process" as defined by the Code.

On 28 March 2018, Ian Garland, Chief Executive Officer commented: "The Board deeply regrets having to implement the wide-reaching restructuring recently announced but given the Tuzistra® XR performance and slower than hoped for progress with the cough cold pipeline, it is no longer viable to sustain our

US commercial operations or continue to pursue our current strategy... Alongside the closure of the US commercial operations, our focus in the next few months will be on exploring alternative ways in which to realise value for shareholders, including potentially the sale of the Company as a whole. The Board has set a target date for concluding this activity of 30 September 2018 and we will provide updates to the market where possible".

On 14 June 2018, Vernalis confirmed that it had terminated its development and commercialisation agreement with Tris, with immediate effect, and that it had received expressions of interest for Vernalis as a whole as well as for parts of Vernalis. Prior to this, and as announced on 14 June 2018, Vernalis held discussions with a large number of potential bidders, including public and private companies, who either had contacted Vernalis directly or had been contacted by Evercore as part of the sale process.

Following receipt of these initial expressions of interest, Vernalis down selected to a smaller number of bidders to conduct further due diligence based on a range of criteria including valuation, financial capability and strategic fit. Upon receipt of updated proposals in June 2018, Vernalis entered into detailed discussions with a number of parties before requesting final offers for Vernalis in mid-July. The final offers included all cash and all share proposals. Following a period of review, further discussions with its advisers and a thorough evaluation of the alternatives available to Vernalis, the Vernalis Board believes that the cash offer from the Ligand Group represents the most attractive option for Vernalis Shareholders in terms of value, form of consideration offered and execution certainty. Accordingly, the Vernalis Board is unanimously recommending the Acquisition to Vernalis Shareholders.

The Vernalis Directors note that the price of 6.2 pence per Vernalis Share represents a premium, in cash, of 45.7 per cent. to the Closing Price of 4.3 pence per Vernalis Share on 14 March 2018, being the last business day before the Vernalis Board announced the commencement of the formal sale process for Vernalis under the terms of the Code.

5. Irrevocable undertakings

Ligand UK has received irrevocable undertakings to vote, or procure a vote, in favour of the Scheme at the Court Meeting and the resolution relating to the Acquisition at the General Meeting (or, in the event that the Acquisition is implemented by way of a Takeover Offer, to accept or procure the acceptance of such Takeover Offer) from each of the Vernalis Directors who hold Vernalis Shares in respect of their own shareholdings, amounting to, in aggregate, 2,447,817 Vernalis Shares representing approximately 0.464 per cent. of Vernalis' share capital in issue on 5 September 2018 (being the latest practicable date before the release of this document). The irrevocable undertakings from the Vernalis Directors remain binding in the event of a competing offer being made for Vernalis.

Ligand UK has also received irrevocable undertakings to vote, or procure a vote, in favour of the Scheme at the Court Meeting and the resolution relating to the Acquisition at the General Meeting (or, in the event that the Acquisition is implemented by way of a Takeover Offer, to accept or procure the acceptance of such Takeover Offer) from each of IAML and Woodford Investment Management in respect of 194,417,167 and 157,876,138 Vernalis Shares respectively and representing approximately 36.89 per cent. and 29.96 per cent. respectively of Vernalis' share capital in issue on 5 September 2018 (being the latest practicable date before the release of this document).

Ligand UK has therefore received in aggregate irrevocable undertakings in favour of the Acquisition representing 67.32 per cent. of the share capital of Vernalis in issue as at 5 September 2018 (being the latest practicable date before the release of this document).

Further details of these undertakings (including the circumstances in which they fall away) are set out in Part Seven at paragraph 9.

6. Information on Vernalis

Vernalis is a revenue generating pharmaceutical company with significant expertise in drug development. It has several programmes in its NCE development pipeline, which are either partnered or available for partnering, in addition to significant expertise in fragment and structure-based drug discovery which it

leverages to enter into research collaborations with pharmaceutical companies. Vernalis' technologies, capabilities and products have been endorsed over the last six years by collaborations with leading pharmaceutical companies, including Asahi Kasei Pharma, Biogen Idec, Endo, GSK, Genentech, Lundbeck, Menarini, Novartis, Servier and Tris. Vernalis currently has two approved products: Moxatag®, a once-daily formulation of the antibiotic, amoxicillin, indicated for the treatment of tonsillitis and/or pharyngitis secondary to Streptococcus pyogenes in adults and pediatric patients 12 years and older in the US; and frovatriptan for the acute treatment of migraine, which it out licenses.

7. Information on the Ligand Group

Ligand UK is a wholly-owned subsidiary of Ligand that has been incorporated for the purpose of the Acquisition. Ligand is a NASDAQ-listed biopharmaceutical company focused on developing or acquiring technologies that help pharmaceutical companies discover and develop medicines. Ligand is incorporated in the state of Delaware and the ISIN of Ligand's shares is US53220K5048. The Ligand Group's business model creates value for stockholders by providing a diversified portfolio of biotech and pharmaceutical product revenue streams that are supported by an efficient and low corporate cost structure. The Ligand Group's goal is to offer investors an opportunity to participate in the promise of the biotech industry in a profitable, diversified and lower-risk business than a typical biotech company.

The Ligand Group's business model is based on doing what it does best: drug discovery, early-stage drug development, product reformulation and partnering. The Ligand Group partners with other pharmaceutical companies to leverage what they do best (late-stage development, regulatory management and commercialization) to ultimately generate revenue. The Ligand Group's Captisol® platform technology is a patent-protected, chemically modified cyclodextrin designed to optimize the solubility and stability of drugs. OmniAb® is a patent-protected transgenic multi-species animal platform used in the discovery of fully human mono-and bispecific therapeutic antibodies. The Ligand Group has established multiple alliances, licenses and other business relationships with the world's leading pharmaceutical companies including Novartis, Amgen, Merck, Pfizer, Celgene, Gilead, Janssen, Baxter International and Eli Lilly.

8. Current trading

Since the 28 March 2018 publication of its interim financial results for the six months to 31 December 2017, Vernalis has substantially completed the closure of its US commercial operations and remains on track to have completed this by 30 September 2018. On 14 June 2018, Vernalis announced the termination of its cough cold deal with Tris and the transfer to Tris of its approved cough cold product Tuzistra® XR. Vernalis' NCE pipeline and collaboration based research business have continued to perform in line with expectations. The Vernalis Group's unaudited cash at 30 June 2018 was £27.3 million, in line with the market guidance given at the time of announcing the termination of the Tris cough cold agreement, and Vernalis continues to have no debt.

9. Intentions with regards to the management, employees and locations of business of Vernalis

9.1 *Intentions as stated by Ligand UK in the Announcement dated 9 August 2018*

Ligand UK has been impressed by the experience and capabilities of Vernalis' operational management and employees and attaches importance to maintaining the current relationships and research and development capabilities of Vernalis.

Ligand UK believes that the existing operational management and employees of Vernalis could benefit from enhanced opportunities from the Acquisition and sees the Acquisition as an opportunity for the Ligand Group to establish a footprint in Europe. Ligand UK believes that retaining and incentivising Vernalis employees will be relevant to maximising the opportunities that the Acquisition will present.

Following completion of the Acquisition, Ligand UK intends that Vernalis' facility in Cambridge will become the primary facility of the Vernalis Group under the leadership of Mike Wood (Vernalis Research Director). Ligand UK does not intend for the Acquisition to have a material impact on the existing research and development activities of either the Ligand Group or the Vernalis Group.

Ligand UK also intends to seek the cancellation of the trading of Vernalis Shares on AIM on or shortly after the Effective Date, which would result in cost savings from not having to maintain a listing of Vernalis and related supporting back office functions. As a consequence, Vernalis' existing headquarters in Winnersh will be closed following completion of the Acquisition. It is with regret that Ligand UK expects all or substantially all of the management and administrative roles that are based at this site to become redundant after a period of transition. Ligand UK is supportive of Vernalis' decision to wind down its US operations and does not intend to make changes in this regard. Accordingly, for the avoidance of doubt, Ligand UK intends that the Cambridge facility will over time become Vernalis' headquarters and sole place of business. Ligand UK's headquarters will continue to be in San Diego, USA.

Given the concentrated nature of Vernalis' business, the costs of the business must be appropriately managed. Following the Acquisition, Ligand UK intends to work with the management of Vernalis' Cambridge facility to review its operations and business, and a limited number of further headcount reductions across the development and commercial functions may be deemed necessary. Ligand UK believes that it is possible that up to 15 Vernalis employees, across its Winnersh and Cambridge facilities, may be affected by the above.

Ian Garland and David Mackney will each step down from their respective roles as CEO and CFO upon completion of the Acquisition. Consequently, Ligand UK has not entered into, and has not had discussions on proposals to enter into, any form of incentivisation arrangements with Ian Garland or David Mackney. Further, upon completion of the Acquisition, all other directors of Vernalis will cease to be directors of Vernalis.

Ligand UK currently has no intention to make any other material changes to the continuing employment of Vernalis Group employees and management, nor any material changes to their conditions of employment. Other than as set out above, Ligand UK does not expect any material change in the balance of skills and functions of Vernalis employees.

The Ligand UK Board has confirmed that the existing statutory and contractual employment rights, including accrued pension rights, of all Vernalis employees will be fully safeguarded upon and following completion of the Acquisition. Ligand UK has no intention to make any reduction to the level of employer contributions into Vernalis' pension schemes. Vernalis does not maintain any defined benefit pension schemes and accordingly, Ligand UK has no intentions in this regard.

Other than as described above, Ligand UK has no intention of redeploying Vernalis' existing material fixed assets or of effecting a material change to the strategic plans or operations of the business.

No plans are in place in respect of any awards for members of the Vernalis management team other than those set out in paragraph 10 of this letter below.

9.2 *Views of the Vernalis Board on the effects of the implementation of the Acquisition*

In considering their recommendation, the Vernalis Directors have given due consideration to Ligand UK's stated strategy and its intentions for the management, employees and locations of business for Vernalis as set out in paragraph 9.1 of this letter. The Vernalis Directors note that Vernalis' existing headquarters in Winnersh will be closed following completion of the Acquisition and that Ligand UK expects all or substantially all of the management and administrative roles that are based at this site to become redundant after a period of transition. It is also noted that Ligand UK intends to work with the management of Vernalis' Cambridge facility to review its operations and business and that it is possible that up to 15 Vernalis employees, across its Winnersh and Cambridge facilities, may be affected by headcount reductions.

Whilst there will be some operational and administrative restructuring of Vernalis which will unfortunately result in some job losses, the Vernalis Directors believe that the Acquisition represents an opportunity for the large majority of Vernalis employees to advance their careers and skills in the combined business that will have a wider reach, broader industry knowledge and greater resources. The Vernalis Directors welcome Ligand UK's confirmation that, other than as a result of the anticipated headcount reductions as set out above, it does not intend to make any material changes to

the conditions of employment of the Vernalis Group employees including any reduction to the level of employer contributions into Vernalis pension schemes. The Vernalis Directors acknowledge that Ligand UK is intending to undertake a review of the Vernalis business as part of the integration process and following successful completion of the Acquisition. Given that the detailed integration plans will still need to be finalised following the successful completion of the Acquisition, the Vernalis Board is unable to express a more detailed opinion on the impact of the Acquisition on Vernalis' management, employees and office locations.

10. Vernalis Share Schemes

Participants in the Vernalis Share Schemes will be contacted separately regarding the effect of the Acquisition on their rights under these schemes and appropriate proposals will be made and communicated directly to such participants in accordance with Rule 15 of the Code as soon as reasonably practicable after the Scheme Document has been published but before the sanction of the Scheme by the Court. It is intended, and has been agreed between Vernalis and Ligand UK under the terms of the Cooperation Agreement, that all outstanding options or awards under the Vernalis Share Schemes will (i) be cash settled (if vested); or (ii) lapse (in the case of unvested options held by US employees who will leave employment on 30 September 2018 or any other unvested share options which do not roll over under (iii)) or (iii) be rolled over into new share options or awards over shares in Ligand (if unvested).

11. Dividends

No dividend is currently contemplated by Vernalis to be declared, approved, made or paid from the date of the Announcement and before the Effective Date. If any dividend or other distribution (including any return of capital) is authorised, declared, made or paid by Vernalis in respect of a Vernalis Share, on or after the date of the Announcement and before the Effective Date, Ligand UK reserves the right to reduce the Cash Consideration by the amount of all or part of any such dividend or distribution. If Ligand UK exercises the right to reduce the Cash Consideration by the amount of all or part of any such dividend or distribution that has been paid, the Vernalis Shareholders will be entitled to receive and retain such dividend or distribution.

If the Acquisition does not become effective by the Long Stop Date, the Vernalis Directors would not declare a dividend for the financial year ended 30 June 2018.

12. Action to be taken by Vernalis Shareholders

Details of the approvals being sought at the Court Meeting and the General Meeting and the action to be taken by Vernalis Shareholders in respect of the Offer are set out in paragraph 14 of Part Two of this document.

13. Overseas shareholders and Vernalis ADS Holders

Overseas holders of Vernalis Shares and Vernalis ADS Holders should refer to Part Six of this document, which contains important information relevant to such holders.

14. The Scheme and the Meetings

The Acquisition is being implemented by way of a Court-sanctioned scheme of arrangement between Vernalis and the Scheme Shareholders under Part 26 of the Companies Act, although Ligand UK reserves the right to elect to implement the Acquisition by way of a Takeover Offer (subject to Panel consent, where necessary). The procedure involves an application by Vernalis to the Court to sanction the Scheme, which will involve the Scheme Shares being transferred to Ligand UK, in consideration for which Scheme Shareholders will receive cash (on the basis described in paragraph 2 above).

To become effective, the Scheme requires, among other things, the approval of a majority in number of the Scheme Shareholders present and voting (and entitled to vote), either in person or by proxy at the Court Meeting, representing not less than 75 per cent. in value of the Scheme Shares held by such Scheme Shareholders present and voting at the Court Meeting (or any adjournment of the Court Meeting) and the passing of the special resolution necessary to implement the Scheme at the General Meeting. Following the Court Meeting and the General Meeting and the satisfaction (or, where applicable, waiver) of the other Conditions, the Scheme must also be sanctioned by the Court. The Scheme will only become effective upon

a copy of the Court Order being delivered to the Registrar of Companies for registration. Upon the Scheme becoming effective, it will be binding on all Scheme 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).

It is important that, for the Court Meeting, as many votes as possible are cast so that the Court may be satisfied that there is a fair and reasonable representation of Scheme Shareholders' opinion. You are therefore strongly urged to complete, sign and return your Forms of Proxy or to appoint a proxy through the CREST electronic proxy appointment service (as appropriate) as soon as possible.

Further details of the Scheme and the Meetings are set out in paragraphs 2 and 4 of Part Two of this document.

15. United Kingdom Taxation

Your attention is drawn to paragraph 11 of Part Two of this document headed "United Kingdom taxation". Although this document contains certain tax-related information, if you are in any doubt about your own tax position or you are subject to taxation in any jurisdiction other than the United Kingdom, you should consult an appropriately qualified independent professional adviser immediately.

16. Recommendation

The Vernalis Directors, who have been so advised by Evercore as to the financial terms of the Acquisition, consider the terms of the Acquisition to be fair and reasonable. Evercore is providing independent financial advice to the Vernalis Directors for the purposes of Rule 3 of the Code. In providing its financial advice to the Vernalis Directors, Evercore has taken into account the commercial assessments of the Vernalis Directors.

Accordingly, the Vernalis Directors recommend unanimously that Vernalis Shareholders vote (and that Vernalis ADS Holders instruct the Depositary to vote) in favour of the Scheme at the Court Meeting and the resolution relating to the Acquisition at the General Meeting (or, in the event that the Acquisition is implemented by way of a Takeover Offer, to accept or procure acceptance of such Takeover Offer). Each of Dr. Peter Fellner, Ian Garland, David Mackney, Carol Ferguson and Nigel Sheail (being all of the directors who hold Vernalis Shares) have irrevocably undertaken to vote in favour of the Scheme at the Court Meeting and in favour of the resolution relating to the Acquisition at the General Meeting in respect of their own beneficial holdings of Vernalis Shares, amounting to, in aggregate, 2,447,817 Vernalis Shares representing approximately 0.464 per cent. of Vernalis' share capital in issue on 8 August 2018 (being the latest practicable date before the release of the Announcement).

17. Further information

Your attention is drawn to further information contained in Part Two (Explanatory Statement), Part Three (Conditions to the Implementation of the Scheme and to the Acquisition), Part Four (The Scheme of Arrangement) and Part Seven (Additional Information on Vernalis and the Ligand Group) of this document which provides further details concerning the Scheme.

You are advised to read the whole of this document and not just rely on the summary information contained in this letter.

Yours faithfully,

Dr. Peter Fellner
Chairman
Vernalis plc

PART TWO

EVERCORE

EXPLANATORY STATEMENT

(In compliance with section 897 of the Companies Act)

Evercore Partners International LLP
15 Stanhope Gate
London W1K 1LN
with registered number OC357957

6 September 2018

To the holders of Vernalis Shares and Vernalis ADSs and, for information only, to holders of options or awards under the Vernalis Share Schemes and persons with information rights

Dear Shareholder

RECOMMENDED CASH ACQUISITION OF VERNALIS PLC BY LIGAND HOLDINGS UK LTD.

1. Introduction

On 9 August 2018, the Boards of Vernalis and Ligand UK announced that they had agreed the terms of a recommended cash offer by Ligand UK to acquire the entire issued and to be issued share capital of Vernalis. The Acquisition is to be implemented by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act. The Scheme requires, amongst other things, the approval of the Scheme Shareholders and the sanction of the Court.

Your attention is drawn to the letter from the Chairman of Vernalis set out in Part One of this document, which forms part of this Explanatory Statement. The letter contains, among other things: (a) information on the reasons for and benefits of the Acquisition; and (b) the background to and reasons for the unanimous recommendation by the Vernalis Directors to Vernalis Shareholders to vote in favour of the Resolutions to be proposed at the Court Meeting and the General Meeting.

The Vernalis Directors, who have been so advised by Evercore as to the financial terms of the Acquisition, consider the terms of the Acquisition to be fair and reasonable. Evercore is providing independent financial advice to the Vernalis Directors for the purposes of Rule 3 of the Code. In providing its financial advice to the Vernalis Directors, Evercore has taken into account the commercial assessments of the Vernalis Directors.

Accordingly, the Vernalis Directors recommend unanimously that Vernalis Shareholders vote (and that Vernalis ADS Holders instruct the Depositary to vote) in favour of the Scheme at the Court Meeting and the resolution relating to the Acquisition at the General Meeting, as each of Dr. Peter Fellner, Ian Garland, David Mackney, Carol Ferguson and Nigel Sheail (being all of the directors who hold Vernalis Shares) have irrevocably undertaken to do in respect of their own beneficial holdings of Vernalis Shares.

Evercore has been authorised by the Vernalis Directors to write to you to explain the terms of the Acquisition and the Scheme and to provide you with other relevant information. In giving its advice, Evercore is advising the Vernalis Directors in relation to the Acquisition and is not acting for any Vernalis Director in their personal capacity nor for any Vernalis Shareholder in relation to the Acquisition. Evercore will not be responsible to any such person for providing the protections afforded to its clients or for advising any such person in relation to the Acquisition. In particular, Evercore will not owe any duties or responsibilities to any

particular Vernalis Shareholder concerning the Acquisition. Please note that dates and timings set out in this document are indicative only and may be subject to change.

This Explanatory Statement contains a summary of the provisions of the Scheme. The terms of the Scheme are set out in full in Part Four (The Scheme of Arrangement) of this document. Your attention is also drawn to the other parts of this document, which are deemed to form part of this Explanatory Statement, including Part One (Letter from the Chairman of Vernalis), the Conditions and certain further terms set out in Part Three (Conditions to the implementation of the Scheme and to the Acquisition) and the additional information set out in Part Seven (Additional Information on Vernalis and the Ligand Group) of this document. For overseas holders of Vernalis Shares, and Vernalis ADS Holders, your attention is drawn to Part Six, which forms part of this Explanatory Statement.

2. Summary of the terms of the Acquisition and the Scheme

The Acquisition

The Acquisition is being effected by way of a Court-sanctioned scheme of arrangement between Vernalis and Scheme Shareholders under Part 26 of the Companies Act (although Ligand UK reserves the right (with the consent of the Panel) to implement the Acquisition by way of a Takeover Offer). Following the Scheme becoming effective, the entire issued share capital of Vernalis will be held by Ligand UK.

Under the terms of the Acquisition, Scheme Shareholders will receive:

6.2 pence in cash for each Vernalis Share

The terms of the Acquisition value the entire issued share capital of Vernalis at approximately £32.67 million.

Vernalis ADS Holders will receive consideration paid under the terms of the Acquisition in respect of the Vernalis Shares underlying their Vernalis ADSs in accordance with the terms of the Deposit Agreement upon surrender of their Vernalis ADSs. Each Vernalis ADS represents two Vernalis Shares.

The Acquisition represents a premium of approximately:

- 45.7 per cent. to the Closing Price of 4.3 pence per Vernalis Share as at 14 March 2018, being the last business day before the Vernalis Directors announced the commencement of the formal sale process for Vernalis under the terms of the Code;
- 29.1 per cent. to the volume weighted average price of 4.8 pence per Vernalis Share for the 30 days ended 14 March 2018; and
- 1.7 per cent. to the volume weighted average price of 6.1 pence per Vernalis Share for the three months ended 14 March 2018.

Vernalis ADS Holders will receive consideration paid under the Scheme in respect of the Vernalis Shares underlying their Vernalis ADSs net of any taxes, governmental charges and cancellation fees due from the Vernalis ADS Holders to the Depositary and currency conversion expenses of the Depositary, in US Dollars from the Depositary in accordance with the terms of the Deposit Agreement upon surrender of their ADSs. Vernalis ADS Holders should refer to Part Six of this document, which contains important information relevant to such holders.

Conditions

The Acquisition and, accordingly, the Scheme is subject to a number of conditions set out in full in Part Three of this document, including:

- (A) the Scheme becoming unconditional and becoming effective by no later than the Long Stop Date;
- (B) approval of the resolution to be proposed at the Court Meeting by the requisite majorities of the Scheme Shareholders on or before 24 October 2018, being the 22nd day after the expected date of the

Court Meeting as set out in this document (or such later date, if any, as Ligand UK and Vernalis may agree and the Court may allow);

- (C) approval of all resolutions necessary to approve and implement the Scheme by the requisite majority of the Vernalis Shareholders at the General Meeting on or before 24 October 2018, being the 22nd day after the expected date of the General Meeting as set out in this document (or such later date, if any, as Ligand UK and Vernalis may agree and the Court may allow); and
- (D) the sanction of the Scheme with or without modification (but subject to any such modification being acceptable to Ligand UK and Vernalis) by the Court on or before the 22nd day after the expected date of the Court Hearing as set out in this document (or such later date, if any, as Ligand UK and Vernalis may agree and the Court may allow) and the delivery of a copy of the Court Order to the Registrar of Companies.

The Meetings and the nature of the approvals required to be given at them are described in more detail in paragraph 4 below. All Scheme Shareholders are entitled to attend the Court Hearing in person or through representatives to support or oppose the sanctioning of the Scheme.

The Scheme can only become effective if all Conditions to the Scheme, including shareholder approvals and the sanction of the Court, have been satisfied (unless, where applicable, the relevant Condition is waived). The Scheme will become effective upon a copy of the Court Order being delivered to the Registrar of Companies for registration. Subject to the sanction of the Scheme by the Court, this is expected to occur in October 2018. If the Scheme does not become effective by the Long Stop Date, the Scheme will not become effective and the Acquisition will not proceed.

The Scheme

It is proposed that, under the Scheme, the Scheme Shares will be transferred to Ligand UK (or its nominee(s)) so that the entire issued share capital of Vernalis is held by Ligand UK (or its nominee(s)). Holders of Scheme Shares whose names appear on the register of Vernalis at the Scheme Record Time, that is close of business on the date of the Court Hearing, will receive 6.2 pence in cash for each Scheme Share held by them.

Amendments to Vernalis' articles of association

It is proposed, as part of the special resolution to be proposed at the General Meeting relating to the Scheme, to amend Vernalis' articles of association to ensure that any Vernalis Shares issued between the Voting Record Time and the Scheme Record Time will be subject to the Scheme. It is also proposed to amend Vernalis' articles of association so that any Vernalis Shares issued to any person other than Ligand UK or its nominee(s) at or after the Scheme Record Time will be automatically acquired by Ligand UK on the same terms as under the Scheme. This will avoid any person (other than Ligand UK or its nominee(s)) being left with Vernalis Shares after dealings in such shares have ceased on AIM (suspension of dealings in Vernalis Shares is expected to occur at 7.30 a.m. on the Effective Date). Part (B) of the special resolution set out in the notice of General Meeting on pages 76 to 79 of this document seeks the approval of Vernalis Shareholders for such amendments.

Offer-related arrangements

Confidentiality Agreement

Ligand and Vernalis entered into a confidentiality agreement on 27 April 2018 (the **Confidentiality Agreement**) pursuant to which Ligand has undertaken to keep confidential information relating to Vernalis and not to disclose it to third parties (other than to permitted disclosees) unless required by law or regulation. These confidentiality obligations will cease to have effect on completion of the Acquisition. If the Acquisition does not complete, the confidentiality obligations shall remain in force for a period of 5 years from the date of the Confidentiality Agreement.

The Confidentiality Agreement also contains undertakings from Ligand that for a period of one year from the date of the Confidentiality Agreement, Ligand shall not, without the prior written consent of Vernalis and

except pursuant to the Acquisition, acquire or offer to acquire any interest in securities of Vernalis and that Ligand shall not solicit any employees of Vernalis or consultants engaged by Vernalis, subject to customary carve-outs.

Break Fee Agreement

Vernalis and Ligand UK have entered into the Break Fee Agreement pursuant to which Vernalis has agreed to pay to Ligand UK a break fee of an amount in cash equal to one per cent. of the value of any competing offer which is made for Vernalis, in the event that such competing offer is declared unconditional in all respects or is otherwise completed or becomes effective.

Cooperation Agreement

Vernalis and Ligand UK have entered into the Cooperation Agreement pursuant to which, among other things, they have agreed:

- that Ligand UK will provide Vernalis with such information as may be necessary for Vernalis to prepare the Scheme Document;
- to implement certain proposals with regards to the Vernalis Share Schemes; and
- to cooperate with each other and to provide such information as may be necessary to obtain any required regulatory clearances.

The Cooperation Agreement records the intention of Vernalis and Ligand UK to implement the Acquisition by way of a Scheme, subject to the ability of Ligand UK to proceed by way of a Takeover Offer in certain circumstances, subject to the consent of the Panel.

The Cooperation Agreement will terminate in a number of customary circumstances, including if:

- the Vernalis Directors withdraw or adversely modify their recommendation of the Acquisition; or
- the Scheme Document does not include a unanimous and unconditional recommendation from the Vernalis Directors that Vernalis Shareholders vote in favour of the resolutions to be proposed at the Court Meeting and the General Meeting.

3. Information on Vernalis and Ligand UK

Please refer to paragraphs 6 and 7 of Part One of this document.

4. The Meetings

The Scheme will require the approval of Scheme Shareholders at the Court Meeting and Vernalis Shareholders at the separate General Meeting, both of which will be held at the offices of Covington & Burling LLP, 265 Strand, London WC2R 1BH at 11.00 a.m. and 11.15 a.m. respectively on 2 October 2018. The Court Meeting is being held at the direction of the Court to seek the approval of Scheme Shareholders for the Scheme. The General Meeting is being convened to seek the approval of Vernalis Shareholders to enable the Vernalis Directors to implement the Scheme and to amend the articles of association of Vernalis as described in paragraph 2 above.

Notices of both the Court Meeting and the General Meeting are set out at Part Nine and Part Ten of this document. Entitlement to attend and vote at these Meetings and the number of votes which may be cast thereat will be determined by reference to the register of members of Vernalis at the Voting Record Time.

If the Scheme becomes effective, it will be binding on all Vernalis Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting (and irrespective of whether or not they voted in favour of the resolutions at such Meetings).

Any Vernalis Shares which Ligand UK or any other member of the Ligand Group (or their respective nominees) may acquire before the Court Meeting are not Scheme Shares and therefore none of Ligand UK or any other member of the Ligand Group (or their respective nominees) is entitled to vote at the Court Meeting

in respect of the Vernalis Shares held or acquired by it and will not exercise the voting rights attaching to such Vernalis Shares at the General Meeting.

If the Scheme becomes effective, it will also be binding on the Depositary in respect of the Vernalis Shares underlying the Vernalis ADSs, irrespective of how Vernalis ADS Holders have instructed the Depositary to vote at the Court Meeting or General Meeting. Vernalis ADS Holders should refer to Part Six of this document for information relevant to such holders.

Court Meeting

The Court Meeting has been convened for 11.00 a.m. on 2 October 2018 at the offices of Covington & Burling LLP, 265 Strand, London WC2R 1BH to enable the Scheme Shareholders to consider and, if thought fit, approve the Scheme. At the Court Meeting, voting will be by poll and each member present in person or by proxy will be entitled to one vote for each Scheme Share held at the Voting Record Time. The approval required at the Court Meeting is a simple majority in number of Scheme Shareholders present and voting in person or by proxy, representing 75 per cent. in value of the Scheme Shares held by those Scheme Shareholders present and voting in person or by proxy.

At the Court Meeting, it is particularly important that as many votes as possible are cast so that the Court may be satisfied that there is a fair and reasonable representation of Scheme Shareholders' opinion. You are therefore strongly urged to complete, sign and return your blue Form of Proxy or to appoint a proxy through the CREST electronic proxy appointment service (as appropriate) as soon as possible.

You will find the Notice of the Court Meeting in Part Nine (Notice of Court Meeting) of this document.

General Meeting

In addition, the General Meeting has been convened for the same date (to be held immediately after the Court Meeting) to consider and, if thought fit, pass a special resolution to approve:

- (A) the authorisation of the Vernalis Directors to take all such actions as they may consider necessary or appropriate to give effect to the Scheme; and
- (B) the amendment of the articles of association of Vernalis in the manner described in paragraph 2 of this Part Two above.

The special resolution will require votes in favour representing at least 75 per cent. of the votes cast at the General Meeting in person (including by corporate representative) or by proxy. The vote of the Vernalis Shareholders at the General Meeting will be held by way of a poll. Each holder of Vernalis Shares who is entered on the register of members of Vernalis at the Voting Record Time and is present in person (including by corporate representative) or by proxy will be entitled to one vote for each Vernalis Share so held.

You will find the Notice of the General Meeting in Part Ten (Notice of General Meeting) of this document.

5. Entitlement to vote at the Meetings

Each Vernalis Shareholder who is entered in Vernalis' register of members at the Voting Record Time (expected to be close of business on 28 September 2018) will be entitled to attend and vote on all Resolutions to be considered at the Meetings. If either Meeting is adjourned, only those Vernalis Shareholders on the register of members at close of business on the day which is two business days before the adjourned meeting will be entitled to attend and vote. Each eligible Vernalis Shareholder is entitled to appoint a proxy or proxies to attend, speak and, on a poll, to vote instead of him or her. A proxy need not be a Vernalis Shareholder. Eligible Vernalis Shareholders who return completed Forms of Proxy or appoint a proxy through CREST may still attend the Meetings instead of their proxies and vote in person, if they wish and are entitled to do so.

6. Background to and reasons for the Vernalis Board recommendation

Information relating to the background to and reasons for the Vernalis Directors' unanimous recommendation of the Acquisition is set out in paragraph 4 of Part One of this document and information relating to Ligand UK's intentions as regards Vernalis' management, employees and locations of business of Vernalis are set out in paragraph 9 of Part One of this document.

7. Irrevocable undertakings

Information relating to the irrevocable undertakings which have been received by Ligand UK in respect of Vernalis Shares is set out in paragraph 5 of Part One of this document and in paragraph 9 of Part Seven of this document.

8. Cash confirmation

finnCap, as financial adviser to Ligand UK, is satisfied that sufficient resources are available to Ligand UK to enable it to satisfy, in full, the Cash Consideration payable to Vernalis Shareholders under the terms of the Acquisition.

9. The Vernalis Directors and the effect of the Scheme on their interests

The names of the Vernalis Directors and details of their interests are set out in Part Seven of this document.

The effect of the Scheme on the interests of Vernalis Directors does not differ from its effect on the like interests of any other Scheme Shareholder.

10. Cancellation of admission to trading, re-registration and settlement of Cash Consideration

Cancellation of admission to trading and re-registration

Shortly before the Effective Date, an application will be made to the London Stock Exchange for the admission of the Vernalis Shares to trading on AIM to be cancelled at 7.00 a.m. on 10 October 2018, the business day following the Effective Date. The last day of dealings in, and for registration of transfers of, Vernalis Shares shall be 8 October 2018 and no transfers of Vernalis Shares will be registered after this date. All dealings in Vernalis Shares will be suspended at 7.30 a.m. on 9 October 2018.

It is intended that cancellation of admission to trading of Vernalis Shares on AIM will take effect at 7.00 a.m. on 10 October 2018. By 7.00 a.m. on the business day following the Effective Date, share certificates in respect of Scheme Shares will cease to be valid. In addition, entitlements to Scheme Shares held within the CREST system will be cancelled by 7.00 a.m. on the business day following the Effective Date.

It is intended that an application be made to deregister the Vernalis ADSs with the SEC following the Effective Date and that the Vernalis ADS programme will be terminated.

It is also intended that, as soon as possible after the Effective Date, Vernalis will be re-registered as a private limited company under the relevant provisions of the Companies Act.

Settlement

Subject to the Acquisition becoming effective (and except as provided in Part Six of this document in relation to certain overseas Vernalis Shareholders), settlement of the consideration to which any Vernalis Shareholder is entitled under the Scheme will be effected as soon as practicable and not later than 14 days after the Effective Date in the following manner:

(A) *Vernalis Shares in uncertificated form (that is, in CREST)*

Where, at the Scheme Record Time, a Scheme Shareholder holds Vernalis Shares in uncertificated form, the Cash Consideration to which such Scheme Shareholder is entitled will be transferred to such person through CREST by Ligand UK procuring the creation of an assured payment obligation in favour of the appropriate CREST account through which the Scheme Shareholder holds such uncertificated Vernalis Shares in respect of the Cash Consideration due to him.

As from the Scheme Record Time, each holding of Vernalis Shares credited to any stock account in CREST will be disabled and all Vernalis Shares will be removed from CREST in due course

Ligand UK reserves the right to pay all, or any part of, the Cash Consideration referred to above to all or any Scheme Shareholder(s) who hold Vernalis Shares in uncertificated form in the manner referred to in sub-paragraph (B) below if, for any reason, it wishes to do so.

(B) *Vernalis Shares in certificated form*

Where, at the Scheme Record Time, a Scheme Shareholder holds Vernalis Shares in certificated form, settlement of the Cash Consideration due under the Scheme in respect of the Scheme Shares will be despatched by first class post (or by international standard post, if overseas) by cheque drawn on a branch of a UK clearing bank.

All such cash payments will be made in pounds sterling. Payments made by cheque will be payable to the Scheme Shareholder(s) concerned. Cheques will be despatched not later than the 14th day following the Effective Date to the person entitled to it at the address as appearing in the register of members of Vernalis at the Scheme Record Time. None of Vernalis, Ligand UK, any nominee(s) of Ligand UK or any of their respective agents shall be responsible for any loss or delay in the transmission of cheques sent in this way, and such cheques shall be sent at the risk of the person entitled to it.

(C) *General*

All documents and remittances sent to Vernalis Shareholders will be sent at their own risk.

By 7.00 a.m. on the business day following the Effective Date, each certificate representing a holding of Scheme Shares will cease to be a valid document of title and should be destroyed or, at the request of Vernalis, delivered up to Vernalis, or to any person appointed by Vernalis to receive the same. By 7.00 a.m. on the business day following the Effective Date, entitlements to Scheme Shares held within CREST will be cancelled.

Except with the consent of the Panel and subject to the provisions of sub-paragraph (D) below, settlement of the consideration to which any Vernalis Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme free of any lien, right of set-off, counterclaim or other analogous right to which Ligand UK might otherwise be, or claim to be, entitled against such Vernalis Shareholder.

(D) *Dividends*

If any dividend or other distribution (including any return of capital) is authorised, declared, made, paid or payable by Vernalis in respect of the Vernalis Shares on or after the date of the Announcement and before the Effective Date, Ligand UK reserves the right to reduce the Cash Consideration by the amount of all or part of any such dividend or other distribution, except insofar as the Vernalis Share is or will be transferred pursuant to the Acquisition on a basis which entitles Ligand UK alone to receive the dividend and/or distribution and/or return of capital but if that reduction in price has not been effected, the person to whom the Cash Consideration is paid in respect of that Vernalis Share, will be obliged to account to Ligand UK for the amount of such dividend and/or distribution and/or return of capital.

11. United Kingdom taxation

The comments set out below, which are intended as a general guide only, summarise certain limited aspects of the UK taxation treatment of Scheme Shareholders under the Scheme and do not purport to be a complete analysis of all tax considerations relating to the Scheme. They are based on current UK legislation and what is understood to be current HM Revenue and Customs (**HMRC**) practice, both of which are subject to change, possibly with retrospective effect.

The comments apply only to certain categories of person and, in particular, may not apply to such persons as market makers, brokers, charities, dealers in securities, intermediaries, insurance companies, persons who have or could be treated for tax purposes as having acquired their Scheme Shares by reason of their employment or as holding their Scheme Shares as carried interest, collective investment schemes, persons subject to UK tax on the remittance basis, and persons connected with depositary arrangements or clearance services, to whom special rules apply.

References below to **UK Holders** are to Scheme Shareholders who are resident and, in the case of individuals, domiciled or deemed domiciled for the relevant period, solely in the UK for UK tax purposes, who hold their Scheme Shares as an investment (other than under a pension arrangement or an individual savings account (ISA)) and who are the absolute beneficial owners of their Scheme Shares.

IF YOU ARE IN ANY DOUBT ABOUT YOUR TAX POSITION, AND IN PARTICULAR IF YOU ARE SUBJECT TO TAXATION IN ANY JURISDICTION OTHER THAN THE UNITED KINGDOM, YOU SHOULD CONSULT AN APPROPRIATELY QUALIFIED INDEPENDENT PROFESSIONAL ADVISER IMMEDIATELY.

UK taxation of chargeable gains

The transfer of Scheme Shares under the Scheme in return for cash should be treated as a disposal of the UK holder's Scheme Shares for the purposes of capital gains tax (**CGT**) or corporation tax on chargeable gains (as applicable) and therefore may, depending on the UK holder's particular circumstances (including the availability of exemptions, reliefs and/or allowable losses), give rise to a liability to UK tax on chargeable gains or, alternatively, a capital loss.

Individual Scheme Shareholders

Subject to available reliefs or allowances, gains arising on a disposal of Scheme Shares by an individual UK holder will be subject to CGT at the rate of 10 per cent except to the extent that the gain, when it is added to the UK holder's other taxable income and gains in the relevant tax year, takes the individual UK holder's aggregate income and gains over the higher rate threshold (£46,350 for the 2018/19 tax year), in which case it will be taxed at the rate of 20 per cent.

The CGT annual exemption (£11,700 for the 2018/19 tax year) may be available to individual UK holders to offset against chargeable gains realised on the disposal of their Scheme Shares.

Corporate Scheme Shareholders

Subject to available reliefs or allowances, gains arising on a disposal of Scheme Shares by a UK holder within the charge to UK corporation tax will be subject to corporation tax which is 19 per cent for the 2018/19 tax year.

For UK holders within the charge to UK corporation tax (but which do not qualify for the substantial shareholding exemption in respect of their Scheme Shares), indexation allowance may be available to reduce any chargeable gain arising on the disposal of their Scheme Shares. However, indexation cannot create or increase an allowable loss for corporation tax purposes. Indexation allowance is not available for the period of ownership from 1 January 2018.

The substantial shareholding exemption may apply to exempt from corporation tax any chargeable gain (or disallow any loss) arising to UK holders within the charge to UK corporation tax where a number of conditions are satisfied, including that the corporate UK holder has held not less than 10 per cent of the ordinary issued share capital of Vernalis for a period of at least one year before the date of disposal.

UK stamp duty and stamp duty reserve tax (SDRT)

No UK stamp duty or SDRT should be payable by Scheme Shareholders on the transfer of their Scheme Shares under the Scheme.

12. Vernalis Share Schemes

The effect of the Scheme in relation to options is described in paragraph 10 of the letter from the Chairman of Vernalis in Part One of this document.

13. Overseas holders and Vernalis ADS Holders

Overseas holders of Vernalis Shares and Vernalis ADS Holders should refer to Part Six of this document which contains important information relevant to such holders.

14. Actions to be taken

Actions to be taken by Vernalis Shareholders

The Scheme will require approval at a meeting of Scheme Shareholders convened by order of the Court to be held at the offices of Covington & Burling LLP, 265 Strand, London WC2R 1BH at 11.00 a.m. on 2 October 2018. The approval required at this meeting is that those voting to approve the Scheme must:

- (A) represent a simple majority in number of those Scheme Shareholders present and voting in person or by proxy; and
- (B) also represent 75 per cent. in value of the Scheme Shares held by those Scheme Shareholders present and voting in person or by proxy.

The Scheme requires the sanction of the Court at the Court Hearing where Vernalis Shareholders may be present and be heard in person or through representation to support or oppose the sanctioning of the Scheme. Implementation of the Scheme will also require approval by special resolution at the General Meeting to be held immediately after the Court Meeting, as described in paragraph 4 above. The approval required for this special resolution to be passed is a vote in favour of not less than 75 per cent. of the votes cast.

If the Scheme becomes effective it will be binding on all holders of Scheme Shares irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting (and irrespective of whether or not they voted in favour of the Resolutions at such Meetings).

Sending Forms of Proxy by post

Vernalis Shareholders will find accompanying this document a blue Form of Proxy and a yellow Form of Proxy. The blue Form of Proxy is to be used in connection with the Court Meeting and the yellow Form of Proxy is to be used in connection with the General Meeting. Whether or not you intend to attend these Meetings, please complete and sign both Forms of Proxy and return them in the reply-paid envelope provided in accordance with the instructions printed on them to Vernalis' registrars, Link Asset Services, so as to arrive as soon as possible but in any event at least 48 hours before the relevant meeting, excluding any part of a day that is not a business day.

If the blue Form of Proxy relating to the Court Meeting is not lodged by the relevant time, it may be handed to the Chairman of the Court Meeting or to Vernalis' registrar, Link Asset Services, on behalf of the Chairman of the Court Meeting before the start of the Court Meeting. However, in the case of the General Meeting, if the yellow Form of Proxy is not lodged so as to be received by the time mentioned above and in accordance with the instructions on that Form of Proxy, it will be invalid. The completion and return of either Form of Proxy will not preclude you from attending the Court Meeting or the General Meeting and voting in person, if you so wish.

Electronic appointment of proxies through CREST

Vernalis Shareholders who hold shares through CREST and who wish to appoint a proxy or proxies for the Court Meeting and General Meeting, or any adjournment(s), by using the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service providers, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the CREST Proxy Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Link Asset Services (ID RA10) at least 48 hours before the Court Meeting or the General Meeting, as applicable, excluding any part of a day that is not a business day. 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 Link Asset Services is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers, should note that Euroclear 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 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 sponsor or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Vernalis may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Regulations.

At the Court Meeting, it is particularly important that as many votes as possible are cast so that the Court may be satisfied that there is a fair and reasonable representation of Scheme Shareholders' opinion. You are therefore strongly urged to complete, sign and return your blue Form of Proxy or to appoint a proxy through the CREST electronic proxy appointment service (as appropriate) as soon as possible.

15. Further information

The terms of the Scheme are set out in full in Part Four of this document. Your attention is also drawn to the further information contained in this document, including the Conditions to the implementation of the Scheme and to the Acquisition in Part Three of this document. Further information regarding Vernalis and the Ligand Group is set out in Part Seven of this document. Documents published and available for inspection are listed in paragraph 18 of Part Seven of this document.

Yours faithfully,

Julian Oakley

Senior Managing Director

Alan Beirne

Managing Director

For and on behalf of Evercore Partners International LLP

PART THREE

CONDITIONS TO THE IMPLEMENTATION OF THE SCHEME AND TO THE ACQUISITION

Part A: Conditions of the Scheme and the Acquisition

The Acquisition is conditional upon the Scheme becoming unconditional and effective, subject to the Code, by not later than the Long Stop Date:

1. The Scheme shall be subject to the following conditions:
 - (a) its approval by a majority in number of the Vernalis Shareholders who are on the register of members of Vernalis at the Voting Record Time and who are present and vote, whether in person or by proxy, at the Court Meeting (and at any separate class meeting which may be required by the Court) and who represent 75 per cent. in value of the Vernalis Shares voted by those Vernalis Shareholders on or before the 22nd day after the expected date of the Court Meeting to be set out in the Scheme Document (or such later date, if any, as Ligand UK and Vernalis may agree and the Court may allow);
 - (b) the passing of the resolution to be proposed at the General Meeting by the requisite majority at the General Meeting to be held on or before the 22nd day after the expected date of the General Meeting to be set out in the Scheme Document (or such later date, if any, as Ligand UK and Vernalis may agree and the Court may allow);
 - (c) the sanction of the Scheme by the Court (with or without modification but subject to any modification being on terms acceptable to Ligand UK and Vernalis) on or before the 22nd day after the expected date of the Court Hearing to be set out in the Scheme Document (or such later date, if any, as Ligand UK and Vernalis may agree and the Court may allow); and
 - (d) delivery of a copy of the Court Order to the Registrar of Companies.
2. 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 (and continue to be satisfied pending the commencement of the Court Hearing) or, where relevant, waived in writing prior to the Scheme being sanctioned by the Court:

General third party clearances

- (a) except as Disclosed, no Third Party having decided, threatened or 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 (in any case to an extent or in a manner which is material in the context of the Acquisition, the Wider Vernalis Group or the Wider Ligand Group, as the case may be, in each case, taken as a whole):
 - (i) require, prevent or materially delay the divestiture or materially alter the terms envisaged for such divestiture by any member of the Wider Ligand Group or by any member of the Wider Vernalis Group of all or any part of their respective businesses, assets, property or any shares or other securities (or the equivalent) in any member of the Wider Vernalis Group or any member of the Wider Ligand Group or impose any limitation on the ability of all or any of them to conduct their respective businesses (or any part thereof) or to own, control or manage any of their respective assets or properties (or any part thereof);

- (ii) except pursuant to section 160 of the Companies Act 2006, in the event that Ligand UK elects to implement the Acquisition by way of a Takeover Offer, require any member of the Wider Ligand Group or the Wider Vernalis Group to acquire or offer to acquire any shares, other securities (or the equivalent) or interest in any member of the Wider Vernalis Group owned by any Third Party (other than in connection with the implementation of the Acquisition);
- (iii) impose any material limitation on, or result in a material delay in, the ability of any member of the Wider Ligand Group, directly or indirectly, to acquire, hold or exercise effectively all or any rights of ownership in respect of shares or loans or securities convertible into shares or other securities (or the equivalent) in Vernalis or on the ability of any member of the Wider Vernalis Group or any member of the Wider Ligand Group, directly or indirectly, to hold or exercise effectively all or any rights of ownership in respect of shares or loans or any other securities (or the equivalent) in, or to exercise voting or management control over, any other member of the Wider Vernalis Group;
- (iv) result in any member of the Wider Vernalis Group or any member of the Wider Ligand Group ceasing to be able to carry on business under any name under which it currently does so in any jurisdiction;
- (v) make the Acquisition or its implementation void, unenforceable and/or illegal under the laws of any relevant jurisdiction, or otherwise, directly or indirectly, prevent or prohibit, restrict, restrain or delay or otherwise interfere with the implementation of, or impose additional conditions or obligations with respect to, or otherwise challenge, impede, interfere or require material amendment to the terms of the Acquisition;
- (vi) impose any material limitation on, or result in any material delay in, the ability of any member of the Wider Ligand Group or any member of the Wider Vernalis 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 Ligand Group and/or the Wider Vernalis Group;
- (vii) require any member of the Wider Vernalis Group to terminate or amend in any material way any material contract to which any member of the Wider Vernalis Group is a party;
- (viii) otherwise materially adversely affect all or any of the business, assets, liabilities, profits, financial or trading position or prospects of any member of the Wider Vernalis Group or any member of the Wider Ligand Group; or

and all applicable waiting and other time periods (including any extensions thereof) during which any such Third Party could 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 having expired, lapsed or been terminated;

Governmental regulatory approvals

- (b) each Governmental Entity, which regulates or licences any member of the Vernalis Group or any other body corporate in which any member of the Vernalis Group has an interest in shares, and whose prior approval, consent or non-objection to any change in control, or acquisition of (or increase in) control in respect of that or any other member of the Vernalis Group is required, or any Governmental Entity, whose prior approval, consent or non-objection of the Acquisition is otherwise required, or from whom one or more material licences or permissions are required in order to complete the Acquisition, having given its approval, non-objection or legitimate deemed consent or consent in writing thereto and, as the case may be, having granted such licences and permissions (in each case where required and on terms reasonably satisfactory to Ligand UK), and in each case the impact of which would materially adversely affect the Wider Vernalis Group or the Wider Ligand Group, taken as a whole;

Notifications, waiting periods and authorisations

- (c) all notifications, filings or applications which are necessary or considered appropriate or desirable by Ligand UK having been made in connection with the Acquisition and all necessary waiting and other time 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 Scheme and the Acquisition and all Authorisations deemed reasonably necessary by Ligand UK in any jurisdiction for or in respect of the Acquisition having been obtained in terms and in a form reasonably satisfactory to Ligand UK from all appropriate Third Parties or (without prejudice to the generality of the foregoing) from any person or bodies with whom any member of the Wider Vernalis Group or the Wider Ligand Group has entered into contractual arrangements and all such Authorisations reasonably necessary to carry on the business of any member of the Wider Vernalis 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 of an intention to revoke or not to renew such Authorisations;

Vernalis Shareholder resolution

- (d) except with the consent or the agreement of Ligand UK, no resolution of Vernalis Shareholders in relation to any acquisition or disposal of assets or shares (or the equivalent thereof) in any undertaking or undertakings (or in relation to any merger, demerger, consolidation, reconstruction, amalgamation or scheme) being passed at a meeting of Vernalis Shareholders other than in relation to the Acquisition or the Scheme and, other than with the consent or the agreement of Ligand UK, no member of the Wider Vernalis Group having taken (or agreed or proposed to take) any action that requires, or would require, the consent of the Takeover Panel or the approval of Vernalis Shareholders in accordance with, or as contemplated by, Rule 21.1 of the Code;

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

- (e) 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 Vernalis Group is a party or by or to which any such member or any of its assets is or may be bound, entitled or subject, or any event or circumstance which, as a consequence of the Acquisition would or might reasonably be expected to result in (in each case to an extent or in a manner which is material in the context of the Wider Vernalis Group taken as a whole):
- (i) any monies borrowed by, or any other indebtedness or liabilities, actual or contingent, of, or any grant available to, any such member 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 creation, save in the ordinary and usual course of business, or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of such member or any such mortgage, charge or other security interest (whenever created, arising or having arisen) becoming enforceable;
 - (iii) any such arrangement, agreement, lease, licence, franchise, permit or other instrument or the rights, liabilities, obligations or interests of any such member in or with any other person (or any arrangement or arrangements relating to any such interests or business) being adversely modified or adversely affected or any obligation or liability arising or any adverse action being taken or arising thereunder;

- (iv) the rights, liabilities, obligations, interests or business of any such member or any member of the Wider Vernalis Group under any such arrangement, agreement, licence, permit, lease or instrument or the interests or business of any such member or any member of the Wider Vernalis Group in or with any other person or body or firm or company (or any arrangement relating to any such interests or business) being terminated, or adversely modified or adversely affected or any onerous obligation or liability arising or any adverse action being taken thereunder;
- (v) any such member ceasing to be able to carry on business under any name under which it presently carries on business;
- (vi) the financial or trading position or prospects of, any such member being prejudiced or adversely affected;
- (vii) any liability of any such member to make any severance, termination, bonus or other payment to any of its directors or other officers; or
- (viii) the creation or acceleration of any liability (actual or contingent) by any such member 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 Vernalis Group is a party or by or to which any such member or any of its assets are bound, entitled or subject, would or might reasonably be expected to result in any of the events or circumstances as are referred to in Conditions (e)(i) to (viii) above;

Certain events occurring since 31 December 2017

- (f) except as Disclosed, no member of the Wider Vernalis Group having since 31 December 2017:
 - (i) 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 Vernalis Shares out of treasury (except, where relevant, as between Vernalis and wholly-owned subsidiaries of Vernalis or between the wholly-owned subsidiaries of Vernalis and except for the issue of or transfer out of treasury of Vernalis Shares on the exercise of employee share options or vesting of employee share awards in the ordinary course under the Vernalis Share Schemes);
 - (ii) recommended, declared, paid or made or proposed to recommend, declare, pay or make any 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 Vernalis to Vernalis or any of its wholly-owned subsidiaries;
 - (iii) other than pursuant to the Acquisition (and except for transactions between Vernalis and its wholly-owned subsidiaries or between the wholly-owned subsidiaries of Vernalis and transactions in the ordinary course of business) 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 in any such case to an extent which is material in the context of the Wider Vernalis Group taken as a whole or in the context of the Acquisition;
 - (iv) except for transactions between Vernalis and its wholly-owned subsidiaries or between the wholly-owned subsidiaries of Vernalis and transactions in the ordinary course of

business, 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;

- (v) except for transactions between Vernalis and its wholly-owned subsidiaries or between the wholly-owned subsidiaries of Vernalis 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 which in any such case is material in the context of the Wider Vernalis Group taken as a whole or in the context of the Acquisition;
- (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) except in the ordinary course of business which is of a long term, unusual or onerous nature or magnitude or which is or which involves an obligation of such a nature or magnitude;
- (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 Vernalis Group, otherwise than in the ordinary course of business;
- (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 Vernalis Group, otherwise than in the ordinary course of business;
- (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 made any other change to any part of its share capital (except, in each case, where relevant, as between Vernalis and wholly-owned subsidiaries of Vernalis or between the wholly-owned subsidiaries of Vernalis and except for the issue or transfer out of treasury of Vernalis Shares on the exercise of employee share options or vesting of employee share awards under the Vernalis Share Schemes as Disclosed);
- (x) waived, compromised or settled any claim which is material in the context of the Wider Vernalis Group as a whole or in the context of the Acquisition;
- (xi) terminated or varied the terms of any agreement or arrangement between any member of the Wider Vernalis Group and any other person in a manner which would or might have a material adverse effect on the financial position of the Wider Vernalis Group taken as a whole;
- (xii) save as required in connection with the Acquisition, made any material alteration to its memorandum, articles of association or other incorporation documents or any material alteration to the memorandum, articles of association or other incorporation documents of any other member of the Wider Vernalis Group;
- (xiii) made or agreed or consented to any material change to:
 - (A) the terms of the trust deeds and rules constituting the pension scheme(s) established by any member of the Wider Vernalis Group for its directors, employees or their dependents;
 - (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,
- to an extent which is in any such case material in the context of the Wider Vernalis Group taken as a whole or in the context of the Acquisition;
- (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 Vernalis Group taken as a whole;
 - (xv) (other than in respect of a member of the Wider Vernalis 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 Vernalis 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, implemented or authorised the entry into, any joint venture, asset or profit sharing arrangement, partnership or merger of business or corporate entities, which in any such case is material in the context of the Wider Vernalis Group as a whole or in the context of the Acquisition; or
 - (xviii) 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 (f);

No adverse change, litigation, regulatory enquiry or similar

- (g) except as Disclosed, since 31 December 2017 there having been:
 - (i) no adverse change and no circumstance having arisen which would reasonably be expected to result in any adverse change in, the business, assets, liabilities, shareholders' equity, financial or trading position or profits, operational performance or prospects of any member of the Wider Vernalis Group which is material in the context of the Wider Vernalis Group taken as a whole or in the context of the Acquisition;
 - (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Wider Vernalis Group is or may become a party (whether as a claimant, defendant or otherwise) having been threatened, announced, implemented or instituted by or against or remaining outstanding against or in respect of, any member of the Wider Vernalis Group, in each case which would reasonably be expected to have a material adverse effect on the Wider Vernalis Group taken as a whole or in the context of the Acquisition;
 - (iii) no enquiry, review or investigation by, or complaint or reference to, any Third Party against or in respect of any member of the Wider Vernalis Group (or any person in respect of which any such member has or may have responsibility or liability) having been threatened, announced, implemented or instituted or remaining outstanding by,

against or in respect of any member of the Wider Vernalis Group, in each case, which would reasonably be expected to have a material adverse effect on the Wider Vernalis Group taken as a whole or in the context of the Acquisition;

- (iv) no contingent or other liability having arisen or become apparent to Ligand UK or increased other than in the ordinary course of business which is reasonably likely to affect adversely the business, assets, financial or trading position or profits of any member of the Wider Vernalis Group to an extent which is material in the context of the Wider Vernalis Group taken as a whole or in the context of the Acquisition; and
- (v) no steps having been taken and no omissions having been made which are likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider Vernalis Group which is necessary for the proper carrying on of its business and the withdrawal, cancellation, termination or modification of which is material and has had or would reasonably be expected to have a material adverse effect on the Wider Vernalis Group taken as a whole or in the context of the Acquisition;

No discovery of certain matters regarding information and liabilities, corruption and intellectual property

(h) except as Disclosed, Ligand UK not having discovered that:

- (i) any financial, business or other information concerning the Wider Vernalis Group announced publicly and delivered by or on behalf of Vernalis through a RIS prior to the date of this document or publicly disclosed to any member of the Wider Ligand Group by or on behalf of any member of the Wider Vernalis Group prior to the date of this document is misleading, contains a misrepresentation of any fact, or omits to state a fact necessary to make that information not misleading, in any such case which is material in the context of the Wider Vernalis Group taken as a whole or in the context of the Acquisition;
- (ii) any member of the Wider Vernalis Group, otherwise than in the ordinary course of business, is subject to any liability, contingent or otherwise, and which is material in the context of the Wider Vernalis Group taken as a whole or in the context of the Acquisition;
- (iii) any past or present member, director, officer or employee of the Wider Vernalis Group has not complied with the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and any laws implementing the same, the UK Bribery Act 2010 and/or the US Foreign Corrupt Practices Act of 1977;
- (iv) any past or present member, director, officer or employee of the Wider Vernalis Group, or any other person for whom any such person may be liable or responsible, has engaged in any business with or made any investment in, or made any payments to: (A) any government, entity or individual with which US or EU persons are prohibited from engaging in activities or doing business by US or EU laws or regulations, including the economic sanctions administered by the United States Office of Foreign Assets Control, or (B) any government, entity or individual targeted by any of the economic sanctions of the United Nations or the European Union or any of their respective member states;
- (v) any material asset of any member of the Wider Vernalis Group constitutes criminal property as defined by section 340(3) of the Proceeds of Crime Act 2002 (but disregarding paragraph (b) of that definition); or
- (vi) since 31 December 2017, no circumstance having arisen or event having occurred in relation to any intellectual property owned, used or licensed by the Wider Vernalis Group or to any third parties, including: (A) any member of the Wider Vernalis Group losing its title to any intellectual property or any intellectual property owned by the

Wider Vernalis Group being revoked, cancelled or declared invalid, (B) any agreement regarding the use of any intellectual property licensed to or by any member of the Wider Vernalis Group being terminated or varied, or (C) any claim being filed suggesting that any member of the Wider Vernalis Group infringed the intellectual property rights of a third party or any member of the Wider Vernalis Group being found to have infringed the intellectual property rights of a third party, in each case which is material in the context of the Wider Vernalis Group taken as a whole or in the context of the Acquisition.

Part B: Certain further terms of the Acquisition

1. Subject to the requirements of the Panel, Ligand UK reserves the right in its sole discretion to waive (if capable of waiver) in whole or part all or any of the above Conditions 2(a) (General third party clearances) to (h) (No discovery of certain matters regarding information and liabilities, corruption and intellectual property) of Part A (inclusive).
2. Conditions 2(a) (General third party clearances) to (h) (No discovery of certain matters regarding information and liabilities, corruption and intellectual property) of Part A (inclusive) must be fulfilled or waived by no later than 11:59 p.m. on the date immediately preceding the date of the Court Hearing, failing which the Scheme will lapse or, if the Acquisition is implemented by way of a Takeover Offer, no later than as permitted by the Panel. Ligand UK shall be under no obligation to waive or treat as fulfilled any of the Conditions which are capable of being waived by a date earlier than the latest date specified above for the fulfilment or waiver thereof, notwithstanding that any such Condition or other Conditions of the Scheme and 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.
3. Under Rule 13.5 of the Code, Ligand UK may not invoke a Condition so as to cause the Scheme not to proceed, or to lapse, or so as to cause any Takeover Offer to lapse or be withdrawn, unless the circumstances which give rise to the right to invoke the Condition are of material significance to Ligand UK in the context of the Acquisition. Condition 1 of Part A (and, if applicable, any acceptance condition adopted on the basis specified in paragraph 5 below in relation to any Takeover Offer) are not subject to this provision of the Code. Under Rule 13.6 of the Takeover Code, Vernalis may not invoke or cause or permit Ligand UK to invoke any condition to the Offer unless the circumstances which give rise to the right to invoke the condition are of material significance to Vernalis Shareholders in the context of the Offer. The determination of whether or not such a condition can be invoked would be determined by the Panel. Condition 1 of Part A (and, if applicable, any acceptance condition adopted on the basis specified in paragraph 5 below in relation to any Takeover Offer) are not subject to this provision of the Code.
4. If Ligand UK is required by the Panel to make an offer for Vernalis Shares under the provisions of Rule 9 of the Code, Ligand UK may make such alterations to the Conditions and certain further terms of the Acquisition as are necessary to comply with the provisions of that Rule.
5. Ligand UK reserves the right to elect (with the consent of the Panel) to implement the Acquisition by making, directly or indirectly through a subsidiary or nominee of Ligand UK, a Takeover Offer as an alternative to the Scheme. In such event, the Takeover Offer will be implemented on the same terms or, if Ligand UK so decides, on such other terms being no less favourable, subject to appropriate amendments, as far as applicable, as those which would apply to the Scheme. The acceptance condition would be set at 90 per cent. of the shares to which such Takeover Offer relates (or such lesser percentage, being more than 50 per cent., as Ligand UK may decide with the consent of the Panel). Further, if sufficient acceptances of the Takeover Offer are received and/or sufficient Vernalis Shares are otherwise acquired, it is the intention of Ligand UK to apply the provisions of the Companies Act 2006 to compulsorily acquire any outstanding Vernalis Shares to which such Takeover Offer relates.

6. The Acquisition will lapse 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 either initiates proceedings under Article 6(1)(c) of the Regulation or makes a referral to a competent authority of the United Kingdom under Article 9(1) of the Regulation and there is then a reference of the Acquisition or matter arising from or relating to it to the chair of the CMA for the constitution of a group under schedule 4 to the Enterprise and Regulatory Reform Act 2013; or
 - (ii) the Scheme or Acquisition or any matter arising from or relating to the Acquisition becomes subject to a reference of the Acquisition or matter arising from or relating to it to the chair of the CMA for the constitution of a group under schedule 4 to the Enterprise and Regulatory Reform Act 2013;
- in each case, before the date of the Court Meeting.
7. Ligand UK reserves the right for any other entity directly or indirectly owned by Ligand from time to time to implement the Acquisition.
8. The Vernalis Shares shall be acquired by Ligand UK fully paid and free from all liens, equitable interests, charges, encumbrances, rights of pre-emption and any other third party rights and interests whatsoever and together with all rights existing at the Effective Date or thereafter attaching thereto, including (without limitation) the right to receive and retain, in full, all dividends and other distributions (if any) declared, made or paid or any other return of capital (whether by way of reduction of share capital or share premium account or otherwise) made on or after the Effective Date in respect of the Vernalis Shares.
9. The availability of the Acquisition to persons not resident in the United Kingdom may be affected by the laws of relevant jurisdictions. Therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom and any Vernalis Shareholders who are not resident in the United Kingdom will need to inform themselves about and observe any applicable requirements.
10. Unless otherwise determined by Ligand UK or required by the Code and permitted by applicable law and regulations, the Acquisition is not being, and will not be, made, directly or indirectly, in, into or by the use of the mails of, or by any other means or instrumentality (including, but not limited to, facsimile, email 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 Restricted Jurisdiction and will not be capable of acceptance by any such use, means, instrumentality or facility or from or within any Restricted Jurisdiction.
11. Each of the Conditions shall be regarded as a separate Condition and shall not be limited by reference to any other Condition.

This document and any rights or liabilities arising hereunder, the Acquisition, the Scheme and the Forms of Proxy will be governed by English law and will be subject to the jurisdiction of the English courts. The Acquisition shall be subject to the applicable requirements of the Code, the Panel, the AIM Rules, the London Stock Exchange and the FCA.

PART FOUR

THE SCHEME OF ARRANGEMENT

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
COMPANIES COURT (CH D)

CR-2018-006493

IN THE MATTER OF VERNALIS PLC

and

IN THE MATTER OF THE COMPANIES ACT 2006

SCHEME OF ARRANGEMENT

(under Part 26 of the Companies Act 2006)

between

VERNALIS PLC

and

THE HOLDERS OF THE SCHEME SHARES

(as defined below)

PRELIMINARY

- (A) In this Scheme, unless inconsistent with the subject or context, the following expressions bear the following meanings:

“Acquisition”	the recommended cash acquisition by Ligand UK of the entire issued and to be issued share capital of Vernalis to be effected by means of this Scheme (and, where the context admits, any subsequent revision, variation, extension or renewal of the Scheme);
“business day”	a day (other than a Saturday, Sunday or public or bank holiday) on which clearing banks in London are generally open for normal business;
“certificated form” or “in certificated form	in relation to a Scheme Share, one which is not in uncertificated form (that is, not in CREST);
“close of business”	6.00 p.m. on the business day in question;
“Code”	the UK City Code on Takeovers and Mergers;
“Conditions”	the conditions to the implementation of the Acquisition, as set out in Part Three (Conditions to the implementation of the Scheme and to the Acquisition) of the Scheme Document;
“Court”	the High Court of Justice in England and Wales;
“Court Hearing”	the hearing of the Court at which the Court Order will be sought;

“Court Meeting”	the meeting of Scheme Shareholders (and any adjournment of such meeting) convened with the permission of the Court pursuant to section 896 of the Companies Act for the purpose of considering and, if thought fit, approving (with or without modification) this Scheme;
“Court Order”	the order of the Court sanctioning this Scheme;
“CREST”	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with relevant system (as defined in the Regulations) of which Euroclear is the Operator (as defined in the Regulations);
“Effective Date”	the date on which this Scheme becomes effective in accordance with its terms;
“Euroclear”	Euroclear UK & Ireland Limited;
“holder”	a registered holder and includes any persons entitled by transmission;
“Latest Practicable Date”	5 September 2018 (being the latest practicable date before the publication of this Scheme);
“Ligand Group”	Ligand Pharmaceuticals Incorporated and its subsidiaries and subsidiary undertakings from time to time;
“Ligand UK”	Ligand Holdings UK Ltd., a company incorporated in England and Wales under registered number 11502024;
“Panel”	the UK Panel on Takeovers and Mergers;
“Registrar of Companies”	the registrar of companies in England and Wales;
“Regulations”	the Uncertificated Securities Regulations 2001(SI 2001/3755), as amended;
“Scheme”	this scheme of arrangement in its present form or with or subject to any modification, addition or condition which Vernalis and Ligand UK each agree and which is approved or imposed by the Court;
“Scheme Document”	the circular dated 6 September 2018 sent by Vernalis to Vernalis Shareholders and persons with information rights, of which this Scheme forms a part;
“Scheme Record Time”	close of business on the date of the Court Hearing or such later time as Ligand UK and Vernalis may agree;
“Scheme Shareholders”	holders of Scheme Shares at any relevant date or time;
“Scheme Shares”	the Vernalis Shares:
	(i) in issue at the date of the Scheme Document;
	(ii) issued after the date of the Scheme Document and before the Voting Record Time; and
	(iii) issued at or after the Voting Record Time and before the Scheme Record Time either on terms that the

	original or any subsequent holder of such Vernalis Shares is bound by the Scheme, or shall by such time have agreed in writing to be bound by the Scheme;
“Sterling”	the lawful currency of the United Kingdom;
“uncertificated form” or “in uncertificated form”	in relation to a Scheme Share, one which is recorded on the relevant register as being held in uncertificated form in CREST;
“Vernalis”	Vernalis plc, a company incorporated in England and Wales under registered number 02304992;
“Vernalis Group”	Vernalis and its subsidiaries and subsidiary undertakings from time to time;
“Vernalis’ Registrars” or “Vernalis’ Receiving Agent”	Link Asset Services of The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU;
“Vernalis Shareholders”	the holders of Vernalis Shares;
“Vernalis Shares”	the ordinary shares of one pence each in the capital of Vernalis;
“Vernalis Share Schemes”	the 2012 Value Builder Plan, the 2015 Sharesave Plan, the 2007 Bonus Long-Term Incentive Plan and the 2016 Executive Incentive Plan; and
“Voting Record Time”	close of business on the day which is two days before the date of the Court Meeting or, if the Court Meeting is adjourned, close of business on the day which is two days before the date of such adjourned meeting, in each case excluding any day that is not a business day.

- (B) References to clauses, sub-clauses and paragraphs are to clauses, sub-clauses and paragraphs of this Scheme.
- (C) The issued share capital of Vernalis as at the Latest Practicable Date was divided into 526,986,000 ordinary shares of one pence each, all of which were credited as fully paid. Vernalis does not hold any shares in treasury.
- (D) As at the Latest Practicable Date, no member of the Ligand Group holds any Vernalis Shares.
- (E) Ligand UK has, subject to the satisfaction or, where capable, waiver of the Conditions, agreed to appear by Counsel at the hearing to sanction this Scheme and to undertake to the Court to be bound by the provisions of this Scheme and to execute and do, or procure to be executed and done, all such documents, acts and things as may be necessary or desirable to be executed or done by it to give effect to this Scheme.
- (F) References to times are to London time.

1. Transfer of Scheme Shares

- (A) Upon and with effect from the Effective Date, Ligand UK (and/or its nominee(s)) shall acquire all the Scheme Shares fully paid free from all liens, equities, charges, encumbrances, rights of pre-emption and any other third party rights and interests whatsoever, and together with all rights at the Effective Date or thereafter attached to them, including the right to receive and retain all dividends and other distributions (if any).

- (B) For the purposes of such acquisition, the Scheme Shares shall be transferred to Ligand UK (and/or its nominee(s)) by means of a form of transfer or other instrument or instruction of transfer and, to give effect to such transfers, any person may be appointed by Ligand UK, and is authorised on behalf of the holder or holders concerned, to execute and deliver as transferor an instrument of transfer of, or give any instructions to transfer by means of CREST, any Scheme Shares and every instrument or instruction of transfer so executed or instruction given shall be effective as if it had been executed or given by the holder or holders of the Scheme Shares thereby transferred. Such instrument, form or instruction of transfer shall be deemed to be the principal instrument of transfer and the equitable or beneficial interest in the Scheme Shares shall only be transferred to Ligand UK (and/or its nominee(s)), together with the legal interest in such Scheme Shares, pursuant to such instruction, form or instrument of transfer.
- (C) Pending the transfer of the Scheme Shares pursuant to clause 1(B) above, each Scheme Shareholder irrevocably appoints Ligand UK (and/or its nominee(s)) as its attorney and/or agent and/or otherwise to exercise on its behalf (in place of and to the exclusion of the relevant Scheme Shareholder) any voting rights attached to its Scheme Shares and any or all rights and privileges attaching to its Scheme Shares, to sign on its behalf any documents, and do such things, as may in the opinion of Ligand UK be necessary or desirable in connection with the exercising of any votes or other rights or privileges attached to the relevant Scheme Shares, to sign any consent to short notice of a general or separate class meeting, to execute a form of proxy in respect of its Scheme Shares appointing any person nominated by Ligand UK to attend general and separate class meetings of Vernalis and to deal with the Scheme Shares as Ligand UK thinks fit, and authorises Vernalis to send to Ligand UK any notice, circular, warrant or other document or communication, and to pay to Ligand UK any dividend or other distribution, which may be required to be sent or paid to it as a member of Vernalis and which will not be deducted from the Consideration in accordance with clause 2(B) below, such that from the Effective Date, no Scheme Shareholder shall be entitled to exercise (and irrevocably undertakes not to exercise) any voting rights attached to the Scheme Shares or any other rights or privileges attaching to the Scheme Shares.

2. Consideration for the transfer of Scheme Shares

- (A) In consideration for the transfer of the Scheme Shares to Ligand UK and/or its nominee(s) referred to in clause 1(A) above, Ligand UK shall, subject as provided below, pay, or procure that there shall be paid, to or for the account of each Scheme Shareholder (as appearing in the register of members at the Scheme Record Time):

for each Scheme Share 6.2 pence in cash

- (B) If any dividend or other distribution (including any return of capital) is authorised, declared, made, paid or payable by Vernalis in respect of the Vernalis Shares on or after 9 August 2018 and before the Effective Date, Ligand UK reserves the right to reduce the consideration (as set out in clause 2(A) above) by the amount of all or part of any such dividend or other distribution, except insofar as the Vernalis Share is or will be transferred pursuant to the Acquisition on a basis which entitles Ligand UK alone to receive the dividend and/or distribution and/or return of capital but if that reduction in price has not been effected, the person to whom the consideration is paid in respect of that Vernalis Share, will be obliged to account to Ligand UK for the amount of such dividend and/or distribution and/or return of capital.

3. Share certificates and cancellation of CREST entitlements

With effect from 7.00 a.m. on the business day following the Effective Date:

- (A) all certificates representing Scheme Shares shall cease to have effect as documents of title to the Scheme Shares comprised in the certificates and every holder of Scheme Shares shall be bound by the request of Vernalis to deliver up the same to Vernalis, or, as it may direct, to destroy the same;

- (B) Euroclear shall be instructed to cancel the entitlements to Scheme Shares of holders of Scheme Shares in uncertificated form; and
- (C) subject to completion of any form of transfer or other instrument or instruction of transfer as may be required in accordance with clause 1(B) above, appropriate entries will be made in the register of members of Vernalis to reflect the transfer of the Scheme Shares to Ligand UK (and/or its nominee(s)).

4. Despatch of consideration

- (A) No later than 14 days after the Effective Date (or such other period as may be approved by the Panel), Ligand UK shall:
 - (i) in the case of the Scheme Shares which at the Scheme Record Time are in certificated form, despatch, or procure the despatch of, to the persons entitled to such shares in accordance with the provisions of clause 4(B) below, cheques for the sums payable to them respectively in accordance with clause 2; and
 - (ii) in the case of the Scheme Shares which at the Scheme Record Time are in uncertificated form, ensure that Vernalis' Receiving Agent are instructed to create, through Euroclear, an assured payment obligation in respect of the sums payable in accordance with the CREST assured payment arrangements, provided that Ligand UK shall be entitled to make payment of the consideration by cheque as aforesaid in clause 4(A)(i) if, for any reason, it wishes to do so.
- (B) All deliveries of cheques required to be made pursuant to this Scheme shall be effected by sending the same by first class post (or by international standard post, if overseas) in pre-paid envelopes addressed to the persons entitled to them at their respective registered addresses as appearing in the register of members of Vernalis at the Scheme Record Time (or in the case of any joint holders, at the address of one of the joint holders whose name stands first in the register of members of Vernalis in respect of such joint holding) and none of Vernalis, Ligand UK or their respective agents or nominees or Vernalis' Registrars shall be responsible for any loss or delay in the transmission of any cheques sent in accordance with this clause 4(B) which shall be sent at the risk of the person or persons entitled to them.
- (C) All cheques shall be in Sterling and drawn on a United Kingdom Clearing Bank and made payable to the person or persons to whom, in accordance with the foregoing provisions of this clause 4, the envelope containing the same is addressed (save that, in the case of joint holders, Ligand UK reserves the right to make the cheque payable to all joint holders), and the encashment of any such cheque shall be a complete discharge of Ligand UK's obligation under this Scheme to pay the monies represented thereby.
- (D) In respect of payments made through CREST, Ligand UK shall ensure that Euroclear is instructed to create an assured payment obligation in accordance with the CREST assured payment arrangements. The creation of such an assured payment obligation shall be a complete discharge of Ligand UK's obligation under this Scheme with reference to the payments made through CREST.
- (E) The preceding paragraphs of this clause 4 shall take effect subject to any prohibition or condition imposed by law.

5. Dividend mandates

Each mandate relating to the payment of dividends on any Scheme Shares and other instructions given to Vernalis by Scheme Shareholders in force at the Scheme Record Time shall, as from the Effective Date, cease to be valid.

6. Operation of this Scheme

- (A) This Scheme shall become effective upon a copy of the Court Order being delivered to the Registrar of Companies for registration.

- (B) Unless this Scheme has become effective on or before 31 December 2018, or such later date (if any) as Ligand UK and Vernalis may agree and (if required) the Panel and the Court may allow, this Scheme shall never become effective.

7. Modification

Vernalis and Ligand UK may jointly consent on behalf of all persons concerned to any modification of or addition to this Scheme or to any condition which the Court may approve or impose. Any such modification or addition shall require the consent of the Panel where such consent is required under the Code.

8. Governing law

This Scheme and all rights and obligations arising out of or in connection with it, are governed by English law. Any dispute of any kind whatsoever arising out of or in connection with this Scheme, irrespective of the cause of action, including when based on contract or tort, shall be exclusively submitted to the English courts. The rules of the Code will apply to this Scheme on the basis provided in the Code.

Dated: 6 September 2018

PART FIVE

FINANCIAL INFORMATION

1. Vernalis financial information incorporated by reference

The following sets out the financial information in respect of Vernalis as required by Rule 24.3 of the Code. The following documents, the contents of which have previously been announced through a Regulatory Information Service, are incorporated by reference into this document pursuant to Rule 24.15 of the Code. They are available in “read-only” format for printing, reviewing and downloading.

<i>Information incorporated by reference</i>	<i>Hyperlinks</i>
Interim Results for the six months ended 31 December 2017	http://www.vernalis.com/images/H1_2018_interims_FINAL.pdf
Annual Report and Accounts for the year ended 30 June 2017	http://www.vernalis.com/images/Vernalis_plc_AR_30-06-2017_FINAL.pdf
Annual Report and Accounts for the year ended 30 June 2016	http://www.vernalis.com/images/Vernalis_plc_AR_30-06-2016_FINAL.pdf

2. Ligand UK financial information

As Ligand UK was incorporated on 6 August 2018, no financial information is available or has been published in respect of it. Ligand UK has not traded since its date of incorporation, has paid no dividends and has not entered into any obligations other than in connection with the Acquisition summarised in paragraphs 7.2 and 8 of Part Seven (Additional Information on Vernalis and the Ligand Group).

3. Ligand financial information incorporated by reference

The following sets out the financial information in respect of Ligand as required by Rule 24.3 of the Code. The following documents, the contents of which have previously been announced through EDGAR, are incorporated into this document by reference pursuant to Rule 24.15 of the Code. They are available in “read-only” format for printing, reviewing and downloading.

<i>Information incorporated by reference</i>	<i>Hyperlinks</i>
Quarterly report for the quarterly period ended 30 June 2018	https://investor.ligand.com/quarterly-reports#document-7550-0000886163-18-000113
Quarterly report for the quarterly period ended 31 March 2018	https://investor.ligand.com/quarterly-reports#document-7493-0000886163-18-000063
Annual Report for the year ended 31 December 2017	https://investor.ligand.com/annual-reports?form_type=10-K#document-7365-0000886163-18-000030
Annual Report for the year ended 31 December 2016	https://investor.ligand.com/annual-reports?form_type=10-K#document-6719-0000886163-17-000021

4. Effect of Scheme becoming effective on Ligand

Ligand UK has no material assets or liabilities other than those described in this document in connection with the Acquisition and the financing of the Acquisition. With effect from the Effective Date, the earnings, assets and liabilities of Ligand UK will therefore comprise the consolidated earnings, assets and liabilities of the Vernalis Group on the Effective Date, which in turn will be consolidated into the earnings, assets and liabilities of Ligand.

5. Hard copies

A person who has received this document may request a hard copy of any documents or information incorporated by reference into this document.

Recipients of this document may request hard copies of the above-referenced financial information by contacting Vernalis on +44 (0) 118 938 0015.

Save as expressly referred to in this document, hard copies of the above-referenced financial information will not be sent to recipients of this document unless specifically requested.

6. No incorporation of website information

Save as expressly referred to in this document, neither the content of the Vernalis website or the Ligand website, nor the content of any website accessible from hyperlinks on the Vernalis website or the Ligand website, is incorporated into, or forms part of, this document.

PART SIX

ADDITIONAL INFORMATION FOR OVERSEAS SHAREHOLDERS AND VERNALIS ADS HOLDERS

1. General

This document has been prepared for the purposes of complying with English law, the Code, the rules of the London Stock Exchange and the AIM Rules and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside the UK.

It is the responsibility of any person into whose possession this document comes to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the Acquisition including the obtaining of any governmental, exchange control or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes or levies due in such jurisdiction.

This document does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for shares in any jurisdiction in which such offer or solicitation is unlawful.

Overseas shareholders and Vernalis ADS Holders should consult their own legal and tax advisers with respect to the legal and tax consequences of the Scheme.

2. US securities laws

The Acquisition relates to the shares of an English company and is being 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 proxy solicitation rules under the US Exchange Act. Accordingly, the Acquisition is subject to the disclosure requirements and practices applicable in the United Kingdom to schemes of arrangement, which differ from the disclosure requirements of US tender offer or proxy solicitation rules.

If, in the future, Ligand UK exercises the right to implement the Acquisition by way of a Takeover Offer and determines to extend such Takeover Offer into the United States, the Acquisition will be made pursuant to applicable UK tender offer rules and securities laws and otherwise in accordance with the requirements of the Code. Accordingly, any such Takeover Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, that are different from those applicable to tender offers made in accordance with US procedures and law. Financial information included in this document has been or will be prepared in accordance with accounting standards applicable in the United Kingdom that 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. It may be difficult for US holders of Vernalis Shares (and Vernalis ADS Holders) to enforce their rights and any claim arising out of the US federal laws, since Vernalis is located in a non-US jurisdiction, and some or all of its officers and directors may be residents of a non-US jurisdiction. US holders of Vernalis Shares and Vernalis ADS Holders may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

The receipt of cash pursuant to the Scheme by US holders of Vernalis Shares and Vernalis ADS Holders as consideration for the cancellation of Vernalis Shares pursuant to the Scheme may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other, tax laws. Each Vernalis Shareholder and Vernalis ADS Holder is urged to consult an independent professional adviser immediately regarding the tax consequences of the Acquisition.

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.

In accordance with normal UK practice and pursuant to Rule 14e-5(b) of the US Exchange Act, Ligand UK or its nominees or brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, Vernalis Shares outside the United States, other than pursuant to the Acquisition, until the date on which the Takeover Offer 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 will be disclosed as required in the UK, will be reported to the Regulatory News Service of the London Stock Exchange and will be available on the London Stock Exchange website.

3. Information for Vernalis ADS Holders

The ADSs

Vernalis ADSs are traded on the over-the-counter market under the ticker symbol ‘VNLPY’ and the CUSIP number is 92431M206. Each Vernalis ADS represents two underlying Vernalis Shares.

The Scheme

If the Scheme becomes effective, it will be binding on the Depositary in respect of the Vernalis Shares underlying the Vernalis ADSs, irrespective of how Vernalis ADS Holders have instructed the Depositary to vote at the Court Meeting or General Meeting.

On the Effective Date, the two Vernalis Shares underlying each Vernalis ADS will be cancelled in consideration for the cash consideration payable by or on behalf of Ligand UK. Vernalis ADS Holders will receive their share of the cash consideration through the settlement procedures described below.

If the Scheme becomes effective, Vernalis expects to send, via the Depositary, a notice of termination of the Deposit Agreement.

Voting

Registered Vernalis ADS Holders will be, or have already been, sent the ADS Voting Cards. Vernalis ADS Holders (who are registered as at the Vernalis ADS voting record date of close of business (Eastern Time) on 6 September 2018) may sign and complete the ADS Voting Cards in accordance with the instructions printed thereon in order to instruct the Depositary how to vote the Vernalis Shares underlying their Vernalis ADSs on their behalf at the Court Meeting and General Meeting. The ADS Voting Cards should be returned by mail to the Depositary as soon as possible and, in any event, so as to be received before 5.00 p.m. (Eastern Time) on 24 September 2018. Alternatively, registered holders of Vernalis ADSs may instruct the Depositary by internet or telephone, as set out in the instructions printed on the ADS Voting Card. Vernalis ADS Holders who hold their Vernalis ADSs through accounts with brokers or other securities intermediaries must follow the instructions from their securities intermediary through which they hold their Vernalis ADSs if they wish to give voting instructions to the Depositary. Voting instructions may be given only in respect of a number of Vernalis ADSs represented by an integral number of Vernalis Shares.

If the Depositary fails to receive voting instructions from a Vernalis ADS Holder prior to the deadline set out above, then the Depositary will not vote the Vernalis Shares underlying the Vernalis ADSs of such Vernalis ADS Holder and, accordingly, such shares will not be represented and will not be voted at the relevant Meeting.

Upon timely receipt of voting instructions from a Vernalis ADS Holder, the Depositary shall endeavour, insofar as practicable and permitted under the provisions of or governing the Vernalis Shares underlying the Vernalis ADSs, to vote, or cause its nominee to vote (by means of the appointment of a proxy or otherwise), the Vernalis Shares underlying the Vernalis ADSs in respect of which such ADS Voting Card has been received in accordance with the instructions contained therein and pursuant to the Deposit Agreement.

Pursuant to the Deposit Agreement, in the absence of an ADS Voting Card, the Depositary will not itself exercise any voting discretion in respect of any Vernalis Shares underlying Vernalis ADSs at the relevant Meeting.

Court Meeting and General Meeting

Vernalis ADS Holders will not, except as described below, be entitled to attend the Court Meeting or the General Meeting in person or to be present at the Court Hearings to sanction the Scheme, although the Depositary or its nominee as the record holder of Vernalis Shares underlying the Vernalis ADSs will be so entitled and will vote in accordance with instructions received by the Depositary within the deadlines set forth above.

Vernalis ADS Holders who wish to attend the Court Meeting or the General Meeting should take steps to present their Vernalis ADSs to the Depositary for cancellation (upon compliance with the terms of the Deposit Agreement, including payment of the Depositary's fees and any applicable taxes and governmental charges) and take delivery of Vernalis Shares so as to become Vernalis Shareholders prior to the Voting Record Time, or prior to the relevant Court Hearing, as the case may be.

Settlement

On the Effective Date, Ligand UK (and/or its nominee(s)) shall acquire the underlying Vernalis Shares in accordance with the terms of the Scheme. The Depositary will receive an amount in pounds Sterling equal to the total amount payable in respect of all the Scheme Shares held by the Depositary in accordance with the terms of the Scheme. Such amount will be converted into US Dollars by the Depositary pursuant to the terms and conditions of the Deposit Agreement. Once the Depositary has received the US Dollar funds, Vernalis ADS Holders will receive their pro rata portion in US Dollars from the Depositary upon surrender by them of their Vernalis ADSs in accordance with the terms and conditions of the Deposit Agreement, net of any taxes, governmental charges, cancellation fees due from such holders to the Depositary and currency conversion expenses of the Depositary.

The Depositary may convert currency itself or through any of its affiliates and, in those cases, acts as principal for its own account and not as agent, adviser, broker or fiduciary on behalf of any other person and earns revenue including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the Deposit Agreement and the rate that the Depositary or its affiliate receives when buying or selling foreign currency for its own account. The Depositary makes no representation that the exchange rate used or obtained in any currency conversion under the Deposit Agreement will be the most favourable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favourable to Vernalis ADS Holders, subject to the Depositary's obligations under the Deposit Agreement. The methodology used to determine exchange rates used in currency conversions is available upon request to the Depositary.

On the Effective Date Vernalis ADSs will cease to be exchangeable for Vernalis Shares. Vernalis ADS Holders that hold through accounts with brokers or other securities intermediaries do not need to take any further action. Their Vernalis ADSs will be automatically surrendered to the Depositary and they will receive payment of their cash consideration, net of the Depositary's cancellation fee in the amount of \$0.05 per ADS surrendered and any other applicable fees, expenses or tax withholding, in the securities accounts in which they held the Vernalis ADSs.

Registered holders of uncertificated Vernalis ADSs do not need to take any further action. The Depositary will automatically cancel their Vernalis ADSs and pay them their cash consideration, net of the Depositary's cancellation fee in the amount of \$0.05 per ADS surrendered and any other applicable fees, expenses or tax withholding, by cheque posted to their addresses as they appeared on the Depositary's ADS Register.

Registered holders of certificated Vernalis ADSs must complete and sign the form of letter of transmittal received by them from the Depositary and send the letter of transmittal, together with the certificate evidencing the Vernalis ADSs, to the Depositary. Upon receipt of those documents, the Depositary will cancel their Vernalis ADSs and pay them their cash consideration, net of the Depositary's cancellation fee in

the amount of \$0.05 per ADS surrendered and any other applicable fees, expenses or tax withholding, by cheque posted to their addresses as they appeared on the Depositary's ADS register.

Vernalis ADS Holders who hold their Vernalis ADSs indirectly through a bank, broker or financial intermediary within a book-entry facility such as the Depositary, will receive credit of the funds to their account from their bank, broker or financial intermediary. The Depositary will remit the funds to each book-entry facility, net of the total amount of any taxation, fee and expense due from such holder to the Depositary, and the relevant book-entry facility will, in turn, credit the Vernalis ADS Holder's bank, broker or financial intermediary.

In order to avoid the application of US back-up withholding on cash amounts paid to Vernalis ADS Holders (including non-US persons) who have not previously provided a duly completed IRS Form W-9 or W-8 to their broker or the Depositary that remains valid at the time of payment, it is necessary for such Vernalis ADS Holders to provide the Depositary with a properly completed IRS Form W-8 or Form W-9 as applicable. For further information, please see "Certain US federal income tax considerations" below. Persons should consult their own tax advisers to identify their need to provide these forms. IRS Forms W-9 and W-8 are available on the IRS website at <http://www.irs.gov>.

The Depositary's contact details are:

BNY Mellon Shareowner Services
PO Box 30170
College Station, TX 77842-3170
USA

4. Certain US federal income tax considerations

The following summarizes certain material US federal income tax considerations for US Scheme Shareholders (as defined below) that receive cash as consideration for their Scheme Shares or Vernalis ADSs. This summary is not a comprehensive description of all tax considerations that may be relevant to a particular holder. It applies only to US Scheme Shareholders who hold their Scheme Shares as capital assets and use the US Dollar as their functional currency. It does not apply to members of a special class of US Scheme Shareholders including, but not limited to, banks, dealers, traders in securities that mark-to-market, insurance companies, tax-exempt entities, regulated investment companies, real estate investment trusts, individual retirement accounts and other tax-deferred accounts, persons that at any time have held 10 per cent. or more of the voting stock of Vernalis, US expatriates, persons holding Scheme Shares or Vernalis ADSs as part of a hedging, straddle, conversion, integrated, constructive sale or constructive ownership transaction, persons whose Scheme Shares or Vernalis ADSs were received in connection with the performance of services or persons subject to the alternative minimum tax. This summary does not address US state and local, non-US or other tax considerations, and does not consider the US tax implications should Ligand UK elect to implement the Acquisition by way of a Takeover Offer.

For the purposes of this summary, "**US Scheme Shareholder**" means those persons who are the beneficial owner of Scheme Shares or Vernalis ADSs and who are, for U.S. federal income tax purposes: (1) an individual citizen of the United States or a resident alien; (2) a domestic corporation (or other entity treated as a domestic corporation for US federal income tax purposes); (3) an estate the income of which is subject to US federal income taxation regardless of its source; or (4) a trust (A) if a court within the United States is able to exercise primary jurisdiction over its administration and one or more US persons have authority to control all substantial decisions of the trust or (B) that has a valid election in effect under applicable Treasury regulations to be treated as a US person.

This summary is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect. Vernalis has not requested, and will not request, a ruling from the IRS with respect to any of the US federal income tax consequences described below, and as a result there can be no assurance that the IRS will not disagree with or challenge any of the conclusions described herein.

The US federal income tax treatment of a partner in a partnership that holds Scheme Shares or Vernalis ADSs will depend on the status of the partner and the activities of the partnership. Partnerships should consult their tax advisers concerning the US federal income tax consequences to their partners of participating in the Scheme.

THE SUMMARY OF US FEDERAL INCOME TAX CONSIDERATIONS SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL US SCHEME SHAREHOLDERS ARE URGED TO CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE SCHEME INCLUDING THE APPLICABILITY AND EFFECT OF US STATE AND LOCAL NON-US OR OTHER TAX LAWS AND THE CONSEQUENCES OF THE PFIC RULES DESCRIBED BELOW.

Generally, Vernalis ADS Holders will be treated for US federal income tax purposes as holding the underlying Scheme Shares represented by their Vernalis ADSs, and a disposition of such Vernalis ADSs will be treated as a disposition of the underlying Scheme Shares.

(A) *Disposition of Scheme Shares*

A US Scheme Shareholder will generally recognise gain or loss on the disposition of their Scheme Shares or Vernalis ADSs equal to the difference between the adjusted tax basis in their shares or ADSs and the amount realised. A US Scheme Shareholder's adjusted tax basis in the Scheme Shares or Vernalis ADSs generally will be the US Dollar value of the amount paid to purchase the Scheme Shares. However, the adjusted tax basis for US Scheme Shareholders who held their Scheme Shares or Vernalis ADSs in any tax year during which Vernalis was a passive foreign investment company, or PFIC, and who made a mark-to-market election with respect to their shares or ADSs, will have been adjusted as described below. The amount realised will be the US Dollar value of the pounds Sterling received by the relevant US Scheme Shareholder (or the Depositary in the case of a Vernalis ADSs).

The date for determining the US Dollar value of the pounds Sterling received depends on whether special rules for sales of securities traded on an established securities market apply. Although it is believed that the Scheme Shares currently are traded on such markets, the rules might not apply here because an exchange pursuant to the Scheme is not a transaction on those markets. If the special rules apply, cash method and electing accrual method US Scheme Shareholders would value the pounds Sterling received as of the settlement date. If the rules do not apply (and in the case of non-electing accrual method US Scheme Shareholders even if they do apply), all US Scheme Shareholders would value the pounds Sterling received as of the Effective Date and would recognise US source foreign currency gain or loss (taxable as ordinary income or loss) on the settlement date equal to any difference between the US Dollar value of the amount received based on the exchange rates on the Effective Date and the settlement date.

A US Scheme Shareholder will have a tax basis in the pounds Sterling received by such shareholder on disposition of Scheme Shares or Vernalis ADSs equal to the US Dollar value of the amount received on the settlement date. Any gain or loss on a subsequent conversion or disposition of those pounds Sterling generally will be US source ordinary gain or loss.

Vernalis believes that, starting with its financial year ending 30 June 2018, it has been a passive investment company, or PFIC, as described more fully below. As a result, gain from the disposition of Scheme Shares or Vernalis ADSs will not be eligible for the favourable tax treatment otherwise applicable to the sale of shares of stock, regardless of whether the holding period exceeds one year, unless the US Scheme Shareholder has made a mark-to-market election, as discussed below.

Instead, special rules apply to the gain, if any, that US Scheme Shareholders may recognise on the disposition of Scheme Shares or Vernalis ADSs. Save in respect of US Scheme Shareholders that have made a mark-to-market election with respect to their Scheme Shares or Vernalis ADSs, as discussed below, (1) the gain will be allocated rateably to each day over the relevant holding period for the Scheme Shares or Vernalis ADSs, (2) the amount allocated to the current taxable year and to each taxable year before Vernalis first becomes a PFIC with respect to each US Scheme Shareholder will be taxed as ordinary income, and (3) the amount allocated to each prior year when Vernalis was a

PFIC with respect to each US Scheme Shareholder will be taxed at the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

For those US Scheme Shareholders who made a mark-to-market election with respect to their Scheme Shares or Vernalis ADSs, the tax basis in their Scheme Shares or Vernalis ADSs will have been (1) increased each taxable year by the excess, if any, of the fair market value of their Scheme Shares or Vernalis ADSs at the end of that taxable year over the adjusted basis in their Scheme Shares or Vernalis ADSs at the beginning of that taxable year, and (2) decreased each taxable year by excess, if any, of the adjusted basis of Scheme Shares or Vernalis ADSs at the beginning of such taxable year over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included increases in the adjusted tax basis as a result of the mark-to-market election). For US Scheme Shareholders who made a mark-to-market election with respect to their Scheme Shares or Vernalis ADSs, the gain, if any, will be capital gain and will be long-term capital gain if, at the time of disposition, the holding period in the Scheme Shares or Vernalis ADSs exceeds one year. US Scheme Shareholders who are individuals, trusts or estates may be entitled to a preferential tax rate on long-term capital gains.

Loss recognised by a US Scheme Shareholder on a disposition of Scheme Shares or Vernalis ADSs generally will be a capital loss. Deductions for capital losses are subject to limitations.

Any gain or loss realised on disposition of Scheme Shares or Vernalis ADSs by a US Scheme Shareholder generally will be treated as arising from US sources.

Vernalis is treated as a PFIC for any taxable year in which at least 75 per cent. of our gross income is “passive income” or at least 50 per cent. of its gross assets during the taxable year (based on the average of the fair market values of the assets determined at the end of each quarterly period) are assets that produce or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, rents, royalties, gains from commodities and securities transactions, and gains from assets that produce passive income. In addition, cash is treated as a passive asset. However, rents and royalties received from unrelated parties in connection with the active conduct of a trade or business are not considered passive income for purposes of the PFIC test. In determining whether a non-U.S. corporation is a PFIC, a pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25 per cent. interest (by value) is taken into account.

A US Scheme Shareholder must generally file an annual information return on IRS Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund) containing information regarding the disposition of their Scheme Shares or Vernalis ADSs. The failure to file IRS Form 8621 could result in the imposition of penalties and the extension of the statute of limitations with respect to U.S. federal income tax.

US Scheme Shareholders are urged to consult their tax advisors regarding the classification of Vernalis as a PFIC and the resulting US Federal income tax consequences.

(B) ***Additional Tax on Passive Income***

An additional 3.8 per cent. tax will generally be imposed on the “net investment income” of individuals, estates and trusts whose income exceeds certain thresholds. “Net investment income” generally includes gains from the disposition of Scheme Shares or Vernalis ADSs.

(C) ***Backup Withholding and Information Reporting***

Proceeds from the disposition of Scheme Shares or Vernalis ADSs by a US paying agent or other US intermediary will be reported to the IRS and to the US Scheme Shareholder as may be required under applicable regulations. In addition, payments that are subject to information reporting may be subject to backup withholding if the US Scheme Shareholder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its US federal income tax returns.

Certain US Scheme Shareholders (including, among others, corporations) are not subject to backup withholding. Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules are available to be credited against a US Scheme Shareholder's US federal income tax liability and may be refunded to the extent they exceed such liability, provided the required information is provided to the IRS.

US Scheme Shareholders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption and whether they need to provide their broker or the Depositary with an IRS Form W-8 or Form W-9.

Certain US Scheme Shareholders who are individuals may be required to report information relating to Scheme Shares, subject to certain exceptions (including an exception for Scheme Shares held in accounts maintained by certain financial institutions). US Scheme Shareholders are urged to consult their tax advisers regarding their reporting requirements.

5. UK Taxation of Overseas Shareholders and Vernalis ADS Holders

Subject to the paragraph below (dealing with temporary non-residents), Scheme Shareholders and Vernalis ADS Holders who are not resident in the UK for UK tax purposes will not be subject to UK tax on chargeable gains upon the transfer of their Scheme Shares in return for cash, unless they carry on:

- (i) (in the case of a Scheme Shareholder or a Vernalis ADS Holder who is an individual) a trade, profession or vocation in the UK through a branch or agency and the Scheme Shares or Vernalis ADSs have either been used in or for the purposes of the trade, profession or vocation, or have been used or held for the purposes of the branch or agency, or acquired for use by or for the purposes of the branch or agency; or
- (ii) (in the case of a Scheme Shareholder or a Vernalis ADS Holder which is a company) a trade in the UK through a permanent establishment and the Scheme Shares or Vernalis ADSs have either been used in or for the purposes of the trade, or have been used or held for the purposes of the permanent establishment, or acquired for use by or for the purposes of the permanent establishment.

However, Scheme Shareholders or Vernalis ADS Holders who are not resident in the UK may be subject to charges to foreign taxation depending upon their personal circumstances.

A Scheme Shareholder or Vernalis ADS Holder who is an individual and who is only temporarily resident outside the UK for tax purposes at the date of the disposal (for a period of 5 years or less) may, in certain circumstances, on becoming resident in the UK again, be subject to tax on any chargeable gains in respect of disposals made while temporarily resident outside the UK.

PART SEVEN

ADDITIONAL INFORMATION ON VERNALIS AND THE LIGAND GROUP

1. Responsibility

- 1.1 The Vernalis Directors, whose names are set out in paragraph 2.1 below, accept responsibility for the information contained in this document (including any expressions of opinion) other than the information for which responsibility is taken by others pursuant to paragraph 1.2 of this Part Seven. To the best of the knowledge and belief of the Vernalis Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they accept responsibility, is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The Ligand UK Directors, whose names are set out in paragraph 2.2 below, accept responsibility for the information contained in this document (including any expressions of opinion) relating to Ligand UK, the Ligand Group, the Ligand UK Directors and their respective immediate families and the related trusts of and persons connected with the Ligand UK Directors, and persons deemed to be acting in concert (as such term is defined in the Code) with Ligand UK. To the best of the knowledge and belief of the Ligand UK Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they accept responsibility, is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors

- 2.1 The Vernalis Directors and their respective positions are:

<i>Name</i>	<i>Position</i>
Dr. Peter Fellner	Non-executive Chairman
Ian Garland	Chief Executive Officer
David Mackney	Chief Financial Officer
Carol Ferguson	Non-executive Director
Nigel Sheail	Non-executive Director
Lisa Schoenberg	Non-executive Director

The business address of each of the Vernalis Directors is Vernalis plc, 100 Berkshire Place, Wharfedale Road, Winnersh RG41 5RD.

The company secretary of Vernalis is Susan Wallcraft.

- 2.2 The Ligand UK Directors and their respective positions are:

<i>Name</i>	<i>Position</i>
John Higgins	Director
Matthew Korenberg	Director
Matthew Foehr	Director

The registered office of Ligand UK and the business address of each of the Ligand UK Directors is c/o Legalinx Limited, One Fetter Lane, London EC4A 1BR.

The company secretary of Ligand UK is Charles Berkman.

2.3 The Ligand Directors and their respective positions are:

Name	Position
John Kozarich, Ph.D	Chairman
Jason Aryeh	Director
Todd Davis	Director
Nancy Gray, Ph.D.	Director
John Higgins	Chief Executive Officer
John LaMattina, Ph.D.	Director
Sunil Patel	Director
Stephen Sabba, MD	Director

The headquarters of Ligand and the business address of each of the Ligand Directors is 3911 Sorrento Valley Boulevard, Suite 110, San Diego, CA 92121.

3. Disclosures in respect of Vernalis securities and Ligand UK securities

3.1 For the purposes of this paragraph 3 and paragraphs 4 and 15:

- (A) **acting in concert** has the meaning given to it in the Code;
- (B) **arrangement** includes indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to securities which may be an inducement to deal or refrain from dealing;
- (C) **close relative** has the meaning given to it in the Code;
- (D) **dealing** has the meaning given to it in the Code;
- (E) **derivative** has the meaning given to it in the Code;
- (F) **disclosure period** means the period beginning on 15 March 2017 (being the date that is 12 months before the start of the offer period) and ending on the Latest Practicable Date;
- (G) **interest or interests** in relevant securities shall have the meaning given to it in the Code and references to interests of Ligand UK Directors or interests of Vernalis Directors in relevant securities shall include all interests of any other person whose interests in shares the Ligand UK Directors or, as the case may be, the Vernalis Directors, are taken to be interested in pursuant to Part 22 of the Companies Act;
- (H) **offer period** means the period starting on 15 March 2018 and ending on the Latest Practicable Date;
- (I) **relevant Ligand UK securities** means relevant securities (such term having the meaning given to it in the Code in relation to an offeror) of Ligand UK including equity share capital in Ligand UK (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof; and
- (J) **relevant Vernalis securities** means relevant securities (such term having the meaning given to it in the Code in relation to an offeree) of Vernalis including equity share capital of Vernalis (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof.

3.2 Save in respect of the irrevocable undertakings referred to in paragraph 9 below, as at the close of business on the Latest Practicable Date, neither Ligand UK, nor any Ligand UK Director, nor, so far as Ligand UK is aware, any person acting in concert with it nor any person with whom it or any person acting in concert with it has an arrangement has: (i) any interest in or right to subscribe for any relevant Vernalis securities; (ii) any short positions in respect of relevant Vernalis securities (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; or (iii) borrowed or lent any relevant Vernalis securities (including, for these purposes, any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Code).

- 3.3 As at the Latest Practicable Date, the Vernalis Directors (and their close relatives and related trusts) held the following interests in, or rights to subscribe in respect of, relevant Vernalis securities:

Issued share capital¹

<i>Name</i>	<i>Number of Vernalis Shares</i>
Ian Garland	1,141,167
David Mackney	533,600
Dr. Peter Fellner	270,000
Carol Ferguson	156,212
Nigel Sheail	346,838
Total	2,447,817

1 Ian Gilham stepped down from his position as a Non-executive Director on 16 August 2018 with immediate effect. He did not hold any Vernalis Shares.

Share options

<i>Name</i>	<i>Share Plan</i>	<i>Number of Vernalis Shares and Vernalis ADSs</i>	<i>Exercise Period</i>	<i>Exercise price</i>
Ian Garland	Value Builder Plan (vested)	937,468 (Shares)	October 2017 to October 2022	£0.010
	Value Builder Plan (vested)	281,396 (Shares)	October 2018 to October 2023	£0.010
	Value Builder Plan (unvested)	2,070,608 (Shares)	October 2019 to October 2024	£0.010
	Sharesave	15,734 (Shares)	February 2019 to August 2019	£0.572
David Mackney	Value Builder Plan (vested)	652,858 (Shares)	October 2017 to October 2022	£0.010
	Value Builder Plan (vested)	195,966 (Shares)	October 2018 to October 2023	£0.010
	Value Builder Plan (unvested)	1,441,984 (Shares)	October 2019 to October 2024	£0.010
	Sharesave	15,734 (Shares)	February 2019 to August 2019	£0.572

- 3.4 As at the Latest Practicable Date, other than as disclosed in paragraph 3.3 above, no person acting in concert with Vernalis held any interests in, or rights to subscribe in respect of, relevant Vernalis securities.
- 3.5 As at the Latest Practicable Date, none of the Vernalis Directors held any interests in, or rights to subscribe in respect of, Ligand UK securities.
- 3.6 During the offer period, neither Vernalis, the Vernalis Directors nor any person acting in concert with the foregoing, has dealt in Ligand UK securities.

3.7 Save as disclosed above, as at the close of business on the Latest Practicable Date, so far as Vernalis is aware, neither any person acting in concert with it, nor any person with whom Vernalis or any person acting in concert with Vernalis has an arrangement has: (i) any interest in or right to subscribe for any relevant Vernalis securities; (ii) any short positions in respect of relevant Vernalis securities (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; or (iii) borrowed or lent any relevant Vernalis securities (including, for these purposes, any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Code).

4. Interests and Dealings – General

4.1 Save as disclosed in paragraph 3 above, as at the Latest Practicable Date:

- (A) no member of the Ligand Group had any interest in, right to subscribe in respect of, or any short position under a derivative in relation to any, or had any delivery obligation or any right to require another person to take delivery of relevant Vernalis securities nor has any member of the Ligand Group dealt in any relevant Vernalis securities during the disclosure period;
- (B) none of the Ligand UK Directors had any interest in, right to subscribe in respect of, or any short position under a derivative in relation to any, or had any delivery obligation or any right to require another person to take delivery of relevant Vernalis securities, nor has any such person dealt in any relevant Vernalis securities during the disclosure period;
- (C) so far as Ligand UK is aware, no person deemed to be acting in concert with Ligand UK had any interest in, right to subscribe in respect of, or any short position under a derivative in relation to any, or had any delivery obligation or any right to require another person to take delivery of relevant Vernalis securities, nor has any such person dealt in any relevant Vernalis securities, during the disclosure period;
- (D) so far as Ligand UK is aware, no person who has an arrangement with Ligand UK had any interest in, right to subscribe in respect of, or any short position under a derivative in relation to any, or had any delivery obligation or any right to require another person to take delivery of relevant Vernalis securities, nor has any such person dealt in any relevant Vernalis securities during the disclosure period; and
- (E) neither Ligand UK, nor (so far as Ligand UK is aware) any person acting in concert with it, has borrowed or lent any relevant Vernalis securities, save for any borrowed shares which have been either on-lent or sold.

4.2 Save as disclosed in paragraph 3 above, as at the Latest Practicable Date:

- (A) no member of the Vernalis Group had any interest in, right to subscribe in respect of, or any short position under a derivative in relation to any, or had any delivery obligation or any right to require another person to take delivery of relevant Ligand UK securities nor has any such person dealt in any relevant Vernalis securities or relevant Ligand UK securities during the offer period;
- (B) none of the Vernalis Directors had any interest in, right to subscribe in respect of, or any short position under a derivative in relation to any, or had any delivery obligation or any right to require another person to take delivery of relevant Vernalis securities or relevant Ligand UK securities nor has any such person dealt in any relevant Vernalis securities or relevant Ligand UK securities during the offer period;
- (C) no person deemed to be acting in concert with Vernalis had any interest in, right to subscribe in respect of, or any short position under a derivative in relation to any, or had any delivery obligation or any right to require another person to take delivery of relevant Vernalis securities, nor has any such person dealt in any relevant Vernalis securities during the offer period;

- (D) no person who has an arrangement with Vernalis had any interest in, right to subscribe in respect of, or any short position under a derivative in relation to any, or had any delivery obligation or any right to require another person to take delivery of relevant Vernalis securities, nor has any such person dealt in any relevant Vernalis securities during the offer period; and
 - (E) neither Vernalis, nor any person acting in concert with Vernalis has borrowed or lent any relevant Vernalis securities, save for any borrowed shares which have been either on-lent or sold.
- 4.3 Save as disclosed in this document, no persons have given any irrevocable or other commitment to vote in favour of the Scheme or the resolution to be proposed at the General Meeting.
- 4.4 Save as disclosed in this document, none of: (i) Ligand UK or any person acting in concert with Ligand UK; or (ii) Vernalis or any person acting in concert with Vernalis, has, in either case, any arrangement in relation to relevant securities.
- 4.5 Save as disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between Ligand UK or any person acting in concert with it and any of the Vernalis Directors or the recent directors, shareholders or recent shareholders of Vernalis having any connection with or dependence upon or which is conditional upon the Acquisition.
- 4.6 Save as disclosed in this document, there is no agreement, arrangement or understanding whereby the beneficial ownership of any Vernalis Shares to be acquired by Ligand UK pursuant to the Scheme will be transferred to any other person, however Ligand UK reserves the right to transfer any such shares to any member of the Ligand Group.
- 4.7 No relevant securities of Vernalis have been redeemed or purchased by Vernalis during the disclosure period.

5. Directors' service contracts

5.1 Executive Directors

The Executive Directors have entered into service agreements with Vernalis as summarised below.

Pursuant to individual service agreements each dated 13 November 2008, Ian Garland receives an annual base salary of £422,300 and David Mackney receives an annual base salary of £295,610.

The Executive Directors' employment under their respective service agreements shall continue indefinitely until terminated in accordance with the terms of the service agreements. Each Executive Directors' service agreement is terminable by either party on 12 months' written notice. In addition, each Executive Director has the right to terminate his employment by providing 30 days' written notice to Vernalis upon a change of control in Vernalis and, in the event of such termination, each Executive Director shall be entitled to a payment by way of liquidated damages equal to 12 times his monthly basic salary, car allowance, pension and benefits (excluding bonus).

Each Executive Director is eligible to participate in Vernalis' annual performance-related bonus scheme (on such terms and at such level as the Remco shall determine), under which both Ian Garland and David Mackney are currently eligible to receive a maximum annual bonus of up to 75% of their base salaries for the financial year 2018/2019.

At the discretion of the Remco, the Executive Directors are eligible to participate in the Vernalis Share Schemes. Ian Garland and David Mackney hold vested and unvested options over an aggregate of 3,305,206 and 2,306,542 Vernalis Shares respectively.

Pursuant to the terms of their respective service agreements and, in the case of Ian Garland only an amendment dated 20 April 2011, both Ian Garland and David Mackney receive annual pension contributions from Vernalis equal to 19% of their annual base salary. This amounts to a total of £80,237 and £56,166 respectively per annum.

Under the terms of their service agreements, each Executive Director receives private health insurance for himself and his spouse and dependent children, subject to the rules of the relevant scheme, and life assurance of four times their annual base salary. Each Executive Director is also provided with a company car allowance of £12,600 per annum.

Each of the Executive Directors is subject to a confidentiality undertaking for a period of five years from the date of the termination of their employment. In addition, each of the Executive Directors is subject to a non-solicitation of employee's restrictive covenant for a period of 12 months from the date of the termination of the Executive Directors' employment.

Vernalis has customary directors' and officers' indemnity insurance in place in respect of the Executive Directors.

5.2 *Non-executive Directors*

The Non-executive Directors have entered into service agreements (in the case of Dr. Peter Fellner) and letters of appointment (in the case of all other Non-executive Directors) with Vernalis as summarised below.

Dr. Peter Fellner was originally appointed as Executive Chairman of Vernalis pursuant to the terms of a service agreement dated 21 March 2003. However, an amendment to the service agreement dated 1 November 2009 provides that from thereafter, Dr. Peter Fellner is a Non-executive Chairman entitled to receive an annual fee of £125,000.

Dr. Peter Fellner's appointment, pursuant to his service agreement, shall continue indefinitely until terminated on not less than 12 months' notice or such shorter period as may be mutually agreed between Dr. Peter Fellner and Vernalis.

Nigel Sheail, Carol Ferguson and Lisa Schoenberg are each engaged under a letter of appointment with Vernalis dated 2 August 2011, 20 August 2012 and 12 August 2015 respectively. Under the terms of the letters of appointment and the related extension letters, each Non-executive Director receives a fee of £40,000 per annum.

Carol Ferguson receives an additional £7,500 per annum for undertaking the role of Chairman of the Audit Committee and a further £5,000 for undertaking the role of Senior Independent Director.

The Non-executive Directors are also subject to confidentiality undertakings without limitation in time.

Each Non-executive Director's letter of appointment is terminable by either party on one month's written notice. The Non-executive Directors are not entitled to participate in Vernalis' Share Schemes, bonus or pension schemes.

Ian Gilham stepped down from his position as a Non-executive Director on 16 August 2018 with immediate effect. His role as Chairman of the Remco has since been taken over by Carol Ferguson.

5.3 *Other service contracts*

Save as disclosed above, there are no service contracts between any director of the Vernalis Group or proposed director of the Vernalis Group and any member of Vernalis Group and no such contract has been entered into or amended within the six months preceding the date of this document.

6. *Market quotations*

- 6.1 The following table shows the Closing Price for Vernalis Shares for the first dealing day of each month from 1 March 2018 to 3 September 2018 inclusive, for 14 March 2018 (being the last business day before the commencement of the Offer Period) and for 5 September 2018 (being the Latest Practicable Date):

<i>Date</i>	<i>Vernalis Share Price</i>
1 March 2018	£0.047
14 March 2018	£0.043
3 April 2018	£0.033
1 May 2018	£0.040
1 June 2018	£0.056
2 July 2018	£0.065
1 August 2018	£0.056
3 September 2018	£0.061
5 September 2018	£0.061

7. Material contracts

7.1 *Vernalis Group material contracts*

Save as disclosed below and for the offer related arrangements described at paragraph 8 below, no member of the Vernalis Group has, during the period beginning on 15 March 2016 and ending on the Latest Practicable Date, entered into any material contract otherwise than in the ordinary course of business.

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the Vernalis Group in the period beginning on 15 March 2016 and ending on the Latest Practicable Date.

2016 Placing Agreement

Vernalis entered into a Placing Agreement dated 26 April 2016 (the **2016 Placing Agreement**) with Canaccord Genuity, as Nominated Adviser and Joint Broker to Vernalis, and Shore Capital Stockbrokers Limited (**Shore Capital**), as Joint Broker to Vernalis. Under the terms of the 2016 Placing Agreement Canaccord Genuity and Shore Capital conditionally placed 80,000,000 Vernalis ordinary shares at a price of 50 pence per share.

Under the terms of the 2016 Placing Agreement Vernalis agreed to pay to Canaccord Genuity and Shore Capital a commission on the aggregate gross proceeds received from shares placed with placees.

Termination of License, Development and Commercialisation Agreement with Tris

Pursuant to the terms of a Settlement and Release Agreement dated 13 June 2018, Vernalis and its subsidiary Vernalis (R&D) Limited terminated the development and commercialisation agreement that they had entered into with Tris dated 10 February 2012, with immediate effect. Under the terms of the Settlement and Release Agreement, Vernalis (or a designee of Vernalis) agreed to pay Tris \$10 million in cash. In return, Vernalis was released from all future payment obligations under its development and commercialisation agreement with Tris including obligations to pay Tris milestones on development programmes. In addition, pursuant to the terms of an Asset Sale Agreement also dated 13 June 2018, Vernalis (R&D) Limited transferred to Tris the rights to Tuzistra® XR including the New Drug Application (**NDA**) and Tris retained the rights to CCP-07, CCP-08, CCP-05 and CCP-06.

Vernalis is entitled to a high single digit royalty on sales of Tuzistra® XR for a ten year period from 13 June 2018 and on CCP-07 and CCP-08 for a ten year period from product launch. Vernalis remains responsible for all Tuzistra® XR commercial activities up to the date of NDA transfer. In addition, Vernalis remains liable for any returns, rebates and co-pay assistance costs on stocks of Tuzistra® XR with wholesalers or pharmacies at the date of transfer. Vernalis deposited \$3 million into an escrow until 30 June 2020 to fund these returns, rebates and co-pay assistance costs (with any remaining balance at 30 June 2020 returned to Vernalis and with Vernalis remaining liable for these specific liabilities in excess of this \$3 million).

Settlement Agreements with Ian Garland and David Mackney

On 7 August 2018 Vernalis entered into Settlement Agreements with each of Ian Garland and David Mackney (the **Settlement Agreements**) pursuant to which each of Ian Garland and David Mackney waived various potential employment claims.

Under the terms of his Settlement Agreement, upon termination of his employment Ian Garland will receive a bonus payment for the financial year 2018/2019 of up to £316,725, being equivalent to 75% of Mr Garland's annual salary. In addition, upon termination of his employment with Vernalis, Mr Garland will also receive 12 months' salary by way of contractual notice period together with payments in respect of car allowance, pension contributions and other benefits, as provided for in the change of control clause in his service agreement.

Under the terms of his Settlement Agreement, upon termination of his employment David Mackney will receive a bonus payment for the financial year 2018/2019 of up to £221,707.50, being equivalent to 75% of Mr Mackney's annual salary. In addition, upon termination of his employment with Vernalis, Mr Mackney will also receive 12 months' salary by way of contractual notice period together with payments in respect of car allowance, pension contributions and other benefits, as provided for in the change of control clause in his service agreement.

7.2 Ligand material contracts

Save for the offer related arrangements described at paragraph 8 below, Ligand UK has not during the period beginning on 15 March 2016 and ending on the Latest Practicable Date, entered into any material contract otherwise than in the ordinary course of business. Save as disclosed below, no other member of the Ligand Group has, during the period beginning on 15 March 2016 and ending on the Latest Practicable Date, entered into any material contract otherwise than in the ordinary course of business.

0.75% Convertible Senior Notes due 2023

In May 2018, Ligand issued \$750 million aggregate principal amount of 0.75% convertible senior notes. The net proceeds from the offering, after deducting the initial purchasers' discount and offering expenses, were approximately \$733.1 million. The 2023 Notes will be convertible into cash, shares of common stock, or a combination of cash and shares of common stock, at Ligand's election.

Convertible Bond Hedge and Warrant Transactions

In conjunction with the 2023 Notes, in May 2018, Ligand entered into convertible bond hedges and sold warrants covering 3,018,327 shares of its common stock to minimize the impact of potential dilution to Ligand's common stock and/or offset the cash payments Ligand is required to make in excess of the principal amount upon conversion of the 2023 Notes.

8. Offer-related arrangements

Arrangements between Ligand and Vernalis

Confidentiality Agreement

Ligand and Vernalis entered into a confidentiality agreement on 27 April 2018 pursuant to which Ligand has undertaken to keep confidential information relating to Vernalis and not to disclose it to third parties (other than to permitted disclosees) unless required by law or regulation.

The Confidentiality Agreement also contains undertakings from Ligand that for a period of one year from the date of the Confidentiality Agreement, Ligand shall not, without the prior written consent of Vernalis and except pursuant to the Acquisition, acquire or offer to acquire any interest in securities of Vernalis and that Ligand shall not solicit any employees of Vernalis or consultants engaged by Vernalis, subject to customary carve-outs. These confidentiality obligations will cease to have effect on completion of the Acquisition. If the Acquisition does not complete, the confidentiality obligations shall remain in force for a period of 5 years from the date of the Confidentiality Agreement.

Break Fee Agreement

Vernalis and Ligand UK have entered into the Break Fee Agreement pursuant to which Vernalis has agreed to pay to Ligand UK a break fee of an amount in cash equal to one per cent. of the value of any competing offer which is made for Vernalis, in the event that such competing offer is declared unconditional in all respects or is otherwise completed or becomes effective.

Cooperation Agreement

Vernalis and Ligand UK have entered into the Cooperation Agreement pursuant to which, among other things, they have agreed:

- that Ligand UK will provide Vernalis with such information as may be necessary for Vernalis to prepare the Scheme Document;
- to implement certain proposals with regards to the Vernalis Share Schemes; and
- to cooperate with each other and to provide such information as may be necessary to obtain any required regulatory clearances.

The Cooperation Agreement records the intention of Vernalis and Ligand UK to implement the Acquisition by way of a Scheme, subject to the ability of Ligand UK to proceed by way of a Takeover Offer in certain circumstances, subject to the consent of the Panel.

The Cooperation Agreement will terminate in a number of customary circumstances, including if:

- the Vernalis Directors withdraw or adversely modify their recommendation of the Acquisition; or
- the Scheme Document does not include a unanimous and unconditional recommendation from the Vernalis Directors that Vernalis Shareholders vote in favour of the resolutions to be proposed at the Court Meeting and the Vernalis General Meeting.

9. Irrevocable undertakings

Ligand UK has received irrevocable undertakings to vote, or procure a vote, in favour of the Scheme at the Court Meeting and the resolution relating to the Acquisition at the Vernalis General Meeting (or, in the event that the Acquisition is implemented by way of a Takeover Offer, to accept or procure the acceptance of such Takeover Offer) in respect of a total of 354,741,122 Vernalis Shares (representing, in aggregate, approximately 67.32 per cent. of Vernalis' Shares in issue on 5 September 2018 (being the Latest Practicable Date before the release of this document).

9.1 Vernalis Director irrevocable undertakings in respect of Vernalis Shares

The following Vernalis Directors have given irrevocable undertakings which include undertakings to vote, or procure a vote, in favour of the Scheme at the Court Meeting and the resolution relating to the Acquisition at the General Meeting in respect of their own shareholdings (or, in the event that the Acquisition is implemented by way of a Takeover Offer, to accept or procure the acceptance of such Takeover Offer):

Name	Number of Vernalis Shares	Per cent. of Vernalis Shares in issue
Ian Garland	1,141,167	0.217%
David Mackney	533,600	0.101%
Dr. Peter Fellner	270,000	0.051%
Carol Ferguson	156,212	0.030%
Nigel Sheail	346,838	0.066%
Total	2,447,817	0.464%

The irrevocable undertakings from the Vernalis Directors will only cease to be binding if:

- the Scheme Document is not despatched within 28 days of the Announcement (or within such longer period as Ligand UK and Vernalis may agree with the consent of the Panel);

- the Scheme or a Takeover Offer announced in implementation of the Acquisition has not become effective or been declared unconditional in all respects in accordance with the requirements of the Code (as the case may be) prior to the Long Stop Date;
- the Scheme or a Takeover Offer (as the case may be) has lapsed or been withdrawn and no new, revised or replacement Scheme or Takeover Offer has been announced by Ligand UK or its affiliates in accordance with Rule 2.7 of the Code at the same time; or
- a competing offer is made for Vernalis and such competing offer is declared unconditional in all respects or otherwise becomes effective.

9.2 *Vernalis Shareholder irrevocable undertakings in respect of Vernalis Shares*

The following persons have given irrevocable undertakings which include undertakings to vote, or procure a vote, in favour of the Scheme at the Court Meeting and the resolution relating to the Transaction at the General Meeting, or, in the event that the Transaction is implemented by way of a Takeover Offer, to accept or procure the acceptance of such Takeover Offer:

<i>Name</i>	<i>Number of Vernalis Shares</i>	<i>Per cent. of Vernalis Shares in issue</i>
IAML	194,417,167	36.89%
Woodford Investment Management	157,876,138	29.96%
Total	352,293,305	66.85%

IAML irrevocable undertaking

The irrevocable undertaking from IAML will only cease to be binding if:

- the Scheme Document is not despatched within 28 days of the Announcement (or within such longer period as Ligand UK and Vernalis may agree with the consent of the Panel);
- the Scheme or a Takeover Offer announced in implementation of the Acquisition has not become effective or been declared unconditional in all respects in accordance with the requirements of the Code (as the case may be) prior to the Long Stop Date;
- the Scheme or a Takeover Offer (as the case may be) has lapsed or been withdrawn and no new, revised or replacement Scheme or Takeover Offer has been announced by Ligand UK or its affiliates in accordance with Rule 2.7 of the Code at the same time; or
- a competing all cash offer is made for Vernalis at a 20 per cent. premium to the price per Vernalis Share being offered at that time by Ligand UK and Ligand UK does not increase its offer price to an equivalent amount within seven days of the date on which the competing all cash offer is announced.

Woodford Investment Management irrevocable undertaking

The irrevocable undertaking from Woodford Investment Management will only cease to be binding if:

- the Scheme Document is not despatched within 28 days of the Announcement (or within such longer period as Ligand UK and Vernalis may agree with the consent of the Panel);
- the Scheme or a Takeover Offer announced in implementation of the Acquisition has not become effective or been declared unconditional in all respects in accordance with the requirements of the Code (as the case may be) prior to the Long Stop Date;
- the Scheme or a Takeover Offer (as the case may be) has lapsed or been withdrawn and no new, revised or replacement Scheme or Takeover Offer has been announced by Ligand UK or its affiliates in accordance with Rule 2.7 of the Code at the same time; or

- a competing all cash offer is made for Vernalis at a 10 per cent. premium to the price per Vernalis Share being offered at that time by Ligand UK and Ligand UK does not increase its offer price to an equivalent amount within seven days of the date on which the competing all cash offer is announced.

Woodford Investment Management is able to sell some or all of the Vernalis Shares subject to its irrevocable undertaking in certain limited circumstances including:

- if required by law;
- to Ligand UK; or
- to any person who has entered into a similar irrevocable undertaking in favour of Ligand UK to vote, or procure a vote, in favour of the Scheme at the Court Meeting and the resolution relating to the Acquisition at the Vernalis General Meeting (or, in the event that the Acquisition is implemented by way of a Takeover Offer, to accept or procure the acceptance of such Takeover Offer).

10. Offer-related fees and expenses

10.1 *Ligand Group fees and expenses*

The aggregate fees and expenses expected to be incurred by the Ligand Group in connection with the Acquisition (excluding any applicable VAT) are expected to be:

<i>Category</i>	<i>Amount (\$)</i>
Financial and corporate broking	430,000
Legal advice	600,000
Accounting advice	50,000
Public relations advice	nil
Other professional services (including, for example, management consultants, actuaries and specialist valuers)	nil
Other costs and expenses	nil
Total	1,080,000

10.2 *Vernalis fees and expenses*

The aggregate fees and expenses expected to be incurred by Vernalis in connection with the Acquisition (excluding any applicable VAT) are expected to be approximately:

<i>Category</i>	<i>Amount (£)</i>
Financial and corporate broking advice	1,500,000
Legal advice	450,000
Accounting advice	nil
Public relations advice	nil
Other professional services (including, for example, management consultants, actuaries and specialist valuers)	40,000
Other costs and expenses	160,000
Total	2,150,000

11. Financing arrangements relating to Ligand UK

The Cash Consideration payable by Ligand UK pursuant to the Acquisition will be financed from the Ligand Group's existing cash resources.

12. Persons interested in 5% or more of the equity capital of Ligand

As at 5 September 2018 (being the Latest Practicable Date before the release of this document), Ligand was aware of the following persons holding an interest in 5% or more of the shares of Ligand:

<i>Name</i>	<i>Interest</i>
BlackRock Fund Advisors	14.59%
The Vanguard Group, Inc.	9.39%
William Blair Investment Management LLC	5.39%

13. Ratings

No ratings agency has publicly accorded Vernalis with any current credit rating or outlook. No ratings agency has publicly accorded Ligand with any current credit rating or outlook.

14. Cash confirmation

finnCap, as financial adviser to Ligand UK, is satisfied that sufficient resources are available to Ligand UK to satisfy, in full, the cash consideration payable to Vernalis Shareholders under the terms of the Acquisition.

15. Persons acting in concert

15.1 In addition to Ligand UK, the Ligand UK Directors (together with their close relatives and related trusts) and the members of the Ligand Group (including Ligand's holding companies and their subsidiaries), the persons who, for the purposes of the Code, are acting in concert with Ligand UK in respect of the Acquisition and who are required to be disclosed are:

<i>Name</i>	<i>Type</i>	<i>Registered Office</i>	<i>Relationship with Ligand UK</i>
finnCap Ltd	Private limited company	60 New Broad Street, London EC2M 1JJ	Financial Adviser
MTS Securities LLC	Private limited company	623 Fifth Avenue 14th Floor New York, NY 10022	Financial Adviser

15.2 In addition to the Vernalis Directors (together with their close relatives and related trusts) and the members of the Vernalis Group (including Vernalis' holding companies and their subsidiaries), the persons who, for the purposes of the Code, are acting in concert with Vernalis in respect of the Acquisition and who are required to be disclosed are:

<i>Name</i>	<i>Type</i>	<i>Registered Office</i>	<i>Relationship with Vernalis</i>
Evercore International Partners LLP	Limited liability partnership	15 Stanhope Gate, London W1K 1LN	Financial Adviser
Canaccord Genuity Limited	Private limited company	88 Wood Street, London EC2V 7QR	Nominated Adviser and corporate broker

16. No significant change

Save to the extent disclosed in this document, there has been no significant change in the financial or trading position of Vernalis since 30 June 2017, being the date to which the 2017 Annual Report and Accounts were prepared.

17. Consent

- 17.1 Evercore has given and not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which they are included.
- 17.2 Canaccord Genuity has given and not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which they are included.

- 17.3 finnCap has given and not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which they are included.

18. Documents published on a website

Copies of the following documents are available for view on Vernalis' website at www.vernalis.com and Ligand's website at www.investor.ligand.com/vernalisoffer (subject to, in each case, any applicable restrictions relating to persons resident in Restricted Jurisdictions) up to and including the Effective Date or the date the Scheme lapses or is withdrawn, whichever is earlier:

- (A) the irrevocable undertakings referred to in paragraph 9 above;
- (B) the offer-related arrangements referred to in paragraph 8 above, being the Confidentiality Agreement, the Break Fee Agreement and the Cooperation Agreement;
- (C) the written consents referred to in paragraph 17 above;
- (D) the Announcement;
- (E) this document and the Forms of Proxy;
- (F) Ligand UK's articles of association;
- (G) Vernalis' articles of association; and
- (H) Vernalis' articles of association as proposed to be amended by special resolution at the General Meeting.

Neither the contents of Vernalis' or Ligand's website, nor those of any other website accessible from hyperlinks on Vernalis' or Ligand's website, are incorporated into or form part of this document.

19. Sources of information and bases of calculation

- 19.1 The value of the Offer is based on the existing 526,986,000 issued Vernalis Shares as at the Latest Practicable Date.
- 19.2 As at 5 September 2018 (being the latest practicable date prior to the publication of this document), Vernalis' fully diluted share capital comprises 526,986,000 Vernalis Shares in issue and 10,993,442 Vernalis Shares that may be issued on or after the date of this document on the exercise of outstanding options or awards under the Vernalis Share Schemes. For the purposes of this document, all outstanding options or awards under the Vernalis Share Schemes are assumed to (i) be cash settled (if vested); or (ii) lapse (in the case of unvested options held by US employees who will leave employment on 30 September 2018 or any options not rolled over pursuant to (iii)) or (iii) be rolled over into new share options or awards over shares in Ligand (if unvested). Consequently, all references to Vernalis' share capital in this document refers to the existing 526,986,000 Vernalis Shares in issue with no dilutive effect of options.
- 19.3 The Closing Prices are taken from the AIM appendix to the Daily Official List.
- 19.4 Unless otherwise stated, all prices for Vernalis Shares are the Closing Price for the relevant date.
- 19.5 The 30 day and three month volume weighted average price are derived from Bloomberg data.
- 19.6 Unless otherwise stated, the financial information relating to Vernalis is extracted (without adjustment) from the audited consolidated financial statements of Vernalis for the relevant years or from the unaudited interim consolidated financial statements of Vernalis for the relevant half years, prepared in accordance with IFRS.

PART EIGHT

DEFINITIONS

Acquisition	the recommended cash acquisition by Ligand UK of the entire issued and to be issued share capital of Vernalis to be effected by means of the Scheme (and, where the context admits, any subsequent revision, variation, extension or renewal of the Scheme) or by the Takeover Offer under certain circumstances described in this document
ADS	American Depository Share
ADS Voting Cards	the forms of instruction to be completed by registered holders of Vernalis ADSs providing instructions to the Depositary in relation to voting at the Court Meeting and General Meeting
AIM	the AIM market of the London Stock Exchange
AIM Rules	the AIM rules for companies published by the London Stock Exchange
Announcement	the announcement of a firm intention to make an offer for the entire issued and to be issued share capital of Vernalis pursuant to Rule 2.7 of the Code made by Ligand UK on 9 August 2018
Board	as the context requires, the board of directors of Ligand UK or the board of directors of Vernalis and the terms Ligand UK Board and Vernalis Board shall be construed accordingly
business day	a day on which banks are generally open for business in London (apart from Saturdays, Sundays and bank holidays)
Canaccord Genuity	Canaccord Genuity Limited
Cash Consideration	the consideration payable to Scheme Shareholders in connection with the Acquisition, being 6.2 pence per Vernalis Share
certificated or in certificated form	a share or other security which is not in uncertificated form (that is, not in CREST)
close of business	6.00 p.m. (London time) on the business day in question
Closing Price	the closing middle market quotation of a Vernalis Share derived from the AIM appendix to the Daily Official List
CMA	the UK Competition and Markets Authority
Code	the UK City Code on Takeovers and Mergers
Companies Act 2006	the UK Companies Act 2006, as amended from time to time
Conditions	the conditions to the Acquisition as set out in Part 3 of this document or, if applicable, the Takeover Offer Document and Condition means any one of them
Confidentiality Agreement	the confidentiality agreement dated 27 April 2018 entered into between Vernalis and Ligand

Cooperation Agreement	the cooperation agreement entered into between Ligand UK and Vernalis dated 9 August 2018 relating to the Acquisition
Court	the High Court of Justice in England and Wales
Court Hearing	the hearing at which the Court sanctions the Scheme under section 899 of the Companies Act
Court Meeting	the meeting(s) of the Scheme Shareholders to be convened by order of the Court pursuant to section 896 of the Companies Act 2006, notice of which is set out in Part Nine (Notice of Court Meeting) of this document, for the purpose of considering, and if thought fit, approving the Scheme (with or without amendment) and any adjournment, postponement or reconvention of such meeting
Court Order	the order of the Court sanctioning the Scheme under section 899 of the Companies Act
CREST	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001/3755) (the Regulations)) in respect of which Euroclear UK and Ireland Limited is the Operator (as defined in the Regulations) in accordance with which securities may be held and transferred in uncertificated form
CUSIP	the nine-character identification number assigned by the Committee on Uniform Securities Identification Procedures to each class of security approved for trading in the US to facilitate clearing and settlement
Daily Official List	the daily official list of the London Stock Exchange
dealing day	a day on which dealings in domestic securities may take place on, and with the authority of, the London Stock Exchange
Dealing Disclosure	has the same meaning as in Rule 8 of the Code
Depository	The Bank of New York Mellon, as depositary under the Deposit Agreement
Deposit Agreement	the deposit agreement among The Bank of New York Mellon, as depositary, Vernalis and the owners and beneficial owners of Vernalis ADSs from time to time under which the Vernalis ADSs are issued
Disclosed	<p>information which has been fairly disclosed by or on behalf of Vernalis:</p> <ul style="list-style-type: none"> • in the annual report and accounts of the Vernalis Group for the financial year ended 30 June 2017; • in Vernalis' announcement dated 28 March 2018 of its half year results; • in the Announcement; • in any other public announcement made by, or on behalf of, Vernalis in accordance with the Market Abuse Regulation, the AIM Rules or the Disclosure Guidance and Transparency Rules before the date of the Announcement;

	<ul style="list-style-type: none"> • in writing before the date of the Announcement by or on behalf of Vernalis to Ligand (or its respective officers, employees, agents or advisers in their capacity as such); or • in the virtual data room operated by or on behalf of Vernalis and which Ligand is able to access in relation to the Acquisition before the date of the Announcement
Disclosure Guidance and Transparency Rules	the Disclosure Guidance and Transparency Rules of the FCA in its capacity as the UK Listing Authority under FSMA and contained in the UK Listing Authority's publication of the same name (as amended from time to time)
disclosure period	the period commencing 15 March 2017, being the date which is 12 months before the start of the Offer Period, and ending on the Latest Practicable Date
EDGAR	the Electronic Data Gathering, Analysis and Retrieval system accessed at http://www.sec.gov/edgar.shtml
Effective Date	<ul style="list-style-type: none"> • the date on which the Scheme becomes effective in accordance with its terms; or • if the Acquisition is implemented by way of a Takeover Offer, the date on which the Takeover Offer has been declared or become unconditional in all respects in accordance with the Code or the date on which a Vernalis Shareholder validly accepts the Takeover Offer, whichever is later
EU or European Union	the European Union
EUMR	the EU Merger Regulation (No 139/2004)
Euroclear	Euroclear UK & Ireland Limited
Evercore	Evercore Partners International LLP
Executive Directors	each of Ian Garland and David Mackney
Explanatory Statement	the explanatory statement (in compliance with section 897 of the Companies Act) relating to the Scheme, set out in Part Two of this document
FCA	the United Kingdom Financial Conduct Authority
finnCap	finnCap Ltd
Forms of Proxy	either or both (as the context demands) of the form of proxy in relation to the Court Meeting and the form of proxy in relation to the General Meeting
FSMA	Financial Services and Markets Act 2000 (as amended from time to time)
General Meeting	the general meeting of Vernalis convened by the notice set out in Part Ten (Notice of General Meeting) of this document, including any adjournment of such meeting
Governmental Entity	any supranational, national, state, municipal, local or foreign government, any instrumentality, subdivision, court, arbitrator or

	arbitrator panel, regulatory or administrative agency or commission, or other authority thereof, or any regulatory or quasi-regulatory organisation or private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority
holder	a registered holder and includes any person entitled by transmission
IAML	Invesco Asset Management Limited, a wholly-owned subsidiary of Invesco acting as agent for and on behalf of its discretionary managed clients
IFRS	international accounting standards and international financial reporting standards and interpretations thereof, approved or published by the International Accounting Standards Board and adopted by the European Union
IRS	Internal Revenue Service
ISIN	International Securities Identification Number
Latest Practicable Date	5 September 2018 (being the latest practicable date before the publication of this Scheme)
Ligand	Ligand Pharmaceuticals Incorporated, a company incorporated in Delaware
Ligand Directors	the directors of Ligand as at the date of this document
Ligand Group	Ligand and its subsidiaries and subsidiary undertakings from time to time
Ligand UK	Ligand Holdings UK Ltd., a company incorporated in England and Wales
Ligand UK Board	the board of directors of Ligand UK
Ligand UK Directors	the directors of Ligand UK as at the date of this document or, where the context so requires, the directors of Ligand UK from time to time
Link Asset Services	Link Asset Services, a trading name of Link Market Services Limited, who act for Vernalis as registrar and receiving agent
London Stock Exchange	London Stock Exchange plc
Long Stop Date	31 December 2018, or such later date (if any) as Ligand UK and Vernalis may agree, with the consent of the Panel, and the Court may allow
Market Abuse Regulation	the Market Abuse Regulation (2014/596/EU)
Meetings	the Court Meeting and the General Meeting, and Meeting means either of them
MTS	MTS Securities, LLC which is an affiliate of MTS Health Partners L.P.
NCE	new chemical entity
Non-executive Directors	each of Nigel Sheail, Carol Ferguson, Lisa Schoenberg and Dr. Peter Fellner

Offer	the recommended cash offer being made by Ligand UK to acquire in cash the entire issued and to be issued share capital of Vernalis to be effected by means of the Scheme and, where the context admits, any subsequent revision, variation, extension or renewal of the offer
Offer Period	the offer period (as defined in the Code) relating to Vernalis, which commenced on 15 March 2018
Opening Position Disclosure	an announcement containing details of interests or short positions in, or rights to subscribe for, any relevant securities of a party to the Offer if the person concerned has such a position
Panel	the UK Panel on Takeovers and Mergers
PFIC	Passive Foreign Investment Company
R&D	research and development
Registrar of Companies	the registrar of companies in England and Wales
Regulations	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
Regulatory Information Service	an information service authorised from time to time by the FCA for the purposes of disseminating regulatory announcements
Remco	the Remuneration Committee of Vernalis
Resolutions	the resolutions relating to the Acquisition to be proposed at the Meetings
Restricted Jurisdiction	any jurisdiction where local laws or regulations may result in significant risk of civil, regulatory or criminal exposure if information concerning the Acquisition is sent or made available to Vernalis Shareholders in that jurisdiction (in accordance with Rule 30.3 of the Code)
RIS	a service approved by the London Stock Exchange for the distribution to the public of announcements and included within the list maintained on the London Stock Exchange's website
Scheme	the proposed scheme of arrangement under Part 26 of the Companies Act 2006 between Vernalis and the Vernalis Shareholders to implement the Acquisition with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by Vernalis and Ligand UK
Scheme Record Time	close of business on the date of the Court Hearing, or such later time as Vernalis and Ligand UK may agree
Scheme Shareholders	holders of Scheme Shares
Scheme Shares	<ol style="list-style-type: none"> 1. the Vernalis Shares in issue at the date of this document; 2. any Vernalis Shares issued after the date of this document and before the Voting Record Time; 3. any Vernalis Shares issued at or after the Voting Record Time and before the Scheme Record Time either on terms that the original or any subsequent holders of such Vernalis Shares are to be bound by the Scheme or in respect of which their

holders are, or shall have agreed in writing to be, bound by the Scheme,

and, in each case, remaining in issue at the Scheme Record Time but excluding any Vernalis Shares held in treasury at any relevant date or time and any Vernalis Shares registered in the name of or beneficially owned by any member of the Ligand Group, its nominees or any person acting in concert with Ligand UK for the purposes of the Code at any relevant date or time

SEC

the US Securities and Exchange Commission

Significant Interest

in relation to an undertaking, a direct or indirect interest of 20 per cent. or more of: (i) the total voting rights conferred by the equity share capital (as defined in section 548 of the Companies Act 2006) of such undertaking; or (ii) the relevant partnership interest

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 2006, the offer to be made by or on behalf of Ligand UK to acquire the entire issued and to be issued share capital of Vernalis not already owned by Ligand UK and, where the context permits, any subsequent revision, variation, extension or renewal of such takeover offer

Takeover Offer Document

should the Acquisition be implemented by means of a Takeover Offer, the document to be sent to Vernalis Shareholders which will contain, inter alia, the terms and conditions of the Takeover Offer

Third Party

any government or governmental, quasi-governmental, supranational, statutory, regulatory, environmental or investigative body, court, trade agency, association, institution or any other similar body or person whatsoever in any jurisdiction

Tris

Tris Pharma, Inc.

UK or United Kingdom

the United Kingdom of Great Britain and Northern Ireland

uncertificated or in uncertificated form

a share or other security recorded on the relevant register as being held in uncertificated form in CREST

US or United States

the United States of America, its territories and possessions, any state of the United States and the District of Columbia

US Exchange Act

the US Securities Exchange Act of 1934 (as amended)

Vernalis

Vernalis plc, a company incorporated in England and Wales with registered number 02304992

Vernalis ADS Holders

holders of Vernalis ADSs

Vernalis ADSs

ADSs, each representing two Vernalis Shares

Vernalis Directors

the directors of Vernalis as at the date of this document or, where the context so requires, the directors of Vernalis from time to time

Vernalis Group

Vernalis and its subsidiaries and subsidiary undertakings from time to time

Vernalis Shareholders

the holders of Vernalis Shares

Vernalis Shares

the ordinary shares of one pence each in the capital of Vernalis

Vernalis Share Schemes	the 2012 Value Builder Plan, the 2015 Sharesave Plan, the 2007 Bonus Long-Term Incentive Plan and the 2016 Executive Incentive Plan
Voting Record Time	6.00 p.m. on the day two days before the date of the Court Meeting or, if the Court Meeting is adjourned, close of business on the day which is two days before the date of such adjourned meeting, in each case excluding any day that is not a business day
Wider Ligand Group	Ligand and its subsidiaries, subsidiary undertakings, associated undertakings and any other body corporate, partnership, joint venture or person in which Ligand and all such undertakings (aggregating their interests) have a Significant Interest
Wider Vernalis Group	Vernalis and its subsidiaries, subsidiary undertakings, associated undertakings and any other body corporate, partnership, joint venture or person in which Vernalis and all such undertakings (aggregating their interests) have a Significant Interest
Woodford Investment Management	Woodford Investment Management Limited

For the purposes of this document, “**subsidiary**”, “**subsidiary undertaking**”, “**undertaking**” and “**associated undertaking**” have the respective meanings given thereto by the Companies Act 2006.

All references to “**pounds**”, “**pounds Sterling**”, “**Sterling**”, “£”, “**pence**”, “**penny**” and “**p**” are to the lawful currency of the United Kingdom and all references to “**US Dollars**” and “\$” are to the lawful currency of the United States.

All the times referred to in this document are London times unless otherwise stated. References to the singular include the plural and vice versa.

PART NINE

NOTICE OF COURT MEETING

IN THE HIGH COURT OF JUSTICE

CR-2018-006493

BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES

COMPANIES COURT

(CH)

DEPUTY INSOLVENCY AND COMPANIES COURT JUDGE SCHAFFER

IN THE MATTER OF VERNALIS PLC

and

IN THE MATTER OF THE COMPANIES ACT 2006

NOTICE IS GIVEN that, by an order dated 31 August 2018 made in the above matters, the Court has given permission for Vernalis plc (the **Company**) to convene a meeting of the holders of Scheme Shares (as defined in the Scheme of Arrangement referred to below) for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement proposed to be made between the Company and the holders of Scheme Shares and that such meeting will be held at the offices of Covington & Burling LLP, 265 Strand, London WC2R 1BH at 11.00 a.m. on 2 October 2018 at which place and time all holders of Scheme Shares are requested to attend.

A copy of the Scheme of Arrangement and a copy of the statement required to be furnished pursuant to section 897 of the Companies Act 2006 are incorporated in the document of which this notice forms part.

Holders of Scheme Shares may vote in person at the meeting or they may appoint another person as their proxy to attend, speak and vote in their stead. A proxy need not be a member of the Company but must attend the meeting to represent you. A holder of Scheme Shares may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that holder. 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. A blue Form of Proxy for use at the meeting is enclosed with this notice. Vernalis Shareholders with Scheme Shares held through CREST may also appoint a proxy or proxies using CREST by following the instructions set out on pages 27 to 28 of this document. Completion and return of a Form of Proxy, or the appointment of proxies through CREST, will not preclude a holder of Scheme Shares from attending and voting in person at the meeting, or any adjournment of such meeting.

In the case of joint holders of Scheme Shares the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

It is requested that forms appointing proxies (together with any power of attorney or other authority under which they are signed, or a notarially certified copy of such authority) be lodged with the Company's registrar, Link Asset Services, in accordance with the instructions printed on such forms not later than 48 hours before the start of the meeting excluding any part of a day that is not a business day.

Entitlement to attend and vote at the meeting and the number of votes which may be cast at the meeting will be determined by reference to the register of members of the Company at 6.00 p.m. on the day which is two days before the date of the Court Meeting or, if the Court Meeting is adjourned, 6.00 p.m. on the day which is two days before the date of such adjourned meeting, in each case excluding any day that is not a business day (the **Voting Record Time**). Changes to the register of members after such time will be disregarded.

By the said order, the Court has appointed Dr. Peter Fellner, or failing him, Ian Garland, or failing him, Carol Ferguson to act as chairman of the meeting and has directed the chairman to report the result of the meeting to the Court.

The Scheme of Arrangement will be subject to the subsequent sanction of the Court.

Dated 6 September 2018

COVINGTON & BURLING LLP

265 Strand
London WC2R 1BH
Solicitors for the Company

Notes:

1. Pursuant to the Company's articles of association and Regulation 41 of the Uncertificated Securities Regulations 2001 (the **Regulations**), only holders of Scheme Shares in the capital of the Company at the Voting Record Time (each, a **Scheme Shareholder**) are entitled to attend, speak and vote at this meeting in respect of the number of shares registered in their name and may appoint a proxy to attend, speak and vote instead of them. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at this meeting. Voting on all resolutions will be by way of a poll. Each Scheme Shareholder present at this meeting will be entitled to one vote for every Scheme Share registered in his/her name and each corporate representative or proxy will be entitled to one vote for each Scheme Share which he/she represents. Scheme Shareholders who submit a proxy form with voting instructions in advance of this meeting specifying the chairman of the Company as their proxy, but who attend this meeting in person, need not complete a poll card unless they wish to change their vote. A Scheme Shareholder may appoint more than one proxy in relation to this meeting provided that each proxy is entitled to exercise the rights attaching to a different share or shares held by that member. A proxy need not be a member of the Company.
2. A blue form of proxy is enclosed for use at this meeting. To be valid, completed forms of proxy should be returned in accordance with their instructions, along with the power of attorney or other authority, if any, under which they are signed or a notarially certified or office copy of such power or authority, so as to arrive at the offices of the Company's registrar, Link Asset Services, at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 11.00 a.m. on 28 September 2018, or if the meeting is adjourned, at least 48 hours before the start of the adjourned meeting, excluding any part of a day that is not a business day. If the proxy form is not returned by the relevant time, it may be handed to the Chairman of the meeting or to Link Asset Services, on behalf of the Chairman of the meeting, before the start of the meeting.
3. A person who is not a Scheme Shareholder, but has been nominated by a Scheme Shareholder to enjoy information rights in accordance with section 146 of the Companies Act 2006 (a **Nominated Person**) does not have a right to appoint a proxy. Nominated Persons may have a right, under an agreement with the Scheme Shareholder, to be appointed (or to have someone else appointed) as a proxy for this meeting. Alternatively, if Nominated Persons do not have such a right, or do not wish to exercise it, they may have a right under an agreement with the relevant Scheme Shareholder to give instructions as to the exercise of voting rights.
4. A Scheme Shareholder entitled to attend, speak and vote at this meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him/her at this meeting. A Scheme Shareholder may appoint more than one proxy in relation to this meeting, provided that each proxy is appointed to exercise the rights attaching to a different share or shares held by him/her. A proxy need not be a Scheme Shareholder but must attend this meeting to represent him/her. A separate proxy form should be used for each proxy appointment. If you intend appointing additional proxies, please contact Link Asset Services on 0871 664 0300 (calls to this number from the UK will be charged at 12p per minute plus your phone company's access charge) or on +44 371 664 0300 from outside the UK (calls to this number from outside the UK will be charged at the applicable international rate) to obtain (an) additional proxy form(s). Link Asset Services may record calls to both numbers for security purposes and to monitor the quality of its services. Alternatively, you may photocopy the enclosed proxy form and complete it for each proxy holder. A Scheme Shareholder appointing more than one proxy should indicate the number of shares for which each proxy is authorised to act on his/her holding and mark the box indicating that the proxy instruction is one of multiple instructions being given. Failure to specify the number of shares to which each proxy form relates or specifying a number which, when taken together with the number of shares set out in the other proxy appointments, is in excess of the number of shares held by the Scheme Shareholder may result in the proxy appointment being invalid. If the proxy form is returned without an indication as to how the proxy shall vote on any particular matter, the proxy will exercise his discretion as to whether, and if so how, he or she votes. A Scheme Shareholder must inform Link Asset Services in writing of any termination of the authority of a proxy. If more than one valid proxy appointment is received, the appointment received last before the latest time for the receipt of the proxies will take precedence.
5. Scheme Shareholders who hold shares through CREST and who wish to appoint a proxy or proxies for this meeting or any adjournment of this meeting by using the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual available via www.euroclear.com/CREST. 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.

6. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear UK and Ireland Limited's (**Euroclear**) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Link Asset Services (ID RA10) not later than 11.00 a.m. on 28 September 2018 or, if the meeting is adjourned, at least 48 hours before the start of the adjourned meeting, excluding any part of a day that is not a business day. 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 Link Asset Services is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
7. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his 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. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Regulations.
8. Completion and return of a form of proxy, or the appointment of proxies through CREST, will not preclude a Scheme Shareholder from attending and voting in person at this meeting, or any adjournment of this meeting.
9. Scheme Shareholders attending the meeting have the right to ask questions. The Company has an obligation to answer such questions relating to the business being dealt with at the meeting, but no such answer need be given if: (i) it is undesirable in the interest of the Company or the good order of the meeting; (ii) to do so would unduly interfere with the preparation for the meeting or involve the disclosure of confidential information; or (iii) the answer has already been given on a website in the form of an answer to a question.
10. In the case of joint holders of ordinary shares the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding (the first named being the most senior).
11. You may not use any electronic address provided either in this notice or in any related documents (including the enclosed proxy form) to communicate with the Company for any purposes other than those expressly stated.
12. A member of the Company which is a corporation may authorise a person or persons to act as its corporate representative(s) at this meeting. In accordance with the provisions of the Companies Act 2006 (as amended by the Companies (Shareholders' Rights) Regulations 2009), each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares.
13. As at 5 September 2018 (being the latest business day before publication of this notice), the Company's issued share capital consisted of 526,986,000 ordinary shares, carrying one vote each. The Company does not hold any ordinary shares in treasury, and therefore the total voting rights in the Company as at 5 September 2018 were 526,986,000.
14. The venue is wheelchair accessible. Please let the Company know in advance if any attendee will need wheelchair assistance or has any other needs to ensure appropriate arrangements are in place. Anyone accompanying a member in need of assistance will be admitted to this meeting. Other guests will only be admitted at the discretion of the Company.
15. The Company thanks the attendees in advance for their co-operation with the security staff at the venue and kindly requests that each attendee provides one piece of identification, such as photographic ID or a bank card. The Company does not permit cameras or recording equipment at this meeting and should be grateful if attendees would ensure that they switch off their mobile telephone before the start of this meeting. The Company does not permit behaviour which may interfere with anyone's safety or the orderly conduct of this meeting.

PART TEN

NOTICE OF GENERAL MEETING

VERNALIS PLC

Notice is given that a general meeting of Vernalis plc (the **Company**) will be held at the offices of Covington & Burling LLP, 265 Strand, London WC2R 1BH at 11.15 a.m. on 2 October 2018 (or as soon thereafter as the meeting of the holders of Scheme Shares (as defined in the Scheme as referred to in the resolution set out below) convened for 11.00 a.m. on the same day and at the same place, by an order of the High Court of Justice, shall have concluded or been adjourned) for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed as a special resolution.

SPECIAL RESOLUTION

THAT for the purpose of giving effect to the scheme of arrangement dated 6 September 2018 (as amended or supplemented) between the Company and the holders of Scheme Shares (as defined in such scheme of arrangement), a print of which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, in its original form or subject to such modification, addition, or condition as may be agreed between the Company and Ligand UK and approved or imposed by the Court (the **Scheme**):

- (A) the directors of the Company (or a duly authorised committee of the directors) be authorised to take all such action as they may consider necessary or appropriate for carrying the Scheme into effect; and
- (B) with effect from the passing of this resolution, the articles of association of the Company be and are amended by the adoption and inclusion of the following new article 152:

“Scheme of Arrangement

- (i) In this article, references to the **Scheme** are to the Scheme of Arrangement under Part 26 of the Companies Act 2006 between the Company and the holders of Scheme Shares (as defined in the Scheme dated 6 September 2018 (as amended or supplemented)) and as approved by the holders of the Scheme Shares at the meeting convened by the Court (as defined in the Scheme) and as may be modified or amended in accordance with its terms, and expressions defined in the Scheme shall have the same meanings in this article.
- (ii) Notwithstanding either any other provision of these articles or the terms of any resolution whether ordinary or special passed by the Company in general meeting, if the Company issues any ordinary shares (other than to Ligand Holdings UK Ltd. (**Ligand UK**) or its nominee(s)) on or after the adoption of this article and before the Scheme Record Time (as defined in the Scheme), such shares shall be issued subject to the terms of the Scheme (and shall be Scheme Shares for the purposes of the Scheme) and the original or any subsequent holder or holders of such ordinary shares shall be bound by the Scheme accordingly.
- (iii) Notwithstanding any other provision of these articles, if any ordinary shares are issued to any person (other than Ligand UK or its nominee(s)) (the **New Member**) at or after the Scheme Record Time, such New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) will, provided the Scheme shall have become effective, be obliged to transfer immediately all the ordinary shares held by the New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) (the **Disposal Shares**) to Ligand UK (or as Ligand UK may otherwise direct) who shall be obliged to acquire all of the Disposal Shares in consideration of and conditional on the payment by or on behalf of Ligand UK to the New Member of an amount in cash for each Disposal Share equal to the consideration that the New Member would have been entitled to had each Disposal Share been a Scheme Share.

- (iv) On any reorganisation of, or material alteration to, the share capital of the Company (including, without limitation, any subdivision and/or consolidation) carried out after the Effective Date (as defined in the Scheme), the value of the consideration per Disposal Share to be paid under paragraph (iii) above shall be adjusted by the directors in such manner as the auditors of the Company or an independent investment bank selected by the Company may determine to be fair and reasonable to reflect such reorganisation or alteration. References in this article to ordinary shares shall, following such adjustment, be construed accordingly.
- (v) To give effect to any transfer required by this article, the Company may appoint any person as attorney and/or agent for the New Member to execute and deliver as transferor a form of transfer or instructions of transfer on behalf of the New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) in favour of Ligand UK and do all such other things and execute and deliver all such documents as may in the opinion of the attorney or agent be necessary or desirable to vest the Disposal Shares in Ligand UK and pending such vesting to exercise all such rights to the Disposal Shares as Ligand UK may direct. If an attorney or agent is so appointed, the New Member shall not thereafter (except to the extent that the attorney fails to act in accordance with the directions of Ligand UK) be entitled to exercise any rights attaching to the Disposal Shares unless so agreed by Ligand UK. The Company may give good receipt for the purchase price of the Disposal Shares and may register Ligand UK as holder of the Disposal Shares and issue to it certificates for the same. The attorney or agent shall be empowered to execute and deliver as transferor a form of transfer or instructions of transfer on behalf of the New Member (or any subsequent holder). The Company shall not be obliged to issue a certificate to the New Member for any Disposal Shares. Ligand UK shall send a cheque drawn on a UK clearing bank (or shall procure that such a cheque is sent) in favour of the New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) for the purchase price of such Disposal Shares within 14 days of the date on which the Disposal Shares are issued to the New Member.
- (vi) If the Scheme shall not have become effective by the date referred to in clause 6(B) of the Scheme (or such later date, if any, as Ligand UK and the Company may agree and the Court and the Panel on Takeovers and Mergers may allow, if such consent is required), this article shall be of no effect.
- (vii) Notwithstanding any other provision of these articles, both the Company and the directors may refuse to register the transfer of any Scheme Shares effected between the Scheme Record Time and the Effective Date (as defined in the Scheme)."

6 September 2018

By Order of the Board
Susan Wallcraft
Company Secretary

Registered Office:
100 Berkshire Place
Wharfedale Road
Winnersh
Berkshire
RG41 5RD
United Kingdom
Registered in England and Wales No. 02304992

Notes:

1. Pursuant to the Company's articles of association and Regulation 41 of the Uncertificated Securities Regulations 2001 (the **Regulations**), only holders of ordinary shares of 1 pence in the capital of the Company (each, a **Shareholder**) are entitled to attend, speak and vote at this meeting in respect of the number of shares registered in their name and may appoint a proxy to attend, speak and vote instead of them. Changes to entries on the register of members after close of business on 28 September 2018 shall be disregarded in determining the rights of any person to attend and vote at this meeting. Voting on all resolutions will be by way of a poll. Each Shareholder present at this meeting will be entitled to one vote for every ordinary share registered in his/her name and each corporate representative or proxy will be entitled to one vote for each ordinary share which he/she represents. Shareholders who submit a proxy form with voting instructions in advance of this meeting specifying the chairman of the Company as their proxy, but who attend this meeting in person, need not complete a poll card unless they wish to change their vote. A Shareholder may appoint more than one proxy in relation to this meeting provided that each proxy is entitled to exercise the rights attaching to a different share or shares held by that member. A proxy need not be a member of the Company.

2. A yellow form of proxy is enclosed for use at this meeting. To be valid, completed forms of proxy should be returned in accordance with their instructions, along with the power of attorney or other authority, if any, under which they are signed or a notarially certified or office copy of such power or authority, so as to arrive at the offices of the Company's registrar, Link Asset Services at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 11.15 a.m. on 28 September 2018, or if the meeting is adjourned, at least 48 hours before the start of the adjourned meeting, excluding any part of a day that is not a business day. If the form of proxy is not lodged by the relevant time, it will be invalid.
3. A person who is not a Shareholder of the Company, but has been nominated by a Shareholder to enjoy information rights in accordance with section 146 of the Companies Act 2006 (a **Nominated Person**) does not have a right to appoint a proxy. Nominated Persons may have a right, under an agreement with the shareholder, to be appointed (or to have someone else appointed) as a proxy for this meeting. Alternatively, if Nominated Persons do not have such a right, or do not wish to exercise it, they may have a right under an agreement with the relevant Shareholder to give instructions as to the exercise of voting rights.
4. A Shareholder entitled to attend, speak and vote at this meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him/her at this meeting. A Shareholder may appoint more than one proxy in relation to this meeting, provided that each proxy is appointed to exercise the rights attaching to a different share or shares held by him/her. A proxy need not be a Shareholder but must attend this meeting to represent him/her. A separate proxy form should be used for each proxy appointment. If you intend appointing additional proxies, please contact Link Asset Services on 0871 664 0300 (calls to this number from the UK will be charged at 12p per minute plus your phone company's access charge) or on +44 371 664 0300 from outside the UK (calls to this number from outside the UK will be charged at the applicable international rate) to obtain (an) additional proxy form(s). Link Asset Services may record calls to both numbers for security purposes and to monitor the quality of its services. Alternatively, you may photocopy the enclosed proxy form and complete it for each proxy holder. A Shareholder appointing more than one proxy should indicate the number of shares for which each proxy is authorised to act on his/her holding and mark the box indicating that the proxy instruction is one of multiple instructions being given. Failure to specify the number of shares to which each proxy form relates or specifying a number which, when taken together with the number of shares set out in the other proxy appointments, is in excess of the number of shares held by the Shareholder may result in the proxy appointment being invalid. If the proxy form is returned without an indication as to how the proxy shall vote on any particular matter, the proxy will exercise his discretion as to whether, and if so how, he or she votes. A Shareholder must inform Link Asset Services in writing of any termination of the authority of a proxy. If more than one valid proxy appointment is received, the appointment received last before the latest time for the receipt of the proxies will take precedence.
5. Shareholders who hold shares through CREST and who wish to appoint a proxy or proxies for this meeting or any adjournment of this meeting by using the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual available via www.euroclear.com/CREST. 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 providers, who will be able to take the appropriate action on their behalf.
6. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear UK and Ireland Limited's (**Euroclear**) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Link Asset Services (ID RA10) not later than 11.15 a.m. on 28 September 2018 or, if the meeting is adjourned, at least 48 hours before the start of the adjourned meeting, excluding any part of a day that is not a business day. 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 Link Asset Services is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
7. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his 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. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Regulations.
8. Completion and return of a form of proxy, or the appointment of proxies through CREST, will not preclude a Shareholder from attending and voting in person at this meeting, or any adjournment of this meeting.
9. Shareholders attending the meeting have the right to ask questions. The Company has an obligation to answer such questions relating to the business being dealt with at the meeting, but no such answer need be given if: (i) it is undesirable in the interest of the Company or the good order of the meeting; (ii) to do so would unduly interfere with the preparation for the meeting or involve the disclosure of confidential information; or (iii) the answer has already been given on a website in the form of an answer to a question.

10. In the case of joint holders of ordinary shares the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding (the first named being the most senior).
11. You may not use any electronic address provided either in this notice or in any related documents (including the enclosed proxy form) to communicate with the Company for any purposes other than those expressly stated.
12. A member of the Company which is a corporation may authorise a person or persons to act as its corporate representative(s) at this meeting. In accordance with the provisions of the Companies Act 2006 (as amended by the Companies (Shareholders' Rights) Regulations 2009), each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares.
13. As at 5 September 2018 (being the latest business day before publication of this notice), the Company's issued share capital consisted of 526,986,000 ordinary shares, carrying one vote each. The Company does not hold any ordinary shares in treasury, and therefore the total voting rights in the Company as at 5 September 2018 were 526,986,000.
14. The venue is wheelchair accessible. Please let the Company know in advance if any attendee will need wheelchair assistance or has any other needs to ensure appropriate arrangements are in place. Anyone accompanying a member in need of assistance will be admitted to this meeting. Other guests will only be admitted at the discretion of the Company.
15. The Company thanks the attendees in advance for their co-operation with the security staff at the venue and kindly requests that each attendee provides one piece of identification, such as photographic ID or a bank card. The Company does not permit cameras or recording equipment at this meeting and should be grateful if attendees would ensure that they switch off their mobile telephone before the start of this meeting. The Company does not permit behaviour which may interfere with anyone's safety or the orderly conduct of this meeting.

