



Verona Pharma

NOTICE OF ANNUAL GENERAL MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended immediately to seek your own independent financial advice from your stockbroker, solicitor, accountant, bank manager or other appropriately qualified 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 outside the United Kingdom.

If you have sold or otherwise transferred all of your Ordinary Shares, please send this document and the accompanying Annual Report and Form of Proxy as soon as possible to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain these documents. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws of such jurisdiction.

This document should be read as a whole. Your attention is drawn to the letter from David Ebsworth, the Chairman of Verona Pharma plc, on pages [4] to [6] of this document in which the Directors recommend that you approve the proposals described in this document by voting in favour of each of the Resolutions to be proposed at the Annual General Meeting referred to below.

Notice of the Annual General Meeting of Verona Pharma plc to be held at 12.00 noon on 2nd May 2018 at the offices of Nasdaq NLZ, Woolgate Exchange Nasdaq, 25 Basinghall Street, London EC2V 5HA is set out on pages [7] to [8] of this document.

A Form of Proxy for use by all shareholders at the Annual General Meeting is enclosed with this document. To be valid, the accompanying Form of Proxy must be completed, signed and returned in accordance with the instructions printed on it to the Company Secretary, Verona Pharma plc, 6th Floor, 60 Gracechurch Street, London EC3V 0HR by hand or by post, or by fax to +44 (0)20 7264 4440, or by email to ben.harber@shma.co.uk, so as to be received not less than 48 hours before the time fixed for the holding of the meeting or any adjournment thereof (as the case may be), excluding any part of a day which is not a working day.

Further details are in the Notice of Annual General Meeting set out in this document.

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DEFINITIONS

The following definitions apply throughout this document and the accompanying Form of Proxy unless the context requires otherwise:

“**Act**” means the Companies Act 2006;

“**AGM**” or “**Annual General Meeting**” means the Annual General Meeting of the Company to be held at 12.00 noon on 2 May 2018 at the offices of Nasdaq NLZ, Woolgate Exchange Nasdaq, 25 Basinghall Street, London EC2V 5HA and notice of which is given on pages [7] to [8] of this document;

“**Annual Report**” means the report and financial statements of the Company for the year ended 31 December 2017; “**Board**” or “**Directors**” means the Directors of the Company, whose names appear on page [4] of this document;

“**The Company**” or “**Verona Pharma**” means Verona Pharma plc, a company registered in England and Wales with company number 5375156 and registered office at One Central Square, Cardiff CF10 1FS;

“**Form of Proxy**” means the form of proxy accompanying this document to be used by shareholders at the Annual General Meeting;

“**Ordinary Shares**” means the ordinary shares of 5p each in the capital of the Company; and

“**Resolutions**” means the resolutions to be proposed at the Annual General Meeting, the full text of which is set out in the Notice of Annual General Meeting.

Letter from the Chairman

Directors

David Ebsworth (Non-Executive Chairman)
Jan-Anders Karlsson (Chief Executive Officer)
Kenneth Cunningham (Non-executive Director)
Rishi Gupta (Non-executive Director)
Mahendra Shah (Non-executive Director)
Andrew Sinclair (Non-executive Director)
Vikas Sinha (Non-executive Director)
Sven Anders Ullman (Non-executive Director)

One Central Square
Cardiff
CF10 1FS

[23rd March] 2018

Dear Shareholder,

Notice of Annual General Meeting

1. Introduction

The purpose of this document is to provide you with details of the Resolutions to be proposed at the Annual General Meeting of the Company to be held on 2 May 2018 at 12.00 noon and convened by the formal Notice of Annual General Meeting set out on pages [7] to [8] of this document.

In addition to highlighting the usual business to be transacted at the Annual General Meeting, this document explains the background to the Resolutions which will be considered at the meeting and why the Directors consider the Resolutions to be in the best interests of shareholders as a whole and why they recommend that you vote in favour of them.

2. Resolutions

Resolution 1 – Annual Report and Accounts

The Directors are required by the Act to lay the Company's Annual Report and Accounts before members at the AGM.

Resolution 2 – Directors' Remuneration Policy

Shareholders are asked to approve the Directors' remuneration policy effective from 1 January 2018 which is set out on page [●] of the Annual Report. Once the Directors' remuneration policy is approved the Company will not be able to make a remuneration payment to a current or prospective Director or a payment for loss of office to a current or past Director, unless that payment is consistent with the policy or has been approved by a resolution of the members of the Company.

Resolution 3 – Directors' Remuneration Report

This is an advisory vote, in accordance with the legislation requiring companies to put this report to shareholders at the AGM.

Resolutions 4 to 5 – Re-election of Directors

Article 26.2 of the Company's Articles of Association requires that one third of the Directors of the Company who have held office since the last Annual General Meeting, must retire and, if they are eligible, may offer themselves for re-election.

Directors' biographies appear on pages [●] and [●] of the Annual Report.

Letter from the Chairman continued

Resolution 6 – Appointment and remuneration of the auditor

The Company is required to appoint an auditor at each general meeting at which accounts are laid before the members, to hold office until the conclusion of the next such meeting.

Resolution 7 – Authority to allot shares

As required by the Act, this resolution, which will be proposed as an ordinary resolution, relates to the grant to the Directors of authority to allot shares or grant such subscription or conversion rights as are contemplated by Sections 551(1)(a) and (b) of the Act respectively until the conclusion of the Annual General Meeting to be held in 2019, unless the authority is renewed, revoked or varied prior to such time. This authority replaces the existing authority granted at the Annual General Meeting held on 27th June 2016.

The Investment Association (“IA”) guidelines on directors’ authority to allot shares state that IA members will permit, and treat as routine, resolutions seeking authority to allot new shares representing up to one-third of a company’s issued share capital. If approved, this authority is limited to an aggregate nominal amount of £1,750,290.02, which is equivalent to approximately one-third of the issued share capital of the Company as at [23rd March] 2018 (being the latest practicable date prior to publication of this Notice).

The Directors have no present intention of exercising this authority other than to fulfil the Company’s obligations under its incentive plans but believe that it is in the best interests of the Company to have the authorities available to respond to market developments and to enable allotments to take place without the need for a general meeting should they determine that it is appropriate to do so.

Resolution 8 – Waiver of pre-emption rights

The Act requires that if the Directors decide to allot new shares or other equity securities, such shares or other equity securities be first offered to existing shareholders in proportion to their existing holdings. This is known as shareholders’ pre-emption rights. However, to act in the best interests of the Company, the Directors may require flexibility to allot equity securities for cash without regard to the provisions of Section 561(1) of the Act.

Therefore this resolution, which will be proposed as a special resolution, seeks authority to enable the Directors to allot equity securities or sell equity securities held as treasury shares without offering them first to existing shareholders in proportion to their current holdings:

- (a) in respect of an offer or issue such as a rights issue or open offer made on a pro rata basis to existing holders. This part of the authority is intended to give the Directors flexibility to exclude shareholders from such an offer where the Directors consider it necessary or expedient to do so to avoid legal or practical problems that would otherwise arise and to deal with fractional entitlements in an expeditious manner; and
- (b) up to an aggregate nominal amount of £525,087.00, being equal to approximately 10% of the Company’s issued share capital as at [23rd March] 2018 (being the latest practicable date prior to publication of this Notice). This part of the authority is intended to give the Directors the flexibility to take advantage of business opportunities as they arise, whilst the 10% limit ensures that existing shareholders’ interests are protected in accordance with guidelines issued by institutional investor bodies.

This power replaces the existing power granted at the Annual General Meeting held on 12th April] 2017 and expires on the conclusion of the Annual General Meeting to be held in 2019, unless the authority is renewed, revoked or varied prior to such time.

The Directors have no present intention of exercising this power other than to fulfil the Company’s obligations under its incentive plans but consider it prudent to obtain the flexibility that this power provides.

Letter from the Chairman continued

3. Action to be taken

Shareholders will find enclosed with this document a Form of Proxy for use in connection with the AGM. Whether or not you intend to be present at the meeting, you are requested to complete the Form of Proxy.

This should be returned as soon as possible and in any event so as to be received by Company Secretary,

Verona Pharma plc, 6th Floor, 60 Gracechurch Street, London EC3V 0HR by hand or by post, or by fax to +44 (0)20 7264 4440, or by email to ben.harber@shma.co.uk, so as to be received not less than 48 hours before the time fixed for the holding of the meeting or any adjournment thereof (as the case may be), excluding any part of a day which is not a working day.

The valid appointment of a proxy will not affect your right as a Shareholder to attend the AGM and to vote in person if you wish to do so.

New shareholders should note that, in order to have the right to attend and vote at the AGM, their holding must be entered in the Company's register of members by close of business on 30th April 2018 (or, if the meeting is adjourned, close of business two days before the adjourned meeting).

4. Recommendation

The Directors consider the Resolutions to be in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors unanimously recommend that shareholders vote in favour of the Resolutions to be proposed at the AGM, as they intend to do in respect of their own beneficial holdings.

Yours faithfully,

David Ebsworth
Chairman

VERONA PHARMA PLC

NOTICE OF AGM

Notice is hereby given that the Annual General Meeting of Verona Pharma plc (the "Company") will be held at the offices of, Nasdaq NLZ, Woolgate Exchange Nasdaq, 25 Basinghall Street, London EC2V 5HA on 2nd May 2018 at 12.00 noon for the following purposes:

Ordinary business

To consider and, if thought fit, to pass the following resolutions 1 to 6 (inclusive) as ordinary resolutions:

Directors' report and financial statements

1. To receive and adopt the report of the Directors and the financial statements for the year ended 31 December 2017 and the report of the auditors thereon.

Remuneration Policy and Report

2. To approve the Directors' Remuneration Policy as set out on page [•] of the Annual Report for the year ended 31 December 2017.
3. To approve the Directors' Remuneration Report set out on pages [•] to [•] of the Annual Report for the year ended 31 December 2017.

Re-election of Directors

4. To re-elect, as a Director of the Company, David Raymond Ebsworth, who retires in accordance with Article 26.2 of the Company's Articles of Association and offers himself for re-election.
5. To re-elect, as a Director of the Company, Sven Anders Ullman, who retires in accordance with Article 26.2 of the Company's Articles of Association and offers himself for re-election.

Appointment and remuneration of auditors

6. To appoint PricewaterhouseCoopers LLP as the Company's auditors in place of the retiring auditors to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the Directors to determine their remuneration.

Special business

To consider and, if thought fit, to pass the following resolutions, of which resolution 7 will be proposed as an ordinary resolution and resolution 8 will be proposed as a special resolution:

Authority to allot shares

7. THAT the Directors be and they are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £1,750,290.02.

This authority shall, unless previously renewed, revoked or varied by the Company in general meeting, expire on the conclusion of the Annual General Meeting of the Company to be held in 2019, provided that the Company may, at any time before such expiry, make an offer or enter into an agreement which would or might require shares to be allotted or rights to be granted after such expiry and the Directors may allot such shares or grant such rights pursuant to any such offer or agreement as if the authority conferred hereby had not expired.

Disapplication of pre-emption rights

8. THAT, subject to and conditional upon the passing of resolution 7 above, the Directors be and they are hereby authorised pursuant to Section 570 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred by resolution 7 above and/or to sell ordinary shares held by the Company as treasury shares for cash as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
- (a) the allotment of equity securities or sale of equity securities held as treasury shares in connection with an issue in favour of shareholders where the equity securities respectively attributable to the interests of all such shareholders are proportionate (or as nearly as may be practicable) to the respective number of ordinary shares in the capital of the Company held by them on the record date for such offer or issue, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange, in any territory; and
 - (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £525,087.00.

This power shall, unless previously renewed, revoked or varied by the Company in general meeting, expire on the conclusion of the Annual General Meeting of the Company to be held in 2019, provided that the Company may, at any time before such expiry, make an offer or enter into an agreement which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the Directors are hereby empowered to allot equity securities and/or sell equity securities held as treasury shares in pursuance of such offers or agreements as if the power conferred hereby had not expired.

BY ORDER OF THE BOARD

B Harber
Company Secretary
[23rd March] 2018

One Central Square
Cardiff
CF10 1FS

Entitlement to attend and vote

The Company has specified that only those members entered on the register of members at the close of business on [30th April] 2018 shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares of £0.05 each in the capital of the Company held in their name at that time. Changes to the register after the close of business on [30th April] 2018 shall be disregarded in determining the rights of any person to attend and vote at the meeting

Appointment of proxies

Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A proxy need not be a shareholder of the Company. A shareholder 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 shareholder. Should you wish to appoint more than one proxy please return the form of proxy and attach to it a schedule detailing the names of the proxies you wish to appoint, the number of shares each proxy will represent and the way in which you wish them to vote on the resolutions that are to be proposed. **To be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority must be lodged at the office of the Company Secretary, Verona Pharma plc, 6th Floor, 60 Gracechurch Street, London EC3V 0HR by hand or by post, or by fax to +44 (0)20 7264 4440, or by email to ben.harber@shma.co.uk, so as to be received not less than 48 hours before the time fixed for the holding of the meeting or any adjournment thereof (as the case may be), excluding any part of a day which is not a working day.** The completion and return of a form of proxy will not preclude a member from attending in person at the meeting and voting should he wish to do so.

Appointment of proxy by joint members

In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).