As Filed with the Securities and Exchange Commission on April 30, 2014

Registration No. 001-36033

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 5
TO
FORM 10

GENERAL FORM FOR REGISTRATION OF SECURITIES
Pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934

Theravance Biopharma, Inc.

(Exact name of registrant as specified in its charter)

Cayman Islands	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Ugland House, South Church Street George Town, Grand Cayman, Cayman Islands	
(Address of principal executive offices)	**KY1-1104** (Zip Code)

(650) 808-6000
(Registrant's telephone number, including area code)

Securities to be registered pursuant to Section 12(b) of the Act:

Title of Each Class to be so Registered	**Name of Each Exchange on Which Each Class is to be Registered**
Ordinary Share, par value $0.00001 per share	The NASDAQ Stock Market LLC

Securities to be registered pursuant to Section 12(g) of the Act **None**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒ (Do not check if a smaller reporting company)	Smaller reporting company ☐

We are an "emerging growth company" as defined under the federal securities laws. For implications of our status as an emerging growth company, please see "Risk Factors" in Item 1A and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2 of this registration statement.

INFORMATION REQUIRED IN REGISTRATION STATEMENT

CROSS-REFERENCE SHEET BETWEEN INFORMATION STATEMENT AND ITEMS OF FORM 10

Our information statement is filed as Exhibit 99.1 to this Form 10. For your convenience, we have provided below a cross-reference sheet identifying where the items required by Form 10 can be found in the information statement.

Item No.	Caption	Location in Information Statement
1.	Business	"Summary", "Risk Factors", "The Spin-Off", "Our Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Where to Obtain More Information"
1A.	Risk Factors	"Risk Factors"
2.	Financial Information	"Historical Selected Financial Data", "Unaudited Pro Forma Combined Balance Sheet", "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations"
3.	Properties	"Our Business" and "Our Relationship with Theravance, Inc. after the Spin-Off"
4.	Security Ownership of Certain Beneficial Owners and Management	"Security Ownership of Certain Beneficial Owners and Management"
5.	Directors and Executive Officers	"Management" and "Board of Directors"
6.	Executive Compensation	"Compensation of Non-Employee Directors", and "Compensation of Named Executive Officers"
7.	Certain Relationships and Related Transactions and Director Independence	"Security Ownership of Certain Beneficial Owners and Management", "Related Person Transactions", "Our Relationship with Theravance, Inc. after the Spin-Off" and "Board of Directors"
8.	Legal Proceedings	"Our Business"
9.	Market Price of Dividends on Registrant's Common Equity and Related Stockholder Matters	"The Spin-Off," "Dividend Policy", "Description of Share Capital", "Compensation of Non-Employee Directors" and "Compensation of Named Executive Officers"
10.	Recent Sales of Unregistered Securities	Not Applicable
11.	Description of Registrant's Securities to be Registered	"The Spin-Off", "Dividend Policy" and "Description of Share Capital"
12.	Indemnification of Directors and Officers	"Indemnification of Directors and Officers"
13.	Financial Statements and Supplementary Data	"Historical Selected Financial Data" and "Unaudited Pro Forma Combined Balance Sheet"

Item No.	Caption	Location in Information Statement
14.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	Not Applicable
15.	Financial Statements and Exhibits	See "Index to Combined Financial Statements" and the statements referenced therein

(a) ***Financial Statements***

The information required by this item is contained in the "Unaudited Pro Forma Balance Sheet" and "Index to Financial Statements" and the statements referenced therein and is incorporated herein by reference.

(b) ***Exhibits***

The following documents are filed as exhibits hereto:

Exhibit No.	Exhibit
2.1	Form of Separation and Distribution Agreement by and between Theravance Biopharma, Inc. and Theravance, Inc.**
3.1	Amended and Restated Memorandum and Articles of Association of Theravance Biopharma, Inc. adopted April 28, 2014
4.1	Specimen Share Certificate of Theravance Biopharma, Inc.
4.2	Theravance Biopharma, Inc. Registration Rights Agreement, dated March 3, 2014**
4.3	Form of Rights Agreement by and between Theravance Biopharma, Inc. and Computershare Inc.
10.1	Form of Transition Services Agreement by and between Theravance Biopharma, Inc. and Theravance, Inc.**
10.2	Form of Tax Matters Agreement by and between Theravance Biopharma, Inc. and Theravance, Inc.
10.3	Form of Employee Matters Agreement by and between Theravance Biopharma, Inc. and Theravance, Inc.
10.4	2013 Equity Incentive Plan**
10.5	Forms of Notice of and Agreements for Option Grants, Restricted Share Unit Award and Restricted Share Award under the 2013 Equity Incentive Plan**
10.6	Theravance Biopharma, Inc. 2013 Employee Share Purchase Plan**
*10.7	Theravance Biopharma, Inc. Change in Control Severance Plan**
*10.8	Form of Offer Letter with Rick E Winningham***
10.9	Theravance Biopharma, Inc. Cash Bonus Program**
*10.10	Form of Indemnity Agreement
10.11	Amended and Restated Lease Agreement, 951 Gateway Boulevard, between Theravance, Inc. and HMS Gateway Office L.P., dated January 1, 2001**
10.12	First Amendment to Lease for 951 Gateway Boulevard effective as of June 1, 2010 between Theravance, Inc. and ARE-901/951 Gateway Boulevard, LLC**

Exhibit No.	Exhibit
10.13	Lease Agreement, 901 Gateway Boulevard, between Theravance, Inc. and HMS Gateway Office L.P., dated January 1, 2001**
10.14	First Amendment to Lease for 901 Gateway Boulevard effective as of June 1, 2010 between Theravance, Inc. and ARE-901/951 Gateway Boulevard, LLC**
10.15	Form of Theravance Respiratory Company, LLC Limited Liability Company Agreement**
10.16	Technology Transfer and Supply Agreement, dated as of May 22, 2012 between Theravance, Inc. and Hospira Worldwide, Inc.**†
10.17	Commercialization Agreement between Theravance, Inc. and Clinigen Group plc, dated March 8, 2013**†
10.18	License Agreement between Theravance, Inc. and Janssen Pharmaceutica, dated as of May 14, 2002**†
10.19	Collaboration Agreement between Theravance, Inc. and Glaxo Group Limited, dated November 14, 2002(2)
10.20	Strategic Alliance Agreement by and between Theravance, Inc. and Glaxo Group Limited, dated March 30, 2004(3)
10.21	Amendment to Strategic Alliance Agreement by and between Theravance, Inc. and Glaxo Group Limited, dated October 3, 2011(1)
10.22	Collaboration Agreement Amendment by and between Theravance, Inc. and Glaxo Group Limited dated, March 3, 2014(4)
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21.1	Subsidiaries of Theravance Biopharma, Inc.***
99.1	Preliminary Information Statement of Theravance Biopharma, Inc., dated April 30, 2014

* Management contract or compensatory plan or arrangement.

** Previously filed.

*** To be filed by amendment.

† Confidential treatment has been requested from the Securities and Exchange Commission (the "Commission") as to certain portions of this exhibit.

(1) Incorporated by reference to an exhibit filed with the annual report on Form 10-K of Theravance, Inc., filed with the Commission on February 27, 2012.

(2) Incorporated by reference to an exhibit filed with the quarterly report on Form 10-Q of Theravance, Inc., filed with the Commission on November 1, 2013.

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(4) Incorporated by reference to an exhibit filed with the current report on Form 8-K/A of Theravance, Inc., filed with the Commission on March 6, 2014.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, as amended, the registrant caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

Theravance Biopharma, Inc.

Date: April 30, 2014

By: /s/ Rick E Winningham

Rick E Winningham
Chief Executive Officer

INDEX TO EXHIBITS

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QuickLinks

Exhibit 3.1

THE COMPANIES LAW (2013 REVISION)

OF THE CAYMAN ISLANDS

COMPANY LIMITED BY SHARES

AMENDED AND RESTATED

MEMORANDUM AND ARTICLES OF ASSOCIATION

OF

THERAVANCE BIOPHARMA, INC.

Adopted by Special Resolution passed on April 28, 2014

THE COMPANIES LAW (2013 REVISION)

OF THE CAYMAN ISLANDS

COMPANY LIMITED BY SHARES

AMENDED AND RESTATED

MEMORANDUM OF ASSOCIATION

OF

THERAVANCE BIOPHARMA, INC.

Adopted by Special Resolution passed on April 28, 2014

1 The name of the Company is Theravance Biopharma, Inc.

2 The Registered Office of the Company shall be at the offices of Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, or at such other place as the Directors may from time to time decide.

3 The objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law (2013 Revision) or as the same may be revised from time to time, or any other law of the Cayman Islands.

4 The liability of each Member is limited to the amount from time to time unpaid on such Member's shares.

5 The authorised share capital of the Company is US$2,002.30 divided into 200,000,000 Ordinary Shares of a nominal or par value of US$0.00001 each and 230,000 Preferred Shares of a nominal or par value of US$0.00001 each with the power for the Company, insofar as is permitted by Statute, to redeem or purchase any of its shares and to increase or reduce the said capital subject to the provisions of the Companies Law and the Articles of Association and to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares whether declared to be preference or otherwise shall be subject to the powers hereinbefore contained.

6 The Company has the power to register by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.

7 Capitalized terms that are not defined in this Amended and Restated Memorandum of Association bear the same meaning as those given in the Amended and Restated Articles of Association of the Company.

THE COMPANIES LAW (2013 REVISION)

OF THE CAYMAN ISLANDS

COMPANY LIMITED BY SHARES

AMENDED AND RESTATED

ARTICLES OF ASSOCIATION

OF

THERAVANCE BIOPHARMA, INC.

Adopted by Special Resolution passed on April 28, 2014

1 INTERPRETATION

1.1 In these Articles, unless otherwise defined, the defined terms shall have the meanings assigned to them as follows:

"Affiliate"	means (i) in the case of a natural person, such person's parents, parents-in-law, spouse, children or grandchildren, a trust for the benefit of any of the foregoing, a company, partnership or any natural person or entity wholly or jointly owned by such person or any of the foregoing, (ii) in the case of an entity, a partnership, a corporation or any natural person or entity which directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such entity. The term "control" shall mean the ownership, directly or indirectly, of shares possessing more than fifty percent (50%) of the voting power of the corporation, or the partnership or other entity (other than, in the case of corporation, share having such power only by reason of the happening of a contingency), or having the power to control the management or elect a majority of members to the board of directors or equivalent decision-making body of such corporation, partnership or other entity.
"Articles"	means the Amended and Restated Articles of Association of the Company, including Exhibit A attached hereto, as from time to time altered or added to in accordance with the Statute and these Articles.
"Business Day"	means a day, excluding Saturdays or Sundays, on which banks in New York, U.S.A. are open for general banking business throughout their normal business hours.

"Commission"	means Securities and Exchange Commission of the United States of America or any other federal agency for the time being administering the Securities Act.
"Company"	means Theravance Biopharma, Inc., a Cayman Islands company limited by shares.
"Company's Website"	means the website of the Company, the address or domain name of which has been notified to Members.
"Designated Stock Exchange"	means the Nasdaq Global Market or any other stock exchange or automated quotation system on which the Company's securities are then traded.
"Directors" and **"Board of Directors"** and **"Board"**	means the directors of the Company for the time being, or as the case may be, the Directors assembled as a Board or as a committee thereof.
"Exhibit A"	means Exhibit A attached to this Amended and Restated Memorandum and Articles of Association, as amended and restated from time to time, which exhibit shall be incorporated by reference herein.
"electronic"	means the meaning given to it in the Electronic Transactions Law (2003 Revision) of the Cayman Islands and any amendment thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefore.
"electronic record"	means the meaning given to it in the Electronic Transactions Law (2003 Revision) of the Cayman Islands and any amendment thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefore.
"electronic communication"	means electronic transmission to any number, address or internet website or other electronic delivery methods as otherwise decided and approved by not less than a majority vote of the Board.
"Exchange Act"	means the United States Securities Exchange Act of 1934, as amended, or any similar federal statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.
"in writing"	includes writing, printing, lithograph, photograph, type-writing, electronic communication and every other mode of representing words or figures in a legible and non-transitory form and, only where used in connection with a notice served

	by the Company on Members or other persons entitled to receive notices hereunder, shall also include a record maintained in an electronic medium which is accessible in visible form so as to be useable for subsequent reference.
"**Market Price**"	means for any given day, the price quoted in respect of the Ordinary Shares on the Designated Stock Exchange of the close of trading on the previous trading day.
"Member"	means a person whose name is entered in the Register of Members as the holder of a share or shares.
"Memorandum of Association"	means the Amended and Restated Memorandum of Association of the Company, as amended and restated from time to time.
"month"	means the calendar month.
"Ordinary Resolution"	means a resolution passed by a simple majority of votes cast by such Members as, being entitled to do so, vote in person or, in the case of any Member being an organization, by its duly authorised representative or, where proxies are allowed, by proxy at a general meeting of the Company.
"Ordinary Shares"	means an Ordinary Share in the capital of the Company of US$0.00001 nominal or par value designated as Ordinary Shares, and having the rights provided for in these Articles.
"Preferred Shares"	means shares in the capital of the Company of US$0.00001 nominal or par value designated as Preferred Shares, and having the rights provided for in these Articles.
"Register of Members"	means the register maintained by the Company in accordance with section 40 of the Statute or any modification or re-enactment thereof for the time being in force.
"Seal"	means the common seal of the Company including any facsimile thereof.
"Securities Act"	means the Securities Act of 1933 of the United States of America, as amended, or any similar federal statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.
"Series A Preferred Shares"	Means Preferred Shares designated as Series A Junior Participating Preferred Shares pursuant to Article 3.2.
"share"	means any share in the capital of the Company, including the Ordinary Shares and shares of other classes.
"signed"	means includes a signature or representation of a signature affixed by mechanical means or an electronic symbol or process attached to or logically associated with an electronic communication and executed or adopted by a person with the intent to sign the electronic communication.

"Special Resolution"	means a resolution shall be a special resolution when it has been passed by not less than two-thirds of votes cast by such Members as, being entitled to do so, vote in person or, in the case of such Members as are corporations, by their duly authorized representative or, whether proxies are allowed, by proxy at a general meeting of which not less than ten (10) days' (nor more than sixty (60) days') notice, specifying the intention to propose the resolution as a special resolution, has been duly given.
"Statute"	means the Companies Law (2013 Revision) of the Cayman Islands and any statutory amendment or re-enactment thereof. Where any provision of the Statute is referred to, the reference is to that provision as amended by any law for the time being in force.
"Whole Board"	means a majority of the authorized number of Directors, whether or not there exist any vacancies.
"year"	means the calendar year.

1.2 In these Articles, save where the context requires otherwise:

(a) words importing the singular number shall include the plural number and vice versa;

(b) words importing the masculine gender only shall include the feminine gender;

(c) words importing persons only shall include companies or associations or bodies of persons, whether corporate or not;

(d) "may" shall be construed as permissive and "shall" shall be construed as imperative;

(e) a reference to a dollar or dollars (or $) is a reference to dollars of the United States of America;

(f) references to a statutory enactment shall include reference to any amendment or re-enactment thereof for the time being in force;

(g) any phrase introduced by the terms "including", "include", "in particular" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms;

(h) Section 8 and 19(3) of the Electronic Transactions Law (2003 Revision) shall not apply;

(i) "written" and "in writing" include all modes of representing or reproducing words in visible form, including in the form of an electronic record, and any requirements as to delivery under the Articles include delivery in the form of an electronic record;

(j) any requirements as to execution or signature under the Articles, including the execution of the Articles themselves, can be satisfied in the form of an electronic signature as defined in the Electronic Transactions Law (2003 Revision);

(k) the term "clear days" in relation to the period of a notice means that period excluding the day when the notice is received or deemed to be received and the day for which it is given or on which it is to take effect; and

(l) the term "holder" in relation to a share means a person whose name is entered in the Register of Members as the holder of such share.

1.3 Subject to the last two preceding Articles, any words defined in the Statute shall, if not inconsistent with the subject or context, bear the same meaning in these Articles.

2 PRELIMINARY

2.1 The business of the Company may be commenced as soon after incorporation as the Directors see fit, notwithstanding that only part of the shares may have been allotted or issued.

2.2 The registered office of the Company shall be at such address in the Cayman Islands as the Directors shall from time to time determine. The Company may in addition establish and maintain such other offices and places of business and agencies in such places as the Directors may from time to time determine.

3 SHARE CAPITAL

3.1 The authorised share capital of the Company at the date of adoption of these Articles is US$2,002.30 divided into 200,000,000 Ordinary Shares of a nominal or par value of US$0.00001 each and 230,000 Preferred Shares of a nominal or par value of US$0.00001 each, with power for the Company insofar as is permitted by law, to redeem or purchase any of its shares and to increase or reduce the said capital subject to the provisions of the Statute and these Articles and to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare, every issue of shares whether declared to be preferred or otherwise shall be subject to the powers hereinbefore contained.

3.2 A total of 230,000 Preferred Shares shall be designated as "Series A Junior Participating Preferred Shares" with the designations, powers, preferences, privileges and other rights set forth in Exhibit A.

4 ISSUE OF SHARES

4.1 Subject to the provisions, if any, in the Articles, the Memorandum of Association and applicable law, including the Statute, the Directors may, in their absolute discretion and without approval of the holders of Ordinary Shares, cause the Company to issue such amounts of Ordinary Shares and/or Preferred Shares or similar securities in one or more series, to establish from time to time the number of shares to be included in such series, to grant rights over existing shares as they deem necessary and appropriate and to determine designations, powers, preferences, privileges and other rights, including dividend rights, conversion rights, terms of redemption and liquidation preferences, any or all of which may be greater than the powers and rights associated with the Ordinary Shares, at such times and on such other terms as they think proper. The Company shall not issue shares in bearer form. The authority of the Directors with respect to each series shall include, but not be limited to, determination of the following:

(a) The number of shares constituting that series and the distinctive designation of that series;

(b) The dividend rate on the shares of that series, whether dividends shall be cumulative and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series;

(c) whether that series shall have voting rights, in addition to the voting rights provided by law and, if so, the terms of such voting rights;

(d) whether that series shall have conversion privileges and, if so, the terms and conditions of such conversion, including provision for adjustment of the conversion rate in such events as the Directors shall determine;

(e) whether or not the shares of that series shall be issued as redeemable and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates; and

(f) the rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Company, and the rights of priority, if any, of payment of shares of that series relative to other series of shares.

5 REGISTER OF MEMBERS AND SHARE CERTIFICATES

5.1 The Company shall maintain a Register of its Members. Every person whose name is entered as a Member in the Register of Members and whose shares are to be held in certificated form shall, upon request and without payment, be entitled to a certificate within two months after allotment or lodgement of transfer (or within such other period as the conditions of issue shall provide) in the form determined by the Directors. All certificates shall specify the share or shares held by that person and the amount paid up thereon, provided that in respect of a share or shares held jointly by several persons the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all. All certificates for shares shall be delivered personally or sent through the post addressed to the member entitled thereto at the Member's registered address as appearing in the register. Absent instructions to the contrary from the Company, such member's shares will be held in uncertificated, book entry form.

5.2 Every share certificate of the Company shall bear any legends required under applicable laws, including the Securities Act.

5.3 Any two or more certificates representing shares of any one class held by any Member may at the Member's request be cancelled and a single new certificate for such shares issued in lieu on payment (if the Directors shall so require) of US$1.00 or such smaller sum as the Directors shall determine.

5.4 If a share certificate shall be damaged or defaced or alleged to have been lost, stolen or destroyed, a new certificate representing the same shares may be issued to the relevant Member upon request subject to delivery up of the old certificate or (if alleged to have been lost, stolen or destroyed) compliance with such conditions as to evidence and indemnity and the payment of out-of-pocket expenses of the Company in connection with the request as the Directors may think fit.

5.5 In the event that shares are held jointly by several persons, any request may be made by any one of the joint holders and if so made shall be binding on all of the joint holders.

6 TRANSFER OF SHARES

6.1 Subject to these Articles and the rules or regulations of the Designated Stock Exchange or any relevant securities laws (including, but not limited to U.S. securities law provisions related to insider trading), any Member may transfer all or any of his shares by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in any other form approved by the Board and may be under hand or, if the transferor or transferee is a clearing house or it nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

6.2 The instrument of transfer shall be executed by or on behalf of the transferor. Without prejudice to the last preceding Article, the Board may also resolve, either generally or in any particular case, upon request by the transferor or transferee to accept mechanically executed transfers. The transferor shall be deemed to remain the holder of the share until the name of the transferee in entered into the Register in respect thereof.

6.3 The Directors may, in their absolute discretion, decline to register any transfer of Shares, subject to any applicable requirements imposed from time to time by the Commission and the Designated Stock Exchange.

6.4 The Board in so far as permitted by any applicable law and rules of the Designated Stock Exchange may, in its absolute discretion, at any time and from time to time transfer any share upon the Register to any branch register or any share on any branch register to the Register or any other branch register. In the event of any such transfer, the shareholder requesting such transfer shall bear the cost of effecting such transfer unless the Board otherwise determines.

6.5 Unless the Board otherwise agrees (which agreement may be on such terms and subject to such conditions as the Board in its absolute discretion may from time to time determine, and which agreement the Board shall, without giving any reason therefore, be entitled in its absolute discretion to give or withhold), no shares upon the Register shall be transferred to any branch register nor shall shares on any branch register be transferred to the Register or any other branch register and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant Registration Office, and, in the case of any shares on the Register, at the Office or such other place at which the Register is kept in accordance with the Statute.

6.6 Without limiting the generality of the last preceding Article, the Board may decline to recognise any instrument of transfer unless:

(a) a fee of such maximum sum as the Board may from time to time require is paid to the Company in respect thereof;

(b) the instrument of transfer is in respect of only one class of share;

(c) the instrument of transfer is lodged at the Office or such other place as the Register is kept in accordance with the Statute accompanied by the relevant share certificate(s) or such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and

(d) the instrument of transfer is duly and properly signed.

6.7 If the Board refuses to register a transfer of any share, it shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of the refusal.

6.8 The registration of transfers may be suspended at such time and for such periods as the Directors may from time to time determine, provided always that such registration shall not be suspended for more than forty five (45) days in any year.

7 REDEMPTION AND PURCHASE OF OWN SHARES

7.1 Subject to the provisions, if any, in the Articles, the Memorandum of Association, applicable law, including the Statute, and the rules of the Designated Stock Exchange, the Company may:

(a) issue shares on terms that they are to be redeemed or are liable to be redeemed at the option of the Company or the Member on such terms and in such manner as the Directors may, before the issue of such shares, determine;

(b) purchase its own shares (including any redeemable shares) provided that the manner of purchase is in accordance with the provisions of the Statute, the Memorandum of Association, the Articles and any applicable requirements imposed from time to time by the Commission of the Designated Stock Exchange; and

(c) make a payment in respect of the redemption or purchase of its own shares otherwise than out of profits or the proceeds of a fresh issue of shares.

7.2 Any share in respect of which notice of redemption has been given shall not be entitled to participate in the profits of the Company in respect of the period after the date specified as the date of redemption in the notice of redemption.

7.3 The redemption or purchase of any share shall not be deemed to give rise to the redemption or purchase of any other share.

7.4 The Directors may when making payments in respect of redemption or purchase of shares, if authorised by the terms of issue of the shares being redeemed or purchased or with the agreement of the holder of such shares, make such payment in any form of consideration permitted by the Statute.

8 VARIATION OF RIGHTS ATTACHING TO SHARES

8.1 Subject to the provisions, if any, in the Articles, the Memorandum of Association and applicable law, including the Statute, all or any of the special rights attached to shares of any class (unless otherwise provided for by the terms of issue of the shares of that class) may be varied, modified or abrogated with the sanction of a resolution passed by a majority of not less than two-thirds of the votes cast passed at a separate meeting of the holders of the shares of that class at which a quorum is present.

8.2 The provisions of these Articles relating to general meetings shall apply to every such general meeting of the holders of one class of shares except that the necessary quorum shall be at least one person holding or representing by proxy at least a majority of the par value of the issued shares of the class. Every holder of Shares of the class shall be entitled on a poll to one vote for

every such Share held by such holder and any holder of Shares of that class present in person or by proxy may demand a poll.

8.3 The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking in priority to or pari passu therewith.

9 COMMISSION ON SALE OF SHARES

9.1 The Company may in so far as the Statute from time to time permits pay a commission to any person in consideration of his subscribing or agreeing to subscribe whether absolutely or conditionally for any shares of the Company. Such commissions may be satisfied by the payment of cash or the lodgement of fully or partly paid-up shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.

10 NON-RECOGNITION OF TRUSTS

10.1 No person shall be recognized by the Company as holding any share upon any trust and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future, or partial interest in any share, or any interest in any fractional part of a share, or (except only as is otherwise provided by these Articles or the Statute) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.

11 REGISTRATION OF EMPOWERING INSTRUMENTS

11.1 The Company shall be entitled to charge a fee not exceeding one dollar (US$1.00) on the registration of every probate, letters of administration, certificate of death or marriage, power of attorney, or other instrument.

12 TRANSMISSION OF SHARES

12.1 If a Member dies the survivor or survivors (where he was a joint holder) or his legal personal representatives (where he was a sole holder), shall be the only persons recognised by the Company as having any title to his shares. The estate of a deceased Member is not thereby released from any liability in respect of any share, for which he was a joint or sole holder.

12.2 Any person becoming entitled to a share in consequence of the death or bankruptcy or liquidation or dissolution of a Member (or in any other way than by transfer) may, upon such evidence being produced as may be required by the Directors, elect, by a notice in writing sent by him to the Company, either to become the holder of such share or to have some person nominated by him registered as the holder of such share. If he elects to have another person registered as the holder of such share he shall sign an instrument of transfer of that share to that person. The Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by the relevant Member before his death or bankruptcy or liquidation or dissolution, as the case may be.

12.3 A person becoming entitled to a share by reason of the death or bankruptcy or liquidation or dissolution of a Member (or in any other case than by transfer) shall be entitled to the same dividends, other distributions and other advantages to which he would be entitled if he were the

holder of such share. However, he shall not, before becoming a Member in respect of a share, be entitled in respect of it to exercise any right conferred by membership in relation to general meetings of the Company and the Directors may at any time give notice requiring any such person to elect either to be registered himself or to have some person nominated by him be registered as the holder of the share (but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by the relevant Member before his death or bankruptcy or liquidation or dissolution or any other case than by transfer, as the case may be). If the notice is not complied with within ninety (90) calendar days of being received or deemed to be received (as determined pursuant to the Articles) the Directors may thereafter withhold payment of all dividends, other distributions, bonuses or other monies payable in respect of the share until the requirements of the notice have been complied with.

13 LIEN

13.1 The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys (whether presently payable or not) called or payable at a fixed time in respect of that share. The Company shall also have a first and paramount lien on every share (not being a fully paid share) registered in the name of a Member (whether or not jointly with other Members) for all amounts of money presently payable by such Member or his estate to the Company whether the same shall have been incurred before or after notice to the Company of any equitable or other interest of any person other than such Member, and whether the period for the payment or discharge of the same shall have actually arrived or not, and notwithstanding that the same are joint debts or liabilities of such Member or his or her estate and any other person, whether a Member or not. The Company's lien on a share shall extend to all dividends or other moneys payable thereon or in respect thereof. The Board may at any time, generally or in any particular case, waive any lien that has arisen or declare any share exempt in whole or in part, from the provisions of this Article.

13.2 Subject to these Articles, the Company may sell in such manner as the Board determines any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable, or the liability or engagement in respect of which such lien exists is liable to be presently fulfilled or discharged nor until the expiration of fourteen (14) clear days after a notice in writing, stating and demanding payment of the sum presently payable, or specifying the liability or engagement and demanding fulfillment or discharge thereof and giving notice of the intention to sell in default, has been served on the registered holder for the time being of the share or the person entitled thereto by reason of his or her death or bankruptcy.

13.3 The net proceeds of the sale shall be received by the Company and applied in or towards payment or discharge of the debt or liability in respect of which the lien exists, so far as the same is presently payable, and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the share prior to the sale) be paid to the person entitled to the share at the time of the sale. To give effect to any such sale the Board may authorise some person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares so transferred and he or she shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

14 CALLS ON SHARES

14.1 Subject to these Articles and to the terms of allotment, the Board may from time to time make calls upon the Members in respect of any moneys unpaid on their shares (whether on account of the nominal value of the shares or by way of premium), and each Member shall (subject to being given at least fourteen (14) clear days' notice specifying the time and place of payment) pay to the Company as required by such notice the amount called on his shares. A call may be extended, postponed or revoked in whole or in part as the Board determines but no Member shall be entitled to any such extension, postponement or revocation except as a matter of grace and favour.

14.2 A call shall be deemed to have been made at the time when the resolution of the Board authorizing the call was passed and may be made payable either in one lump sum or by installments.

14.3 A person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the shares in respect of which the call was made. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect thereof or other moneys due in respect thereof.

14.4 If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the amount unpaid from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding twenty percent (20%) per annum) as the Board may determine, but the Board may in its absolute discretion waive payment of such interest wholly or in part.

14.5 No Member shall be entitled to receive any dividend or to be present and vote (save as proxy for another Member) at any general meeting either personally or by proxy, or be reckoned in a quorum, or exercise any other privilege as a Member until all calls or installments due by him to the Company, whether alone or jointly with any other person, together with interest and expenses (if any) shall have been paid.

14.6 On the trial or hearing of any action or other proceedings for the recovery of any money due for any call, it shall be sufficient to prove that the name of the Member sued is entered in the Register of Members as the holder, or one of the holders, of the shares in respect of which such debt accrued, that the resolution making the call is duly recorded in the minute book, and that notice of such call was duly given to the Member sued, in pursuance of these Articles; and it shall not be necessary to prove the appointment of the Directors who made such call, nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

14.7 Any amount payable in respect of a share upon allotment or at any fixed date, whether in respect of nominal value or premium or as an installment of a call, shall be deemed to be a call duly made and payable on the date fixed for payment and if it is not paid the provisions of these Articles shall apply as if that amount had become due and payable by virtue of a call duly made and notified.

14.8 On the issue of shares, the Board may differentiate between the allottees or holders as to the amount of calls to be paid and the times of payment.

14.9 The Board may, if it thinks fit, receive from any Member willing to advance the same, and either in money or money's worth, all or any part of the moneys uncalled and unpaid or installments

payable upon any shares held by him and upon all or any of the moneys so advanced (until the same would, but for such advance, become presently payable) pay interest at such rate (if any) as the Board may decide. The Board may at any time repay the amount so advanced upon giving to such Member not less than one (1) month's notice of its intention in that behalf, unless before the expiration of such notice the amount so advanced shall have been called up on the shares in respect of which it was advanced. Such payment in advance shall not entitle the holder of such share or shares to participate in respect thereof in a dividend subsequently declared.

15 FORFEITURE OF SHARES

15.1 If a call remains unpaid after it has become due and payable the Board may give to the person from whom it is due not less than fourteen (14) clear days' notice:

(a) requiring payment of the amount unpaid together with any interest which may have accrued and which may still accrue up to the date of actual payment; and

(b) stating that if the notice is not complied with the shares on which the call was made will be liable to be forfeited.

15.2 If the requirements of any such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest due in respect thereof has been made, be forfeited by a resolution of the Board to that effect, and such forfeiture shall include all dividends declared in respect of the forfeited share but not actually paid before the forfeiture.

15.3 When any share has been forfeited, notice of the forfeiture shall be served upon the person who was before forfeiture the holder of the share. No forfeiture shall be invalidated by any omission or neglect to give such notice.

15.4 The Board may accept the surrender of any share liable to be forfeited hereunder and, in such case, references in these Articles to forfeiture will include surrender.

15.5 Any share so forfeited shall be deemed the property of the Company and may be sold, re-allotted or otherwise disposed of to such person, upon such terms and in such manner as the Board determines, and at any time before a sale, re-allotment or disposition the forfeiture may be annulled by the Board on such terms as the Board determines.

15.6 A person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares but nevertheless shall remain liable to pay the Company all moneys which at the date of forfeiture were presently payable by him to the Company in respect of the shares, with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate (not exceeding twenty percent (20%) per annum) as the Board determines. The Board may enforce payment thereof if it thinks fit, and without any deduction or allowance for the value of the forfeited shares, at the date of forfeiture, but his liability shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares. For the purposes of this Article any sum which, by the terms of issue of a share, is payable thereon at a fixed time which is subsequent to the date of forfeiture, whether on account of the nominal value of the share or by way of premium, shall notwithstanding that time has not yet arrived be deemed to be payable at the date of forfeiture, and the same shall become due and payable immediately upon the forfeiture, but interest thereon shall only be payable in respect of any period between the said fixed time and the date of actual payment.

15.7 A declaration by a Director or the Secretary that a share has been forfeited on a specified date shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share, and such declaration shall (subject to the execution of an instrument of transfer by the Company if necessary) constitute a good title to the share, and the person to whom the share is disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the consideration (if any), nor shall his title to the share be affected by any irregularity in or invalidity of the proceedings in reference to the forfeiture, sale or disposal of the share. When any share shall have been forfeited, notice of the declaration shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or make any such entry.

15.8 Notwithstanding any such forfeiture as aforesaid the Board may at any time, before any shares so forfeited shall have been sold, re-allotted or otherwise disposed of, permit the shares forfeited to be bought back upon the terms of payment of all calls and interest due upon and expenses incurred in respect of the share, and upon such further terms (if any) as it thinks fit.

15.9 The forfeiture of a share shall not prejudice the right of the Company to any call already made or installment payable thereon.

15.10 The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

16 ALTERATION OF CAPITAL

16.1 Subject to these Articles, the Company may from time to time by Ordinary Resolution increase the share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe.

16.2 Subject to these Articles, including Article 4.1, the Company may by Ordinary Resolution:

(a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares, provided that any fractions of a share that result from such a consolidation or division of its share capital shall be automatically repurchased by the Company (i) at the Market Price on the date of such consolidation or division, in the case of any shares listed on a Designated Stock Exchange and (ii) at a price to be agreed between the Company and the applicable Member in the case of any shares not listed on a Designated Stock Exchange;

(b) sub-divide its existing shares, or any of them into shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived;

(c) divide shares into multiple classes; or

(d) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

16.3 Subject to these Articles, the Company may by Special Resolution:

(a) change its name;

(b) alter or add to these Articles;

(c) alter or add to the Memorandum of Association with respect to any objects, powers or other matters specified therein; or

(d) reduce its share capital and any capital redemption reserve in any manner authorised by law.

16.4 Except as otherwise provided by the Directors pursuant to Article 4.1, all new shares created hereunder shall be subject to the same provisions with reference to the payment of calls, liens, transfer, transmission, forfeiture and otherwise as the shares in the original share capital.

17 CLOSING REGISTER OF MEMBERS OR FIXING RECORD DATE

17.1 For the purpose of determining those Members that are entitled to receive notice of, attend or vote at any meeting of Members or any adjournment thereof, or those Members that are entitled to receive payment of any dividend, or in order to make a determination as to who is a Member for any other purpose, the Directors may provide that the Register of Members shall be closed for transfers for a stated period but not to exceed in any case sixty (60) calendar days. If the Register of Members shall be so closed for the purpose of determining those Members that are entitled to receive notice of, attend or vote at a meeting of Members such register shall be so closed for at least ten (10) calendar days (but not more than sixty (60) calendar days) immediately preceding such meeting and the record date for such determination shall be the date of the closure of the Register of Members, which such date shall not precede the date upon which the resolution fixing the record date is adopted by the Directors. The Directors shall prepare, or cause to be prepared, at least ten (10) days before every general meeting, a complete list of the Members entitled to vote at such meeting, arranged in alphabetical order, and showing the address of each Member and the number of shares registered in the name of each Member. Such list shall be open to the examination of any Member, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any Member who is present.

17.2 In lieu of or apart from closing the Register of Members, the Directors may fix in advance a date as the record date for any such determination of those Members that are entitled to receive notice of, attend or vote at a meeting of the Members and for the purpose of determining those Members that are entitled to receive payment of any dividend the Directors may, at or within ninety (90) calendar days prior to the date of declaration of such dividend, fix a subsequent date as the record date of such determination.

17.3 If the Register of Members is not so closed and no record date is fixed for the determination of those Members entitled to receive notice of, attend or vote at a meeting of Members or those Members that are entitled to receive payment of a dividend, the record date for such determination of Members shall be at the close of business on the business day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held. When a determination of those

Members that are entitled to receive notice of, attend or vote at a meeting of Members has been made as provided in this Article, such determination shall apply to any adjournment thereof.

18 GENERAL MEETINGS

18.1 All general meetings of the Company other than annual general meetings shall be called extraordinary general meetings.

18.2 The Company shall, in each year hold a general meeting as its annual general meeting at such time and place as may be determined by the Directors.

18.3 Extraordinary general meetings may be called by the Chairperson of the Board, the chief executive officer of the Company or by the Board acting pursuant to a resolution adopted by the Whole Board. Any extraordinary general meeting shall be held at such time and place as may be determined by the Directors.

18.4 If an extraordinary general meeting is called by or at the request of anyone other than the Whole Board, then the request shall be in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the Directors.

18.5 In the absence of a designation of the location of a general meeting by the Board, such meeting shall be held at the principal executive office of the Company.

18.6 The Directors may, subject to such guidelines and procedures as they may adopt, allow any person to participate at a general meeting by conference telephone or other communications equipment by means of which all the persons participating in the meeting can communicate with each other. Participation by a person in a general meeting in this manner is treated as presence in person at that meeting.

19 NOTICE OF GENERAL MEETINGS

19.1 At least ten (10) calendar days' notice (but not more than sixty (60) calendar days' notice) shall be given for any general meeting. Every notice shall be exclusive of the day on which it is given or deemed to be given and of the day for which it is given. Every notice shall (i) specify the place, the day and the hour of the meeting, (ii) the matters that are intended to be presented at the meeting, and, (iii) in the case of annual general meetings, the name of any nominee who the Directors intend to present for election, and shall be given in the manner hereinafter mentioned or in such other manner if any as may be prescribed by the Company, provided that a general meeting of the Company shall, whether or not the notice specified in this regulation has been given and whether or not the provisions of Articles regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

(a) in the case of an annual general meeting by all the Members (or their proxies) entitled to attend and vote thereat; and

(b) in the case of an extraordinary general meeting by the Members (or their proxies) having a right to attend and vote at the meeting, together holding not less than ninety-five percent (95%) in of the voting shares.

19.2 The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a Special Resolution shall specify the intention to propose

the resolution as a Special Resolution. Notice of every general meeting shall be given to all Members other than such as, under the provisions hereof or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company.

19.3 Written notice of any general meeting shall be given either personally or by first-class mail or by telegraphic or other written communication. Notices not personally delivered shall be sent charges prepaid and shall be addressed to the Member at the address of that Member appearing on the books of the Company or given by the Member to the Company for the purpose of notice. An affidavit of the mailing or other means of giving any notice of any general meeting, executed by the Secretary, Assistant Secretary or any transfer agent of the Company giving the notice, shall be prima facie evidence of the giving of such notice.

19.4 In cases where instruments of proxy are sent out with notices, the accidental omission to send such instrument of proxy to, or the non-receipt of any such instrument of proxy by, any person entitled to receive notice shall not invalidate any resolution passed or any proceeding at any such meeting.

19.5 No business may be transacted at any general meeting, other than business that is either (A) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board (or any duly authorized committee thereof), (B) otherwise properly brought before an annual general meeting by or at the direction of the Board (or any duly authorized committee thereof) or (C) in the case of an annual general meeting, otherwise properly brought before such general meeting by any Member of the Company who (1) is a Member of record on both (x) the date of the giving of the notice by such Member provided for in this Article and (y) the record date for the determination of Members entitled to vote at such annual general meeting and (2) complies with the notice procedures set forth in this Article 19.5.

(a) In addition to any other applicable requirements, for a proposal for business to be brought properly before an annual general meeting by a Member,:

(i) such Member must have given timely notice of such proposal in proper written form to the Secretary of the Company; and

(ii) subject to Article 19.5(i), the Board of Directors shall have resolved to include such proposal in the notice of such general meeting. The Board of Directors may at their absolute discretion resolve not to include any proposal for business made by a Member, save that the Board of Directors shall not be entitled to refuse to include a proposal related to the nomination of a Director made by a Member in accordance with Article 19.5(f).

(b) The Board shall cause notice to be given pursuant to the Articles. No business other than as set forth in such notice may be transacted at a general meeting, except in the case of an annual general meeting, where matters may be presented for consideration by Members, provided they comply with the requirements of the Articles, including those set forth in this Article 19.5.

(c) For matters other than for the nomination for election of a Director to be made by a Member of the Company at an annual general meeting, to be timely, such Member's notice shall be delivered to the Secretary at the principal executive offices of the Company at least forty-five (45) days and not more than seventy-five (75) days prior to the one year anniversary of the date on which the Company first mailed proxy materials for the prior year's annual general meeting; provided, however, that if the Company's

annual general meeting occurs on a date more than twenty-five (25) days earlier or later than the Company's prior year's annual general meeting, then the Board shall determine a date a reasonable period prior to the Company's annual general meeting by which date the Members notice must be delivered and publicize such date in a filing pursuant to the Exchange Act, or via press release. Such publication shall occur at least ten (10) days prior to the date set by the Board.

(d) To be in proper written form, a Member's notice to the Secretary must set forth as to such matter such Member proposes to bring before the annual general meeting (1) a brief description of the business desired to be brought before the annual general meeting and the proposed text of any proposal regarding such business (including the text of any resolutions proposed for consideration and, if such business includes a proposal to amend these Articles or the Memorandum of the Company, the text of the proposed amendment) and the reasons for conducting such business at the annual general meeting, (2) the name and address, as they appear on the Company's books, of the Member proposing such business and any Member Associated Person (as defined below), (3) the class or series and number of shares of the Company that are held of record or are beneficially owned by such Member or any Member Associated Person and any derivative positions held or beneficially held by the Member or any Member Associated Person, (4) the name of each nominee holder of shares of the Company owned beneficially but not of record by the Member or any Member Associated Person, and the number of such shares of the Company held by each such nominee holder, (5) whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of such Member or any Member Associated Person with respect to any securities of the Company, and a description of any other agreement, arrangement or understanding (including any short position or any borrowing or lending of shares), the effect or intent of which is to mitigate loss to, or to manage the risk or benefit from share price changes for, or to increase or decrease the voting power of, such Member or any Member Associated Person with respect to any securities of the Company, (6) a description of all agreements, arrangements, or understandings (whether written or oral) between or among such Member or a Member Associated Person and any other person or persons (including their names) in connection with or relating to (A) the Company or any securities of the Company or (B) the proposal, including any material interest or anticipated benefit of the Member or a Member Associated Person in such business, (6) a statement whether either such Member or any Member Associated Person will deliver a proxy statement and form of proxy to holders of at least the percentage of the Company's voting shares required under the Memorandum and Articles of the Company, applicable law and the rules of the Designated Stock Exchange to carry the proposal and a representation that the Member giving notice intends to appear in person or by proxy at the annual general meeting to bring such business before the meeting, and (7) any other information relating to such Member that would be required to be disclosed in a proxy statement or other filing required to be made in connection with the solicitation of proxies by such person with respect to the proposed business to be brought by such person before the Annual General Meeting pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder. A Member providing notice of business proposed to be brought before a general meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Article 19.5(e) shall be true and correct as of the record date for determining the Members entitled to receive notice of the general meeting and such update and

supplement shall be delivered to or be mailed and received by the Secretary at the principal executive offices of the

Company not later than five (5) business days after the record date for determining the Members entitled to receive notice of the general meeting. For purposes of this Article 19.5, a "**Member Associated Person**" of any Member shall mean (i) any person controlling, directly or indirectly, or acting in concert with, such Member, (ii) any beneficial owner of shares of the Company owned of record or beneficially by such Member and on whose behalf the proposal or nomination, as the case may be, is being made, or (iii) any person controlling, controlled by, under common control or acting in concert with such person referred to in the preceding clauses (i) and (ii).

(e) No business shall be conducted at the annual general meeting except business brought before the annual general meeting in accordance with the procedures set forth in this Article 19.5, provided, however, that once business has been properly brought before the annual general meeting in accordance with such procedures, nothing in this Article shall be deemed to preclude discussion by any Member of any such business. If the Chairperson of an annual general meeting determines that business was not properly brought before the annual general meeting in accordance with the foregoing procedures, the Chairperson shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

(f) In addition to any other applicable requirements, for a nomination for election of a Director to be made by a Member of the Company, such Member must (A) be a Member of record on both (x) the date of the giving of the notice by such Member provided for in this Article and (y) the record date for the determination of Members entitled to vote at such annual general meeting and (B) have given timely notice thereof in proper written form to the Secretary of the Company. If a Member is entitled to vote only for a specific class or category of directors at a meeting of the Members, such Member's right to nominate one or more persons for election as a director at the meeting shall be limited to such class or category of directors.

(g) To be timely for purposes of Article 19.5(f), a Member's notice shall be delivered to or mailed and received at the principal executive offices of the Company not less than one hundred twenty (120) days and not more than one hundred fifty (150) days prior to the meeting; provided, however, that in the event less than one hundred thirty (130) days' notice or prior public disclosure of the date of the meeting is given or made to Members, notice by the Member to be timely must be so received not later than the close of business on the tenth (10^{th}) day following the earlier of the day on which such notice of the date of the meeting was mailed or such public disclosure was made.

(h) To be in proper written form for purposes of Article 19.5(f), a Member's notice to the Secretary must be set forth (A) as to each person whom the Member proposes to nominate for election as a director (1) the name, age, business address and residence address of the person, (2) the principal occupation or employment of the person, (3) (A) the class or series and number of shares of the Company, if any, which are owned beneficially or of record by the person and any affiliates and associates of the person and any derivative positions held or beneficially held by the such person or any affiliates or associates of such person, (B) the name of each nominee holder of shares of the Company owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of such shares of the Company held by each such nominee holder, and (C) whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of such person or any affiliates or associates of such person with respect to any securities of the Company, and a description of any other agreement, arrangement or understanding

(including any short position or any borrowing or lending of shares), the effect or intent of which is to mitigate loss to, or to manage the risk or benefit from share price changes for, or to increase or decrease the voting power of, such such person or any affiliates or associates of such person with respect to any securities of the Company, and (4) any other information relating to the person that would be required to be disclosed pursuant to any applicable law and rules of the Designated Stock Exchange; and (B) as to the Member giving notice (1) the name and record address of such Member, (2) the class or series and number of shares of the Company which are owned beneficially or of record by such Member or any Member Associated Person and any derivative positions held or beneficially held by the Member or any Member Associated Person, (3) whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of such Member or any Member Associated Person with respect to any securities of the Company, and a description of any other agreement, arrangement or understanding (including any short position or any borrowing or lending of shares), the effect or intent of which is to mitigate loss to, or to manage the risk or benefit from share price changes for, or to increase or decrease the voting power of, such Member or any Member Associated Person with respect to any securities of the Company, (4) a description of all agreements, arrangements or understandings (whether written or oral) between such Member or any Member Associated Person and each proposed nominee (and any affiliates and associates of any proposed nominee) and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such Member or otherwise relating to the Company or any securities of the Company, (5) a representation that such Member intends to appear in person or by proxy at the annual meeting to nominate the person(s) named in its notice and (6) any other information relating to such Member that would be required to be disclosed pursuant to any applicable law and rules of the Designated Stock Exchange. Such notice must be accompanied by each proposed nominee's written representation and agreement that such proposed nominee: (A) is not and will not become a party to any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the Company, will act or vote on any issue or question, (B) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Company with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director of the Company that has not been disclosed to the Company in such representation and agreement, (C) in such person's individual capacity, would be in compliance with, if elected as a director of the Company, and will comply with and, upon election, execute any requisite documentation pertaining to all applicable publicly disclosed confidentiality, corporate governance, conflict of interest, Regulation FD, code of conduct and ethics, and stock ownership and trading policies and guidelines of the Company, and (D) consents to being named as a nominee by the Member and in any proxy statement of the Company, or other filings required to be made by the Company in connection with the solicitation of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder and to serve as a director if elected. A Member providing notice pursuant to this Section 19.5(i) shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Article 19.5(i) shall be true and correct as of the record date for determining the Members entitled to receive notice of the annual general meeting and such update and supplement shall be delivered to or be mailed and received by the Secretary at the principal executive offices of the Company not later than five (5) business days after the record date for determining the Members entitled to receive notice of the annual general meeting.

(i) Nothing contained in this Article 19.5 shall be deemed to affect any rights of Members to request inclusion of proposals in the Company's proxy statement pursuant to Rule 14a-8 under the Exchange Act (or any successor provision of law).

19.6 No person shall be eligible for election as a director of the Company unless nominated in accordance with the procedures set forth in the Articles under this heading of "**NOTICE OF GENERAL MEETINGS**". If the Chairperson of an annual general meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairperson shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded. This Article shall not apply to any nomination of a director in an election in which only the holders of one or more series of Preferred Shares of the Company are entitled to vote (unless otherwise provided in the terms of such series of Preferred Shares).

19.7 The accidental omission to give notice of a meeting to or the non-receipt of a notice of a meeting by any Member shall not invalidate the proceedings at any meeting.

20 PROCEEDINGS AT GENERAL MEETINGS

20.1 No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. Members holding in aggregate not less than a majority of the shares of all voting share capital of the Company in issue present in person or by proxy and entitled to vote shall be a quorum for all purposes. If, however, such quorum is not present or represented at any general meeting, then the Chairperson of the meeting.

20.2 When a meeting is adjourned to another time and place, unless these Articles of Association otherwise require, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Company may transact any business that might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Member of record entitled to vote at the meeting.

20.3 A determination of the Members of record entitled to notice of or to vote at a general meeting shall apply to any adjournment of such meeting unless the Board of Directors fixes a new record date for the adjourned meeting, but the Board shall fix a new record date if the meeting is adjourned for more than thirty (30) days from the date set for the original meeting.

20.4 The Chairperson of the Board of Directors shall preside as Chairperson at every general meeting of the Company. If at any meeting the Chairperson of the Board of Directors is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as Chairperson, the Directors present shall elect one of their number to be Chairperson of the meeting or if all the Directors present decline to take the chair, the Members present shall choose one of their own number to be the Chairperson of the meeting.

20.5 At any general meeting a resolution put to the vote of the meeting shall be decided on a poll.

20.6 A poll shall be taken in such manner as the Chairperson of the meeting directs, and the result of the poll shall be deemed to be the resolution of the meeting.

20.7 In the case of an equality of votes, the Chairperson of the meeting shall not be entitled to a second or casting vote.

21 VOTES OF MEMBERS

21.1 Subject to any rights and restrictions for the time being attached to any class or classes of shares (including for the avoidance of doubt any super voting rights), every Member present in person and every person representing a Member by proxy at a general meeting of the Company shall have one vote for each share registered in such Member's name in the Register of Members. No cumulative voting shall be allowed.

21.2 In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

21.3 A Member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote on a poll by his committee, or other person in the nature of a committee appointed by that court, and any such committee or other person, may on a poll, vote by proxy.

21.4 No Member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

21.5 On a poll, votes may be given either personally or by proxy.

21.6 The instrument appointing a proxy shall be in writing (whether by manual signature, typewriting, telegraphic transmission, telefacsimile or otherwise) under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized authorized in that behalf provided however, that a Member may also authorize the casting of a vote by proxy pursuant to telephonic or electronically transmitted instructions (including, without limitation, instructions transmitted over the internet) obtained pursuant to procedures approved by the Board which are reasonably designed to verify that such instructions have been authorized by such Member. A proxy need not be a Member of the Company. Notwithstanding the foregoing, no proxy shall be voted or acted upon after three (3) years from its date unless the proxy provides for a longer period.

21.7 An instrument appointing a proxy may be in any usual or common form or such other form as the Directors may approve.

21.8 The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

21.9 Any Ordinary Resolution or Special Resolution must be passed at a general meeting, and written resolutions of the Members shall not be permitted.

22 CORPORATIONS ACTING BY REPRESENTATIVES AT MEETING

22.1 Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Member.

23 CLEARING HOUSES

23.1 If a clearing house or depository (or its nominee) is a member of the Company it may, by resolution of its directors or other governing body or by power of attorney, authorize such person or persons as it thinks fit to act as its representative or representatives at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person so authorized pursuant to this provision shall be entitled to exercise the same powers on behalf of the clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise if it were an individual member of the Company holding the number and class of shares specified in such authorization.

24 DIRECTORS

24.1 Subject to the requirements of Section B.2(c) of Exhibit A, there shall be a Board of Directors consisting of no less than three (3) and not more than fifteen (15) Directors, as shall be fixed from time to time by the Directors. The Directors shall be elected or appointed in the first place by the subscribers to the Memorandum of Association or by a majority of them and thereafter by the Board, subject to Article 24.2.

24.2 The Directors shall be divided into three (3) classes designated as Class I, Class II and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors, provided that the foregoing classification shall not apply to Directors elected pursuant to Section B.2(c) of Exhibit A. At the 2015 annual general meeting of Members, the term of office of the Class I Directors shall expire and Class I Directors shall be elected for a full term of three (3) years. At the 2016 annual general meeting of Members, the term of office of the Class II Directors shall expire and Class II Directors shall be elected for a full term of three (3) years. At the 2017 annual general meeting of Members, the term of office of the Class III Directors shall expire and Class III Directors shall be elected for a full term of three (3) years. At each succeeding annual general meeting of Members, Directors shall be elected for a full term of three (3) years to succeed the Directors of the class whose terms expire at such annual general meeting. Notwithstanding the foregoing provisions of this Article, each Director shall hold office until the expiration of his term, until his successor shall have been duly elected and qualified or until his earlier death, resignation or removal. No decrease in the number of Directors constituting the Board shall shorten the term of any incumbent Director.

24.3 The Board of Directors shall have a Chairperson of the Board of Directors (the "**Chairperson**") elected and appointed by a majority of the Directors then in office. The Directors may also elect a Vice-Chairperson of the Board of Directors (the "**Vice-Chairperson**"). The Chairperson shall preside as Chairperson at every meeting of the Board of Directors. To the extent the Chairperson is not present at a meeting of the Board of Directors, the Vice-Chairperson, or in his absence, the attending Directors, may choose one Director to be the Chairperson of the meeting. The Chairperson's voting right as to the matters to be decided by the Board of Directors shall be the same as other Directors. In the case of an equality of votes, the Chairperson shall not have an additional tie-breaking vote.

24.4 The Directors by the affirmative vote of a simple majority of the remaining Directors present and voting at a Board meeting, even if less than a quorum, shall have the power from time to time and at any time to appoint any person as a Director to fill a casual vacancy on the Board or as an addition to the existing Board, subject to these Articles, applicable law and the listing rules of

the Designated Stock Exchange; provided, that whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of these Articles of Association, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the Directors elected by such class or classes or series thereof then in office, or by a sole remaining Director so elected. Any Director so appointed shall hold office until the end of the then current term of the class of Directors to which he is elected or until his earlier death, resignation or removal.

24.5 Subject to Article 27.1, a Director may only be removed from office by Special Resolution for cause at any time before the expiration of his term notwithstanding anything in these Articles or in any agreement between the Company and such Director (but without prejudice to any claim for damages under such agreement).

24.6 A vacancy on the Board created by the removal of a Director under the provisions of these Articles may be filled by the election or appointment by Ordinary Resolution at the meeting at which such Director is removed or by the affirmative vote of a simple majority of the remaining Directors present and voting at a Board meeting, subject to these Articles, applicable law and the listing rules of the Designated Stock Exchange. Any Director so appointed shall hold office until the end of the then current term of the class of Directors to which he is elected or until his earlier death, resignation or removal.

24.7 The Board may, from time to time, and except as required by applicable law or the listing rules of the Designated Stock Exchange, adopt, institute, amend, modify or revoke the corporate governance policies or initiatives, which shall be intended to set forth the policies of the Company and the Board on various corporate governance related matters, as the Board shall determine by resolution from time to time.

24.8 A Director shall not be required to hold any shares in the Company by way of qualification. A Director who is not a member of the Company shall nevertheless be entitled to receive notice of and to attend and speak at general meetings of the Company and all classes of shares of the Company.

25 DIRECTORS' FEES AND EXPENSES

25.1 The Directors may receive such remuneration as the Board may from time to time determine. The Directors may be entitled to be repaid all traveling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or committees of the Board or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of his duties as a Director.

25.2 Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Article.

26 POWERS AND DUTIES OF DIRECTORS

26.1 Subject to the provisions of the Statute, these Articles and to any resolutions made in a general meeting, the business of the Company shall be managed by the Directors, who may pay all

expenses incurred in setting up and registering the Company and may exercise all powers of the Company. No resolution made by the Company in a general meeting shall invalidate any prior act of the Directors that would have been valid if that resolution had not been made.

26.2 Subject to these Articles, the Directors may from time to time appoint any person, whether or not a director of the Company, to hold the office of the Chief Executive Officer as the Directors may think necessary for the administration of the Company, for such term and at such remuneration (whether by way of salary or commission or participation in profits or partly in one way and partly in another), and with such powers and duties as the Directors may think fit. The Chief Executive Officer may from time to time appoint any person to hold such office in the Company as he or she may think necessary for the administration of the Company, including without prejudice to the foregoing generality, the office of one or more Vice Presidents, Chief Financial Officer, Manager or Controller, and for such term and at such remuneration (whether by way of salary or commission or participation in profits or partly in one way and partly in another), and with such powers and duties as the Chief Executive Officer may think fit.

26.3 The Directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit; provided that any committee so formed shall include amongst its members at least two Directors unless otherwise required by applicable law, rules and regulations and the rules of the Designated Stock Exchange; provided further that no committee shall have the power of authority to (a) recommend to the Members an amendment of these Articles of Association (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board of Directors as provided under the laws of the Cayman Islands, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Company or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the Company); (b) adopt an agreement of merger or consolidation; (c) recommend to the Members the sale, lease or exchange of all or substantially all of the Company's property and assets; (d) recommend to the Members a dissolution of the Company or a revocation of a dissolution; (e) recommend to the Members an amendment of the Memorandum of Association of the Company; or (f) declare a dividend or authorize the issuance of Shares unless the resolution establishing such committee or the Memorandum or Articles of Association of the Company so provide. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors. The Directors may also delegate to any Director holding any executive office such of their powers as they consider desirable to be exercised by him or her. Any such delegation may be made subject to any conditions the Board may impose, and either collaterally with or to the exclusion of their own powers, and may be revoked or altered.

26.4 The Directors may from time to time and at any time by power of attorney appoint any company, firm or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretion (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit, and may also authorise any such attorney to delegate all or any of the powers, authorities and discretion vested in him.

26.5 The Directors may from time to time provide for the management of the affairs of the Company in such manner as they shall think fit and the provisions contained in the following paragraphs shall be without prejudice to the general powers conferred by this paragraph.

26.6 The Directors from time to time and at any time may establish any committees, local boards or agencies for managing any of the affairs of the Company and may appoint any persons to be members of such committees or local boards and may appoint any managers or agents of the Company and may fix the remuneration of any of the aforesaid.

26.7 The Directors from time to time and at any time may delegate to any such committee, local board, manager or agent any of the powers, authorities and discretions for the time being vested in the Directors and may authorise the members for the time being of any such local board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the Directors may think fit and the Directors may at any time remove any person so appointed and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.

26.8 Any such delegates as aforesaid may be authorised by the Directors to subdelegate all or any of the powers, authorities, and discretions for the time being vested to them.

26.9 The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.

27 DISQUALIFICATION OF DIRECTORS

27.1 Subject to these Articles, the office of Director shall be vacated, if the Director:

(a) becomes bankrupt or makes any arrangement or composition with his creditors;

(b) is found to be or becomes of unsound mind;

(c) resigns his office by notice in writing to the Company;

(d) is prohibited by applicable law or the Designated Stock Exchange from being a director;

(e) without special leave of absence from the Board, is absent from meetings of the Board for six consecutive months and the Board resolves that his office be vacated; or

(f) if he or she shall be removed from office pursuant to these Articles.

28 PROCEEDINGS OF DIRECTORS

28.1 Subject to these Articles, the Directors may meet together for the dispatch of business, adjourn, and otherwise regulate their meetings and proceedings as they think fit. Such meetings may be held at any place within or outside the Cayman Islands that has been designated by the Board of Directors. In the absence of such a designation, meetings of the Board of Directors shall be held at the principal executive office of the Company. Questions arising at any meeting of the Directors shall be decided by a majority of votes. In the case of an equality of votes, the Chairperson of the Board shall not have an additional tie-breaking vote.

28.2 The Chairperson of the Board, the chief executive officer of the Company or a majority of the Directors may, at any time summon a meeting of the Board by notice to each Director. Notice of such meeting shall be given to each director at his business or residence in writing, or by

telegram, facsimile transmission, telephone communication or electronic transmission (provided, with respect to electronic transmission, that the director has consented to receive the form of transmission at the address to which it is directed). If mailed, such notice shall be deemed adequately delivered when deposited in the United States mails so addressed, with postage thereon prepaid, at least five (5) days before such meeting. If by telegram, such notice shall be deemed adequately delivered when the telegram is delivered to the telegraph company at least twenty-four (24) hours before such meeting. If by facsimile transmission or other electronic transmission, such notice shall be transmitted at least twenty-four (24) hours before such meeting. The accidental omission to give notice of a meeting of the Board to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings of that meeting. Notice of a meeting need not be given to any Director (i) who signs a waiver of notice or a consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or (ii) who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such Directors. All such waivers, consents, and approvals shall be filed with the corporate records or made part of the minutes of the meeting. A waiver of notice need not specify the purpose of any regular or special meeting of the Board of Directors.

28.3 A Director or Directors may participate in any meeting of the Board of Directors, or of any committee appointed by the Board of Directors of which such Director or Directors are members, by means of telephone or similar communication equipment by way of which all persons participating in such meeting can hear each other and such participation shall be deemed to constitute presence in person at the meeting.

28.4 The quorum necessary for the transaction of the business of the Directors shall be a majority of the authorized number of Directors. If at any time there is only a sole Director, the quorum shall be one (1) Director. Every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board of Directors, subject to the provisions of these Articles of Association and other applicable law.

28.5 A meeting of the Directors may be held by means of telephone or teleconferencing or any other telecommunications facility provided that all participants are thereby able to communicate immediately by voice with all other participants.

28.6 Subject to these Articles, a Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors. A general notice given to the Directors by any Director to the effect that he is a member of any specified company or firm and is to be regarded as interested in any contract which may thereafter be made with that company or firm shall be deemed a sufficient declaration of interest in regard to any contract so made. A Director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the Directors at which any such contract or proposed contract or arrangement shall come before the meeting for consideration.

28.7 A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so

contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established. A Director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any such office or place of profit under the Company or whereat the terms of any such appointment are arranged and he may vote on any such appointment or arrangement. Any Director who enters into a contract or arrangement or has a relationship that is reasonably likely to be implicated under this Article 28.7 or that would reasonably be likely to affect a Director's status as an "Independent Director" under applicable law or the rules of the Designated Stock Exchange shall disclose the nature of his or her interest in any such contract or arrangement in which he is interested or any such relationship.

28.8 Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to reasonable expense reimbursement consistent with the Company's policies in connection with such Directors service in his or her official capacity; provided that nothing herein contained shall authorise a Director or his firm to act as auditor to the Company.

28.9 The Directors shall cause minutes to be made in books or loose-leaf folders provided for the purpose of recording:

(a) all appointments of officers made by the Directors;

(b) the names of the Directors present at each meeting of the Directors and of any committee of the Directors; and

(c) all resolutions and proceedings at all meetings of the Company, and of the Directors and of committees of Directors.

28.10 When the Chairperson of a meeting of the Directors signs the minutes of such meeting the same shall be deemed to have been duly held notwithstanding that all the Directors have not actually come together or that there may have been a technical defect in the proceedings.

28.11 A resolution signed by all the Directors shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted. When signed a resolution may consist of several documents each signed by one or more of the Directors.

28.12 The continuing Directors may act notwithstanding any vacancy in their body but if and so long as their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors, the continuing Directors may act for the purpose of increasing the number, or of summoning a general meeting of the Company, but for no other purpose.

28.13 A committee appointed by the Directors may elect a Chairperson of its meetings. If no such Chairperson is elected, or if at any meeting the Chairperson is not present within five minutes after the time appointed for holding the same, the members present may choose one of their number to

be Chairperson of the meeting.

28.14 A committee appointed by the Directors may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority of votes of the committee members present and in case of an equality of votes the Chairperson shall not have a second or casting vote.

28.15 Meetings and actions of committees of the Board of Directors shall be governed by, and held and taken in accordance with, the provisions of Article 28.1 (place of meetings), Article 28.2 (notice), Article 28.3 (telephonic meetings), and Article 28.4 (quorum), with such changes in the context of these Articles of Association as are necessary to substitute the committee and its members for the Board of Directors and its members; provided, however, that the time of regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee, that special meetings of committees may also be called by resolution of the Board of Directors, and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The Board of Directors may adopt rules for the government of any committee not inconsistent with the provisions of these Articles of Association.

28.16 All acts done by any meeting of the Directors or of a committee of Directors, or by any person acting as a Director, shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

29 PRESUMPTION OF ASSENT

29.1 A Director of the Company who is present at a meeting of the Board of Directors at which action on any Company matter is taken shall be presumed to have assented to the action taken unless his dissent or abstention shall be entered in the Minutes of the meeting or unless he shall file his written dissent or abstention from such action with the person acting as the Chairperson or Secretary of the meeting before the adjournment thereof or shall forward such dissent or abstention by registered post to such person immediately after the adjournment of the meeting. Such right to dissent or abstain shall not apply to a Director who voted in favour of such action.

30 DIVIDENDS, DISTRIBUTIONS AND RESERVE

30.1 Subject to any rights and restrictions for the time being attached to any class or classes of shares and these Articles, the Directors may from time to time declare dividends (including interim dividends) and other distributions on shares in issue and authorise payment of the same out of the funds of the Company lawfully available therefor. All dividends unclaimed for one (1) year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend unclaimed after a period of six (6) years from the date of declaration shall be forfeited and shall revert to the Company. The payment by the Board of any unclaimed dividend or other sums payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof.

30.2 The Directors may, before recommending or declaring any dividend, set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors be applicable for meeting contingencies, or for equalizing dividends or for any other purpose to which those funds be properly applied and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Directors may from time to time think fit. The Board shall establish an account to be called the "Share Premium Account" and shall carry to the credit of such account from time to time a sum equal to the amount or value of the premium paid on the issue of any share in the Company. Unless otherwise provided by the provisions of these Articles, the Board may apply the share premium account in any manner permitted by the Statute and the rules of the Designated Stock Exchange. The

Company shall at all times comply with the provisions of these Articles, the Statute and the rules of the Designated Stock Exchange in relation to the share premium account.

30.3 Any dividend may be paid by cheque or warrant sent through the post to the registered address of the Member or person entitled thereto, or in the case of joint holders, to any one of such joint holders at his registered address or to such person and such address as the Member or person entitled, or such joint holders as the case may be, may direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to the order of such other person as the Member or person entitled, or such joint holders as the case may be, may direct.

30.4 The Directors when paying dividends to the Members in accordance with the foregoing provisions may make such payment either in cash or in specie.

30.5 No dividend shall be paid otherwise than out of profits or, subject to the restrictions of the Statute, the share premium account.

30.6 Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as fully paid on the shares, but if and so long as nothing is paid up on any of the shares in the Company dividends may be declared and paid according to the amounts of the shares. No amount paid on a share in advance of calls shall, while carrying interest, be treated for the purposes of this Article as paid on the share.

30.7 If several persons are registered as joint holders of any share, any of them may give effectual receipts for any dividend or other moneys payable on or in respect of the share.

30.8 No dividend shall bear interest against the Company.

31 BOOK OF ACCOUNTS

31.1 The books of account relating to the Company's affairs shall be kept in such manner as may be determined from time to time by the Directors.

31.2 The books of account shall be kept at such place or places as the Directors think fit, and shall always be open to the inspection of the Directors.

31.3 Except as provided in Article 17.1, the Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Members not being Directors, and no Member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by Statute or authorised by the Directors or by the Company by Ordinary Resolution.

31.4 The accounts relating to the Company's affairs shall be audited in such manner and with such financial year end as may be determined from time to time by the Company by Ordinary Resolution or failing any such determination by the Directors or failing any determination as aforesaid shall not be audited.

32 ANNUAL RETURNS AND FILINGS

32.1 The Board shall make the requisite annual returns and any other requisite filings in accordance with the Statute.

33 AUDIT

33.1 The Directors may appoint an auditor of the Company who shall hold office until removed from office by a resolution of the Directors and may fix his or their remuneration.

33.2 Every Auditor of the Company shall have a right of access at all times to the books and accounts and vouchers of the Company and shall be entitled to require from the Directors and officers of the Company such information and explanation as may be necessary for the performance of the duties of the auditors.

33.3 Auditors shall, if so required by the Directors, make a report on the accounts of the Company during their tenure of office at the next annual general meeting following their appointment in the case of a company which is registered with the Registrar of Companies as an ordinary company, and at the next extraordinary general meeting following their appointment in the case of a company which is registered with the Registrar of Companies as an exempted company, and at any other time during their term of office, upon request of the Directors or any general meeting of the Members.

34 THE SEAL

34.1 The Seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board of Directors, provided always that such authority may be given prior to or after the affixing of the Seal and if given after may be in general form confirming a number of affixings of the Seal. The Seal shall be affixed in the presence of any one or more persons as the Directors may appoint for the purpose and every person as aforesaid shall sign every instrument to which the Seal of the Company is so affixed in their presence.

34.2 The Company may maintain a facsimile of its Seal in such countries or places as the Directors may appoint and such facsimile Seal shall not be affixed to any instrument except by the authority of a resolution of the Board of Directors provided always that such authority may be given prior to or after the affixing of such facsimile Seal and if given after may be in general form confirming a number of affixings of such facsimile Seal. The facsimile Seal shall be affixed in the presence of such person or persons as the Directors shall for this purpose appoint and such person or persons as aforesaid shall sign every instrument to which the facsimile Seal of the Company is so affixed in their presence of and the instrument signed by a Director or the Secretary (or an Assistant Secretary) of the Company or in the presence of any one or more persons as the Directors may appoint for the purpose.

34.3 Notwithstanding the foregoing, a Director shall have the authority to affix the Seal, or the facsimile Seal, to any instrument for the purposes of attesting authenticity of the matter contained therein but which does not create any obligation binding on the Company.

35 OFFICERS

35.1 The Company shall have a President, Secretary, and Chief Financial Officer, and may have one or more Vice Presidents, a Manager or a Controller, appointed by the Directors; provided, however, that there may exist a vacancy in any such office from time to time because of death, resignation, removal, disqualification or any other cause which shall be filled by the Board of Directors as soon as reasonably practicable. The Directors may also from time to time appoint such other officers as they consider necessary, all for such terms, at such remuneration and to perform such duties, and subject to such provisions as to disqualification and removal as the Directors from time to time subscribe.

36 REGISTER OF DIRECTORS AND OFFICERS

36.1 The Company shall cause to be kept in one or more books at its office a Register of Directors and Officers in which there shall be entered the full names and addresses of the Directors and Officers and such other particulars as required by the Statute. The Company shall send to the Registrar of Companies in the Cayman Islands a copy of such register, and shall from time to time notify the said Registrar of any change that takes place in relation to such Directors and Officers as required by the Statute.

37 CAPITALISATION OF PROFITS

37.1 Subject to the Statute and these Articles, the Board may capitalize any sum standing to the credit of any of the Company's reserve accounts (including a share premium account or a capital redemption reserve fund) or any sum standing to the credit of profit and loss account or otherwise available for distribution and to appropriate such sum to Members in the proportions in which such sum would have been divisible amongst them had the same been a distribution of profits by way of dividend and to apply such sum on their behalf in paying up in full unissued shares for allotment and distribution credited as fully paid up to and amongst them in the proportion aforesaid. In such event, the Directors shall do all acts and things required to give effect to such capitalization, with full power to the Directors to make such provisions as they think fit for the case of shares becoming distributable in fractions (including provisions whereby the benefit of fractional entitlements accrue to the Company rather than to the Members concerned). The Directors may authorize any person to enter on behalf of all of the Members interested into an agreement with the Company providing for such capitalization and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

38 NOTICES

38.1 Except as otherwise provided in these Articles, any notice or document may be served by the Company or by the person entitled to give notice to any Member either personally, by facsimile or by sending it through the post in a prepaid letter or via a recognized courier service, fees prepaid, addressed to the Member at his address as appearing in the Register of Members or, to the extent permitted by all applicable laws and regulations, by electronic means by transmitting it to any electronic number or address or website supplied by the member to the Company or by placing it on the Company's Website provided that, with respect to notification via electronic means or posting to Company's Website, the Company has obtained the Member's prior express positive confirmation in writing to receive or otherwise have made available to him notices in such fashion. In the case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the Register of Members in respect of the joint holding, and notice so given shall be sufficient notice to all the joint holders.

38.2 Notices posted to addresses outside the Cayman Islands shall be forwarded by prepaid airmail.

38.3 Any Member present, either personally or by proxy, at any meeting of the Company shall for all purposes be deemed to have received due notice of such meeting and, where requisite, of the purposes for which such meeting was convened.

38.4 Any notice or other document, if served by (a) post, shall be deemed to have been served when the letter containing the same is posted and if served by courier, shall be deemed to have been served when the letter containing the same is delivered to the courier (in proving such service it shall be sufficient to prove that the letter containing the notice or document was properly addressed and duly posted or delivered to the courier), or (b) facsimile, shall be deemed to have

been served upon confirmation of successful transmission, or (c) recognised delivery service, shall be deemed to have been served when the letter containing the same is delivered to the courier service and in proving such service it shall be sufficient to provide that the letter containing the notice or documents was properly addressed and duly posted or delivered to the courier or (d) electronic means as provided herein shall be deemed to have been served and delivered on the day on which it is successfully transmitted or at such later time as may be prescribed by any applicable laws or regulations.

38.5 Any notice or document delivered or sent to any Member in accordance with the terms of these Articles shall notwithstanding that such Member be then dead or bankrupt, and whether or not the Company has notice of his death or bankruptcy, be deemed to have been duly served in respect of any share registered in the name of such Member as sole or joint holder, unless his name shall at the time of the service of the notice or document, have been removed from the Register of Members as the holder of the share, and such service shall for all purposes be deemed a sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share.

38.6 Notice of every general meeting shall be given to:

(a) all Members who have supplied to the Company an address for the giving of notices to them, except that in case of joint holders, the notice shall be sufficient if given to the joint holder first named in the Register of Members;

(b) every person entitled to a share in consequence of the death or bankruptcy of a Member, who but for his death or bankruptcy would be entitled to receive notice of the meeting;

(c) the Auditors; and

(d) each Director.

38.7 No other person shall be entitled to receive notices of general meetings.

39 INFORMATION

39.1 No Member shall be entitled to require discovery of any information in respect of any detail of the Company's trading or any information which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Board would not be in the interests of the members of the Company to communicate to the public.

39.2 The Board shall be entitled to release or disclose any information in its possession, custody or control regarding the Company or its affairs to any of its members including, without limitation, information contained in the Register of Members and transfer books of the Company.

40 INDEMNITY

40.1 The Company shall indemnify every Director and officer of the Company or any predecessor to the Company (which for the avoidance of doubt, shall not include auditors of the Company), together with every former Director and former officer of the Company or any predecessor to the Company, and may indemnify any person (other than current and former Directors and officers) (any such Director, officer or other person, an "**Indemnified Person**"), out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses,

including legal expenses, whatsoever which they or any of them may incur as a result of any act or failure to act in carrying out their functions other than such liability (if any) that they may incur by reason of their own actual fraud or wilful default. No Indemnified Person shall be liable to the Company for any loss or damage incurred by the Company as a result (whether direct or indirect) of the carrying out of their functions unless that liability arises through the actual fraud or wilful default of such Indemnified Person. No person shall be found to have committed actual fraud or wilful default under this Article unless or until a court of competent jurisdiction shall have made a finding to that effect. Each Member agrees to waive any claim or right of action he or she might have, whether individually or by or in the right of the Company, against any Director on account of any action taken by such Director, or the failure of such Director to take any action in the performance of his or her duties with or for the Company; provided that such waiver shall not extend to any matter in respect of any fraud or wilful default which may attach to such Director.

40.2 The Company shall advance to each Indemnified Person reasonable attorneys' fees and other costs and expenses incurred in connection with the defense of any action, suit, proceeding or investigation involving such Indemnified Person for which indemnity will or could be sought. In connection with any advance of any expenses hereunder, the Indemnified Person shall execute an undertaking to repay the advanced amount to the Company if it shall be determined by final judgment or other final adjudication that such Indemnified Person was not entitled to indemnification pursuant to this Article. If it shall be determined by a final judgment or other final adjudication that such Indemnified Person was not entitled to indemnification with respect to such judgment, costs or expenses, then such party shall not be indemnified with respect to such judgment, costs or expenses and any advancement shall be returned to the Company (without interest) by the Indemnified Person.

40.3 The Directors, on behalf of the Company, may purchase and maintain insurance for the benefit of any Director or other officer of the Company against any liability which, by virtue of any rule of law, would otherwise attach to such person in respect of any negligence, default, breach of duty or breach of trust of which such person may be guilty in relation to the Company.

40.4 Neither any amendment nor repeal of the Articles set forth under this heading of "**INDEMNITY**" (the "**Indemnification Articles**"), nor the adoption of any provision of the Company's Articles or Memorandum of Association inconsistent with the Indemnification Articles, shall eliminate or reduce the effect of the Indemnification Articles, in respect of any matter occurring, or any action or proceeding accruing or arising or that, but for these Indemnification Articles, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

41 FINANCIAL YEAR

41.1 Unless the Directors otherwise prescribe, the financial year of the Company shall end on December 31st in each year and shall begin on January 1st in each year.

42 WINDING UP

42.1 If the Company shall be wound up, the liquidator shall apply the assets of the Company in satisfaction of creditors' claims in such manner and order as such liquidator thinks fit. Subject to the rights attaching to any shares, including the rights of the Series A Preferred Shares set forth in Section B.5 of Exhibit A, in a winding up:

(a) if the assets available for distribution amongst the Members shall be insufficient to repay the whole of the Company's issued share capital, such assets shall be distributed so

that, as nearly as may be, the losses shall be borne by the Members in proportion to the par value of the shares held by them; or

(b) if the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the Company's issued share capital at the commencement of the winding up, the surplus shall be distributed amongst the Members in proportion to the par value of the shares held by them at the commencement of the winding up subject to a deduction from those shares in respect of which there are monies due, of all monies payable to the Company for unpaid calls or otherwise.

42.2 If the Company shall be wound up, the liquidator may, subject to the rights attaching to any shares and with the sanction of a Special Resolution of the Company and any other sanction required by the Statute, divide amongst the Members in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may for that purpose value any assets and determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator, with the like sanction, shall think fit, but so that no Member shall be compelled to accept any asset upon which there is a liability.

43 AMENDMENT OF MEMORANDUM AND ARTICLES OF ASSOCIATION AND NAME OF COMPANY

43.1 Subject to the provisions, if any, in the Articles, the Memorandum of Association and applicable law, including the Statute, the Company may at any time and from time to time by Special Resolution alter, amend, change or repeal these Articles or the Memorandum of Association of the Company, in whole or in part, or change the name of the Company.

44 REGISTRATION BY WAY OF CONTINUATION

44.1 Subject to these Articles, the Company may by Special Resolution resolve to be registered by way of continuation in a jurisdiction outside the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing. In furtherance of a resolution adopted pursuant to this Article, the Directors may cause an application to be made to the Registrar of Companies to deregister the Company in the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing and may cause all such further steps as they consider appropriate to be taken to effect the transfer by way of continuation of the Company.

EXHIBIT A

TO

AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

OF

THERAVANCE BIOPHARMA, INC.

A. Designations, Powers, Preferences, Privileges and Other Rights of Series A Preferred Shares. The Series A Preferred Shares shall have the designations, powers, preferences, privileges and other rights set forth in this Exhibit A ("Exhibit A") to the Amended and Restated Memorandum and Articles of Association of the Company (the "Memorandum"). Exhibit A shall be incorporated into the Memorandum as if set forth therein. Terms not otherwise defined herein shall the meanings given to them in the Memorandum.

B. Preferred Shares.

1. Dividends and Distributions.

(a) Subject to the prior and superior rights of the holders of any class or series of shares of the Company ranking prior and superior to the Series A Preferred Shares with respect to dividends, the holders Series A Preferred Shares, in preference to the holders of any class or series of shares of the Company ranking junior to the Series A Preferred Shares in respect thereof, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the last day of March, June, September and December, in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a Series A Preferred Share, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $1.00 or (b) the Adjustment Number (as defined below) times the aggregate per share amount of all cash dividends, and the Adjustment Number times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in Ordinary Shares or a subdivision of the outstanding Ordinary Shares (by reclassification or otherwise), declared on the Ordinary Shares, since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a Series A Preferred Share. The "Adjustment Number" shall initially be 1,000. In the event the Company shall at any time after the date upon which the Memorandum is filed with the Registrar of Companies (i) declare and pay any dividend on Ordinary Shares payable in Ordinary Shares, (ii) subdivide the outstanding Ordinary Shares or (iii) combine the outstanding Ordinary Shares into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of Ordinary Shares, outstanding immediately after such event and the denominator of which is the number of Ordinary Shares, that were outstanding immediately prior to such event.

(b) The Company shall declare a dividend or distribution on the Series A Preferred Shares as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Ordinary Shares (other than a dividend payable in Ordinary Shares).

(c) Dividends shall begin to accrue and be cumulative on outstanding Series A Preferred Shares from the Quarterly Dividend Payment Date next preceding the date of issue of such Series A Preferred Shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of Series A Preferred Shares entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the Series A Preferred Shares in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of Series A Preferred Shares entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 60 days prior to the date fixed for the payment thereof.

2. Voting Rights. The holders of Series A Preferred Shares shall have the following voting rights:

(a) Each Series A Preferred Share shall entitle the holder thereof to a number of votes equal to the Adjustment Number on all matters submitted to a vote of the Members.

(b) Except as required by law, by this Section B.2 and by Section B.9 of this Exhibit A, holders of Series A Preferred Shares shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Ordinary Shares as set forth in the Memorandum) for taking any corporate action.

(c) If, at the time of any general meeting of Members for the election of directors, the equivalent of six quarterly dividends (whether or not consecutive) payable on any Series A Preferred Shares are in default, the number of directors constituting the Board of Directors of the Company shall be increased automatically by two. In addition to voting together with the holders of Ordinary Shares for the election of other directors of the Company, the holders of record of the Series A Preferred Shares, voting separately as a class to the exclusion of the holders of Ordinary Shares, shall be entitled at said meeting of Members (and at each subsequent annual meeting of Members), unless all dividends in arrears on the Series A Preferred Shares have been paid or declared and set apart for payment prior thereto, to vote for the election of two directors of the Company, the holders of any Series A Preferred Shares being entitled to cast a number of votes per share of Series A Preferred Shares as is specified in Section B.2(a). Each such additional director shall serve until the next general meeting of Members for the election of directors, or until his successor shall be elected and shall qualify, or until his right to hold such office terminates pursuant to the provisions of this Section B.2(c). Until the default in payments of all dividends which permitted the election of said directors shall cease to exist, any director who shall have been so elected pursuant to the provisions of this Section B.2(c) may be removed at any time, without cause, only by the affirmative vote of the holders of the Series A Preferred Shares at the time entitled to cast a majority of the votes entitled to be cast for the election of any such director at a special meeting of such holders called for that purpose, and any vacancy thereby created may be filled

by the vote of such holders. If and when such default shall cease to exist, the holders of the Series A Preferred Shares shall be divested of the foregoing special voting rights, subject to revesting in the event of each and every subsequent like default in payments of dividends. Upon the termination of the foregoing special voting rights, the terms of office of all persons who may have been elected directors pursuant to said special voting rights shall forthwith terminate, and the number of directors constituting the Board of Directors shall be reduced automatically by two. The voting rights granted by this Section B.2(c) shall be in addition to any other voting rights granted to the holders of the Series A Preferred Shares in this Section B.

3. Certain Restrictions.

(a) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Shares as provided in Section B.1 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on Series A Preferred Shares outstanding shall have been paid in full, the Company shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Shares;

(ii) declare or pay dividends on or make any other distributions on any shares ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Shares, except dividends paid ratably on the Series A Preferred Shares and all such parity shares on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled; or

(iii) purchase or otherwise acquire for consideration any Series A Preferred Shares, or any shares ranking on a parity with the Series A Preferred Shares, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of Series A Preferred Shares, or to such holders and holders of any such shares ranking on a parity therewith, upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Company shall not permit any subsidiary of the Company to purchase or otherwise acquire for consideration any shares of the Company unless the Company could, under Section B.3(a), purchase or otherwise acquire such shares at such time and in such manner.

4. Reacquired Shares. Any Series A Preferred Shares purchased or otherwise acquired by the Company in any manner whatsoever shall be retired promptly after the acquisition thereof. All such shares shall upon their retirement become authorized but unissued Preferred Shares and may be reissued as part of a new series of Preferred Shares to be created by resolution or resolutions of the Board of Directors, subject to any conditions and restrictions on issuance set forth herein.

5. Liquidation, Dissolution or Winding Up.

(a) Upon any liquidation, dissolution or winding up of the Company, voluntary or otherwise, no distribution shall be made to the holders of shares of the Company ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Shares unless, prior thereto, the holders of Series A Preferred Shares shall have received an amount per share (the "Series A Liquidation Preference") equal to the greater of (i) $10.00 plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, or (ii) the Adjustment Number times the per share amount of all cash and other property to be distributed in respect of the Ordinary Shares upon such liquidation, dissolution or winding up of the Company.

(b) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other classes and series of shares of the Company, if any, that rank on a parity with the Series A Preferred Shares in respect thereof, then the assets available for such distribution shall be distributed ratably to the holders of the Series A Preferred Shares and the holders of such parity shares in proportion to their respective liquidation preferences.

(c) Neither the merger or consolidation of the Company into or with another entity nor the merger or consolidation of any other entity into or with the Company shall be deemed to be a liquidation, dissolution or winding up of the Company within the meaning of this Section 6.

6. Consolidation, Merger, Etc. In case the Company shall enter into any consolidation, merger, combination or other transaction in which the outstanding Ordinary Shares are exchanged for or changed into other shares or securities, cash and/or any other property, then in any such case each Series A Preferred Share shall at the same time be similarly exchanged or changed in an amount per share equal to the Adjustment Number times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each Ordinary Share is changed or exchanged.

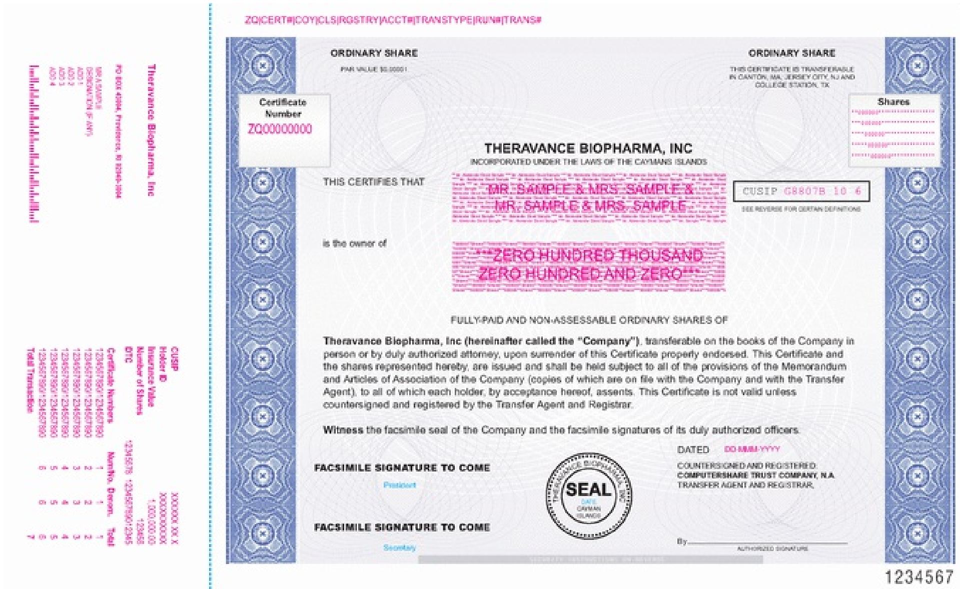
7. No Redemption. The Series A Preferred Shares shall not be subject to redemption by the Company.

8. Ranking. The Series A Preferred Shares shall rank junior to all other series of the Preferred Shares as to the payment of dividends and as to the distribution of assets upon liquidation, dissolution or winding up, unless the terms of any such series shall provide otherwise, and shall rank senior to the Ordinary Shares as to such matters.

9. Amendment. Notwithstanding any other provision of the Memorandum or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any vote of the holders of any class or series of the shares of this Company required by law or by the Memorandum, at any time that any Series A Preferred Shares are outstanding, the Memorandum shall not be amended. by merger, consolidation or otherwise, which would materially alter or change the powers, preferences or special rights of the Series A Preferred Shares so as to affect them adversely without the affirmative vote of the holders of two-thirds of the outstanding Series A Preferred Shares, voting separately as a class.

10. Fractional Shares. Series A Preferred Shares may be issued in fractions of a share that shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Preferred Shares.

Exhibit 4.1



ZQ|CERT#|COY|CLS|RGSTRY|ACCT#|TRANSTYPE|RUN#|TRANS#

Theravance Biopharma, Inc

ORDINARY SHARE

PAR VALUE $0.00001

ORDINARY SHARE

THIS CERTIFICATE IS TRANSFERABLE IN CANTON, MA, JERSEY CITY, NJ AND COLLEGE STATION, TX

Certificate Number ZQ00000000

Shares

THERAVANCE BIOPHARMA, INC

INCORPORATED UNDER THE LAWS OF THE CAYMANS ISLANDS

THIS CERTIFIES THAT MR. SAMPLE & MRS. SAMPLE & MR. SAMPLE & MRS. SAMPLE

CUSIP G8807B 10 6

SEE REVERSE FOR CERTAIN DEFINITIONS

is the owner of ***ZERO HUNDRED THOUSAND ZERO HUNDRED AND ZERO***

FULLY-PAID AND NON-ASSESSABLE ORDINARY SHARES OF

Theravance Biopharma, Inc (hereinafter called the "Company"), transferable on the books of the Company in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed. This Certificate and the shares represented hereby, are issued and shall be held subject to all of the provisions of the Memorandum and Articles of Association of the Company (copies of which are on file with the Company and with the Transfer Agent), to all of which each holder, by acceptance hereof, assents. This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

Witness the facsimile seal of the Company and the facsimile signatures of its duly authorized officers.

DATED DD-MMM-YYYY

FACSIMILE SIGNATURE TO COME

President

SEAL

COUNTERSIGNED AND REGISTERED:
COMPUTERSHARE TRUST COMPANY, N.A.
TRANSFER AGENT AND REGISTRAR,

FACSIMILE SIGNATURE TO COME

Secretary

By ________________
AUTHORIZED SIGNATURE

1234567

THERAVANCE BIOPHARMA, INC

THE COMPANY WILL FURNISH WITHOUT CHARGE TO EACH SHAREHOLDER WHO SO REQUESTS, A SUMMARY OF THE POWERS, DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL OR OTHER SPECIAL RIGHTS OF EACH CLASS OF STOCK OF THE COMPANY AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS OF SUCH PREFERENCES AND RIGHTS, AND THE VARIATIONS IN RIGHTS, PREFERENCES AND LIMITATIONS DETERMINED FOR EACH SERIES, WHICH ARE FIXED BY THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY, AS AMENDED, AND THE RESOLUTIONS OF THE BOARD OF DIRECTORS OF THE COMPANY, AND THE AUTHORITY OF THE BOARD OF DIRECTORS TO DETERMINE VARIATIONS FOR FUTURE SERIES. SUCH REQUEST MAY BE MADE TO THE OFFICE OF THE SECRETARY OF THE COMPANY OR TO THE TRANSFER AGENT. THE BOARD OF DIRECTORS MAY REQUIRE THE OWNER OF A LOST OR DESTROYED STOCK CERTIFICATE, OR HIS LEGAL REPRESENTATIVES, TO GIVE THE COMPANY A BOND TO INDEMNIFY IT AND ITS TRANSFER AGENTS AND REGISTRARS AGAINST ANY CLAIM THAT MAY BE MADE AGAINST THEM ON ACCOUNT OF THE ALLEGED LOSS OR DESTRUCTION OF ANY SUCH CERTIFICATE.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	- as tenants in common	UNIF GIFT MIN ACT	- .....(Cust).....Custodian .....(Minor).....
TEN ENT	- as tenants by the entireties		under Uniform Gifts to Minors Act.....(State).....
JT TEN	- as joint tenants with right of survivorship and not as tenants in common	UNIF TRF MIN ACT	- .....(Cust).....Custodian (until age .....)
			.....(Minor).....under Uniform Transfers to Minors Act .....(State).....

Additional abbreviations may also be used though not in the above list.

For value received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

_____

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE, OF ASSIGNEE)

_____

_____

_____ Ordinary Shares

represented by the within Certificate, and do hereby irrevocably constitute and appoint

_____ Attorney

to transfer the said stock on the books of the within-named Company with full power of substitution in the premises.

Dated: _____ 20_____

Signature: _____

Signature: _____

Notice: The signature to this assignment must correspond with the name as written upon the face of the certificate, in every particular, without alteration or enlargement, or any change whatever.

Signature(s) Guaranteed: Medallion Guarantee Stamp

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (Banks, Stockbrokers, Savings and Loan Associations and Credit Unions) WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM, PURSUANT TO S.E.C. RULE 17Ad-15.

SECURITY INSTRUCTIONS

THIS IS WATERMARKED PAPER. DO NOT ACCEPT WITHOUT NOTING WATERMARK. HOLD TO LIGHT TO VERIFY WATERMARK.

The IRS requires that we report the cost basis of certain shares acquired after January 1, 2011. If your shares were covered by the legislation and you have sold or transferred the shares and requested a specific cost basis calculation method, we have processed as requested. If you did not specify a cost basis calculation method, we have defaulted to the first in, first out (FIFO) method. Please visit our website or consult your tax advisor if you need additional information about cost basis.

If you do not keep in contact with us or do not have any activity in your account for the time periods specified by state law, your property could become subject to state unclaimed property laws and transferred to the appropriate state.

15347507

Exhibit 4.3

THERAVANCE BIOPHARMA, INC.

and

Computershare Inc.,

as Rights Agent

RIGHTS AGREEMENT

Dated as of , 2014

RIGHTS AGREEMENT

This Rights Agreement, dated as of , 2014 ("Agreement"), is between Theravance Biopharma, Inc., a Cayman Islands exempted company (the "Company"), and Computershare Inc., a Delaware corporation, as Rights Agent (the "Rights Agent").

The Board of Directors of the Company (the "Board") has authorized and declared a dividend of one preferred share purchase right (a "Right") for each Ordinary Share (as hereinafter defined) of the Company outstanding as of the Close of Business (as defined below) on , 2014 (the "Record Date"), each Right representing the right to purchase one one-thousandth (subject to adjustment) of a Preferred Share (as hereinafter defined), upon the terms and subject to the conditions herein set forth, and has further authorized and directed the issuance of one Right (subject to adjustment as provided herein) with respect to each Ordinary Share that shall become outstanding between the Record Date and the earlier of the Distribution Date and the Expiration Date (as such terms are hereinafter defined); provided, however, that Rights may be issued with respect to Ordinary Shares that shall become outstanding after the Distribution Date and prior to the Expiration Date in accordance with Section 22.

Accordingly, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1. Certain Definitions. For purposes of this Agreement, the following terms have the meaning indicated:

(a) "Acquiring Person" shall mean any Person (as such term is hereinafter defined) who or which, together with all Affiliates and Associates of such Person, shall be the Beneficial Owner (as such term is hereinafter defined) of 19% or more of the Ordinary Shares then outstanding, but shall not include an Exempt Person (as such term is hereinafter defined); provided, however, that (i) if the Board of Directors of the Company determines in good faith that a Person who would otherwise be an "Acquiring Person" became the Beneficial Owner of a number of Ordinary Shares such that the Person would otherwise qualify as an "Acquiring Person" inadvertently (including, without limitation, because (A) such Person was unaware that it beneficially owned a percentage of Ordinary Shares that would otherwise cause such Person to be an "Acquiring Person" or (B) such Person was aware of the extent of its Beneficial Ownership of Ordinary Shares but had no actual knowledge of the consequences of such Beneficial Ownership under this Agreement) and without any intention of changing or influencing control of the Company, then such Person shall not be deemed to be or to have become an "Acquiring Person" for any purposes of this Agreement unless and until such Person shall have failed to divest itself, as soon as practicable (as determined, in good faith, by the Board of Directors of the Company), of Beneficial Ownership of a sufficient number of Ordinary Shares so that such Person would no longer otherwise qualify as an "Acquiring Person"; (ii) if, as of the date hereof or prior to the first public announcement of the adoption of this Agreement, any Person is or becomes the Beneficial Owner of 19% or more of the Ordinary Shares outstanding, such Person shall not be deemed to be or to become an "Acquiring Person" unless and until such time as such Person shall, after the first public announcement of the adoption of this Agreement, become the Beneficial Owner of additional Ordinary Shares (other than pursuant to a dividend or distribution

paid or made by the Company on the outstanding Ordinary Shares or pursuant to a split or subdivision of the outstanding Ordinary Shares), unless, upon becoming the Beneficial Owner of such additional Ordinary Shares, such Person is not then the Beneficial Owner of 19% or more of the Ordinary Shares then outstanding; (iii) no Person shall become an "Acquiring Person" as the result of an acquisition of Ordinary Shares by the Company which, by reducing the number of shares outstanding, increases the proportionate number of Ordinary Shares beneficially owned by such Person to 19% or more of the Ordinary Shares then outstanding, provided, however, that if a Person shall become the Beneficial Owner of 19% or more of the Ordinary Shares then outstanding by reason of such share acquisitions by the Company and shall thereafter become the Beneficial Owner of any additional Ordinary Shares (other than pursuant to a dividend or distribution paid or made by the Company on the outstanding Ordinary Shares or pursuant to a split, subdivision or recapitalization of the outstanding Ordinary Shares), then such Person shall be deemed to be an "Acquiring Person" unless upon becoming the Beneficial Owner of such additional Ordinary Shares such Person does not beneficially own 19% or more of the Ordinary Shares then outstanding; (iv) no Person shall become an "Acquiring Person" solely as a result of any unilateral grant of any security by the Company or through the exercise of any options, warrants, rights or similar interests (including restricted shares) granted by the Company to its directors, officers and employees; (v) no Person shall become an "Acquiring Person" as the result of the acquisition of Beneficial Ownership of the Ordinary Shares from an individual who, on the later of the date hereof or the first public announcement of this Agreement, is the Beneficial Owner of 19% or more of the Ordinary Shares then outstanding if such Ordinary Shares are received by such Person upon such individual's death pursuant to such individual's will or pursuant to a charitable trust created by such individual for estate planning purposes and (vi) Glaxo Group Limited ("GGL") and GlaxoSmithKline plc (together with GGL, "GSK"), together with its Affiliates and Associates, shall not be deemed an "Acquiring Person" for purposes of this Agreement (x) for so long as GGL is in compliance with the terms of that certain Governance Agreement dated March 3, 2014 by and among the Company and GGL (the "Governance Agreement"), and (y) if on the date of termination of the Governance Agreement, GSK, together with its Affiliates and Associates, is the Beneficial Owner of 19% or more of the Ordinary Shares outstanding, GSK, together with its Affiliates and Associates, shall not be deemed to be or to become an "Acquiring Person" unless and until such time as GSK or any of its Affiliates or Associates shall, after termination of the Governance Agreement, become the Beneficial Owner of additional Ordinary Shares (other than pursuant to a dividend or distribution paid or made by the Company on the outstanding Ordinary Shares or pursuant to a split or subdivision of the outstanding Ordinary Shares), unless, upon becoming the Beneficial Owner of such additional Ordinary Shares, GSK, together with its Affiliates and Associates, is not then the Beneficial Owner of 19% or more of the Ordinary Shares then outstanding. For all purposes of this Agreement, any calculation of the number of Ordinary Shares outstanding at any particular time, including for purposes of determining the particular percentage of such outstanding Ordinary Shares of which any Person is the Beneficial Owner, shall be made in accordance with the last sentence of Rule 13d-3(d)(1)(i) of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on the date hereof.

(b) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act, as in effect on the date hereof.

(c) A Person shall be deemed the "Beneficial Owner" of, shall be deemed to have "Beneficial Ownership" of and shall be deemed to "beneficially own" any securities:

(i) which such Person or any of such Person's Affiliates or Associates is deemed to beneficially own, directly or indirectly, within the meaning of Rule l3d-3 of the General Rules and Regulations under the Exchange Act as in effect on the date hereof;

(ii) which such Person or any of such Person's Affiliates or Associates has (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time or upon the satisfaction or occurrence of one or more conditions) pursuant to any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities), or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, (w) securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange, (x) securities which such Person has a right to acquire upon the exercise of Rights at any time prior to the time that any Person becomes an Acquiring Person, (y) securities issuable upon the exercise of Rights from and after the time that any Person becomes an Acquiring Person if such Rights were acquired by such Person or any of such Person's Affiliates or Associates prior to the Distribution Date or pursuant to Section 3(a) or Section 22 hereof ("Original Rights") or pursuant to Section 11(i) or Section 11(n) with respect to an adjustment to Original Rights or (z) securities which such Person or any of such Person's Affiliates or Associates may acquire, does or do acquire or may be deemed to have the right to acquire, pursuant to any merger or other acquisition agreement between the Company and such Person (or one or more of such Person's Affiliates or Associates) if such agreement has been approved by the Board of Directors prior to such Person's becoming an Acquiring Person; or (B) the right or power to vote (directly or indirectly) pursuant to any agreement, arrangement or understanding; provided, further, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security by reason of such agreement, arrangement or understanding if the agreement, arrangement or understanding, whether or not in writing, to vote such security (1) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations promulgated under the Exchange Act and (2) is not also then reportable on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(iii) which are beneficially owned, directly or indirectly, by any other Person and with respect to which such Person or any of such Person's Affiliates or Associates has: (A) any agreement, arrangement or understanding, whether or not in writing, (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities) for the purpose of acquiring, holding, voting (except to the extent contemplated by the proviso to Section 1(c)(ii)(B)) or disposing of such securities of the Company or (B) any agreement, arrangement or understanding, whether or not in writing, to cooperate in obtaining, changing or influencing control of the Company;

provided, however, that no Person who is an officer, director or employee of an Exempt Person shall be deemed, solely by reason of such Person's status or authority as such, to be the

"Beneficial Owner" of, to have "Beneficial Ownership" of or to "beneficially own" any securities that are "beneficially owned" (as defined in this Section l(c)), including, without limitation, in a fiduciary capacity, by an Exempt Person or by any other such officer, director or employee of an Exempt Person; and provided further, that nothing in this paragraph (c) shall cause a Person engaged in business as an underwriter of securities to be the "Beneficial Owner" of, or to "beneficially own," any securities acquired through such Person's participation in good faith in a firm commitment underwriting until the expiration of forty days after the date of such acquisition, and then only if such securities continue to be owned by such Person at such expiration of forty days.

(d) "Book Entry" shall mean entry in the register of members of the Company for the Ordinary Shares or, for Ordinary Shares participating in the direct registration system, by notation in the respective book entry accounts for the Ordinary Shares.

(e) "Business Day" shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in the State of New York, the State of New Jersey or the city in which the principal office of the Rights Agent is located are authorized or obligated by law or executive order to close.

(f) "Close of Business" on any given date shall mean 5:00 P.M., New York City time, on such date; provided, however, that if such date is not a Business Day it shall mean 5:00 P.M., New York City time, on the next succeeding Business Day.

(g) "Current Value" shall have the meaning set forth in Section 11(a)(iii) hereof.

(h) "Distribution Date" shall have the meaning set forth in Section 3 hereof.

(i) "Equivalent Preferred Shares" shall have the meaning set forth in Section 11(b) hereof.

(j) "Exchange Ratio" shall have the meaning set forth in Section 24 hereof.

(k) "Exempt Person" shall mean the Company or any Subsidiary (as such term is hereinafter defined) of the Company, in each case including, without limitation, in its fiduciary capacity, or any employee benefit plan of the Company or of any Subsidiary of the Company, or any entity or trustee holding (or acting in a fiduciary capacity in respect of) Ordinary Shares for or pursuant to the terms of any such plan or for the purpose of funding any such plan or funding other employee benefits for employees of the Company or of any Subsidiary of the Company.

(l) "Expiration Date" shall have the meaning set forth in Section 7 hereof.

(m) "Final Expiration Date" shall have the meaning set forth in Section 7 hereof.

(n) "Flip-In Event" shall have the meaning set forth in Section 11(a)(ii) hereof.

(o) "NASDAQ" shall mean The NASDAQ Global Market.

(p) "New York Stock Exchange" shall mean the New York Stock Exchange, Inc.

(q) "Ordinary Shares" when used with reference to the Company shall mean the Ordinary Shares, par value $0.00001 per share, of the Company. "Ordinary Shares" when used with reference to any Person other than the Company shall mean the Ordinary Shares (or, in the case of any entity other than a corporation, the equivalent equity interest) with the greatest voting power of such other Person or, if such other Person is a Subsidiary of another Person, the Person or Persons which ultimately control such first-mentioned Person.

(r) "Ordinary Share Equivalents" shall have the meaning set forth in Section 11(a)(iii) hereof.

(s) "Person" shall mean any individual, firm, corporation, partnership, limited liability company, limited liability partnership, trust, association, syndicate, other entity, or an unincorporated group of persons, who by formal or informal agreement or arrangement, have embarked on a common purpose or act, and shall include, in each case, any successor (by merger or otherwise) to such Person.

(t) "Preferred Share" shall mean the Series A Junior Participating Preferred Share, par value $0.00001 per share, of the Company having the rights and preferences set forth in the Amended and Restated Memorandum and Articles of Association attached to this Agreement as Exhibit A and, to the extent that there are not a sufficient number of shares of Series A Junior Participating Preferred Shares authorized to permit the full exercise of the Rights, Equivalent Preferred Shares .

(u) "Principal Party" shall have the meaning set forth in Section 13(b) hereof.

(v) "Purchase Price" shall have the meaning set forth in Section 7(b) hereof.

(w) "Record Date" shall have the meaning set forth in the recitals hereto.

(x) "Redemption Date" shall have the meaning set forth in Section 7 hereof.

(y) "Redemption Price" shall have the meaning set forth in Section 23 hereof.

(z) "Right" shall have the meaning set forth in the recitals hereto.

(aa) "Right Certificate" shall have the meaning set forth in Section 3 hereof.

(bb) "Securities Act" shall mean the Securities Act of 1933, as amended.

(cc) "Section 11(a)(ii) Trigger Date" shall have the meaning set forth in Section 11(a)(iii) hereof.

(dd) "Share Acquisition Date" shall mean the first date of public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to Section 13(d) of the Exchange Act) by the Company or an Acquiring Person that an Acquiring Person has become such, or such earlier date as a majority of the Board of Directors shall become aware of the existence of an Acquiring Person.

(ee) "Spread" shall have the meaning set forth in Section 11(a)(iii) hereof.

(ff) "Subsidiary" of any Person shall mean any corporation or other entity of which securities or other ownership interests having ordinary voting power sufficient to elect a majority of the board of directors or other persons performing similar functions are beneficially owned, directly or indirectly, by such Person, and any corporation or other entity that is otherwise controlled by such Person.

(gg) "Substitution Period" shall have the meaning set forth in Section 11(a)(iii) hereof.

(hh) "Summary of Rights" shall have the meaning set forth in Section 3 hereof.

(ii) "Trading Day" shall have the meaning set forth in Section 11(d)(i) hereof.

Section 2. Appointment of Rights Agent. The Company hereby appoints the Rights Agent to act as agent for the Company in accordance with the express terms and conditions hereof (and no implied terms or conditions), and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such co-rights agents as it may deem necessary or desirable. In the event the Company appoints one or more co-rights agents, the Company shall delivery written notice to the Rights Agent setting forth the respective duties of the Rights Agent and any co-rights agent. The Rights Agent shall not have a duty to supervise, and no event shall the Rights Agent be liable for, the acts or omissions of any such co-rights agent.

Section 3. Issue of Right Certificates.

(a) Until the Close of Business on the tenth day after the Share Acquisition Date (such date hereinafter referred to as the "Distribution Date") (x) the Rights will be evidenced (subject to the provisions of Section 3(b) hereof) by the certificates for Ordinary Shares registered in the names of the holders thereof, which certificates of Ordinary Shares shall be deemed also to be certificates for Rights (or, with respect to Ordinary Shares not represented by certificates, the Rights related thereto will be evidenced by notation on the records of the Company evidencing ownership of such Ordinary Shares), and, in each case, not by separate Right Certificates, and (y) the Rights will be transferable only in connection with the transfer of the Ordinary Shares evidencing such Rights. As soon as practicable after the Distribution Date, the Company will prepare and execute, the Rights Agent will countersign, and the Company will send or cause to be sent (and the Rights Agent will, if requested to do so by the Company and provided with all necessary information and documents, in form, format and substance satisfactory to the Rights Agent, send) by such means as the Company shall select (or direct the Rights Agent to use in a written notice), to each record holder of Ordinary Shares as of the close of business on the Distribution Date (other than any Acquiring Person or any Associate or Affiliate of an Acquiring Person), at the address of such holder shown on the records of the Company, the transfer agent or the registrar for the Ordinary Shares (and if the Rights Agent is not the transfer agent or registrar for the Ordinary Shares, the Company shall promptly provide such information to the Rights Agent in a form, format and substance satisfactory to the Rights Agent) a Right Certificate, in substantially the form of Exhibit B hereto (a "Right Certificate"), evidencing one Right (subject to adjustment as provided herein) for each Ordinary Share so held.

As of and after the Distribution Date, the Rights will be evidenced solely by such Right Certificates. The Company shall promptly notify the Rights Agent in writing upon the occurrence of the Distribution Date and, if notification is given orally, the Company shall confirm the same in writing on or prior to the Business Day next following. Until such written notice is received by the Rights Agent, the Rights Agent may presume conclusively for all purposes that the Distribution Date has not occurred.

(b) On the Record Date, or as soon as practicable thereafter, the Company will send a copy of a Summary of Rights to Purchase Preferred Shares, in substantially the form of Exhibit C hereto (the "Summary of Rights"), by such means as the Company shall select, to each record holder of Ordinary Shares as of the Close of Business on the Record Date (other than any Acquiring Person or any Associate or Affiliate of any Acquiring Person), at the address of such holder shown on the records of the Company. With respect to certificates for Ordinary Shares (or Book Entry Ordinary Shares) outstanding as of the Record Date, until the Distribution Date, the Rights will be evidenced by such certificates registered in the names of the holders thereof (or such Book Entry shares) together with the Summary of Rights. Until the Distribution Date (or, if earlier, the Expiration Date), the surrender for transfer of any certificate for Ordinary Shares (or any Book Entry Ordinary Shares) outstanding on the Record Date, with or without a copy of the Summary of Rights, shall also constitute the transfer of the Rights associated with the Ordinary Shares represented thereby.

(c) Rights shall be issued in respect of all Ordinary Shares issued or disposed of (including, without limitation, upon transfer or exchange or disposition of Ordinary Shares out of treasury or issuance or reissuance of Ordinary Shares out of authorized but unissued share capital) after the Record Date but prior to the earlier of the Distribution Date and the Expiration Date, or in certain circumstances provided in Section 22 hereof, after the Distribution Date. Certificates issued for Ordinary Shares (including, without limitation, upon transfer of outstanding Ordinary Shares, disposition of Ordinary Shares out of treasury or issuance or reissuance of Ordinary Shares out of authorized but unissued share capital) after the Record Date but prior to the earlier of the Distribution Date and the Expiration Date, or in certain circumstances provided in Section 22 hereof, after the Distribution Date shall have impressed on, printed on, written on or otherwise affixed to them a legend in substantially the following form:

> This certificate also evidences and entitles the holder hereof to certain Rights as set forth in a Rights Agreement between Theravance Biopharma, Inc. (the "Company") and Computershare Inc., as Rights Agent, dated as of , 2014 and as amended, supplemented, restated, extended or renewed from time to time (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of the Company. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. The Company will deliver to the holder of this certificate a copy of the Rights Agreement without charge after receipt of a written request therefor. Under certain circumstances, as set forth in the Rights Agreement, Rights owned by or transferred to any Person who is or becomes an Acquiring Person or Affiliate or Associate thereof (as those terms are defined in the Rights Agreement) and certain transferees thereof will become null and void and will no longer be transferable.

With respect to any Book Entry Ordinary Shares, a legend in substantially the form of the foregoing shall be included in a notice to the record holder of such shares in accordance with applicable law. With respect to such certificates containing a legend in substantially the form of the foregoing, or any notice delivered to the holders of Book Entry shares in accordance with the preceding sentence, until the Distribution Date the Rights associated with the Ordinary Shares represented by such certificates or Book Entry shares shall be evidenced by such certificates or Book Entry shares alone, and the surrender for transfer of any such certificate or Book Entry share, except as otherwise provided herein, shall also constitute the transfer of the Rights associated with the Ordinary Shares represented thereby. In the event that the Company purchases or otherwise acquires any Ordinary Shares after the Record Date but prior to the Distribution Date, any Rights associated with such Ordinary Shares shall be deemed canceled and retired so that the Company shall not be entitled to exercise any Rights associated with the Ordinary Shares which are no longer outstanding.

Notwithstanding this paragraph (c), neither the omission of a legend nor the failure to deliver the notice of such legend required hereby shall affect the enforceability of any part of this Agreement or the rights of any holder of the Rights.

Section 4. Form of Right Certificates. The Right Certificates (and the forms of election to purchase shares and of assignment to be printed on the reverse thereof) when, as and if issued, shall be substantially in the form set forth in Exhibit B hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate (which do not affect the rights, duties or responsibilities of the Rights Agent) and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange or interdealer quotation system on which the Rights may from time to time be listed or quoted, or to conform to usage. Subject to the provisions of this Agreement, the Right Certificates shall entitle the holders thereof to purchase such number of one one-thousandths of a Preferred Share as shall be set forth therein at the Purchase Price, but the number of such one one-thousandths of a Preferred Share and the Purchase Price shall be subject to adjustment as provided herein. The Company shall give written notice to the Rights Agent promptly after it becomes aware of the existence of any Acquiring Person, and until such written notice is received by the Rights Agent, the Rights Agent shall not be deemed to have knowledge that any person has become an Acquiring Person, or have any duty or obligation in connection with any person becoming an Acquiring Person.

Section 5. Countersignature and Registration.

(a) The Right Certificates shall be executed on behalf of the Company by the Company's Chief Executive Officer either manually or by facsimile signature, shall have affixed thereto the Company's seal or a facsimile thereof and shall be attested by the Secretary of the Company, either manually or by facsimile signature. The Right Certificates shall be manually or facsimile countersigned by the Rights Agent and shall not be valid for any purpose unless countersigned. In case any officer of the Company who shall have signed any of the Right Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Right Certificates, nevertheless, may be

countersigned by the Rights Agent and issued and delivered by the Company with the same force and effect as though the Person who signed such Right Certificates had not ceased to be such officer of the Company; and any Right Certificate may be signed on behalf of the Company by any Person who, at the actual date of the execution of such Right Certificate, shall be a proper officer of the Company to sign such Right Certificate, although at the date of the execution of this Agreement any such Person was not such an officer.

(b) Following the Distribution Date and receipt by the Rights Agent of notice to that effect and all other relevant information and documents referred to in Section 3(a), the Rights Agent will keep or cause to be kept, at an office or agency designated for such purpose, books for registration and transfer of the Right Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Right Certificates, the number of Rights evidenced on its face by each of the Right Certificates and the date of each of the Right Certificates.

Section 6. Transfer, Split Up, Combination and Exchange of Right Certificates; Mutilated, Destroyed, Lost or Stolen Right Certificates.

(a) Subject to the provisions of this Agreement, at any time after the Close of Business on the Distribution Date and at or prior to the Close of Business on the Expiration Date, any Right Certificate or Right Certificates (other than Right Certificates representing Rights that have become null and void) may be transferred, split up, combined or exchanged for another Right Certificate or Right Certificates, entitling the registered holder to purchase a like number of one one-thousandths of a Preferred Share (or such shares of the Principal Party, if any, as shall be issuable in lieu of such one-hundredths of a Preferred Share pursuant to Section 13(a) hereof) as the Right Certificate or Right Certificates surrendered then entitled such holder to purchase. Any registered holder desiring to transfer any Right Certificate shall surrender the Right Certificate at the office of the Rights Agent designated for such purpose with the form of assignment on the reverse side thereof duly endorsed (or enclose with such Right Certificate a written instrument of transfer in a form satisfactory to the Company and the Rights Agent, duly executed by the registered holder thereof or the registered holder's attorney duly authorized in writing), and with all signatures duly guaranteed. Any registered holder desiring to, split up, combine or exchange any Right Certificate or Right Certificates shall make such request in writing delivered to the Rights Agent, and shall surrender the Right Certificate or Right Certificates to be transferred, split up, combined or exchanged at the office or agency of the Rights Agent designated for such purpose. Neither the Rights Agent nor the Company shall be obligated to take any action whatsoever with respect to the transfer of any such surrendered Right Certificate or Right Certificates until the registered holder thereof shall have (i) properly completed and duly signed the certificate contained in the form of assignment set forth on the reverse side of each such Right Certificate and (ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) as the Company or the Rights Agent shall reasonably request. Thereupon the Rights Agent shall countersign (by manual or facsimile signature) and deliver to the Person entitled thereto a Right Certificate or Right Certificates, as the case may be, as so requested, registered in such name or names as may be designated by the surrendering registered holder. The Company may require payment from the holder of a sum sufficient to cover any tax or charge that may be imposed in connection with any transfer, split up, combination or exchange of Right Certificates. The Rights Agent shall have no

duty or obligation to take any action under any section of this Agreement that requires the payment of taxes and/or charges unless and until the Rights Agent is satisfied that all such taxes and/or charges have been paid.

(b) Subject to the provisions of this Agreement, at any time after the Distribution Date and prior to the Expiration Date, upon receipt by the Company and the Rights Agent of evidence satisfactory to them of the loss, theft, destruction or mutilation of a Right Certificate, and, in case of loss, theft or destruction, of indemnity or security satisfactory to them, and, at the Company's request, reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Right Certificate if mutilated, the Company will make, execute and deliver a new Right Certificate of like tenor to the Rights Agent for countersignature and delivery to the registered holder in lieu of the Right Certificate so lost, stolen, destroyed or mutilated. Without limiting the foregoing, the Company may require the owner of any lost, stolen or destroyed Right Certificate, or his legal representative, to give the Company a bond sufficient to indemnify the Company and the Rights Agent against any claim that may be made against it on account of the alleged loss, theft or destruction of any such Right Certificate or the issuance of any such new Right Certificate.

Section 7. Exercise of Rights, Purchase Price; Expiration Date of Rights.

(a) Except as otherwise provided herein, the Rights shall become exercisable on the Distribution Date, and thereafter the registered holder of any Right Certificate may, subject to Section 11(a)(ii) hereof and except as otherwise provided herein, exercise the Rights evidenced thereby in whole or in part upon surrender of the Right Certificate, with the form of election to purchase on the reverse side thereof properly completed and duly executed (with such signature duly guaranteed), to the Rights Agent at the office or agency of the Rights Agent designated for such purpose, together with payment of the aggregate Purchase Price with respect to the total number of one one-thousandths of a Preferred Share (or other securities, cash or other assets, as the case may be) as to which the Rights are exercised, and an amount equal to any tax or charge required to be paid under Section 9(e) hereof, at any time which is both after the Distribution Date and prior to the time (the "Expiration Date") that is the earliest of (i) the Close of Business on , 2024 (the "Final Expiration Date"), (ii) the time at which the Rights are redeemed as provided in Section 23 hereof (the "Redemption Date"), (iii) the closing of any merger or other acquisition transaction involving the Company pursuant to an agreement of the type described in Sections 1(c)(ii)(A)(z) and 13 of this Agreement at which time the Rights are terminated or (iv) the time at which such Rights are exchanged as provided in Section 24 hereof.

(b) The Purchase Price shall be initially $225.00 for each one one-thousandth of a Preferred Share purchasable upon the exercise of a Right. The Purchase Price and the number of one one-thousandths of a Preferred Share or other securities or property to be acquired upon exercise of a Right shall be subject to adjustment from time to time as provided in Sections 11 and 13 hereof and shall be payable in lawful money of the United States of America in accordance with paragraph (c) of this Section 7.

(c) Except as otherwise provided herein, upon receipt of a Right Certificate representing exercisable Rights, with the form of election to purchase properly completed and duly executed, accompanied by payment of the aggregate Purchase Price for the Preferred Shares

to be purchased and an amount equal to any applicable tax or charge required to be paid by the holder of such Right Certificate in accordance with Section 9 hereof, in cash or by certified check, cashier's check or money order payable to the order of the Company, the Rights Agent shall thereupon promptly (i) (A) requisition from the Company or any transfer agent of the Preferred Shares, or make available if the Rights Agent is the transfer agent for the Preferred Shares, certificates for the number of Preferred Shares to be purchased (or by Book Entry in respect of such shares), and the Company will comply and hereby irrevocably authorizes and directs its transfer agent to comply with all such requests, or (B) if the Company, in its sole discretion, shall have elected to deposit the Preferred Shares into a depositary, requisition from the depositary agent appointed by the Company depositary receipts representing interests in such number of one one-thousandths of a Preferred Share as are to be purchased (in which case certificates for the Preferred Shares represented by such receipts shall be deposited by the transfer agent with the depositary agent), and the Company will direct any such depositary agent to comply with such request, (ii) when necessary to comply with this Agreement, requisition from the Company the amount of cash to be paid in lieu of issuance of fractional shares in accordance with Section 14 hereof, (iii) after receipt of such certificates or depositary receipts, as the case may be, cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder and (iv) when necessary to comply with this Agreement, after receipt, promptly deliver such cash to or upon the order of the registered holder of such Right Certificate.

(d) Except as otherwise provided herein, in case the registered holder of any Right Certificate shall exercise less than all of the Rights evidenced thereby, a new Right Certificate evidencing Rights equivalent to the exercisable Rights remaining unexercised shall be issued by the Rights Agent to the registered holder of such Right Certificate or to his duly authorized assigns, subject to the provisions of Section 14 hereof.

(e) Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Company shall be obligated to undertake any action with respect to a registered holder of Rights or other securities upon the occurrence of any purported transfer or exercise of such Rights or other securities pursuant to Section 6 hereof or this Section 7 unless such registered holder shall have (i) properly completed and signed the certificate contained in the form of assignment or form of election to purchase set forth on the reverse side of the Rights Certificate surrendered for such transfer or exercise and (ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) thereof as the Company or the Rights Agent shall reasonably request.

Section 8. Cancellation and Destruction of Right Certificates. All Right Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, if surrendered to the Company or to any of its agents, be delivered to the Rights Agent for cancellation or in canceled form, or, if surrendered to the Rights Agent, shall be canceled by it, and no Right Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Right Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all canceled Right Certificates to the Company, or shall, at the

written request of the Company, destroy such canceled Right Certificates, and in such case shall deliver a certificate of destruction thereof to the Company.

Section 9. Availability of Preferred Shares.

(a) The Company covenants and agrees that it will cause to be reserved and kept available out of its authorized and unissued Preferred Shares or any Preferred Shares held in its treasury, the number of Preferred Shares that will be sufficient to permit the exercise in full of all outstanding Rights.

(b) So long as the Preferred Shares issuable upon the exercise of Rights may be listed or admitted to trading on any national securities exchange, the Company shall use its best efforts to cause, from and after such time as the Rights become exercisable, all shares reserved for such issuance to be listed or admitted to trading on such exchange, upon official notice of issuance upon such exercise.

(c) From and after such time as the Rights become exercisable, the Company shall use its best efforts, if then necessary to permit the issuance of Preferred Shares upon the exercise of Rights, to register and qualify such Preferred Shares under the Securities Act and any applicable state securities or "Blue Sky" laws (to the extent exemptions therefrom are not available), cause such registration statement and qualifications to become effective as soon as possible after such filing and keep such registration and qualifications effective (with a prospectus at all times meeting the requirements of the Securities Act) until the earlier of the date as of which the Rights are no longer exercisable for such securities and the Expiration Date. The Company may temporarily suspend, for a period of time not to exceed 90 days, the exercisability of the Rights in order to prepare and file a registration statement under the Securities Act and permit it to become effective. Upon any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. The Company shall notify the Rights Agent in writing whenever it makes a public announcement pursuant to this Section 9(c) and give the Rights Agent a copy of such announcement. Notwithstanding any provision of this Agreement to the contrary, the Rights shall not be exercisable in any jurisdiction unless the requisite qualification in such jurisdiction shall have been obtained and until a registration statement under the Securities Act shall have been declared effective, unless an exemption therefrom is available.

(d) The Company covenants and agrees that it will take all such action as may be necessary to ensure that all Preferred Shares delivered upon exercise of Rights shall, at the time of entry of such Preferred Shares on the register of members of the Company (subject to payment of the Purchase Price), be duly and validly authorized and issued and fully paid and nonassessable shares.

(e) The Company further covenants and agrees that it will pay when due and payable any and all taxes and charges which may be payable in respect of the issuance or delivery of the Right Certificates or of any Preferred Shares upon the exercise of Rights. The Company shall not, however, be required to pay any tax or charge which may be payable in respect of any transfer or delivery of Right Certificates to a Person other than, or the issuance or delivery of

certificates or depositary receipts for the Preferred Shares in a name other than that of, the registered holder of the Right Certificate evidencing Rights surrendered for exercise or to issue or deliver any certificates or depositary receipts for Preferred Shares upon the exercise of any Rights until any such tax or charge shall have been paid (any such tax or charge being payable by that holder of such Right Certificate at the time of surrender) or until it has been established to the Company's and the Rights Agent's satisfaction that no such tax or charge is due.

Section 10. Preferred Share Record Date. Each Person in whose name any certificate or Book Entry for Preferred Shares (or other securities as permitted by this Agreement) is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the Preferred Shares or other such securities represented thereby on, and such certificate or Book Entry shall be dated, the date upon which the Right Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and any applicable taxes or charges) was made; provided, however, that if the date of such surrender and payment is a date upon which the Preferred Shares transfer books of the Company are closed, such Person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the Preferred Shares transfer books of the Company are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Right Certificate shall not be entitled to any rights of a holder of Preferred Shares for which the Rights shall be exercisable, including, without limitation, the right to vote or to receive dividends or other distributions, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

Section 11. Adjustment of Purchase Price, Number and Kind of Shares and Number of Rights. The Purchase Price, the number of Preferred Shares or other securities or property purchasable upon exercise of each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a)

(i) In the event the Company shall at any time after the date of this Agreement (A) declare and pay a dividend on the Preferred Shares payable in Preferred Shares, (B) subdivide the outstanding Preferred Shares, (C) combine the outstanding Preferred Shares into a smaller number of Preferred Shares or (D) issue any shares of its share capital in a reclassification of the Preferred Shares (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), except as otherwise provided in this Section 11(a), the number and kind of share capital issuable upon exercise of a Right as of the record date for such dividend or the effective date of such subdivision, combination or reclassification shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive the aggregate number and kind of share capital which, if such Right had been exercised immediately prior to such date and at a time when the register of members of Preferred Shares of the Company were open, the holder would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification.

(ii) Subject to Section 24 of this Agreement, in the event any Person becomes an Acquiring Person (the first occurrence of such event being referred to hereinafter as the "Flip-

In Event"), then (A) the Purchase Price shall be adjusted to be the Purchase Price in effect immediately prior to the Flip-In Event multiplied by the number of one one-thousandths of a Preferred Share for which a Right was exercisable immediately prior to such Flip-In Event, whether or not such Right was then exercisable, and (B) each holder of a Right, except as otherwise provided in this Section 11(a)(ii) and Section 11(a)(iii) hereof, shall thereafter have the right to receive, upon exercise thereof at a price equal to the Purchase Price (as so adjusted), in accordance with the terms of this Agreement and in lieu of Preferred Shares, such number of Ordinary Shares as shall equal the result obtained by dividing the Purchase Price (as so adjusted) by 50% of the current per share market price of the Ordinary Shares (determined pursuant to Section 11(d) hereof) on the date of such Flip-In Event; provided, however, that the Purchase Price (as so adjusted) and the number of Ordinary Shares so receivable upon exercise of a Right shall, following the Flip-In Event, be subject to further adjustment as appropriate in accordance with Section 11(f) hereof. Notwithstanding anything in this Agreement to the contrary, however, from and after the Flip-In Event, any Rights that are beneficially owned by (x) any Acquiring Person (or any Affiliate or Associate of any Acquiring Person), (y) a transferee of any Acquiring Person (or any such Affiliate or Associate) who becomes a transferee after the Flip-In Event or (z) a transferee of any Acquiring Person (or any such Affiliate or Associate) who became a transferee prior to or concurrently with the Flip-In Event pursuant to either (I) a transfer from the Acquiring Person to holders of its equity securities or to any Person with whom it has any continuing agreement, arrangement or understanding regarding the transferred Rights or (II) a transfer which the Board of Directors has determined is part of a plan, arrangement or understanding which has the purpose or effect of avoiding the provisions of this paragraph, and subsequent transferees of such Persons, shall be void without any further action and any holder of such Rights shall thereafter have no rights whatsoever with respect to such Rights under any provision of this Agreement. The Company shall use all reasonable efforts to ensure that the provisions of this Section 11(a)(ii) are complied with, but shall have no liability to any holder of Right Certificates or other Person as a result of its failure to make any determinations with respect to an Acquiring Person or its Affiliates, Associates or transferees hereunder. From and after the Flip-In Event, no Right Certificate shall be issued pursuant to Section 3 or Section 6 hereof that represents Rights that are or have become void pursuant to the provisions of this paragraph, and any Right Certificate delivered to the Rights Agent that represents Rights that are or have become void pursuant to the provisions of this paragraph shall, upon receipt of written notice directing it to do so, be canceled by the Rights Agent. From and after the occurrence of an event specified in Section 13(a) hereof, any Rights that theretofore have not been exercised pursuant to this Section 11(a)(ii) shall thereafter be exercisable only in accordance with Section 13 and not pursuant to this Section 11(a)(ii).

(iii) The Company may at its option substitute for an Ordinary Share issuable upon the exercise of Rights in accordance with the foregoing subparagraph (ii) a number of Preferred Shares or fraction thereof such that the current per share market price of one Preferred Share multiplied by such number or fraction is equal to the current per share market price of one Ordinary Share. In the event that there shall not be sufficient Ordinary Shares issued but not outstanding or authorized but unissued to permit the exercise in full of the Rights in accordance with the foregoing subparagraph (ii), the Board of Directors shall, with respect to such deficiency, to the extent permitted by applicable law and any material agreements then in effect to which the Company is a party, (A) determine the excess (such excess, the "Spread") of (1) the value of the Ordinary Shares issuable upon the exercise of a Right in accordance with the

foregoing subparagraph (ii) (the "Current Value") over (2) the Purchase Price (as adjusted in accordance with the foregoing subparagraph (ii)), and (B) with respect to each Right (other than Rights which have become void pursuant to the foregoing subparagraph (ii)), make adequate provision to substitute for the Ordinary Shares issuable in accordance with the foregoing subparagraph (ii) upon exercise of the Right and payment of the Purchase Price (as adjusted in accordance therewith), (1) cash, (2) a reduction in such Purchase Price, (3) Preferred Shares or other equity securities of the Company (including, without limitation, shares or fractions of Preferred Shares which, by virtue of having dividend, voting and liquidation rights substantially comparable to those of the Ordinary Shares, are deemed in good faith by the Board of Directors to have substantially the same value as the Ordinary Shares (such Preferred Shares and shares or fractions of Preferred Shares are hereinafter referred to as "Ordinary Share Equivalents")), (4) debt securities of the Company, (5) other assets, or (6) any combination of the foregoing, having a value which, when added to the value of the Ordinary Shares issued upon exercise of such Right, shall have an aggregate value equal to the Current Value (less the amount of any reduction in such Purchase Price), where such aggregate value has been determined by the Board of Directors upon the advice of a nationally recognized investment banking firm selected in good faith by the Board of Directors; provided, however, that if the Company shall not make adequate provision to deliver value pursuant to clause (B) above within thirty (30) days following the Flip-In Event (the date of the Flip-In Event being the "Section 11(a)(ii) Trigger Date"), then the Company shall be obligated to deliver, to the extent permitted by applicable law and any material agreements then in effect to which the Company is a party, upon the surrender for exercise of a Right and without requiring payment of such Purchase Price, Ordinary Shares (to the extent available), and then, if necessary, such number or fractions of Preferred Shares (to the extent available) and then, if necessary, cash, which shares and/or cash have an aggregate value equal to the Spread. If, upon the occurrence of the Flip-In Event, the Board of Directors shall determine in good faith that it is likely that sufficient additional Ordinary Shares could be authorized for issuance upon exercise in full of the Rights, then, if the Board of Directors so elects, the thirty (30) day period set forth above may be extended to the extent necessary, but not more than ninety (90) days after the Section 11(a)(ii) Trigger Date, in order that the Company may seek shareholder approval for the authorization of such additional shares (such thirty (30) day period, as it may be extended, is herein called the "Substitution Period"). To the extent that the Company determines that some action need be taken pursuant to the second and/or third sentence of this Section 11(a)(iii), the Company (x) shall provide, subject to Section 11(a)(ii) hereof and the last sentence of this Section 11(a)(iii) hereof, that such action shall apply uniformly to all outstanding Rights and (y) may suspend the exercisability of the Rights until the expiration of the Substitution Period in order to seek any authorization of additional shares and/or to decide the appropriate form of distribution to be made pursuant to such second sentence and to determine the value thereof. In the event of any such suspension, the Company shall issue a public announcement (with prompt written notice thereof to the Rights Agent) stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. For purposes of this Section 11(a)(iii), the per share value of the Ordinary Shares shall be the current per share market price (as determined pursuant to Section 11(d)(i)) on the Section 11(a)(ii) Trigger Date and the per share or fractional value of any "Ordinary Share Equivalent" shall be deemed to equal the current per share market price of the Ordinary Shares. The Board of Directors of the Company may, but shall not be

required to, establish procedures to allocate the right to receive Ordinary Shares upon the exercise of the Rights among the holders of Rights pursuant to this Section 11(a)(iii).

(b) In case the Company shall fix a record date for the issuance of rights (other than the Rights), options or warrants to all holders of Preferred Shares entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Preferred Shares (or shares having the same rights, privileges and preferences as the Preferred Shares ("Equivalent Preferred Shares")) or securities convertible into Preferred Shares or Equivalent Preferred Shares at a price per Preferred Share or Equivalent Preferred Shares (or having a conversion price per share, if a security convertible into Preferred Shares or Equivalent Preferred Shares) less than the then current per share market price of the Preferred Shares (determined pursuant to Section 11(d) hereof) on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of Preferred Shares and Equivalent Preferred Shares outstanding on such record date plus the number of Preferred Shares and Equivalent Preferred Shares which the aggregate offering price of the total number of Preferred Shares and/or Equivalent Preferred Shares so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such current market price, and the denominator of which shall be the number of Preferred Shares and Equivalent Preferred Shares outstanding on such record date plus the number of additional Preferred Shares and/or Equivalent Preferred Shares to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible); provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the share capital of the Company issuable upon exercise of one Right. In case such subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent. Preferred Shares and Equivalent Preferred Shares owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed; and in the event that such rights, options or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In case the Company shall fix a record date for the making of a distribution to all holders of the Preferred Shares (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing or surviving corporation) of evidences of indebtedness or assets (other than a regular quarterly cash dividend or a dividend payable in Preferred Shares) or subscription rights or warrants (excluding those referred to in Section 11(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the then current per share market price of the Preferred Shares (determined pursuant to Section 11(d) hereof) on such record date, less the fair market value (as determined in good faith by the Board of Directors of the Company whose determination shall be described in a statement filed with the Rights Agent) of the portion of the assets or evidences of indebtedness so to be distributed or of such subscription rights or warrants applicable to one Preferred Share, and the denominator of which shall be such current per share

market price (determined pursuant to Section 11(d) hereof) of the Preferred Shares; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the share capital of the Company to be issued upon exercise of one Right. Such adjustments shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(d)

(i) Except as otherwise provided herein, for the purpose of any computation hereunder, the "current per share market price" of any security (a "Security" for the purpose of this Section 11(d)(i)) on any date shall be deemed to be the average of the daily closing prices per share of such Security for the 30 consecutive Trading Days (as such term is hereinafter defined) immediately prior to but not including such date; provided, however, that in the event that the current per share market price of the Security is determined during a period following the announcement by the issuer of such Security of (A) a dividend or distribution on such Security payable in shares of such Security or securities convertible into such shares, or (B) any subdivision, combination or reclassification of such Security, and prior to the expiration of 30 Trading Days after the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the current per share market price shall be appropriately adjusted to reflect the current market price per share equivalent of such Security. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported by the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or NASDAQ or, if the Security is not listed or admitted to trading on the New York Stock Exchange or NASDAQ, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Security is listed or admitted to trading or, if the Security is not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high and low asked prices in the over-the-counter market, as reported by any system then in use, or, if not quoted, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Security selected by the Board of Directors of the Company. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the Security is listed or admitted to trading is open for the transaction of business or, if the Security is not listed or admitted to trading on any national securities exchange, a Business Day.

(ii) For the purpose of any computation hereunder, if the Preferred Shares are publicly traded, the "current per share market price" of the Preferred Shares shall be determined in accordance with the method set forth in Section 11(d)(i). If the Preferred Shares are not publicly traded but the Ordinary Shares are publicly traded, the "current per share market price" of the Preferred Shares shall be conclusively deemed to be the current per share market price of the Ordinary Shares as determined pursuant to Section 11(d)(i) multiplied by the then applicable Adjustment Number (as defined in and determined in accordance with the terms of the Preferred Shares). If neither the Ordinary Shares nor the Preferred Shares are publicly traded, "current per share market price" shall mean the fair value per share as determined in good faith by the Board

of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes.

(e) No adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Purchase Price; provided, however, that any adjustments which by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest one hundred-thousandth of a Preferred Share or one-hundredth of an Ordinary Share or other share or security as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three years from the date of the transaction which requires such adjustment or (ii) the Expiration Date.

(f) If as a result of an adjustment made pursuant to Section 11(a) hereof, the holder of any Right thereafter exercised shall become entitled to receive any share capital of the Company other than the Preferred Shares, thereafter the Purchase Price and the number of such other shares so receivable upon exercise of a Right shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preferred Shares contained in Sections 11(a), 11(b), 11(c), 11(e), 11(h), 11(i) and 11(m) hereof, as applicable, and the provisions of Sections 7, 9, 10, 13 and 14 hereof with respect to the Preferred Shares shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the number of one one-thousandths of a Preferred Share purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided in Section 11(i), upon each adjustment of the Purchase Price as a result of the calculations made in Sections 11(b) and 11(c), each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of one one-thousandths of a Preferred Share (calculated to the nearest one hundred-thousandth of a Preferred Share) obtained by (i) multiplying (x) the number of one one-thousandths of a share purchasable upon the exercise of a Right immediately prior to such adjustment by (y) the Purchase Price in effect immediately prior to such adjustment and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment.

(i) The Company may elect on or after the date of any adjustment of the Purchase Price pursuant to Sections 11(b) or 11(c) hereof to adjust the number of Rights, in substitution for any adjustment in the number of one one-thousandths of a Preferred Share purchasable upon the exercise of a Right. Each of the Rights outstanding after such adjustment of the number of Rights shall be exercisable for the number of one one-thousandths of a Preferred Share for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest one-hundredth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company shall make a public announcement (with prompt written

notice thereof to the Rights Agent) of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. Such record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Right Certificates have been issued, shall be at least 10 days later than the date of the public announcement. If Right Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company may, as promptly as practicable, cause to be distributed to holders of record of Right Certificates on such record date Right Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Right Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Right Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Right Certificates so to be distributed shall be issued, executed and delivered by the Company, and countersigned and delivered by the Rights Agent, in the manner provided for herein and shall be registered in the names of the holders of record of Right Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or the number of one one-thousandths of a Preferred Share issuable upon the exercise of a Right, the Right Certificates theretofore and thereafter issued may continue to express the Purchase Price and the number of one one-thousandths of a Preferred Share which were expressed in the initial Right Certificates issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below the then par value, if any, of the fraction of Preferred Shares or other share capital issuable upon exercise of a Right, the Company shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable Preferred Shares or other such shares at such adjusted Purchase Price.

(l) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer (with prompt written notice thereof to the Rights Agent) until the occurrence of such event issuing to the holder of any Right exercised after such record date the Preferred Shares and other share capital or securities of the Company, if any, issuable upon such exercise over and above the Preferred Shares and other share capital or securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares upon the occurrence of the event requiring such adjustment.

(m) Anything in this Section 11 to the contrary notwithstanding, the Company shall be entitled to make such adjustments in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that it in its sole discretion shall determine to be advisable in order that any consolidation or subdivision of the Preferred Shares, issuance wholly for cash of any Preferred Shares at less than the current market price, issuance wholly for cash of Preferred Shares or securities which by their terms are convertible into or

exchangeable for Preferred Shares, dividends on Preferred Shares payable in Preferred Shares or issuance of rights, options or warrants referred to hereinabove in Section 11(b), hereafter made by the Company to holders of its Preferred Shares shall not be taxable to such shareholders.

(n) Anything in this Agreement to the contrary notwithstanding, in the event that at any time after the date of this Agreement and prior to the Distribution Date, the Company shall (i) declare and pay any dividend on the Ordinary Shares payable in Ordinary Shares or (ii) effect a subdivision, combination or consolidation of the Ordinary Shares (by reclassification or otherwise than by payment of a dividend payable in Ordinary Shares) into a greater or lesser number of Ordinary Shares, then, in each such case, the number of Rights associated with each Ordinary Share then outstanding, or issued or delivered thereafter, shall be proportionately adjusted so that the number of Rights thereafter associated with each Ordinary Share following any such event shall equal the result obtained by multiplying the number of Rights associated with each Ordinary Share immediately prior to such event by a fraction the numerator of which shall be the total number of Ordinary Shares outstanding immediately prior to the occurrence of the event and the denominator of which shall be the total number of Ordinary Shares outstanding immediately following the occurrence of such event.

(o) The Company agrees that, after the earlier of the Distribution Date or the Share Acquisition Date, it will not, except as permitted by Sections 23, 24 or 27 hereof, take (or permit any Subsidiary to take) any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or eliminate the benefits intended to be afforded by the Rights.

Section 12. Certificate of Adjusted Purchase Price or Number of Shares. Whenever an adjustment is made or any event affecting the Rights or their exercisability (including, without limitation, an event which causes Rights to become null and void) occurs as provided in Section 11 or 13 hereof, the Company shall promptly (a) prepare a certificate setting forth such adjustment or describing such event, and a brief, reasonably detailed statement of the facts, methodology and computations accounting for such adjustment, (b) file with the Rights Agent and with each transfer agent for the Ordinary Shares and the Preferred Shares a copy of such certificate and (c) mail a brief summary thereof to each holder of a Right Certificate in accordance with Section 25 hereof (if so required under Section 25 hereof). The Rights Agent shall be fully protected in relying on any such certificate and on any adjustment or statement therein contained and shall have no duty or liability with respect to, and shall not be deemed to have knowledge of any such adjustment or event unless and until it shall have received such certificate.

Section 13. Consolidation, Merger or Sale or Transfer of Assets or Earning Power.

(a) In the event, directly or indirectly, at any time after the Flip-In Event (i) the Company shall consolidate with or shall merge into any other Person, (ii) any Person shall merge with and into the Company and the Company shall be the continuing or surviving corporation of such merger and, in connection with such merger, all or part of the Ordinary Shares shall be changed into or exchanged for shares or other securities of any other Person (or of the Company) or cash or any other property, or (iii) the Company shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer), in one or more transactions, assets or

earning power aggregating 50% or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person (other than the Company or one or more wholly-owned Subsidiaries of the Company), then upon the first occurrence of such event, proper provision shall be made so that: (A) each holder of a Right (other than Rights which have become void pursuant to Section 11(a)(ii) hereof) shall thereafter have the right to receive, upon the exercise thereof at the Purchase Price (as theretofore adjusted in accordance with Section 11(a)(ii) hereof), in accordance with the terms of this Agreement and in lieu of Preferred Shares or Ordinary Shares of the Company, such number of validly authorized and issued, fully paid, non-assessable and freely tradable Ordinary Shares of the Principal Party (as such term is hereinafter defined), not subject to any liens, encumbrances, rights of first refusal or other adverse claims, as shall equal the result obtained by dividing the Purchase Price (as theretofore adjusted in accordance with Section 11(a)(ii) hereof) by 50% of the current per share market price of the Ordinary Shares of such Principal Party (determined pursuant to Section 11(d) hereof) on the date of consummation of such consolidation, merger, sale or transfer; provided, however, that the Purchase Price (as theretofore adjusted in accordance with Section 11(a)(ii) hereof) and the number of Ordinary Shares of such Principal Party so receivable upon exercise of a Right shall be subject to further adjustment as appropriate in accordance with Section 11(f) hereof to reflect any events occurring in respect of the Ordinary Shares of such Principal Party after the occurrence of such consolidation, merger, sale or transfer; (B) such Principal Party shall thereafter be liable for, and shall assume, by virtue of such consolidation, merger, sale or transfer, all the obligations and duties of the Company pursuant to this Agreement; (C) the term "Company" shall thereafter be deemed to refer to such Principal Party; and (D) such Principal Party shall take such steps (including, but not limited to, the reservation of a sufficient number of its Ordinary Shares in accordance with Section 9 hereof) in connection with such consummation of any such transaction as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to the shares of its Ordinary Shares thereafter deliverable upon the exercise of the Rights; provided that, upon the subsequent occurrence of any consolidation, merger, sale or transfer of assets or other extraordinary transaction in respect of such Principal Party, each holder of a Right shall thereupon be entitled to receive, upon exercise of a Right and payment of the Purchase Price as provided in this Section 13(a), such cash, shares, rights, warrants and other property which such holder would have been entitled to receive had such holder, at the time of such transaction, owned the Ordinary Shares of the Principal Party receivable upon the exercise of a Right pursuant to this Section 13(a), and such Principal Party shall take such steps (including, but not limited to, reservation of shares) as may be necessary to permit the subsequent exercise of the Rights in accordance with the terms hereof for such cash, shares, rights, warrants and other property.

(b) "Principal Party" shall mean:

(i) in the case of any transaction described in (i) or (ii) of the first sentence of Section 13(a) hereof: (A) the Person that is the issuer of the securities into which the Ordinary Shares are converted in such merger or consolidation, or, if there is more than one such issuer, the issuer the Ordinary Shares of which have the greatest aggregate market value of shares outstanding, or (B) if no securities are so issued, (x) the Person that is the other party to the merger, if such Person survives said merger, or, if there is more than one such Person, the Person the Ordinary Shares of which have the greatest aggregate market value of shares outstanding or (y) if the Person that is the other party to the merger does not survive the merger, the Person that

does survive the merger (including the Company if it survives) or (z) the Person resulting from the consolidation; and

(ii) in the case of any transaction described in (iii) of the first sentence of Section 13(a) hereof, the Person that is the party receiving the greatest portion of the assets or earning power transferred pursuant to such transaction or transactions, or, if each Person that is a party to such transaction or transactions receives the same portion of the assets or earning power so transferred or if the Person receiving the greatest portion of the assets or earning power cannot be determined, whichever of such Persons is the issuer of Ordinary Shares having the greatest aggregate market value of shares outstanding; provided, however, that in any such case described in the foregoing clause (b)(i) or (b)(ii), if the Ordinary Shares of such Person is not at such time or has not been continuously over the preceding 12-month period registered under Section 12 of the Exchange Act, then (1) if such Person is a direct or indirect Subsidiary of another Person the Ordinary Shares of which is and has been so registered, the term "Principal Party" shall refer to such other Person, or (2) if such Person is a Subsidiary, directly or indirectly, of more than one Person, the Ordinary Shares of all of which is and has been so registered, the term "Principal Party" shall refer to whichever of such Persons is the issuer of Ordinary Shares having the greatest aggregate market value of shares outstanding, or (3) if such Person is owned, directly or indirectly, by a joint venture formed by two or more Persons that are not owned, directly or indirectly, by the same Person, the rules set forth in clauses (1) and (2) above shall apply to each of the owners having an interest in the venture as if the Person owned by the joint venture was a Subsidiary of both or all of such joint venturers, and the Principal Party in each such case shall bear the obligations set forth in this Section 13 in the same ratio as its interest in such Person bears to the total of such interests.

(c) The Company shall not consummate any consolidation, merger, share exchange, sale or transfer referred to in Section 13(a) hereof unless prior thereto the Company and the Principal Party involved therein shall have executed and delivered to the Rights Agent an agreement confirming that the requirements of Sections 13(a) and (b) hereof shall promptly be performed in accordance with their terms and that such consolidation, merger, share exchange, sale or transfer of assets shall not result in a default by the Principal Party under this Agreement as the same shall have been assumed by the Principal Party pursuant to Sections 13(a) and (b) hereof and providing that, as soon as practicable after executing such agreement pursuant to this Section 13, the Principal Party will:

(i) prepare and file a registration statement under the Securities Act, if necessary, with respect to the Rights and the securities purchasable upon exercise of the Rights on an appropriate form, use its best efforts to cause such registration statement to become effective as soon as practicable after such filing and use its best efforts to cause such registration statement to remain effective (with a prospectus at all times meeting the requirements of the Securities Act) until the Expiration Date and similarly comply with applicable state securities laws;

(ii) use its best efforts, if the Ordinary Shares of the Principal Party shall be listed or admitted to trading on the New York Stock Exchange, NASDAQ or on another national securities exchange, to list or admit to trading (or continue the listing of) the Rights and the securities purchasable upon exercise of the Rights on the New York Stock Exchange or such

securities exchange, or, if the Ordinary Shares of the Principal Party shall not be listed or admitted to trading on the New York Stock Exchange, NASDAQ or a national securities exchange, to cause the Rights and the securities receivable upon exercise of the Rights to be authorized for quotation on any other system then in use;

(iii) deliver to holders of the Rights historical financial statements for the Principal Party which comply in all respects with the requirements for registration on Form 10 (or any successor form) under the Exchange Act; and

(iv) obtain waivers of any rights of first refusal or preemptive rights in respect of the Ordinary Shares of the Principal Party subject to purchase upon exercise of outstanding Rights.

(d) In case the Principal Party has a provision in any of its authorized securities or in its certificate of incorporation or by-laws or other instrument governing its affairs, which provision would have the effect of (i) causing such Principal Party to issue (other than to holders of Rights pursuant to this Section 13), in connection with, or as a consequence of, the consummation of a transaction referred to in this Section 13, Ordinary Shares or Ordinary Share Equivalents of such Principal Party at less than the then current market price per share thereof (determined pursuant to Section 11(d) hereof) or securities exercisable for, or convertible into, Ordinary Shares or Ordinary Share Equivalents of such Principal Party at less than such then current market price, or (ii) providing for any special payment, tax or similar provision in connection with the issuance of the Ordinary Shares of such Principal Party pursuant to the provisions of Section 13, then, in such event, the Company hereby agrees with each holder of Rights that it shall not consummate any such transaction unless prior thereto the Company and such Principal Party shall have executed and delivered to the Rights Agent a supplemental agreement providing that the provision in question of such Principal Party shall have been canceled, waived or amended, or that the authorized securities shall be redeemed, so that the applicable provision will have no effect in connection with, or as a consequence of, the consummation of the proposed transaction.

(e) The Company covenants and agrees that it shall not, at any time after the Flip-In Event, enter into any transaction of the type described in clauses (i) through (iii) of Section 13(a) hereof if (i) at the time of or immediately after such consolidation, merger, sale, transfer or other transaction there are any rights, warrants or other instruments or securities outstanding or agreements in effect which would substantially diminish or otherwise eliminate the benefits intended to be afforded by the Rights, (ii) prior to, simultaneously with or immediately after such consolidation, merger, sale, transfer or other transaction, the shareholders of the Person who constitutes, or would constitute, the Principal Party for purposes of Section 13(b) hereof shall have received a distribution of Rights previously owned by such Person or any of its Affiliates or Associates or (iii) the form or nature of organization of the Principal Party would preclude or limit the exercisability of the Rights.

Section 14. Fractional Rights and Fractional Shares.

(a) The Company shall not be required to issue fractions of Rights (except prior to the Distribution Date in accordance with Section 11(n) hereof) or to distribute Right Certificates

which evidence fractional Rights. In lieu of such fractional Rights, there shall be paid to the registered holders of the Right Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For the purposes of this Section 14(a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price for any day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or NASDAQ or, if the Rights are not listed or admitted to trading on the New York Stock Exchange or NASDAQ, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading or, if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by any system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Company. If on any such date no such market maker is making a market in the Rights, the fair value of the Rights on such date as determined in good faith by the Board of Directors of the Company shall be used.

(b) The Company shall not be required to issue fractions of Preferred Shares (other than fractions which are integral multiples of one one-thousandth of a Preferred Share) or to distribute certificates which evidence fractional Preferred Shares (other than fractions which are integral multiples of one one-thousandth of a Preferred Share) upon the exercise or exchange of Rights. Interests in fractions of Preferred Shares in integral multiples of one one-thousandth of a Preferred Share may, at the election of the Company, be evidenced by depositary receipts, pursuant to an appropriate agreement between the Company and a depositary selected by it; provided, that such agreement shall provide that the holders of such depositary receipts shall have all the rights, privileges and preferences to which they are entitled as beneficial owners of the Preferred Shares represented by such depositary receipts. In lieu of fractional Preferred Shares that are not integral multiples of one one-thousandth of a Preferred Share, the Company shall pay to the registered holders of Right Certificates at the time such Rights are exercised or exchanged as herein provided an amount in cash equal to the same fraction of the current market value of a whole Preferred Share (as determined in accordance with Section 14(a) hereof) for the Trading Day immediately prior to the date of such exercise or exchange.

(c) The Company shall not be required to issue fractions of Ordinary Shares or to distribute certificates which evidence fractional Ordinary Shares upon the exercise or exchange of Rights. In lieu of such fractional Ordinary Shares, the Company shall pay to the registered holders of the Right Certificates with regard to which such fractional Ordinary Shares would otherwise be issuable an amount in cash equal to the same fraction of the current market value of a whole Ordinary Share. For purposes of this Section 14(c), the current market value of one Ordinary Share for which a Rights is exercisable shall be deemed to be the closing price of one Ordinary Share (as determined in accordance with Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of such exercise or exchange.

(d) The holder of a Right by the acceptance of the Right expressly waives his right to receive any fractional Rights or any fractional shares upon exercise or exchange of a Right (except as provided above).

(e) Whenever a payment for fractional Rights or fractional shares is to be made by the Rights Agent, the Company shall (i) promptly prepare and deliver to the Rights Agent a certificate setting forth in reasonable detail the facts related to such payments and the prices and/or formulas utilized in calculating such payments, and (ii) provide sufficient monies to the Rights Agent in the form of fully collected funds to make such payments. The Rights Agent shall be fully protected in relying upon such a certificate and shall have no duty with respect to, and shall not be deemed to have knowledge of any payment for fractional Rights or fractional shares under any Section of this Agreement relating to the payment of fractional Rights or fractional shares unless and until the Rights Agent shall have received such a certificate and sufficient monies.

Section 15. Rights of Action. All rights of action in respect of this Agreement, excepting the rights of action given to the Rights Agent hereunder, including but not limited to under Section 18 and 20 hereof, are vested in the respective registered holders of the Right Certificates (and, prior to the Distribution Date, the registered holders of the Ordinary Shares); and any registered holder of any Right Certificate (or, prior to the Distribution Date, of the Ordinary Shares), without the consent of the Rights Agent or of the holder of any other Right Certificate (or, prior to the Distribution Date, of the Ordinary Shares), on his own behalf and for his own benefit, may enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his right to exercise the Rights evidenced by such Right Certificate (or, prior to the Distribution Date, such Ordinary Shares) in the manner provided therein and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach by the Company of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations by the Company of, the obligations of any Person subject to this Agreement.

Section 16. Agreement of Right Holders. Every holder of a Right, by accepting the same, consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

(a) prior to the Distribution Date, the Rights will not be evidenced by a Rights Certificate and will be transferable only in connection with the transfer of the Ordinary Shares;

(b) after the Distribution Date, the Right Certificates are transferable only on the registry books of the Rights Agent if surrendered at the office or agency of the Rights Agent designated for such purpose, duly endorsed or accompanied by a proper instrument of transfer and with appropriate forms and certificates contained therein properly completed and duly executed; and

(c) the Company and the Rights Agent may deem and treat the Person in whose name the Right Certificate (or, prior to the Distribution Date, the Ordinary Shares certificate (or Book

Entry shares in respect of Ordinary Shares)) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Right Certificates or the Ordinary Shares certificate (or notices provided to holders of Book Entry Ordinary Shares) made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent, subject to Section 7(e) hereof, shall be affected by any notice to the contrary.

(d) notwithstanding anything in this Agreement to the contrary, to the fullest extent permitted by applicable law, neither the Company nor the Rights Agent, nor any of their directors, officers, employees and agents, shall have any liability to any holder of a Right or other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree, judgment or ruling (whether interlocutory or final) issued by a court of competent jurisdiction or by a governmental, regulatory, self-regulatory or administrative agency or commission, or by reason of any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation.

Section 17. Right Certificate Holder Not Deemed a Shareholder. No holder of a Right Certificate, as such, shall be entitled to vote, receive dividends or be deemed for any purpose the holder of the Preferred Shares or any other securities of the Company which may at any time be issuable on the exercise or exchange of the Rights represented thereby, nor shall anything contained herein or in any Right Certificate be construed to confer upon the holder of any Right Certificate, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in this Agreement), or to receive dividends or subscription rights, or otherwise, until the Rights evidenced by such Right Certificate shall have been exercised or exchanged in accordance with the provisions hereof.

Section 18. Concerning the Rights Agent.

(a) The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and expenses and other disbursements incurred in the preparation, delivery, amendment, administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability, damage, demand, judgment, fine, penalty, claim, settlement, cost or expense (including without limitation, the reasonable fees and expenses of legal counsel), incurred without gross negligence, bad faith or willful misconduct on the part of the Rights Agent (each as determined by a final judgment of a court of competent jurisdiction) for any action taken, suffered or omitted to be taken by the Rights Agent in connection with the acceptance, administration, exercise and performance of its duties under this Agreement, including but not limited to the costs and expenses of defending against any claim of liability arising therefrom, directly or indirectly, or enforcing its rights hereunder.

(b) The Rights Agent shall be authorized and protected and shall incur no liability for or in respect of any action taken, suffered or omitted to be taken by it in connection with, its

acceptance and administration of this Agreement and the exercise and performance of its duties hereunder in reliance upon any Right Certificate or certificate for the Preferred Shares or Ordinary Shares or for any other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, guaranteed, verified or acknowledged, by the proper Person or Persons, or otherwise upon the advice of counsel as set forth in Section 20 hereof. The Rights Agent shall not be deemed to have knowledge of any event of which it was supposed to receive notice thereof hereunder, but for which it has not received such notice, and the Rights Agent shall be fully protected and shall incur no liability for failing to take action in connection therewith unless and until it has received such notice in writing.

(c) The provisions of this Section 18 and Section 20 below shall survive the termination of this Agreement, the resignation, replacement or removal of the Rights Agent and the exercise, termination and the expiration of the Rights. To the extent successful in whole or in part, the costs and expenses incurred by the Rights Agent in enforcing its right of indemnification shall be paid by the Company. Notwithstanding anything in this Agreement to the contrary, in no event shall the Rights Agent be liable for special, punitive, incidental, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Rights Agent has been advised of the likelihood of such loss or damage and regardless of the form of the action; and the Company agrees to indemnify the Rights Agent and to hold it harmless to the fullest extent permitted by law against any loss, liability or expense incurred as a result of claims for special, punitive, incidental, indirect or consequential loss or damages of any kind whatsoever provided that such claims are not based on the gross negligence, bad faith or willful misconduct of the Rights Agent (each as determined by a final judgment of a court of competent jurisdiction). Any liability of the Rights Agent under this Agreement shall be limited to the amount of annual fees paid by the Company to the Rights Agent.

Section 19. Merger or Consolidation or Change of Name of Rights Agent.

(a) Any entity into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any entity resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any entity succeeding to the share transfer or corporate trust or shareowner services powers of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto; provided, that such entity would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

(b) In case at any time the name of the Rights Agent shall be changed and at such time any of the Right Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

Section 20. Duties of Rights Agent. The Rights Agent undertakes to perform only the duties and obligations expressly imposed by this Agreement (and no implied duties or obligations) upon the following terms and conditions, by all of which the Company and the holders of Right Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Rights Agent (including such legal counsel employed by the Rights Agent) or the Company), and the advice or opinion of such counsel shall be full and complete authorization and protection to the Rights Agent and the Rights Agent shall incur no liability for or in respect of any action taken, suffered or omitted to be taken by it in the absence of bad faith, gross negligence or willful misconduct (each as determined by a final judgment of a court of competent jurisdiction) and in accordance with such advice or opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter (including without limitation the identity of an Acquiring Person and the determination of any current market price) be proved or established by the Company prior to taking, suffering or omitting to take any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by the Chief Executive Officer and the Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization and protection to the Rights Agent, and the Rights Agent shall incur no liability for or in respect of any action taken, suffered or omitted to be taken by it, in the absence of bad faith, under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder to the Company and any other Person only for its own gross negligence, bad faith or willful misconduct (each as determined by a final judgment of a court of competent jurisdiction).

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Right Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not have any liability for nor be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Right Certificate (except its countersignature thereof); nor shall it be liable or responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any

Right Certificate; nor shall it be liable or responsible for any change in the exercisability of the Rights (including the Rights becoming null and void pursuant to Section 11(a)(ii) hereof) or any change or adjustment in the terms of the Rights, including an adjustment provided for in Sections 3, 11, 13, 23 and 24, or responsible for the manner, method or amount of any such adjustment, or the ascertaining of the existence of facts that would require any such change or adjustment (except with respect to the exercise of Rights evidenced by Right Certificates after receipt of a certificate furnished pursuant to Section 12, describing such change or adjustment, upon which the Rights Agent may conclusively rely); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any Preferred Shares or other securities to be issued pursuant to this Agreement or any Right Certificate or as to whether any Preferred Shares or other securities will, when issued, be validly authorized and issued, fully paid and nonassessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any person reasonably believed by the Rights Agent to be one of the Chief Executive Officer or the Secretary of the Company, and to apply to such officers for advice or instructions in connection with its duties, and such advice or instruction shall be full authorization and protection to the Rights Agent and the Rights Agent shall incur no liability for or in respect of any action taken or suffered or omitted to be taken by it by it, in the absence of bad faith, in accordance with advice or instructions of any such officer or for any delay in acting while waiting for those instructions. Any application by the Rights Agent for written instructions from the Company may, at the option of the Rights Agent, set forth in writing any action proposed to be taken or omitted by the Rights Agent under this Agreement and the date on and/or after which such action shall be taken or such omission shall be effective. The Rights Agent shall be fully authorized and protected in relying upon the most recent instructions received from any such officer, and shall not be liable for any action taken, suffered or omitted to be taken by the Rights Agent in accordance with a proposal included in any such application on or after the date specified in such application (which date shall not be less than five Business Days after the date any officer of the Company actually receives such application unless any such officer shall have consented in writing to an earlier date) unless, prior to taking any such action (or the effective date in the case of an omission), the Rights Agent shall have received written instructions in response to such application specifying the action to be taken, suffered or omitted.

(h) The Rights Agent and any shareholder, affiliate, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other Person.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself (through its directors, officers and employees) or by or through its attorneys or agents, and the Rights Agent shall not be liable, answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company, any holder of Rights or any other Person resulting from any such act, default, neglect or misconduct, absent gross negligence, bad faith or willful misconduct (each as determined by a final judgment of a court of competent jurisdiction) in the selection and continued employment thereof.

(j) If, with respect to any Rights Certificate surrendered to the Rights Agent for exercise or transfer, the certificate contained in the form of assignment or the form of election to purchase set forth on the reverse thereof, as the case may be, has not been completed to certify the holder is not an Acquiring Person (or an Affiliate or Associate thereof) or a transferee thereof, the Rights Agent shall not take any further action with respect to such requested exercise or transfer without first consulting with the Company.

(k) No provision of this Agreement shall require the Rights Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder (other than internal costs incurred by the Rights Agent in providing services to the Company in the ordinary course of its business as Rights Agent) or in the exercise of its rights if it believes that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to it.

Section 21. Change of Rights Agent. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon 30 days' notice in writing mailed to the Company and to each transfer agent of the Ordinary Shares or Preferred Shares by registered or certified mail, and, following the Distribution Date, to the holders of the Right Certificates by first-class mail. The Company may remove the Rights Agent or any successor Rights Agent upon 30 days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Ordinary Shares or Preferred Shares by registered or certified mail, and, following the Distribution Date, to the holders of the Right Certificates by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of 30 days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Right Certificate (who shall, with such notice, submit his Right Certificate for inspection by the Company), then the incumbent Rights Agent or registered holder of any Right Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be (a) a Person organized and doing business under the laws of the United States or the laws of any state of the United States or the District of Columbia, in good standing, which is authorized under such laws to exercise corporate trust or share transfer or shareowner services powers and is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least $50 million, or (b) an Affiliate of such a Person. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights

Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver, if applicable, any further assurance, conveyance, act or deed necessary for that purpose. Not later than the effective date of any such appointment the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Ordinary Shares or Preferred Shares, and, following the Distribution Date, mail a notice thereof in writing to the registered holders of the Right Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. Issuance of New Right Certificates. Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Right Certificates evidencing Rights in such forms as may be approved by its Board of Directors to reflect any adjustment or change in the Purchase Price and the number or kind or class of shares or other securities or property purchasable under the Right Certificates made in accordance with the provisions of this Agreement. In addition, in connection with the issuance or sale of Ordinary Shares following the Distribution Date and prior to the Expiration Date, the Company may with respect to Ordinary Shares so issued or sold (i) pursuant to the exercise of share options, (ii) under any employee plan or arrangement, (iii) upon the exercise, conversion or exchange of securities, notes or debentures issued by the Company or (iv) pursuant to a contractual obligation of the Company, in each case existing prior to the Distribution Date, issue Rights Certificates representing the appropriate number of Rights in connection with such issuance or sale.

Section 23. Redemption.

(a) The Board of Directors of the Company may, at any time prior to the Flip-In Event, redeem all but not less than all of the then outstanding Rights at a redemption price of $.01 per Right, appropriately adjusted to reflect any share split, share dividend or similar transaction occurring in respect of the Ordinary Shares after the date hereof (the redemption price being hereinafter referred to as the "Redemption Price"). The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish. The Redemption Price shall be payable, at the option of the Company, in cash, Ordinary Shares, or such other form of consideration as the Board of Directors shall determine.

(b) Immediately upon the action of the Board of Directors ordering the redemption of the Rights pursuant to paragraph (a) of this Section 23 (or at such later time as the Board of Directors may establish for the effectiveness of such redemption) (evidence of which shall have been filed with the Rights Agent), and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price for each Right so held. The Company shall promptly give public notice of any such redemption (with prompt written notice thereof to the Rights Agent); provided, however, that the failure to give, or any defect in, any such notice shall not affect the legality or validity of such redemption. Within 10 days after such action of the Board of Directors ordering the redemption of the Rights (or such later time as the Board of Directors

may establish for the effectiveness of such redemption), the Company shall mail a notice of redemption to all the holders of the then outstanding Rights at their last addresses as they appear upon the registry books of the Company or the Rights Agent or, prior to the Distribution Date, on the registry books of the Company or the transfer agent for the Ordinary Shares. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption shall state the method by which the payment of the Redemption Price will be made, unless such notice is mailed together with such payment.

Section 24. Exchange.

(a) The Board of Directors of the Company may, at its option, at any time after the Flip-In Event, exchange all or part of the then outstanding and exercisable Rights (which shall not include Rights that have become null and void pursuant to the provisions of Section 11(a)(ii) hereof) for Ordinary Shares at an exchange ratio of one Ordinary Share per Right, appropriately adjusted to reflect any share split, share dividend or similar transaction occurring in respect of the Ordinary Shares after the date hereof (such amount per Right being hereinafter referred to as the "Exchange Ratio"). Notwithstanding the foregoing, the Board of Directors shall not be empowered to effect such exchange at any time after an Acquiring Person shall have become the Beneficial Owner of Ordinary Shares aggregating 50% or more of the Ordinary Shares then outstanding. From and after the occurrence of an event specified in Section 13(a) hereof, any Rights that theretofore have not been exchanged pursuant to this Section 24(a) shall thereafter be exercisable only in accordance with Section 13 and may not be exchanged pursuant to this Section 24(a). The exchange of the Rights by the Board of Directors may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish.

(b) Immediately upon the effectiveness of the action of the Board of Directors of the Company ordering the exchange of any Rights pursuant to paragraph (a) of this Section 24 and without any further action and without any notice, the right to exercise such Rights shall terminate and the only right thereafter of a holder of such Rights shall be to receive that number of Ordinary Shares equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. The Company shall promptly give public notice of any such exchange (with prompt written notice thereof to the Rights Agent); provided, however, that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. The Company shall promptly mail a notice of any such exchange to all of the holders of the Rights so exchanged at their last addresses as they appear upon the registry books of the Rights Agent. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the Ordinary Shares for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights which have become void pursuant to the provisions of Section 11(a)(ii) hereof) held by each holder of Rights.

(c) Following the action of the Board ordering the exchange of any Rights pursuant to Section 24(a) hereof, the Company may implement such procedures in its sole discretion as it deems appropriate for the purpose of ensuring that the Ordinary Shares or other consideration issuable upon an exchange pursuant to this Section 24 not be received by holders of Rights that

have become void pursuant to the second paragraph of Section 11(a)(ii) hereof. In furtherance thereof, if so directed by the Company, Ordinary Shares or other consideration potentially issuable to holders of Rights upon an exchange pursuant to this Section 24, who have not verified to the satisfaction of the Company, in its sole discretion, that they are not Acquiring Persons, may be deposited in a trust established by the Company pending receipt of appropriate verification.

(d) The Company may at its option substitute, and, in the event that there shall not be sufficient Ordinary Shares authorized that have not been issued, subscribed for or otherwise reserved for issuance or committed to be issued, to permit an exchange of Rights for Ordinary Shares as contemplated in accordance with this Section 24, the Company shall substitute to the extent of such insufficiency, for each Ordinary Share that would otherwise be issuable upon exchange of a Right, a number of Preferred Shares or fraction thereof (or Equivalent Preferred Shares, as such term is defined in Section 11(b)) such that the current per share market price (determined pursuant to Section 11(d) hereof) of one Preferred Share (or Equivalent Preferred Share) multiplied by such number or fraction is equal to the current per share market price of one Ordinary Share (determined pursuant to Section 11(d) hereof) as of the date of such exchange.

(e) The Company shall not be required to issue fractions of Ordinary Shares or to distribute certificates that evidence fractional Ordinary Shares. In lieu of such fractional Ordinary Shares, the Company shall pay to the registered holders of the Right Certificates with regard to which such fractional Ordinary Shares would otherwise be issuable an amount in cash equal to the same fraction of the current market value of a whole Ordinary Share. For the purposes of this Section 24(e), the current market value of a whole Ordinary Share shall be the closing price of an Ordinary Share (as determined pursuant to the second sentence of Section 11(d)(i) hereof) for the Trading Day immediately after the date of the first public announcement by the Company that an exchange is to be effected pursuant to this Section 24.

Section 25. Notice of Certain Events.

(a) In case the Company shall at any time after the earlier of the Distribution Date or the Share Acquisition Date propose (i) to pay any dividend payable in shares of any class to the holders of its Preferred Shares or to make any other distribution to the holders of its Preferred Shares (other than a regular quarterly cash dividend), (ii) to offer to the holders of its Preferred Shares rights or warrants to subscribe for or to purchase any additional Preferred Shares or shares of any class or any other securities, rights or options, (iii) to effect any reclassification of its Preferred Shares (other than a reclassification involving only the subdivision or combination of outstanding Preferred Shares), (iv) to effect the liquidation, dissolution or winding up of the Company, or (v) to pay any dividend on the Ordinary Shares payable in Ordinary Shares or to effect a subdivision, combination or consolidation of the Ordinary Shares (by reclassification or otherwise than by payment of dividends in Ordinary Shares), then, in each such case, the Company shall give to the Rights Agent and to each holder of a Right Certificate, in accordance with Section 26 hereof, a notice of such proposed action, which shall specify the record date for the purposes of such dividend or distribution or offering of rights or warrants, or the date on which such liquidation, dissolution, winding up, reclassification, subdivision, combination or consolidation is to take place and the date of participation therein by the holders of the Ordinary Shares and/or Preferred Shares, if any such date is to be fixed, and such notice shall be so given

in the case of any action covered by clause (i) or (ii) above at least 10 days prior to the record date for determining holders of the Preferred Shares for purposes of such action, and in the case of any such other action, at least 10 days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the Ordinary Shares and/or Preferred Shares, whichever shall be the earlier.

(b) In case any event described in Section 11(a)(ii) or Section 13 shall occur then the Company shall as soon as practicable thereafter give to the Rights Agent and to each holder of a Right Certificate (or if occurring prior to the Distribution Date, the holders of the Ordinary Shares) in accordance with Section 26 hereof, a notice of the occurrence of such event, which notice shall describe such event and the consequences of such event to holders of Rights under Section 11(a)(ii) and Section 13 hereof.

Section 26. Notices. Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Right Certificate to or on the Company shall be sufficiently given or made if sent by national or international courier or first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

Theravance Biopharma, Inc.
Ugland House, South Church Street
George Town, Grand Cayman Islands KY1-1104
Attention: Chief Executive Officer

With a copy to:

Theravance Biopharma, Inc.
c/o Theravance Biopharma US, Inc.
901 Gateway Boulevard
South San Francisco, CA 94080
Attention: General Counsel

Subject to the provisions of Section 21 hereof, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Right Certificate to or on the Rights Agent shall be sufficiently given or made if sent by national or international courier or first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

Computershare Inc.
Newport Office Center VII
480 Washington Boulevard
Jersey City, New Jersey 07310
Attention: Relationship Manager

With a copy to:

Computershare Inc.
Newport Office Center VII
480 Washington Boulevard
Jersey City, New Jersey 07310
Attention: Legal Department

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Right Certificate shall be sufficiently given or made if sent by national or international courier or first-class mail, postage prepaid, addressed to such holder at

the address of such holder as shown on the registry books of the Company or the Rights Agent or the transfer agent.

Section 27. Supplements and Amendments. Except as provided in the penultimate sentence of this Section 27, for so long as the Rights are then redeemable, the Company may in its sole and absolute discretion, and the Rights Agent shall if the Company so directs, supplement or amend any provision of this Agreement in any respect without the approval of any holders of the Rights. At any time when the Rights are no longer redeemable, except as provided in the penultimate sentence of this Section 27, the Company may, and the Rights Agent shall, if the Company so directs, supplement or amend this Agreement without the approval of any holders of Rights, provided that no such supplement or amendment may (a) adversely affect the interests of the holders of Rights as such (other than an Acquiring Person or an Affiliate or Associate of an Acquiring Person), (b) cause this Agreement again to become amendable other than in accordance with this sentence or (c) cause the Rights again to become redeemable. Notwithstanding anything contained in this Agreement to the contrary, no supplement or amendment shall be made which changes the Redemption Price. Upon the delivery of a certificate from an appropriate officer of the Company, which states that the proposed supplement or amendment is in compliance with the terms of this Section 27, the Rights Agent shall execute such supplement or amendment, provided, that notwithstanding anything to the contrary contained herein, the Rights Agent may, but shall not be obligated to, enter into any supplement or amendment that affects the Rights Agent's own rights, duties, obligations or immunities under this Rights Agreement. Any supplement or amendment that does not affect the Rights Agent's rights, duties, obligations or immunities under this Rights Agreement shall become effective immediately upon execution by the Company, whether or not also executed by the Rights Agent.

Section 28. Successors; Assignment. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder. This Agreement shall extend to and shall be binding upon the parties hereto and their respective successors and assigns; provided, however, that this Agreement shall not be assignable by either party without prior written consent of the other party; and provided further, that (a) the foregoing proviso shall not apply to assignments by the Rights Agent to an affiliate or subsidiary of the Rights Agent and (b) any reorganization, merger, consolidation, sale of assets or other form of business combination by the Rights Agent shall not be deemed to constitute an assignment of this Agreement.

Section 29. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any Person other than the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Ordinary Shares) any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Ordinary Shares).

Section 30. Determinations and Actions by the Board of Directors. The Board of Directors of the Company shall have the exclusive power and authority to administer this Agreement and to exercise the rights and powers specifically granted to the Board of Directors

of the Company or to the Company, or as may be necessary or advisable in the administration of this Agreement, including, without limitation, the right and power to (i) interpret the provisions of this Agreement and (ii) make all determinations deemed necessary or advisable for the administration of this Agreement (including, without limitation, a determination to redeem or not redeem the Rights or to amend or not amend this Agreement). All such actions, calculations, interpretations and determinations that are done or made by the Board of Directors of the Company in good faith shall be final, conclusive and binding on the Company, the Rights Agent, the holders of the Rights, as such, and all other parties. The Rights Agent is entitled always to assume that the Board of Directors of the Company (or any committee thereof) acted in good faith and shall be fully protected and incur no liability in reliance thereon.

Section 31. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated; provided, that if any such excluded terms, provisions, covenants or restrictions shall affect the rights, immunities, liabilities, duties, responsibilities or obligations of the Rights Agent, the Rights Agent shall be entitled to resign immediately.

Section 32. Governing Law; Waiver of Jury Trial. This Agreement and each Right Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Delaware and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State; provided, however, that all provisions regarding the Rights Agent's rights, immunities, liabilities, duties, responsibilities or obligations hereunder ("Rights Agent Matters") shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such state. The parties agree that actions or proceedings arising out of this Agreement and pertaining to Rights Agents Matters shall be brought in the United States District Court for the Southern District of New York or in a New York State Court in the County of New York and that, in connection with any such action or proceeding, the parties shall submit to the jurisdiction of, and venue in, such court. All other actions or proceedings arising out of this Agreement shall be brought in the Court of Chancery of the State of Delaware. Each of the parties hereto also irrevocably waives all right to trial by jury in any action, proceeding or counterclaim arising out of this Agreement.

Section 33. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 34. Descriptive Headings. Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 35. Force Majeure. Notwithstanding anything to the contrary contained herein, the Rights Agent shall not be liable for any delays or failures in performance resulting from acts beyond its reasonable control including, without limitation, acts of God, terrorist acts, shortage of supply, breakdowns or malfunctions, interruptions or malfunctions of computer facilities, or loss of data due to power failures or mechanical difficulties with information storage or retrieval systems, labor difficulties, war or civil unrest.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, all as of the day and year first above written.

THERAVANCE BIOPHARMA, INC.

By: _____
Name: _____
Title: _____

COMPUTERSHARE INC.,
as Rights Agent

By: _____
Name: _____
Title: _____

Signature Page to Rights Agreement

Exhibit A

Amended and Restated Memorandum and Articles of Association

Exhibit B

Form of Right Certificate

Certificate No. R-

NOT EXERCISABLE AFTER , 2024 OR EARLIER IF REDEMPTION OR EXCHANGE OCCURS. THE RIGHTS ARE SUBJECT TO REDEMPTION AT $.01 PER RIGHT AND TO EXCHANGE ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. UNDER CERTAIN CIRCUMSTANCES, AS SET FORTH IN THE RIGHTS AGREEMENT, RIGHTS OWNED BY OR TRANSFERRED TO ANY PERSON WHO IS OR BECOMES AN ACQUIRING PERSON OR AN AFFILIATE OR ASSOCIATE THEREOF (AS THOSE TERMS ARE DEFINED IN THE RIGHTS AGREEMENT) AND CERTAIN TRANSFEREES THEREOF WILL BECOME NULL AND VOID AND WILL NO LONGER BE TRANSFERABLE.

RIGHT CERTIFICATE

THERAVANCE BIOPHARMA, INC.

This certifies that or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Rights Agreement, dated as of , 2014, as the same may be amended, restated, renewed or extended from time to time (the "Rights Agreement"), between Theravance Biopharma, Inc., a Cayman Islands corporation (the "Company"), and Computershare Inc., as Rights Agent (the "Rights Agent"), to purchase from the Company at any time after the Distribution Date (as such term is defined in the Rights Agreement) and prior to 5:00 P.M., New York City time, on , 2024 at the office or agency of the Rights Agent designated for such purpose, or of its successor as Rights Agent, one one-thousandth of a fully paid non-assessable share of Series A Junior Participating Preferred Share, par value $0.00001 per share (the "Preferred Share"), of the Company at a purchase price of $225.00 per one one-thousandth of a Preferred Share (the "Purchase Price"), upon presentation and surrender of this Right Certificate with the Form of Election to Purchase duly executed. The number of Rights evidenced by this Rights Certificate (and the number of one one-thousandths of a Preferred Share which may be purchased upon exercise hereof) set forth above, and the Purchase Price set forth above, are the number and Purchase Price as of , 20 , based on the Preferred Shares as constituted at such date. As provided in the Rights Agreement, the Purchase Price, the number of one one-thousandths of a Preferred Share (or other securities or property) which may be purchased upon the exercise of the Rights and the number of Rights evidenced by this Right Certificate are subject to modification and adjustment upon the happening of certain events.

This Right Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Right Certificates. Copies of the Rights Agreement are on file at the principal executive offices of the Company and the office of the Rights Agent designated for such purpose. The Company will mail to the holder of this Right Certificate a copy of the Rights Agreement without charge after receipt of a written request therefor.

This Right Certificate, with or without other Right Certificates, upon surrender at the office or agency of the Rights Agent designated for such purpose, may be exchanged for another Right Certificate or Right Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of Preferred Shares as the Rights evidenced by the Right Certificate or Right Certificates surrendered shall have entitled such holder to purchase. If this Right Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Right Certificate or Right Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate (i) may be redeemed by the Company at a redemption price of $.01 per Right or (ii) may be exchanged in whole or in part for shares of the Company's Ordinary Shares, par value $0.01 per share, or Preferred Shares.

No fractional Preferred Shares or Ordinary Shares will be issued upon the exercise or exchange of any Right or Rights evidenced hereby (other than fractions of a Preferred Share which are integral multiples of one one-thousandth of a Preferred Share, which may, at the election of the Company, be evidenced by depository receipts), but in lieu thereof a cash payment will be made, as provided in the Rights Agreement.

No holder of this Right Certificate, as such, shall be entitled to vote or receive dividends or be deemed for any purpose the holder of the Preferred Share or of any other securities of the Company which may at any time be issuable on the exercise or exchange hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in the Rights Agreement) or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by this Right Certificate shall have been exercised or exchanged as provided in the Rights Agreement.

This Right Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal. Dated as of , 20 .

THERAVANCE BIOPHARMA, INC.

By: _____
Name:
Title:

ATTEST:

_____
Name:,
Title:

Countersigned:

Computershare Inc.,
as Rights Agent

By: _____

Form of Reverse Side of Right Certificate

FORM OF ASSIGNMENT

(To be executed by the registered holder if such
holder desires to transfer the Right Certificate)

FOR VALUE RECEIVED hereby sells, assigns and transfers unto

(Please print name and address of transferee)

Rights represented by this Right Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint Attorney, to transfer said Rights on the books of the within-named Company, with full power of substitution.

Dated: _____

_____
Signature

Signature Guaranteed:

Signatures must be guaranteed by a bank, trust company, broker, dealer or other eligible institution participating in a recognized signature guarantee medallion program at a guarantee level satisfactory to the Rights Agent. A notary public is not sufficient.

(To be completed)

The undersigned hereby certifies that the Rights evidenced by this Right Certificate are not beneficially owned by, were not acquired by the undersigned from, and are not being assigned to an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement).

_____
Signature

FORM OF ELECTION TO PURCHASE

(To be executed if holder desires to exercise
Rights represented by the Rights Certificate)

To THERAVANCE BIOPHARMA, INC.:

The undersigned hereby irrevocably elects to exercise Rights represented by this Right Certificate to purchase the Preferred Shares (or other securities or property) issuable upon the exercise of such Rights and requests that certificates for such Preferred Shares (or such other securities) be issued in the name of:

(Please print name and address)

If such number of Rights shall not be all the Rights evidenced by this Right Certificate, a new Right Certificate for the balance remaining of such Rights shall be registered in the name of and delivered to:

Please insert social security
or other identifying number

(Please print name and address)

Dated: _____

_____
Signature

Signature Guaranteed:

Signatures must be guaranteed by a bank, trust company, broker, dealer or other eligible institution participating in a recognized signature guarantee medallion program at a guarantee level satisfactory to the Rights Agent. A notary public is not sufficient.

(To be completed)

The undersigned certifies that the Rights evidenced by this Right Certificate are not beneficially owned by, and were not acquired by the undersigned from, an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement).

Signature

NOTICE

The signature in the Form of Assignment or Form of Election to Purchase, as the case may be, must conform to the name as written upon the face of this Right Certificate in every particular, without alteration or enlargement or any change whatsoever.

In the event the certification set forth above in the Form of Assignment or the Form of Election to Purchase, as the case may be, is not completed, such Assignment or Election to Purchase will not be honored.

UNDER CERTAIN CIRCUMSTANCES, AS SET FORTH IN THE RIGHTS AGREEMENT, RIGHTS OWNED BY OR TRANSFERRED TO ANY PERSON WHO IS OR BECOMES AN ACQUIRING PERSON OR AN AFFILIATE OR ASSOCIATE THEREOF (AS THOSE TERMS ARE DEFINED IN THE RIGHTS AGREEMENT) AND CERTAIN TRANSFEREES THEREOF WILL BECOME NULL AND VOID AND WILL NO LONGER BE TRANSFERABLE.

SUMMARY OF RIGHTS TO PURCHASE
PREFERRED SHARES OF
THERAVANCE BIOPHARMA, INC.

On , 2014, the Board of Directors of Theravance Biopharma, Inc. (the "Company") declared a dividend of one preferred share purchase right (a "Right") for each outstanding Ordinary Share, par value $0.00001 per share, of the Company (the "Ordinary Shares"). The dividend is payable on , 2014 (the "Record Date") to the shareholders of record on that date. Each Right entitles the registered holder to purchase from the Company one one-thousandth of a share of Series A Junior Participating Preferred Share, par value $0.00001 per share, of the Company (the "Preferred Share") at a price of $225.00 per one one-thousandth of a Preferred Share (the "Purchase Price"), subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement dated as of 2014, as the same may be amended from time to time (the "Rights Agreement"), between the Company and Computershare Inc., as Rights Agent (the "Rights Agent").

Until the earlier to occur of (i) 10 days following a public announcement that a person or group of affiliated or associated persons (with certain exceptions, an "Acquiring Person") has acquired beneficial ownership of 19% or more of the outstanding Ordinary Shares or (ii) 10 business days (or such later date as may be determined by action of the Board of Directors prior to such time as any person or group of affiliated persons becomes an Acquiring Person) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of 19% or more of the outstanding Ordinary Shares (the earlier of such dates being called the "Distribution Date"), the Rights will be evidenced, with respect to any of the Ordinary Shares certificates outstanding as of the Record Date, by such Ordinary Shares certificate together with this Summary of Rights.

The Rights Agreement provides that, until the Distribution Date (or earlier expiration of the Rights), the Rights will be transferred with and only with the Ordinary Shares. Until the Distribution Date (or earlier expiration of the Rights), new Ordinary Shares certificates issued after the Record Date upon transfer or new issuances of Ordinary Shares will contain a notation incorporating the Rights Agreement by reference. Until the Distribution Date (or earlier expiration of the Rights), the surrender for transfer of any certificates for Ordinary Shares outstanding as of the Record Date, even without such notation or a copy of this Summary of Rights, will also constitute the transfer of the Rights associated with the Ordinary Shares

represented by such certificate. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights ("Right Certificates") will be mailed to holders of record of the Ordinary Shares as of the close of business on the Distribution Date and such separate Right Certificates alone will evidence the Rights.

The Rights are not exercisable until the Distribution Date. The Rights will expire on , 2024 (the "Final Expiration Date"), unless the Final Expiration Date is advanced or extended or unless the Rights are earlier redeemed or exchanged by the Company, in each case as described below.

The Purchase Price payable, and the number of Preferred Shares or other securities or property issuable, upon exercise of the Rights is subject to adjustment from time to time to prevent dilution (i) in the event of a share dividend on, or a subdivision, combination or reclassification of, the Preferred Share, (ii) upon the grant to holders of the Preferred Shares of certain rights or warrants to subscribe for or purchase Preferred Shares at a price, or securities convertible into Preferred Shares with a conversion price, less than the then-current market price of the Preferred Shares or (iii) upon the distribution to holders of the Preferred Shares of evidences of indebtedness or assets (excluding regular periodic cash dividends or dividends payable in Preferred Shares) or of subscription rights or warrants (other than those referred to above).

The number of outstanding Rights is subject to adjustment in the event of a share dividend on the Ordinary Shares payable in Ordinary Shares or subdivisions, consolidations or combinations of the Ordinary Shares occurring, in any such case, prior to the Distribution Date.

Preferred Shares purchasable upon exercise of the Rights will not be redeemable. Each Preferred Share will be entitled, when, as and if declared, to a minimum preferential quarterly dividend payment of the greater of (a) $1.00 per share, and (b) an amount equal to 1,000 times the dividend declared per Ordinary Share. In the event of liquidation, dissolution or winding up of the Company, the holders of the Preferred Shares will be entitled to a minimum preferential payment of the greater of (a) $10.00 per share (plus any accrued but unpaid dividends), and (b) an amount equal to 1,000 times the payment made per Ordinary Share. Each Preferred Share will have 1,000 votes, voting together with the Ordinary Shares. Finally, in the event of any merger, consolidation or other transaction in which outstanding Ordinary Shares are converted or exchanged, each Preferred Share will be entitled to receive 1,000 times the amount received per Ordinary Share. These rights are protected by customary anti-dilution provisions.

Because of the nature of the Preferred Share's dividend, liquidation and voting rights, the value of the one one-thousandth interest in a Preferred Share purchasable upon exercise of each Right should approximate the value of one Ordinary Share.

In the event that any person or group of affiliated or associated persons becomes an Acquiring Person, each holder of a Right, other than Rights beneficially owned by the Acquiring Person (which will thereupon become void), will thereafter have the right to receive upon exercise of a Right that number of Ordinary Shares having a market value of two times the exercise price of the Right.

In the event that, after a person or group has become an Acquiring Person, the Company is acquired in a merger or other business combination transaction or 50% or more of its consolidated assets or earning power are sold, proper provisions will be made so that each holder of a Right (other than Rights beneficially owned by an Acquiring Person which will have become void) will thereafter have the right to receive upon the exercise of a Right that number of Ordinary Shares of the person with whom the Company has engaged in the foregoing transaction (or its parent) that at the time of such transaction have a market value of two times the exercise price of the Right.

At any time after any person or group becomes an Acquiring Person and prior to the earlier of one of the events described in the previous paragraph or the acquisition by such Acquiring Person of 50% or more of the outstanding Ordinary Shares, the Board of Directors of the Company may exchange the Rights (other than Rights owned by such Acquiring Person which will have become void), in whole or in part, for Ordinary Shares or Preferred Shares (or a series of the Company's preferred shares having equivalent rights, preferences and privileges), at an exchange ratio of one Ordinary Share, or a fractional Preferred Share (or other preferred shares) equivalent in value thereto, per Right.

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1% in such Purchase Price. No fractional Preferred Shares or Ordinary Shares will be issued (other than fractions of Preferred Shares which are integral multiples of one one-thousandth of a Preferred Share, which may, at the election of the Company, be evidenced by depositary receipts), and in lieu thereof an adjustment in cash will be made based on the current market price of the Preferred Shares or the Ordinary Shares.

At any time prior to the time an Acquiring Person becomes such, the Board of Directors of the Company may redeem the Rights in whole, but not in part, at a price of $.01 per Right (the "Redemption Price") payable, at the option of the Company, in cash, Ordinary Shares or such other form of consideration as the Board of Directors of the Company shall determine. The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

For so long as the Rights are then redeemable, the Company may, except with respect to the Redemption Price, amend the Rights Agreement in any manner. After the Rights are no longer redeemable, the Company may, except with respect to the Redemption Price, amend the Rights Agreement in any manner that does not adversely affect the interests of holders of the Rights.

Until a Right is exercised or exchanged, the holder thereof, as such, will have no rights as a shareholder of the Company, including, without limitation, the right to vote or to receive dividends.

A copy of the Rights Agreement will be filed with the Securities and Exchange Commission as an Exhibit to the on Form dated , 2014. A copy of

the Rights Agreement is available free of charge from the Company. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, as the same may be amended from time to time, which is hereby incorporated herein by reference.

Exhibit 10.2

TAX MATTERS AGREEMENT

by and between

THERAVANCE, INC.

and

THERAVANCE BIOPHARMA, INC.

Dated as of [●], 2014

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TAX MATTERS AGREEMENT

THIS TAX MATTERS AGREEMENT (as the same may be amended or supplemented from time to time, this "Agreement") is entered into as of [•], 2014, by and between Theravance, Inc., a Delaware corporation ("Theravance"), and Theravance Biopharma, Inc., a Cayman corporation ("Biopharma"). Theravance and Biopharma are sometimes referred to herein individually as a "Party," and collectively as the "Parties." Capitalized terms used herein and not otherwise defined have the respective meanings set forth in Article I.

RECITALS

WHEREAS, Theravance and Biopharma have entered into a Separation and Distribution Agreement, dated as of the date hereof (the "Separation Agreement"), pursuant to which Theravance will be separated into two independent publicly-traded companies: (a) Biopharma, which, following consummation of the transactions contemplated by the Separation Agreement, will own and conduct the Biopharma Business, and (b) Theravance, which, following the consummation of the transactions contemplated by the Separation Agreement, will own and conduct the Theravance Business;

WHEREAS, on July 29, 2013, Theravance formed Biopharma as a wholly-owned subsidiary;

WHEREAS, as set forth in the Separation Agreement, and subject to the terms and conditions thereof, the Parties currently intend to effect (i) the transfer by Theravance to Biopharma of certain assets and liabilities related to the Biopharma Business (the "Contribution"); and (ii) the distribution by Theravance to the holders of outstanding shares of common stock, par value $0.01 per share, of Theravance, on a *pro rata* basis, of all of the outstanding shares of common stock, par value $0.00001 per share, of Biopharma, owned by Theravance as of the Distribution Date (which shall represent 100% of the issued and outstanding shares of Biopharma common stock) (the "Distribution"); and

WHEREAS, the Parties desire to set forth their agreement on the rights and obligations, following the Distribution, of the members of the Theravance Group, on the one hand, and the members of the Biopharma Group, on the other hand, with respect to (a) handling and allocating United States federal, state and local and foreign Taxes in periods both before and after the Distribution Date, (b) Taxes resulting from transactions effectuated in connection with the Distribution, and (c) various other Tax matters.

NOW, THEREFORE, in consideration of the foregoing and the terms, conditions, covenants and provisions of this Agreement, the Parties mutually covenant and agree as follows:

ARTICLE I

DEFINITIONS

"Affiliate" has the meaning set forth in the Separation Agreement.

"After Tax Amount" means any additional amount necessary to reflect (through a gross-up mechanism) the hypothetical Tax consequences of the receipt or accrual of any payment required to be made under this Agreement (including payment of an additional amount or amounts hereunder and the effect of the deductions available for interest paid or accrued and for Taxes such as state and local Income

Taxes), determined by using the highest marginal corporate Tax rate (or rates, in the case of an item that affects more than one Tax) for the relevant Taxable Period (or portion thereof).

"Agreement" means this Tax Matters Agreement.

"Ancillary Agreements" has the meaning set forth in the Separation Agreement.

"Audit" means any audit, assessment of Taxes, or other examination by any Taxing Authority, proceeding, or appeal of such a proceeding relating to Taxes, whether administrative or judicial, including proceedings relating to competent authority determinations.

"Biopharma" has the meaning set forth in the first sentence of this Agreement.

"Biopharma Affiliate" means any previous, current or future Affiliate of Biopharma and/or one or more of its Affiliates.

"Biopharma Business" has the meaning given to the term "SpinCo Business" in the Separation Agreement.

"Biopharma Group" means Biopharma and each Biopharma Affiliate.

"Biopharma Group Member" means Biopharma, each Person that is or was an Biopharma Affiliate and each Person that becomes an Biopharma Affiliate after the Distribution.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor thereto.

"Collaboration Agreement" has the meaning set forth in the Separation Agreement.

"Contribution" has the meaning set forth in the recitals to this Agreement.

"Dispute Resolution Commencement Date" has the meaning set forth in Section 8.3.

"Dispute" has the meaning set forth in Section 8.3.

"Distribution" has the meaning set forth in the recitals to this Agreement.

"Distribution Date" means the date on which the Distribution occurs, such date to be determined by, or under the authority of, the Board of Directors of Theravance, in its sole and absolute discretion.

"Employee Matters Agreement" means the Employee Matters Agreement entered into between Theravance and Biopharma as of the date hereof.

"Final Determination" means the final resolution of liability for any Tax for any Taxable Period, by or as a result of: (i) a final and unappealable decision, judgment, decree or other order by any court of competent jurisdiction; (ii) a final settlement with the IRS, a closing agreement or accepted offer in compromise under Code section 7121 or 7122, or a comparable agreement under the laws of other jurisdictions, which resolves the entire liability for such Tax for any Taxable Period; (iii) any allowance of a refund or credit in respect of an overpayment of Tax, but only after the expiration of all periods during which such refund may be recovered by the jurisdiction imposing the Tax; or (iv) any other final disposition, including by reason of the expiration of the applicable statute of limitations.

"GSK" has the meaning set forth in the Collaboration Agreement.

"Income Tax" means any federal, state, local or foreign Tax based upon, measured by or calculated by reference to net income or profits, net receipts or gross receipts (regardless of whether denominated as an "income tax," a "franchise tax" or otherwise).

"Indemnifiable Loss Deduction" has the meaning set forth in Section 5.3.

"Indemnified Loss" has the meaning set forth in Section 5.3.

"Indemnifying Party" has the meaning set forth in Section 5.3.

"Indemnitee" has the meaning set forth in Section 5.3.

"IRS" means the United States Internal Revenue Service or any successor thereto, including, but not limited to its agents, representatives, and attorneys.

"LLC Agreement" means the Limited Liability Company Agreement of Theravance Respiratory Company, LLC, as the same may be amended and restated from time to time.

"Owed Party" has the meaning set forth in Section 6.1.

"Owing Party" has the meaning set forth in Section 6.1.

"Party" has the meaning set forth in the second sentence of this Agreement.

"Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a governmental entity or any department, agency or political subdivision thereof.

"Post-Distribution Period" means a Taxable Period (or portion thereof) beginning after the Distribution Date.

"Refund" means any refund (or credit in lieu thereof) of Taxes (including any overpayment of Taxes that can be refunded or, alternatively, applied to other Taxes payable), including any interest paid on or with respect to such refund of Taxes; provided that for purposes of this Agreement, the amount of any Refund required to be paid to another Party shall be reduced by the net amount of any Income Taxes imposed on, related to, or attributable to, the receipt or accrual of such Refund.

"Restated Tax Saving Amount" has the meaning set forth in Section 5.4.

"Representatives" has the meaning set forth in Section 8.7.

"Separation Agreement" has the meaning set forth in the recitals to this Agreement.

"Straddle Period" means a Taxable Period that begins on or before and ends after the Distribution Date.

"Strategic Alliance Agreement" has the meaning set forth in the Separation Agreement.

"Tax" and "Taxes" include all taxes, charges, fees, duties, levies, imposts or other assessments imposed by any federal, state, local or foreign Taxing Authority, including, but not limited to, income, gross receipts, excise, property, sales, use, license, capital stock, transfer, franchise, payroll, withholding, social security, value added and other taxes, and any interest, penalties or additions attributable thereto.

"Tax Asset" means any Tax Item that has accrued for Tax purposes, but has not been used during a Taxable Period, and that could reduce a Tax in another Taxable Period, including, but not limited to, a net operating loss, net capital loss, investment tax credit, foreign tax credit, charitable deduction, credit related to alternative minimum tax and any other Tax credit.

"Tax Benefit" means a reduction in the Tax liability of a taxpayer for any Taxable Period. A Tax Benefit shall be deemed to have been realized or received from a Tax Item in a Taxable Period only if and to the extent that the Tax liability of the taxpayer for such period, after taking into account the effect of the Tax Item on the Tax liability of such taxpayer in the current period and all prior periods, is less than it would have been if such Tax liability were determined without regard to such Tax Item.

"Tax Item" means any item of income, gain, loss, deduction, credit, recapture of credit or any other attribute or item (including the adjusted basis of property) that may have the effect of increasing or decreasing any Tax.

"Tax Return" means any return, report, certificate, form or similar statement or document (including any related or supporting information or schedule attached thereto and any information return, amended tax return, claim for refund or declaration of estimated tax) supplied or required to be supplied to, or filed or required to be filed with, a Taxing Authority in connection with the determination, assessment or collection of any Tax or the administration of any laws, regulations or administrative requirements relating to any Tax.

"Tax Saving Amount" has the meaning set forth in Section 5.3.

"Tax Services" has the meaning set forth in Section 2.5(a).

"Taxable Period" means any period for which a liability for Tax is determined.

"Taxing Authority" means any governmental authority or any subdivision, agency, commission or authority thereof or any quasi-governmental or private body having jurisdiction over the assessment, determination, collection or imposition of any Tax (including the IRS).

"Theravance" has the meaning set forth in the first sentence of this Agreement.

"Theravance Affiliate" means any previous, current or future Affiliate of Theravance and/or one or more of its Affiliates, but excluding Biopharma and any Biopharma Affiliate.

"Theravance Business" has the meaning given to the term "ParentCo Business" in the Separation Agreement.

"Theravance Group" means Theravance and each Theravance Affiliate, but excluding any Biopharma Group Member.

"Theravance Group Member" means Theravance, each Person that is or was a Theravance Affiliate, and each Person that becomes a Theravance Affiliate after the Distribution, but excluding any Biopharma Group Member.

"Transition Services Agreement" has the meaning set forth in the Separation Agreement.

"Treasury Regulations" means the final and temporary (but not proposed) income tax regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

ARTICLE II

PREPARATION AND FILING OF TAX RETURNS

Section 2.1 Theravance's Responsibility. Except as may be provided in the LLC Agreement, Theravance shall have sole and exclusive responsibility for the preparation and filing of:

(a) all Tax Returns that include only Theravance and/or any Theravance Affiliate; and

(b) any Tax Returns required to be filed for a Taxable Period ending on or before, or that includes, the Distribution Date that are not otherwise described in Section 2.1 or Section 2.2.

Section 2.2 Biopharma's Responsibility. Except as may be provided in the LLC Agreement, Biopharma shall have sole and exclusive responsibility for the preparation and filing of all Tax Returns that include only Biopharma and/or any Biopharma Affiliate.

Section 2.3 Agent. Subject to the other applicable provisions of this Agreement, Biopharma hereby irrevocably designates, and agrees to cause each Biopharma Affiliate to so designate, Theravance as its sole and exclusive agent and attorney-in-fact to take such actions (including execution of documents) as are appropriate in any and all matters (including Audits) relating to any Tax Return described in Section 2.1(b). Notwithstanding the foregoing, Biopharma may participate at its own expense in any such Audit, and Theravance shall keep Biopharma updated as to any developments with respect to any such Audit in a timely manner.

Section 2.4 Manner of Tax Return Preparation. Unless otherwise required by a Taxing Authority or by applicable law, the Parties shall prepare and file all Tax Returns, and take all other actions, in a manner consistent with this Agreement, the Separation Agreement and past practice. All Tax Returns shall be filed on a timely basis (taking into account applicable extensions) by the Party responsible for filing such Tax Returns under this Agreement. For the avoidance of doubt, the Parties shall prepare and file all Tax Returns in a manner consistent with the characterization of the Distribution as a taxable transaction for U.S. federal income tax purposes, and not as a transaction governed by Section 355 of the Code.

Section 2.5 Tax Services.

(a) In General. It is the intention of the Parties that except as specifically provided herein, the Transition Services Agreement shall govern the provision of tax services by Biopharma to Theravance and the other members of the Theravance Group (the "Tax Services").

(b) Right to Review. Theravance shall provide or cause to be provided any Tax Return (or portion or excerpt thereof relating exclusively to Biopharma or Biopharma Affiliates) to be filed by Theravance on behalf of Biopharma pursuant to this Agreement at least ten (10) business days prior to the due date of such Tax Return, including extensions. Biopharma shall have the right to comment on any such Tax Return (or portion or excerpt thereof, as applicable), and Theravance shall reasonably consider Biopharma's comments.

(c) Information. Theravance shall provide or cause to be provided to Biopharma copies of all Tax Returns (or portions or excerpts thereof relating exclusively to Biopharma or Biopharma Affiliates) filed on behalf of Biopharma, in each case within fifteen (15) days of filing pursuant to this Agreement, and shall promptly provide any notices or communications from any Taxing Authority relating to any Tax or Tax Return of Biopharma or an Biopharma Affiliate covered by the Tax Services.

(d) List of Tax Returns. As soon as practicable after the Distribution Date, but in any event within sixty (60) days, Theravance shall provide to Biopharma a list of all Tax Returns, if any, to be filed by Theravance on behalf of Biopharma or Biopharma Affiliates pursuant to Section 2.1(b).

ARTICLE III

LIABILITY FOR TAXES

Section 3.1 Theravance's Liability.

(a) Theravance shall be liable for all Taxes due with respect to all Tax Returns described in Section 2.1(a) or Section 2.1(b). Theravance shall be entitled to receive and retain all Refunds of Taxes previously paid by Theravance or any Theravance Affiliates with respect to Taxes described in this Section 3.1. For the avoidance of doubt, (i) Theravance shall be liable for all Taxes imposed on Theravance as result of the characterization of the Contribution and/or the Distribution as taxable transactions, in whole or in part, and (ii) Theravance shall not be obligated to make any payment to Biopharma with respect to the utilization of any Tax Asset created by the Biopharma Business.

Section 3.2 Biopharma's Liability. Biopharma shall be liable for all Taxes due with respect to Tax Returns described in Section 2.2. Biopharma shall be entitled to receive and retain all Refunds of Taxes previously paid by Biopharma or any Biopharma Affiliates with respect to Taxes described in this Section 3.2.

ARTICLE IV

ALLOCATION

Section 4.1 Allocation of Tax Assets.

(a) Theravance and Biopharma shall cooperate, each at its own expense, in determining the allocation of any Tax Assets or Tax liabilities among the Parties in accordance with the Code and Treasury Regulations (and any applicable state, local and foreign laws). In the absence of

controlling legal authority or unless otherwise provided under this Agreement, Tax Assets or Tax liabilities shall be allocated to the legal entity that incurred the cost or burden associated with the creation of such Tax Assets or Tax liabilities. Theravance and Biopharma hereby agree to compute all Taxes for Post-Distribution Periods and Straddle Periods consistently with the determinations made pursuant to this Section 4.1 unless otherwise required by a Final Determination.

(b) To the extent that the amount of any Tax Asset is later reduced or increased by a Taxing Authority, or as a result of an Audit or carrybacks of Tax Assets from Post-Distribution Periods of either the Theravance Group or the Biopharma Group, such reduction or increase shall be allocated to the Party to which such Tax Attribute was allocated pursuant to Section 4.1(a).

ARTICLE V

INDEMNIFICATION

Section 5.1 Generally. The Theravance Group shall jointly and severally indemnify Biopharma, each Biopharma Affiliate, and their respective directors, officers and employees, and hold them harmless from and against any and all Taxes or Tax deficiencies for which Theravance or any Theravance Affiliate is liable under this Agreement and any loss, cost, damage or expense, including reasonable attorneys' fees and costs, that are attributable to, or result from the failure of Theravance or any director, officer or employee to make any payment required to be made under this Agreement. The Biopharma Group shall jointly and severally indemnify Theravance, each Theravance Affiliate, and their respective directors, officers and employees, and hold them harmless from and against any and all Taxes or Tax deficiencies for which Biopharma or any Biopharma Affiliate is liable under this Agreement and any loss, cost, damage or expense, including reasonable attorneys' fees and costs, that is attributable to, or results from, the failure of Biopharma, any Biopharma Affiliate or any director, officer or employee to make any payment required to be made under this Agreement.

Section 5.2 Inaccurate, Incomplete or Untimely Information. The Theravance Group shall jointly and severally indemnify Biopharma, each Biopharma Affiliate, and their respective directors, officers and employees, and hold them harmless from and against any loss, cost, damage, fine, penalty, or other expense of any kind attributable to the negligence of Theravance or any Theravance Affiliate in supplying Biopharma or any Biopharma Affiliate with inaccurate, incomplete or untimely information, in connection with the preparation of any Tax Return. The Biopharma Group shall

jointly and severally indemnify Theravance, each Theravance Affiliate, and their respective directors, officers and employees, and hold them harmless from and against any loss, cost, damage, fine, penalty, or other expense of any kind attributable to the negligence of Biopharma or any Biopharma Affiliate in supplying Theravance or any Theravance Affiliate with inaccurate, incomplete or untimely information, in connection with the preparation of any Tax Return.

Section 5.3 Adjustments to Payments. Any Party that is entitled to receive a payment (the "Indemnitee") under this Agreement from another Party (the "Indemnifying Party") with respect to any Taxes, losses, costs, damages or expenses suffered or incurred by the Indemnitee (an "Indemnified Loss") shall pay to such Indemnifying Party, or the Indemnifying Party shall pay to the Indemnitee, as applicable, an amount equal to the difference between any "Tax Saving Amount" actually realized by the Indemnitee in the year of the payment and the amount of the Indemnified Loss. For purposes of this Section 5.3, the "Tax Saving Amount" shall equal the amount by which the Income Taxes of the Indemnitee or any of its affiliates are reduced (including, without limitation, through the receipt of a refund, credit or otherwise), plus any related interest received by the Indemnitee (net of Tax) from a Taxing Authority, as a result of claiming as a deduction or offset on any relevant Tax Return amounts attributable to an Indemnified Loss (the "Indemnifiable Loss Deduction").

Section 5.4 Reporting of Indemnifiable Loss. In the event that an Indemnitee incurs an Indemnified Loss, such Indemnitee shall claim as a deduction or offset on any relevant Tax Return (including, without limitation, any claim for refund) such Indemnified Loss to the extent such position is more likely than not to be sustained with respect to United States federal, state and local Tax Returns or has similar appropriate authoritative support with respect to any Tax Return other than a United States federal, state or local Tax Return. Except as otherwise provided in this Agreement, the Indemnitee shall have primary responsibility for the preparation of its Tax Returns and reporting thereon such Indemnifiable Loss Deduction; provided that the Indemnitee shall consult with, and provide the Indemnifying Party with a reasonable opportunity to review and comment on the portion of the Indemnitee's Tax Return relating to the Indemnified Loss. If a Dispute arises between the Indemnitee and the Indemnifying Party as to whether a deduction or tax position with respect to an Indemnified Loss is "more likely than not" (with respect to United States federal, state and local Tax Returns) to be sustained or similar appropriate authoritative support (with respect to any Tax Return other than a United States federal, state or local Tax Return) for the claiming of an Indemnifiable Loss Deduction, such Dispute shall be resolved in accordance with the principles and procedures set forth in Section 8.3. Theravance and Biopharma shall act in good faith to coordinate their Tax Return filing positions with respect to the Taxable Periods that include an Indemnifiable Loss Deduction. Any Tax Saving Amount calculated under Section 5.3 hereof shall be adjusted in the event of an Audit which results in a Final Determination that increases or decreases the amount of the Indemnifiable Loss Deduction reported on any relevant Tax Return of the Indemnitee. The Indemnitee shall promptly inform the Indemnifying Party of any such Audit and shall attempt in good faith to sustain the Indemnifiable Loss Deduction at issue in the Audit. Upon receiving a written notice of a Final Determination in respect of an Indemnifiable Loss Deduction, the Indemnitee shall redetermine the Tax Saving Amount attributable to the Indemnifiable Loss Deduction under Section 5.3 hereof, taking into account the Final Determination (the "Restated Tax Saving Amount"). If the Restated Tax Saving Amount is greater than the Tax Saving Amount, the Indemnitee shall promptly pay the Indemnifying Party an amount equal to the difference between such amounts. If the Restated Tax Saving Amount is less than the Tax Saving Amount, then the Indemnifying Party shall pay to the Indemnitee an amount equal to the difference between such amounts promptly after receipt of written notice setting forth the amount due and the computation thereof.

Section 5.5 No Indemnification for Tax Items. Nothing in this Agreement or any other ancillary document shall be construed as a guarantee of the existence or amount of any loss, credit, carryforward, basis or other Tax Item, whether past, present or future, of any Party.

Section 5.6 Double Recovery. Notwithstanding anything herein to the contrary, no Party shall be entitled to indemnification hereunder for any amount to the extent such Party has otherwise been reimbursed for such amount.

ARTICLE VI

PAYMENTS

Section 6.1 In General. In the event that one party (the "Owing Party") is required to make a payment to another party (the "Owed Party") pursuant to this Agreement, then such payments shall be made according to this Article VI. All payments shall be made to the Owed Party or to the appropriate Taxing Authority as specified by the Owed Party within the time prescribed for payment in this Agreement, or if no period is prescribed, within twenty (20) days after delivery of written notice of payment owing together with a computation of the amounts due.

Section 6.2 Treatment of Payments. Unless otherwise required by any Final Determination, the Parties agree that any payments made by one Party to the other Party (other than

payments of interest pursuant to Section 6.5 and payments of After Tax Amounts pursuant to Section 6.4) pursuant to this Agreement shall be treated for all Tax as payments made immediately prior to the Distribution.

Section 6.3 Prompt Performance. All actions required to be taken by any Party under this Agreement shall be performed within the time prescribed for performance in this Agreement, or if no period is prescribed, such actions shall be performed promptly.

Section 6.4 After Tax Amounts. If pursuant to a Final Determination it is determined that the receipt or accrual of any payment made under this Agreement (other than payments of interest pursuant to Section 6.5) is subject to any Tax, the Party making such payment shall be liable for (a) the After Tax Amount with respect to such payment and (b) interest at the rate described in Section 6.5 on the amount of such Tax from the date such Tax accrues through the date of payment of such After Tax Amount. A Party making a demand for a payment pursuant to this Agreement and for a payment of an After Tax Amount with respect to such payment shall separately specify and compute such After Tax Amount. However, a Party may choose not to specify an After Tax Amount in a demand for payment pursuant to this Agreement without thereby being deemed to have waived its right subsequently to demand an After Tax Amount with respect to such payment.

Section 6.5 Interest. If an Owing Party fails to make any payment pursuant to this Agreement within the period prescribed for such payment in this Agreement, such Owing Party shall be obligated to pay, in addition to the amount otherwise due, interest on such amount at a rate per annum equal to five percent (5%). Such interest shall be payable at the same time as the payment to which it relates.

ARTICLE VII

TAX PROCEEDINGS

Section 7.1 Audits. Except as otherwise provided in Section 7.3, the Party responsible for preparing and filing a Tax Return pursuant to Article II shall have the right to control, contest, and represent the interests of itself and any of its Affiliates in any Audit relating to such Tax Return and shall bear all costs related thereto.

Section 7.2 Notice. Within twenty (20) business days after a Party receives a written notice or other information from a Taxing Authority of the existence of a Tax issue that may give rise to an indemnification obligation under this Agreement, such Party shall notify the other Party of such issue, and thereafter shall promptly forward to the other Party copies of notices and material communications with any Taxing Authority relating to such issue. The failure of one Party to notify the other Party of any matter relating to a particular Tax for a Taxable Period or to take any action specified in this Agreement shall not relieve such other Party of any liability and/or obligation which it may have under this Agreement with respect to such Tax for such Taxable Period, except to the extent that such other Party's rights under this Agreement are materially prejudiced by such failure.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.1 Effectiveness. This Agreement shall become effective on .

Section 8.2 Cooperation and Exchange of Information.

(a) Cooperation. Theravance and Biopharma shall each cooperate fully (and each shall cause its respective Affiliates to cooperate fully) with all reasonable requests from another Party hereto, or from an agent, representative or advisor to such Party, in connection with the preparation and filing of Tax Returns, claims for refund, and Audits concerning issues or other matters covered by this Agreement. Such cooperation shall include, without limitation:

(i) the retention until the expiration of the applicable statute of limitations, and the provision upon request, of Tax Returns, books, records (including information regarding earnings and profits and the ownership and Tax basis of property), documentation and other information relating to the Tax Returns, including accompanying schedules, related work papers, and documents relating to rulings, closing agreements or other determinations by Taxing Authorities;

(ii) providing Biopharma access to Theravance's tax software in order to input relevant data and otherwise prepare and file all Tax Returns for which Biopharma is responsible pursuant to Section 2.2;

(iii) the execution of any document that may be necessary or reasonably helpful in connection with any Audit, or the filing of a Tax Return or refund claim by a member of the Biopharma Group or the Theravance Group, including certification, to the best of a Party's knowledge, of the accuracy and completeness of the information it has supplied or any power of attorney required by the applicable Taxing Authority to be provided by one Party to another Party for the performance by such other Party of acts required or permitted under this Agreement; and

(iv) the use of the Party's reasonable best efforts to obtain any documentation that may be necessary or reasonably helpful in connection with any of the foregoing.

Each Party shall use reasonable best efforts to comply in connection with the foregoing matters within ten (10) business days or such shorter period as may be required by the applicable Taxing Authority or otherwise in connection with any Audit. Each Party shall make its employees and facilities available on a reasonable and mutually convenient basis in connection with the foregoing matters, at the expense of the requesting Party.

(b) Failure to Perform. If a Party materially fails to comply with any of its obligations set forth in Section 8.2(a) upon reasonable request and notice by the other Party, and such failure results in the imposition of additional Taxes, the non-performing Party shall be liable in full for such additional Taxes notwithstanding anything to the contrary in this Agreement.

Section 8.3 Dispute Resolution. Unless otherwise agreed by the Parties, any dispute, controversy or claim arising out of or relating to this Agreement or the breach, termination or validity hereof ("Dispute") which arises between Theravance and Biopharma shall be resolved pursuant to this Section 8.3. The Dispute shall first be negotiated between the appropriate senior executives of Theravance and Biopharma who shall have the authority to resolve the matter. Such executives shall meet to attempt in good faith to negotiate a resolution of the Dispute prior to pursuing other available remedies, within ten (10) days of receipt by Theravance or Biopharma, as applicable, of notice of a Dispute, which date of receipt shall be referred to herein as the "Dispute Resolution Commencement Date." If the senior executives are unable to resolve the Dispute within thirty (30) days from the Dispute

Resolution Commencement Date, then Theravance and Biopharma shall jointly retain a nationally recognized accounting firm reasonably acceptable to both Parties to resolve the Dispute. The accounting firm selected by the Parties shall act as an arbitrator to resolve all points of disagreement, and its decision shall be final and binding upon all parties involved. Following the decision of such accounting firm, Theravance and Biopharma shall each take or cause to be taken any action necessary to implement the decision of such accounting firm. Theravance and Biopharma shall share equally the administrative costs of the arbitration and such accounting firm's fees, disbursements and expenses, and shall each bear their respective other costs and expenses related to the arbitration.

Section 8.4 Changes in Law.

(a) Any reference to a provision of the Code, Treasury Regulations, or a law of another jurisdiction shall include a reference to any applicable successor provision or law.

(b) If, due to any change in applicable law or regulations or their interpretation by any court of law or other governing body having jurisdiction subsequent to the date of this Agreement, performance of any provision of this Agreement or any transaction contemplated hereby shall become impracticable or impossible, the Parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such provision.

Section 8.5 Confidentiality. Each of the Parties hereto shall hold and cause its directors, officers, employees, advisors and consultants to hold in strict confidence, unless compelled to disclose by judicial or administrative process or, in the opinion of its counsel, by other requirements of law, all information (other than any such information relating solely to the business or affairs of such party) concerning the other Party hereto furnished it by such other Party or its representatives pursuant to this Agreement (except to the extent that such information can be shown to have been (1) in the public domain through no fault of such Party or (2) later lawfully acquired from other sources not under a duty of confidentiality by the party to which it was furnished), and no Party shall release or disclose such information to any other Person, except its directors, officers, employees, auditors, attorneys, financial advisors, bankers or other consultants who shall be advised of and agree to be bound by the provisions of this Section 8.5. Each of the Parties hereto shall be deemed to have satisfied its obligation to hold confidential information concerning or supplied by the other Party if it exercises the same care as it takes to preserve confidentiality for its own similar information.

Section 8.6 Affiliates.

(a) Theravance shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth herein to be performed by any other Theravance Group Member; provided that if it is contemplated that a Theravance Group Member may cease to be controlled, directly or indirectly, by Theravance as a result of a transfer of its stock or other ownership interests to a third party in exchange for consideration in an amount approximately equal to the fair market value of the stock or other ownership interests transferred and such consideration is not distributed outside of the Theravance Group to the shareholders of Theravance, then Theravance may request in writing no later than thirty (30) days prior to such cessation that Biopharma execute a release of such Theravance Group Member from its obligations under this Agreement effective as of such transfer, provided that Theravance shall succeed to the rights of such Theravance Group Member under this Agreement and shall have confirmed in writing the obligations of Theravance and the remaining Theravance Group Members with respect to their own obligations and the obligations of the departing Theravance Group Member, and that such departing Theravance Group Member shall have executed a release of any rights it may have against Biopharma by reason of this Agreement.

(b) Biopharma shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth herein to be performed by any other member of the Biopharma Group; provided that if it is contemplated that member of the Biopharma Group may cease to be controlled, directly or indirectly, by Biopharma as a result of a transfer of its stock or other ownership interests to a third party in exchange for consideration in an amount approximately equal to the fair market value of the stock or other ownership interests transferred and such consideration is not distributed outside of the Biopharma Group to the shareholders of Biopharma, then Biopharma may request in writing no later than thirty (30) days prior to such cessation that Theravance execute a release of such member of the Biopharma Group from its obligations under this Agreement effective as of such transfer, provided that Biopharma shall succeed to the rights of such member of the Biopharma Group under this Agreement and shall have confirmed in writing the obligations of Biopharma and the remaining members of the Biopharma Group with respect to their own obligations and the obligations of the departing member of the Biopharma Group, and that such departing member of the Biopharma Group shall have executed a release of any rights it may have against Theravance by reason of this Agreement.

Section 8.7 GSK Agreements. Notwithstanding any other provision contained herein, Theravance shall not, and shall cause its Affiliates and its and its Affiliates' officers, directors, employees, agents and representatives (collectively, "Representatives") not to, take (or omit to take) any action (including, without limitation, the disclosure of any information to Biopharma or any of its Representatives), that is or would be reasonably expected to result in a breach or violation of, or be in conflict with, any Theravance confidentiality obligation to GSK under the Collaboration Agreement and/or the Strategic Alliance Agreement. To the extent that Biopharma or any of its Representatives becomes aware or believes that it has or may have received from Theravance or any of its Representatives Confidential Information (as defined in the Collaboration Agreement or the Strategic Alliance Agreement) of GSK, it will promptly notify Theravance in writing, will follow any reasonable instructions from Theravance with respect to the return or destruction of such information, and will not use or disclose such information unless Theravance confirms that it is not Confidential Information (as defined in the Collaboration Agreement or the Strategic Alliance Agreement) of GSK. Each party agrees and understands that monetary damages would not adequately compensate the non-breaching party for a breach of this Section 8.7, that this Section 8.7 shall, to the fullest extent permitted by law, be specifically enforceable, and that any breach or threatened breach of this Section 8.7 shall be the proper subject of a temporary or permanent injunction or restraining order. Further, Theravance and Biopharma waive, to the fullest extent permitted by law, any claim or defense that there is an adequate remedy at law for such breach or threatened breach. Notwithstanding any other provision contained herein, Biopharma acknowledges and agrees that it has no rights to any non-public information under the Collaboration Agreement and/or the Strategic Alliance Agreement, the disclosure of which by Theravance or any of its Representatives to Biopharma or any of its Representatives is or would be reasonably expected to result in a breach or violation of, or be in conflict with, any Theravance confidentiality obligation to GSK under the Collaboration Agreement and/or the Strategic Alliance Agreement. Notwithstanding anything else to the contrary, in the event of any conflict between this Section 8.7, or any covenant, right, agreement, obligation or duty of Theravance or Biopharma (or any of their respective Representatives)under this Section 8.7, on the one hand, and any other provision of this Agreement, or any attachment hereto or any covenant, right, agreement, obligation or duty of Theravance or Biopharma (or any of their respective Representatives)thereunder, on the other hand, this Section 8.7 shall govern and supersede such other provision, attachment, covenant, agreement, obligation or duty. Each party will be liable for breach of this Section 8.7 by any of its Representatives.

Section 8.8 Authority. Each of the Parties hereto represents, on behalf of itself and its affiliates, to the other that (a) it has the corporate power and authority to execute, deliver and perform this Agreement, (b) the execution, delivery and performance of this Agreement by it have been duly authorized by all necessary corporate or other action, (c) it has duly and validly executed and delivered

this Agreement and (d) this Agreement is a legal, valid and binding obligation, enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equity principles.

Section 8.9 Setoff. All payments to be made by any Party under this Agreement may be netted against payments due to such Party under this Agreement, but otherwise shall be made without setoff, counterclaim or withholding, all of which are hereby expressly waived.

Section 8.10 Amendments and Waivers.

(a) This Agreement may not be amended except by an agreement in writing signed by both Parties.

(b) Any term or provision of this Agreement may be waived, or the time for its performance may be extended, by the Party entitled to the benefit thereof and any such waiver shall be validly and sufficiently given for the purposes of this Agreement if it is in writing signed by an authorized representative of such Party. No delay or failure in exercising any right, power or remedy hereunder shall affect or operate as a waiver thereof; nor shall any single or partial exercise thereof or any abandonment or discontinuance of steps to enforce such a right, power or remedy preclude any further exercise thereof or of any other right, power or remedy. The rights and remedies hereunder are cumulative and not exclusive of any rights or remedies that either Party would otherwise have.

Section 8.11 Entire Agreement. This Agreement, the Separation Agreement, the other Ancillary Agreements and the Exhibits and Schedules attached thereto, constitute the entire agreement between the Parties with respect to the subject matter hereof and shall supersede all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof.

Section 8.12 Third-Party Beneficiaries. Except as provided in Article V relating to Indemnitees, this Agreement is solely for the benefit of Theravance, the Theravance Affiliates, Biopharma and the Biopharma Affiliates, and shall not be deemed to confer upon any other third parties any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to this Agreement.

Section 8.13 Notices. All notices, requests, permissions, waivers and other communications hereunder shall be provided in accordance with the provisions of Section 12.4 of the Separation Agreement.

Section 8.14 Counterparts; Electronic Delivery. This Agreement may be executed in multiple counterparts, each of which when executed shall be deemed to be an original, but all of which together shall constitute one and the same agreement. Execution and delivery of this Agreement or any other documents pursuant to this Agreement by facsimile or other electronic means shall be deemed to be, and shall have the same legal effect as, execution by an original signature and delivery in person.

Section 8.15 Severability. If any term or other provision of this Agreement is determined by a nonappealable decision by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the court, administrative agency or arbitrator shall interpret this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that

transactions contemplated hereby are fulfilled to the fullest extent possible. If any provision in this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only as broad as is enforceable.

Section 8.16 Assignability; Binding Effect. Except as otherwise expressly provided in this Agreement, neither Party may assign this Agreement or any rights or obligations hereunder without the prior written consent of the other Party, and any attempt to assign this Agreement without such consent shall be void and of no effect. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. This Agreement may be enforced separately by each member of the Theravance Group and each member of the Biopharma Group.

Section 8.17 Governing Law This Agreement shall be governed by, and construed and enforced in accordance with, the substantive laws of the State of Delaware, without regard to any conflicts of law provisions thereof that would result in the application of the laws of any other jurisdiction.

Section 8.18 Construction. This Agreement shall be construed as if jointly drafted by the Parties, and no rule of construction or strict interpretation shall be applied against either Party. The Parties represent that this Agreement is entered into with full consideration of any and all rights which the Parties may have. The Parties have relied upon their own knowledge and judgment and upon the advice of the attorneys of their choosing. The Parties have had access to independent legal advice, have conducted such investigations they and their counsel thought appropriate, and have consulted with such other independent advisors as they and their counsel deemed appropriate regarding this Agreement and their rights and asserted rights in connection therewith. The Parties are not relying upon any representations or statements made by the other Party, or such other Party's employees, agents, representatives or attorneys, regarding this Agreement, except to the extent such representations are expressly set forth or incorporated in this Agreement. The Parties are not relying upon a legal duty, if one exists, on the part of the other Party (or such other Party's employees, agents, representatives or attorneys) to disclose any information in connection with the execution of this Agreement or its preparation, it being expressly understood that neither Party shall ever assert any failure to disclose information on the part of the other Party as a ground for challenging this Agreement.

Section 8.19 Titles and Headings. Titles and headings to Sections and Articles herein are inserted for the convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

Section 8.20 Coordination with Employee Matters Agreement. To the extent any covenants or agreements between the Parties with respect to employment Taxes are set forth in the Employee Matters Agreement, such matters shall be governed exclusively by the Employee Matters Agreement and not by this Agreement.

Section 8.21 Conflict or Inconsistency Between Agreements. Except as provided in Section 8.20, in the event of any conflict or inconsistency between any provision of this Agreement and any provision of either the Separation Agreement or any of the other Ancillary Agreements, the applicable provisions of this Agreement shall prevail.

[*Signature Page Follows*]

WHEREFORE, the Parties have signed this Tax Matters Agreement effective as of the date first set forth above.

THERAVANCE, INC., on behalf of itself and the Theravance Affiliates

By: _____
Name:
Title:

THERAVANCE BIOPHARMA, INC., on behalf of itself and the Biopharma Affiliates

By: _____
Name:
Title:

[*Signature Page to Tax Matters Agreement*]

Exhibit 10.3

EMPLOYEE MATTERS AGREEMENT

by and between

THERAVANCE, INC.

and

THERAVANCE BIOPHARMA, INC.

Dated as of [ ], 2014

EMPLOYEE MATTERS AGREEMENT

This EMPLOYEE MATTERS AGREEMENT (this "Agreement"), dated as of [ ], 2014, is entered into by and between Theravance, Inc., a Delaware corporation ("ParentCo"), and Theravance Biopharma, Inc., a Cayman Islands corporation ("SpinCo") (each a "Party" and collectively, the "Parties").

RECITALS:

WHEREAS, ParentCo currently conducts a number of businesses, including (i) the ParentCo Business and (ii) the SpinCo Business;

WHEREAS, the Board of Directors of ParentCo has determined that it is appropriate, desirable and in the best interests of ParentCo and its stockholders to separate its two businesses, the ParentCo Business and the SpinCo Business, into ParentCo and SpinCo respectively, two publicly traded companies, by means of the transfer/assumption of certain assets and liabilities from ParentCo to SpinCo (the "Separation");

WHEREAS, to effect the Separation, the Parties entered into that certain Separation and Distribution Agreement, dated as of the date hereof (as amended or otherwise modified from time to time, the "Separation Agreement"); and

WHEREAS, in connection with the Separation, ParentCo and SpinCo desire to enter into this Agreement for the purpose of allocating assets, liabilities and responsibilities with respect to certain employee compensation and benefit plans and programs between them.

NOW, THEREFORE, in consideration of the foregoing premises, the mutual promises and covenants hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

1.1 Definitions. The following terms shall have the following meanings:

"401(k) Plan" shall mean the 401(k) Plan described in Section 2.1(a) of this Agreement.

"Affiliate" shall mean the definition as set forth in the Separation Agreement.

"Benefit Plan" shall mean, with respect to an entity, each plan, program, arrangement, agreement or commitment that is an employment, change in control/severance, consulting, non-competition or deferred compensation agreement, or an executive compensation, incentive bonus or other bonus, employee pension, profit-sharing, savings, retirement, supplemental retirement, stock option, stock purchase, stock appreciation rights, restricted stock, other equity-based compensation, severance pay, salary continuation, life, health, hospitalization, sick leave, vacation pay, disability or accident insurance plan, corporate-owned or key-man life insurance or

other employee benefit plan, program, arrangement, agreement or commitment, including any "employee benefit plan" (as defined in Section 3(3) of ERISA), sponsored or maintained by such entity (or to which such entity contributes or is required to contribute).

"COBRA" shall mean the continuation coverage requirements for "group health plans" under (i) Title X of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and as codified in Section 4980B of the Code and Sections 601 through 608 of ERISA, together with all regulations and proposed regulations promulgated thereunder and (ii) any analogous provision of state law (including, without limitation, Cal-COBRA).

"Code" shall mean the Internal Revenue Code of 1986, as amended, including any successor statute, regulation and guidance thereto.

"Collaboration Agreement" shall mean the definition as set forth in the Separation Agreement.

"Distribution" shall mean the definition as set forth in the Separation Agreement.

"Distribution Date" shall mean the definition as set forth in the Separation Agreement.

"Dual Employee" shall mean a person listed on Attachment 1 hereto. For purposes of Sections 2.1(a), 2.1(b) and 7.2 hereof, a Dual Employee shall be considered both a ParentCo Employee and a SpinCo Employee. In the event a Dual Employee terminates employment with either SpinCo (or a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate) or ParentCo (or a ParentCo Subsidiary or a ParentCo Affiliate) after the Distribution Date but remains employed by the other, such Dual Employee shall thereafter be considered either a ParentCo Employee or a SpinCo Employee, as applicable.

"Effective Time" shall mean the definition as set forth in the Separation Agreement.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" shall mean with respect to any Person, each business or entity which is a member of a "controlled group of corporations," under "common control" or a member of an "affiliated service group" with such Person within the meaning of Sections 414(b), (c) or (m) of the Code, or required to be aggregated with such Person under Section 414(o) of the Code, or under "common control" with such Person within the meaning of Section 4001(a)(14) of ERISA.

"Exchange Act" shall mean the definition as set forth in the Separation Agreement.

"Excluded Liabilities" shall mean the definition as set forth in the Separation Agreement.

"Former ParentCo Employee" shall mean, as of the Effective Time, any individual who, on or before the Distribution Date, ceased being employed, directly or indirectly, with ParentCo or its predecessors or any member of the ParentCo Group and whose principal services to the ParentCo Group related to the ParentCo Business.

"Former SpinCo Employee" shall mean, as of the Effective Time, any individual who, on or before the Distribution Date, ceased being employed, directly or indirectly, with ParentCo or its predecessors or any member of the ParentCo Group and is not listed on Attachment 1.62 to the Separation Agreement, other than any Former ParentCo Employee.

"Governmental Entity" shall mean the definition as set forth in the Separation Agreement.

"HIPAA" shall mean the Health Insurance Portability and Accountability Act of 1996, as amended.

"Law" shall mean the definition as set forth in the Separation Agreement.

"Liabilities" shall mean the definition as set forth in the Separation Agreement.

"Participating Company" shall mean ParentCo or any Person (other than an individual) participating in a ParentCo Benefit Plan.

"ParentCo Benefit Plan" shall mean any Benefit Plan sponsored, maintained or contributed to by any member of the ParentCo Group or any ERISA Affiliate thereof other than SpinCo or any member of the SpinCo Group.

"ParentCo Business" shall mean the definition as set forth in the Separation Agreement.

"ParentCo Common Stock" shall mean the definition as set forth in the Separation Agreement.

"ParentCo Employee" shall mean the definition as set forth in the Separation Agreement.

"ParentCo Equity Plans" shall mean, collectively, (i) the Theravance, Inc. 1997 Stock Plan, (ii) the Theravance, Inc. Long-Term Stock Option Plan, (iii) the Theravance, Inc. 2004 Equity Incentive Plan, (iv) the Theravance, Inc. 2008 New Employee Equity Incentive Plan, and (v) the Theravance, Inc. 2012 Equity Incentive Plan.

"ParentCo Group" shall mean ParentCo and each Person, other than any member of the SpinCo Group, that is an Affiliate of ParentCo immediately after the Distribution Date or that becomes an Affiliate of ParentCo after the Distribution Date.

"ParentCo Option" shall mean an option to purchase shares of ParentCo Common Stock granted pursuant to one of the ParentCo Equity Plans.

"ParentCo Participant" shall mean any individual who, immediately following the Effective Time, is a ParentCo Employee, a Former ParentCo Employee or a beneficiary, dependent or alternate payee of any of the foregoing. If a Dual Employee is (or later becomes) employed for at least 30 hours per week by ParentCo, a ParentCo Subsidiary or a ParentCo Affiliate, such Dual Employee shall be considered a ParentCo Participant for purposes of this Agreement. If a Dual Employee is (or later becomes) employed for less than 30 hours per week by ParentCo, a ParentCo Subsidiary or a ParentCo Affiliate, such Dual Employee shall not be

considered a ParentCo Participant for purposes of this Agreement, but shall instead be considered a SpinCo Participant.

"ParentCo Ratio" shall mean (a) the sum of (i) the SpinCo Stock Price divided by three and one-half (3.5) and (ii) the ParentCo Stock Price, then divided by (b) the ParentCo Stock Price.

"ParentCo RSA" shall mean a share of ParentCo Common Stock granted pursuant to one of the ParentCo Equity Plans that is subject to a vesting requirement that has not been satisfied as of the Distribution Date.

"ParentCo RSU Award" shall mean an award of restricted stock units granted pursuant to one of the ParentCo Equity Plans, with each unit representing an unfunded and unsecured promise by ParentCo to issue a share of ParentCo Common Stock after the Distribution Date.

"ParentCo Stock Price" shall mean the Volume-Weighted Average Price of one share of ParentCo Common Stock for the first three (3) trading days following the Distribution Date.

"ParentCo TFIO RSA" shall mean a ParentCo RSA granted on February 11, 2011 that is subject to both performance-based vesting conditions and service-based vesting conditions.

"ParentCo Welfare Plans" shall mean, collectively, the health and welfare benefit plans maintained by a member of the ParentCo Group.

"Person" shall mean any natural person, firm, individual, corporation, business trust, joint venture, association, company, limited liability company, partnership, or other organization or entity, whether incorporated or unincorporated, or any governmental entity.

"Post-Distribution ParentCo Option" shall mean the definition set forth in Section 5.1(a) of this Agreement.

"Post-Distribution ParentCo RSAs" shall mean the definition set forth in Section 5.3(a) of this Agreement.

"Post-Distribution ParentCo RSU Award" shall mean the definition set forth in Section 5.2(a) of this Agreement.

"SpinCo Affiliate" shall mean any entity other than a SpinCo Subsidiary, if SpinCo and/or one or more SpinCo Subsidiaries own not less than 50% of such entity.

"SpinCo Benefit Plan" shall mean any Benefit Plan sponsored, maintained or contributed to by any member of the SpinCo Group or any ERISA Affiliate thereof immediately following the Effective Time, including the 401(k) Plan and the SpinCo Welfare Plans.

"SpinCo Business" shall mean the definition as set forth in the Separation Agreement.

"SpinCo Common Share" shall mean the definition as set forth in the Separation Agreement.

"SpinCo Employee" shall mean a person listed on Attachment 1.62 to the Separation Agreement.

"SpinCo Group" shall mean SpinCo and each Person that is an Affiliate of SpinCo immediately after the Distribution Date or that becomes an Affiliate of SpinCo after the Distribution Date.

"SpinCo Liabilities" shall mean the definition as set forth in the Separation Agreement.

"SpinCo Non-Employee Director" shall mean all individuals listed on Attachment 2.

"SpinCo Parent" shall mean any corporation (other than SpinCo) in an unbroken chain of corporations ending with SpinCo, if each of the corporations other than SpinCo owns shares possessing 50% or more of the total combined voting power of all classes of shares in one of the other corporations in such chain. A corporation that attains the status of a SpinCo Parent on a date after this Agreement is entered into shall be considered a SpinCo Parent commencing as of such date. For sake of clarity, ParentCo shall not be considered a SpinCo Parent.

"SpinCo Participant" shall mean any individual who, immediately following the Effective Time, is a SpinCo Employee, a Former SpinCo Employee or a beneficiary, dependent or alternate payee of any of the foregoing. If a Dual Employee is (or later becomes) employed for at least 30 hours per week by SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate, such Dual Employee shall be considered a SpinCo Participant for purposes of this Agreement. If a Dual Employee is (or later becomes) employed for less than 30 hours per week by SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate, such Dual Employee shall not be considered a SpinCo Participant for purposes of this Agreement, but shall instead be considered a ParentCo Participant.

"SpinCo RSA" shall mean a SpinCo Common Share issued to the holder of a ParentCo RSA in the Distribution that is subject to a vesting requirement that has not been satisfied as of the Distribution Date.

"SpinCo Stock Price" shall mean the Volume-Weighted Average Price of one SpinCo Common Share for the first three (3) trading days following the Distribution Date.

"SpinCo Subsidiary" shall mean any corporation (other than SpinCo) in an unbroken chain of corporations beginning with SpinCo, if each of the corporations other than the last corporation in the unbroken chain owns shares possessing 50% or more of the total combined voting power of all classes of shares in one of the other corporations in such chain. A corporation that attains the status of a SpinCo Subsidiary on a date after this Agreement is entered into shall be considered a SpinCo Subsidiary commencing as of such date.

"SpinCo Welfare Plans" shall mean health and welfare plans maintained by a member of the SpinCo Group.

"Strategic Alliance Agreement" shall mean the definition as set forth in the Separation Agreement.

"Subsidiary" shall mean the definition as set forth in the Separation Agreement.

"TFIO Cash Award" shall mean a cash award granted by ParentCo pursuant to the Theravance, Inc. 2004 Equity Incentive Plan on March 31, 2011 that is subject to both performance-based vesting conditions and service-based vesting conditions, and which have not been fully satisfied as of the Distribution Date.

"TFIO Recipient" shall mean the holder of a ParentCo TFIO RSA.

"Third Party" shall mean the definition as set forth in the Separation Agreement.

1.2 References; Interpretation. References in this Agreement to any gender include references to all genders, and references to the singular include references to the plural and vice versa. Unless the context otherwise requires, the words "include", "includes" and "including" when used in this Agreement shall be deemed to be followed by the phrase "without limitation". Unless the context otherwise requires, references in this Agreement to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement. Unless the context otherwise requires, the words "hereof", "hereby", "herein" and "herewith" and words of similar import when used in this Agreement refer to this Agreement in its entirety and not to any particular Article, Section or provision of this Agreement. The word "or" shall not be exclusive.

ARTICLE II

GENERAL PRINCIPLES

2.1 Assumption and Retention of Liabilities; Related Assets.

(a) As of the date hereof and with effect at the Effective Time, except as otherwise expressly provided in this Agreement, ParentCo shall, or shall cause one or more members of the ParentCo Group to, assume or retain, as applicable, and pay, perform, fulfill and discharge, in due course in full (i) all Liabilities under all ParentCo Benefit Plans (except with regard to the Theravance, Inc. 401(k) Plan (the "401(k) Plan"), as discussed below), (ii) all Liabilities (excluding Liabilities incurred under a Benefit Plan except as otherwise provided in this Agreement) with respect to the employment, service, termination of employment or termination of service of all ParentCo Employees, Former ParentCo Employees and their dependents and beneficiaries (and any alternate payees in respect thereof) and other service providers (including any individual who is, or was, an independent contractor, temporary employee, temporary service worker, consultant, freelancer, agency employee, leased employee, on-call worker, incidental worker, or non-payroll worker or in any other employment, non-employment, or retainer arrangement, or relationship with any member of the ParentCo Group), in each case to the extent arising in connection with or as a result of employment with or the performance of services for any member of the ParentCo Group, and (iii) any other Liabilities or obligations expressly assigned to ParentCo or any of its Affiliates (other than any member of the SpinCo Group) under this Agreement. For purposes of clarification, the Liabilities assumed or retained by the ParentCo Group as provided for in this Section (a) or elsewhere in this Agreement are intended to be Excluded Liabilities. Notwithstanding the foregoing, sponsorship

and associated Liabilities of the 401(k) Plan shall transfer to SpinCo; however, ParentCo will remain a participating employer of the 401(k) Plan for the benefit of its employees, and as such will retain any Liabilities associated with such status.

(b) As of the date hereof and with effect at the Effective Time, except as otherwise expressly provided in this Agreement, SpinCo shall, or shall cause one or more members of the SpinCo Group to, assume or retain, as applicable, and pay, perform, fulfill and discharge, in due course in full (i) all Liabilities under all SpinCo Benefit Plans, (ii) all Liabilities (excluding Liabilities incurred under a Benefit Plan except as otherwise provided in this Agreement) with respect to the employment, service, termination of employment or termination of service of all SpinCo Employees, Former SpinCo Employees and their dependents and beneficiaries (and any alternate payees in respect thereof) and other service providers (including any individual who is, or was, an independent contractor, temporary employee, temporary service worker, consultant, freelancer, agency employee, leased employee, on-call worker, incidental worker, or non-payroll worker or in any other employment, non-employment, or retainer arrangement, or relationship with any member of the ParentCo Group or SpinCo Group), in each case to the extent arising in connection with or as a result of employment with or the performance of services for any member of the SpinCo Group, or in the case of Former SpinCo Employees, the ParentCo Group, and (iii) any other Liabilities or obligations expressly assigned to SpinCo or any of its Affiliates (other than any member of the ParentCo Group), under this Agreement. For purposes of clarification, the Liabilities assumed or retained by the SpinCo Group as provided for in this Section 2.1(b) or elsewhere in this Agreement are intended to be SpinCo Liabilities as such term is defined in the Separation Agreement.

(c) From time to time after the Distribution Date, the Parties shall promptly reimburse one another, upon written request of the Party requesting reimbursement and the presentation by such Party of such substantiating documentation as the other Party shall reasonably request, for the reasonable cost of any obligations or Liabilities satisfied or assumed by the Party requesting reimbursement or its Affiliates that are, or that have been made pursuant to this Agreement, the responsibility of the other Party or any of its Affiliates. Any such request for reimbursement must be made not later than the first anniversary of the Distribution Date.

(d) ParentCo shall retain responsibility for all employee-related regulatory filings for reporting periods through the Distribution Date except for Equal Employment Opportunity Commission EEO-1 reports and affirmative action program (AAP) reports and responses to Office of Federal Contract Compliance Programs (OFCCP) submissions or other Governmental Entity inquiries, for which ParentCo will provide data and information (to the extent permitted by applicable Laws and consistent with Section 9.1) to SpinCo, who will be responsible for making such filings in respect of SpinCo Employees and Dual Employees (as relates to such Dual Employee's employment with SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate).

2.2 Service Recognition. SpinCo shall give each SpinCo Participant full credit for purposes of eligibility, vesting, determination of level of benefits, and, to the extent applicable, benefit accruals under any SpinCo Benefit Plan, respectively, for such SpinCo Participant's service with any member of the ParentCo Group through the Distribution Date to the same extent such service was recognized by the applicable ParentCo Benefit Plans as of the Distribution

Date; provided, that, such service shall not be recognized to the extent that such recognition would result in the duplication of benefits.

ARTICLE III

QUALIFIED DEFINED CONTRIBUTION PLAN

3.1 401(k) Plan.

(a) Sponsorship of the 401(k) Plan. Effective as of the date of Separation, SpinCo shall become the sponsor of the 401(k) Plan. As a part of the transfer of sponsorship from ParentCo to SpinCo, SpinCo shall permit ParentCo to be an adopting employer of the 401(k) Plan. SpinCo shall be responsible for taking all necessary, reasonable and appropriate action to maintain and administer the 401(k) Plan so that it is qualified under Section 401(a) of the Code and that the related trust thereunder is exempt from Federal income tax under Section 501(a) of the Code. SpinCo (acting directly or through its Affiliates) shall be responsible for any and all Liabilities and other obligations with respect to the 401(k) Plan other than Liabilities and other obligations attributable to ParentCo as an adopting employer of the 401(k) Plan, for which ParentCo will retain responsibility.

(b) Continuation of Elections. As of the day after the Distribution Date, the ParentCo Participants and SpinCo Participants shall continue to participate in the 401(k) Plan, and SpinCo (acting directly or through its Affiliates) shall cause the 401(k) Plan to recognize and maintain all 401(k) Plan elections made by ParentCo Participants and SpinCo Participants, including, but not limited to, deferral, investment, and payment form elections, dividend elections, beneficiary designations, and the rights of alternate payees under qualified domestic relations orders with respect to ParentCo Participants and SpinCo Participants, to the extent such election or designation is available under the 401(k) Plan.

(c) Contributions. All contributions payable to the 401(k) Plan with respect to employee deferrals and contributions, matching contributions and other contributions for ParentCo and SpinCo, determined in accordance with the terms and provisions of the 401(k) Plan, ERISA and the Code, shall be paid by ParentCo or SpinCo respectively to the 401(k) Plan on behalf of each company's participating employees commencing following the date of transfer of the sponsorship of the 401(k) Plan described in subsection (a), above.

ARTICLE IV

HEALTH AND WELFARE PLANS

4.1 Health and Welfare Plans Maintained By ParentCo through the Distribution Date.

(a) Establishment of Welfare Plans. ParentCo or one or more of its Affiliates shall maintain the ParentCo Welfare Plans for the benefit of eligible ParentCo Participants and SpinCo Participants. Effective as of the Distribution Date, all of the ParentCo Welfare Plans (other than those ParentCo Welfare Plans listed on Attachment 3) shall be transferred to SpinCo (or a SpinCo Affiliate) solely for the benefit of SpinCo Participants and become SpinCo Welfare Plans; provided, however, that for a period of time mutually agreed upon by SpinCo and

ParentCo, certain ParentCo Employees will be eligible for the following fully insured SpinCo Welfare Plans: (i) vision (VSP), (ii) life and accidental death and dismemberment insurance (Lincoln), (iii) dental (Delta Dental) and (iv) employee assistance plan (EAP). Other than the four plans listed in the immediately preceding sentence, ParentCo shall maintain its own ParentCo Welfare Benefit Plans solely for the benefit of ParentCo Participants. Notwithstanding the foregoing, ParentCo Employees who were covered under the major medical plan as of the Distribution Date will continue such coverage until the first day of the month after the Distribution Date.

(b) Terms of Participation in SpinCo Welfare Plans. SpinCo (acting directly or through its Affiliates) shall use reasonable best efforts to cause all SpinCo Welfare Plans, respectively, to continue to operate in a similar manner as when such plans were maintained by ParentCo, such as (i) waiving all limitations as to preexisting conditions, exclusions, and service conditions with respect to participation and coverage requirements applicable to SpinCo Participants, respectively, other than limitations that were in effect with respect to SpinCo Participants as of the Distribution Date, (ii) waiving any waiting period limitation or evidence of insurability requirement that would otherwise be applicable to a SpinCo Participant, respectively, following the Distribution Date to the extent such SpinCo Participant had satisfied any similar limitation when such plans were maintained by ParentCo and (iii) credit SpinCo Participants (and their dependents) for any deductibles and out-of-pocket expenses paid under such plans when such plans were maintained by ParentCo.

(c) Employees on Leave. Notwithstanding any other provision of this Agreement to the contrary, SpinCo shall assume Liability for payment of any salary continuation, short term disability or health and welfare coverage with respect to SpinCo Employees and ParentCo shall have no further responsibility for such disabled SpinCo Employees or SpinCo Employees on approved leave after the Distribution Date.

(d) COBRA and HIPAA. Effective as of the Effective Time, ParentCo shall retain responsibility for compliance with the health care continuation coverage requirements of COBRA with respect to SpinCo Participants who, as of the Distribution Date, were covered under a ParentCo Welfare Plan and had a qualifying event within the meaning of Code §4980B(f)(3) before the Effective Time. The Parties hereto agree that neither the Distribution nor any transfers of employment that occur as of the Distribution Date shall constitute a COBRA qualifying event for purposes of COBRA; *provided*, that, in all events, SpinCo (acting directly or through its Affiliates) shall assume, or shall have caused the SpinCo Welfare Plans to assume, responsibility for compliance with the health care continuation coverage requirements of COBRA with respect to those individuals whose employment is transferred directly from the ParentCo Group to the SpinCo Group, as of the Effective Time, to the extent such individual was, as of such transfer of employment, covered under a ParentCo Welfare Plan or becomes covered under a SpinCo Welfare Plan.

(e) Liabilities.

(i) Insured Benefits. With respect to employee welfare and fringe benefits that are provided through the purchase of insurance (including, without limitation, health, disability and workers' compensation benefits), ParentCo shall timely pay all premiums

in respect of coverage of SpinCo Participants in respect of the period through the Distribution Date and shall retain all claims incurred by the SpinCo Participants through the Distribution Date, and SpinCo shall cause ParentCo not to have any liability in respect of any and all claims of SpinCo Participants that are incurred under the SpinCo Welfare Plans.

(ii) Incurred Claim Definition. For purposes of this Section 4.1(e), a claim or Liability is deemed to be incurred (A) with respect to medical, dental, vision and/or prescription drug benefits, upon the rendering of health services giving rise to such claim or Liability; (B) with respect to life insurance, accidental death and dismemberment and business travel accident insurance, upon the occurrence of the event giving rise to such claim or Liability; and (C) with respect to disability benefits, upon the date of an individual's disability, as determined by the disability benefit insurance carrier or claim administrator, giving rise to such claim or Liability.

4.2 Time-Off Benefits. SpinCo shall credit each SpinCo Participant with the amount of accrued but unused paid time-off benefits as such SpinCo Participant had with the ParentCo Group as of the Distribution Date. Notwithstanding the above, SpinCo shall not be required to credit any SpinCo Participant with any accrual to the extent that a benefit attributable to such accrual is provided or continues to be provided by the ParentCo Group.

ARTICLE V

EQUITY AWARDS

5.1 Treatment of Outstanding ParentCo Options.

(a) Each ParentCo Option that is outstanding on the Distribution Date shall, as of the Distribution Date, be adjusted in the following manner (as adjusted, a "Post-Distribution ParentCo Option"):

(i) The number of shares subject to the Post-Distribution ParentCo Option shall be equal to the product of (1) the number of shares subject to the ParentCo Option immediately prior to the Distribution multiplied by (2) the ParentCo Ratio, rounded down to the nearest whole share. The per share exercise price of the Post-Distribution ParentCo Option shall be equal to the product of (1) the per share exercise price of the ParentCo Option immediately prior to the Distribution divided by (2) the ParentCo Ratio, rounded up to the nearest whole cent.

(ii) Prior to the Distribution Date, ParentCo shall take all actions necessary to provide that, effective as of the Distribution Date, for purposes of Post-Distribution ParentCo Options held by a SpinCo Non-Employee Director that are vested as of the Distribution Date, continuous service as a non-employee director of SpinCo following the Distribution Date shall be deemed continuous service with ParentCo.

(iii) Prior to the Distribution Date, ParentCo shall take all actions necessary to provide that, effective as of the Distribution Date, for purposes of Post-Distribution ParentCo Options (including vesting, exercisability and expiration of such options), *other* than any ParentCo Options that were incentive stock options immediately prior to the Distribution Date, a SpinCo Employee's continuous service with SpinCo, a SpinCo Parent, a SpinCo

Subsidiary or a SpinCo Affiliate (including (A) any ParentCo Employee who becomes an employee or consultant of SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate after the Distribution Date and (B) any Dual Employee who becomes solely an employee or consultant of SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate after the Distribution Date) following the Distribution Date shall be deemed continuous service with ParentCo.

(iv) ParentCo shall honor the terms of any written agreement entered into on or before the Distribution Date with any SpinCo Employee insofar as such written agreement provides for accelerated vesting of any ParentCo Option.

(v) Except as otherwise provided herein, the Post-Distribution ParentCo Options shall remain subject to the terms and conditions of the underlying ParentCo Options as in effect immediately prior to the Distribution Date (taking into account changes in the identity of the employer).

(b) Upon the exercise of a Post-Distribution ParentCo Option, regardless of the holder thereof, the exercise price shall be paid to (or otherwise satisfied to the satisfaction of) ParentCo in accordance with the terms of the Post-Distribution ParentCo Option, and ParentCo shall be solely responsible for the issuance of ParentCo Common Stock, for ensuring the collection of the employee portion of all applicable withholding tax on behalf of the employing entity of such holder and for ensuring the remittance of such withholding taxes to the employing entity of such holder, provided, however, that ParentCo is solely responsible for ensuring the collection of the employee portion of all applicable withholding tax related to Post-Distribution ParentCo Options that vested prior to the Distribution Date and for remitting such amounts directly to the applicable taxing authority.

(c) The adjustments made pursuant to this Section 5.1 are intended to be consistent with the provisions of Section 409A of the Code and, to the extent applicable, Section 424 of the Code, and shall be construed accordingly.

5.2 Treatment of Outstanding ParentCo RSU Awards.

(a) Each ParentCo RSU Award that is outstanding on the Distribution Date shall, as of the Distribution Date, be adjusted in the following manner (as adjusted, a "Post-Distribution ParentCo RSU Award"):

(i) The number of restricted stock units subject to the Post-Distribution ParentCo RSU Award shall be equal to the product of (1) the number of restricted stock units subject to the ParentCo RSU Award immediately prior to the Distribution multiplied by (2) the ParentCo Ratio, rounded down to the nearest whole unit.

(ii) Prior to the Distribution Date, ParentCo shall take all actions necessary to provide that, effective as of the Distribution Date, for purposes of Post-Distribution ParentCo RSU Awards (including vesting and forfeiture of such awards), a SpinCo Employee's continuous service with SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate (including (A) any ParentCo Employee who becomes an employee or consultant of SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate after the Distribution Date and (B) any

Dual Employee who becomes solely an employee or consultant of SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate after the Distribution Date) following the Distribution Date shall be deemed continuous service with ParentCo.

(iii) ParentCo shall honor the terms of any written agreement entered into on or before the Distribution Date with any SpinCo Employee insofar as such written agreement provides for accelerated vesting of any ParentCo RSU Award.

(iv) Except as otherwise provided herein, the Post-Distribution ParentCo RSU Awards shall remain subject to the terms and conditions of the underlying ParentCo RSU Awards as in effect immediately prior to the Distribution Date (taking into account changes in the identity of the employer).

(b) ParentCo shall be solely responsible for the settlement of Post-Distribution ParentCo RSU Awards in shares of ParentCo Common Stock, regardless of the holder thereof, and for ensuring the collection of the employee portion of all applicable withholding tax on behalf of the employing entity of such holder and for ensuring the remittance of such withholding taxes to the employing entity of such holder.

5.3 Treatment of Outstanding ParentCo RSAs.

(a) ParentCo RSAs that are outstanding on the Distribution Date shall, as of the Distribution Date, be adjusted in the following manner (as adjusted, "Post-Distribution ParentCo RSAs"):

(i) Each holder of an award of ParentCo RSAs that is outstanding on the Record Date shall receive as part of the Distribution SpinCo RSAs in respect of such ParentCo RSAs, in such number as such holder would have received in respect of such shares had such ParentCo RSAs been vested ParentCo shares on the Record Date, rounded down to the nearest whole share. Except with respect to SpinCo RSAs that are held by a Dual Employee following the Distribution Date and relate to ParentCo TFIO RSAs, such SpinCo RSAs shall be subject to the same terms and conditions (including vesting and forfeiture) as apply to the applicable ParentCo RSAs in respect of which such SpinCo RSAs were distributed. In all cases, the number of underlying ParentCo RSAs shall remain the same and will not be increased or decreased in connection with the Distribution.

(ii) Prior to the Distribution Date, ParentCo shall take all actions necessary to provide that, effective as of the Distribution Date, for purposes of Post-Distribution ParentCo RSAs and the related SpinCo RSAs (including vesting and forfeiture of such awards), a SpinCo Employee's continuous service as an employee (or if the applicable award agreement so provides, as a consultant) with SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate (including (A) any ParentCo Employee who becomes an employee or consultant of SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate after the Distribution Date and (B) any Dual Employee who becomes solely an employee or consultant of SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate after the Distribution Date) following the Distribution Date shall be deemed continuous service with ParentCo.

(iii) Each of the parties shall honor the terms of any written agreement entered into on or before the Distribution Date with any employee of another Party insofar as such written agreement provides for accelerated vesting of any ParentCo RSA or SpinCo RSA.

(iv) Except as otherwise provided herein, the Post-Distribution ParentCo RSAs and the related SpinCo RSAs shall remain subject to the terms and conditions of the underlying ParentCo RSAs as in effect immediately prior to the Distribution Date (taking into account changes in the identity of the employer).

(b) In addition to the adjustments described in Section 5.3(a) above, ParentCo and SpinCo shall honor the terms of any written agreement entered into on or before the Distribution Date between ParentCo and/or SpinCo and a TFIO Recipient with respect to the vesting of such TFIO Recipient's ParentCo TFIO RSAs and the related SpinCo RSAs. ParentCo hereby agrees that SpinCo may establish new vesting conditions applicable to any ParentCo TFIO RSAs held by SpinCo Employees (including (A) any ParentCo Employee who becomes an employee of SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate after the Distribution Date and (B) any Dual Employee who becomes solely an employee of SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate after the Distribution Date) that are not vested or subject to solely service-based vesting conditions as of the Distribution Date (or such date as the TFIO Recipient becomes an employee (and with respect to a Dual Employee, becomes solely an employee) of SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate), and SpinCo hereby agrees that ParentCo may establish new vesting conditions applicable to any SpinCo RSAs held by ParentCo Employees (including (A) any SpinCo Employee who becomes an employee of ParentCo, a ParentCo Parent, a ParentCo Subsidiary or a ParentCo Affiliate after the Distribution Date and (B) any Dual Employee who becomes solely an employee of ParentCo, a ParentCo Parent, a ParentCo Subsidiary or a ParentCo Affiliate after the Distribution Date) that are not vested or subject to solely service-based vesting conditions as of the Distribution Date (or such date as the TFIO Recipient becomes an employee (and with respect to a Dual Employee, becomes solely an employee) of ParentCo, a ParentCo Parent, a ParentCo Subsidiary or a ParentCo Affiliate).

(c) Regardless of the holder of a ParentCo RSA, ParentCo shall be solely responsible for ensuring the collection of the employee portion of all applicable withholding tax on behalf of the employing entity of such holder and for ensuring the remittance of such withholding taxes to the employing entity of such holder. Regardless of the holder of a SpinCo RSA, SpinCo shall be solely responsible for ensuring the collection of the employee portion of all applicable withholding tax on behalf of the employing entity of such holder and for ensuring the remittance of such withholding taxes to the employing entity of such holder.

(d) Following the Distribution Date, if any ParentCo RSAs shall fail to vest, regardless of the holder thereof, such ParentCo RSAs shall be forfeited to ParentCo. Additionally, any ParentCo RSAs that are withheld by ParentCo to satisfy the employee portion of applicable withholding taxes following the Distribution Date shall be retained by ParentCo. Following the Distribution Date, if any SpinCo RSAs shall fail to vest, regardless of the holder thereof, such SpinCo RSAs shall be forfeited to SpinCo. Additionally, any SpinCo RSAs that are withheld by SpinCo to satisfy the employee portion of applicable withholding taxes following the Distribution Date shall be retained by SpinCo.

5.4 Cooperation. Each of the Parties shall establish an appropriate administration system in order to handle, in an orderly manner, the exercise, vesting, settlement, expiration and forfeiture of Post-Distribution ParentCo Options, Post-Distribution ParentCo RSU Awards and Post-Distribution ParentCo RSAs and the related SpinCo RSAs and the reporting and withholding requirements applicable to such awards. Each of the Parties will work together to unify and consolidate all indicative data and payroll and employment information on regular timetables and make certain that each applicable entity's data and records in respect of such awards are correct and updated on a timely basis. The foregoing shall include employment status and information required for tax withholding/remittance, compliance with trading windows and compliance with the requirements of the Exchange Act and other applicable Laws.

5.5 SEC Registration. The Parties mutually agree to use commercially reasonable efforts to maintain effective registration statements with the SEC with respect to the equity awards described in this Article V, to the extent any such registration statement is required by applicable Law.

ARTICLE VI

PERFORMANCE CASH AWARDS

6.1 Treatment of Outstanding ParentCo Performance Cash Awards.

(a) ParentCo and SpinCo shall honor the terms of any written agreement entered into on or before the Distribution Date between ParentCo and/or SpinCo and the holder of a TFIO Cash Award with respect to vesting of such individual's TFIO Cash Award.

(b) Each TFIO Cash Award held by a SpinCo Employee that is subject to unsatisfied performance-based vesting conditions on the Distribution Date shall automatically terminate as of the Distribution Date.

(c) ParentCo shall be solely responsible for payment of any TFIO Cash Award that vests prior to the Distribution Date, and for ensuring the collection of the employee portion of all applicable withholding tax on behalf of the employing entity of such holder and for ensuring the remittance of such withholding taxes to the employing entity of such holder. SpinCo shall be solely responsible for payment of any TFIO Cash Award held by a SpinCo Employee that vests after the Distribution Date (including any SpinCo Employee who becomes an employee or consultant of ParentCo, a ParentCo Parent, a ParentCo Subsidiary or a ParentCo Affiliate after the Distribution Date), and for ensuring the collection of the employee portion of all applicable withholding tax on behalf of the employing entity of such holder and for ensuring the remittance of such withholding taxes to the employing entity of such holder.

ARTICLE VII

ADDITIONAL COMPENSATION MATTERS

7.1 ParentCo Severance Plans. Effective as of the Distribution Date, SpinCo Employees, other than any SpinCo Employees that are Dual Employees, shall no longer be eligible to participate in the Theravance, Inc. Change in Control Severance Plan and the

Theravance, Inc. 2009 Change in Control Severance Plan. The Parties acknowledge and agree that the transactions contemplated by this Agreement or the Separation Agreement do not constitute a "change in control" under either such plan. Neither the transfer of a SpinCo Employee's employment to SpinCo nor the transactions contemplated by this Agreement or the Separation Agreement shall constitute an "involuntary termination" under either such plan.

7.2 Workers' Compensation Liabilities. Except as provided in Section 4.1(e)(i), all workers' compensation Liabilities relating to, arising out of, or resulting from any claim that results from an accident, incident or event occurring, or from an occupational disease which becomes manifest, at, before or after the Distribution Date by (i) any ParentCo Employee or Former ParentCo Employee shall be retained by ParentCo, and (ii) by any SpinCo Employee or Former SpinCo Employee shall be assumed by SpinCo.

7.3 Director Programs; Director Fees. ParentCo shall retain responsibility for the payment of any fees payable in respect of service on the ParentCo Board of Directors that are payable but not yet paid as of the Distribution Date, and SpinCo shall not have any responsibility for any such payments. After the Distribution Date, ParentCo and SpinCo will each be responsible for the fees and expenses of their respective Boards of Directors.

7.4 Certain Payroll Matters. In the case of an individual who transfers employment on the Distribution Date from ParentCo to SpinCo, SpinCo shall be responsible for paying the entire payroll amount due to such individual for the first payroll cycle ending after the Distribution Date and for satisfying all applicable tax reporting and withholding requirements in respect of such payment; provided, that, ParentCo shall reimburse SpinCo for the gross amount of the payroll payment (i.e., including any applicable deductions) and for all tax withholdings remitted in respect of such portion of the payroll period ending on the Distribution Date. ParentCo shall be entitled to the benefit of any tax deduction in respect of its payment (by reimbursement to SpinCo) for the portion of the payroll period ending on the Distribution Date.

ARTICLE VIII

INDEMNIFICATION

8.1 Indemnification by SpinCo. SpinCo hereby agrees to indemnify, defend and hold harmless ParentCo from and against any and all claims, losses, demands, liabilities, costs and expenses (including reasonable attorneys' fees and costs and expenses related thereto) suffered or incurred by ParentCo as a result of, or in connection with, a breach of this Agreement by SpinCo.

8.2 Indemnification by ParentCo. ParentCo hereby agrees to indemnify, defend and hold harmless SpinCo from and against any and all claims, losses, demands, liabilities, costs and expenses (including reasonable attorney's fees and costs and expenses related thereto) suffered or incurred by SpinCo as a result of, or in connection with, a breach of this Agreement by ParentCo.

8.3 Procedures. Any claim for indemnification under this ARTICLE VIII shall be governed by, and be subject to, the provisions of Article V of the Separation Agreement, which

provisions are hereby incorporated by reference into this Agreement and any references to "Agreement" in such Article V as incorporated herein shall be deemed to be references to this Agreement.

ARTICLE IX

GENERAL AND ADMINISTRATIVE

9.1 Sharing of Information. ParentCo and SpinCo (acting directly or through their respective Affiliates) shall provide to each other and their respective agents and vendors all information as the other may reasonably request to enable the requesting Party to administer efficiently and accurately each of its Benefit Plans, to timely and accurately comply with and report under Section 14 of the Exchange Act and to determine the scope of, as well as fulfill, its obligations under this Agreement. Such information shall, to the extent reasonably practicable, be provided in the format and at the times and places requested, but in no event shall the Party providing such information be obligated to incur any out-of-pocket expenses not reimbursed by the Party making such request or make such information available outside of its normal business hours and premises. Any information shared or exchanged pursuant to this Agreement shall be subject to the confidentiality requirements set forth in the Separation Agreement. The Parties also hereby agree to enter into any business associate agreements that may be required for the sharing of any information pursuant to this Agreement to comply with the requirements of HIPAA.

9.2 Reasonable Efforts/Cooperation. Each of the Parties hereto will use its reasonable best efforts to promptly take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable Laws and regulations to consummate the transactions contemplated by this Agreement, including adopting plans or plan amendments. Each of the Parties hereto shall cooperate fully on any issue relating to the transactions contemplated by this Agreement for which the other Party seeks a determination letter or private letter ruling from the Internal Revenue Service, an advisory opinion from the Department of Labor or any other filing, consent or governmental approval.

9.3 Employer Rights. Nothing in this Agreement shall prohibit any Party or any of their respective Affiliates from amending, modifying or terminating any of their respective Benefit Plans at any time within their sole discretion.

9.4 Effect on Employment. Except as expressly provided in this Agreement, the occurrence of the Distribution alone shall not cause any employee to be deemed to have incurred a termination of employment, which entitles such individual to the commencement of benefits under any of the ParentCo Benefit Plans. Furthermore, nothing in this Agreement is intended to confer upon any employee or former employee of ParentCo, SpinCo or any of their respective Affiliates any right to continued employment, or any recall or similar rights to an individual on layoff or any type of approved leave.

9.5 Consent of Third Parties. If any provision of this Agreement is dependent on the consent of any Third Party and such consent is withheld, the Parties hereto shall use their reasonable best efforts to implement the applicable provisions of this Agreement to the fullest

extent practicable. If any provision of this Agreement cannot be implemented due to the failure of such Third Party to consent, the Parties hereto shall negotiate in good faith to implement the provision (as applicable) in a mutually satisfactory manner.

9.6 Access to Employees. Following the Distribution Date, ParentCo and SpinCo shall, or shall cause each of their respective Affiliates to, make available to each other those of their employees who may reasonably be needed in order to defend or prosecute any legal or administrative action (other than a legal action between or among any of the Parties) to which any employee, director or Benefit Plan of the ParentCo Group or SpinCo Group is a party and which relates to their respective Benefit Plans prior to the Distribution. The Party to whom an employee is made available in accordance with this Section 9.6 shall pay or reimburse the other Party for all reasonable expenses which may be incurred by such employee in connection therewith, including all reasonable travel, lodging, and meal expenses, but excluding any amount for such employee's time spent in connection herewith. Any such reimbursement by one Party to the other shall be made within 90 days of the date on which the Party seeking reimbursement provides the reimbursing Party with documentation of such expenses that is reasonably acceptable to the reimbursing Party.

9.7 Beneficiary Designation/Release of Information/Right to Reimbursement. To the extent permitted by applicable Law, including, without limitation, the privacy and security requirements of HIPAA, and except as otherwise provided for in this Agreement, all beneficiary designations, authorizations for the release of information and rights to reimbursement made by or relating to SpinCo Participants under ParentCo Benefit Plans shall be transferred to and be in full force and effect under the corresponding SpinCo Benefit Plans and ParentCo Benefit Plans until such beneficiary designations, authorizations or rights are replaced or revoked by, or no longer apply, to the relevant SpinCo Participant.

9.8 GSK Agreements. Notwithstanding any other provision contained herein, ParentCo shall not take, and shall cause its Affiliates and its and its Affiliates' officers, directors, employees, agents and representatives (collectively, "Representatives") not to, (or omit to take) any action (including, without limitation, the disclosure of any information to SpinCo or any of its Representatives), that is or would be reasonably expected to result in a breach or violation of, or be in conflict with, any ParentCo confidentiality obligation to GSK under the Collaboration Agreement and/or the Strategic Alliance Agreement. To the extent that SpinCo or any of its Representatives becomes aware or believes that it has or may have received from ParentCo or any of its Representatives Confidential Information (as defined in the Collaboration Agreement or the Strategic Alliance Agreement) of GSK, it will promptly notify ParentCo in writing, will follow any reasonable instructions from ParentCo with respect to the return or destruction of such information, and will not use or disclose such information unless ParentCo confirms that it is not Confidential Information (as defined in the Collaboration Agreement or the Strategic Alliance Agreement) of GSK. Each party agrees and understands that monetary damages would not adequately compensate the non-breaching party for a breach of this Section 9.8, that this Section 9.8 shall, to the fullest extent permitted by law, be specifically enforceable, and that any breach or threatened breach of this Section 9.8 shall be the proper subject of a temporary or permanent injunction or restraining order. Further, ParentCo and SpinCo waive, to the fullest extent permitted by law, any claim or defense that there is an adequate remedy at law for such breach or threatened breach. Notwithstanding any other provision contained herein, SpinCo

acknowledges and agrees that it has no rights to any non-public information under the Collaboration Agreement and/or the Strategic Alliance Agreement, the disclosure of which by ParentCo or any of its Representatives to SpinCo or any of its Representatives is or would be reasonably expected to result in a breach or violation of, or be in conflict with, any ParentCo confidentiality obligation to GSK under the Collaboration Agreement and/or the Strategic Alliance Agreement. Notwithstanding anything else to the contrary, in the event of any conflict between this Section 9.8, or any covenant, right, agreement, obligation or duty of ParentCo or SpinCo (or any of their respective Representatives) under this Section 9.8, on the one hand, and any other provision of this Agreement, or any attachment hereto or any covenant, right, agreement, obligation or duty of ParentCo or SpinCo (or any of their respective Representatives) thereunder, on the other hand, this Section 9.8 shall govern and supersede such other provision, attachment, covenant, agreement, obligation or duty. Each party will be liable for breach of this Section 9.8 by any of its Representatives.

ARTICLE X

MISCELLANEOUS

10.1 Effect If Certain Events Do Not Occur. Notwithstanding anything in this Agreement to the contrary, if the Separation Agreement is terminated prior to the Effective Time, then all actions and events that are, under this Agreement, to be taken or occur effective prior to, as of or following the Distribution Date, or otherwise in connection with the Separation, shall not be taken or occur except to the extent specifically agreed to in writing by ParentCo on the one hand and SpinCo on the other hand and no Party shall have any Liability or further obligation to any other Party under this Agreement.

10.2 Relationship of Parties. Nothing in this Agreement shall be deemed or construed by the Parties or any Third Party as creating the relationship of principal and agent, partnership or joint venture between or among the Parties, it being understood and agreed that no provision contained herein, and no act of the Parties, shall be deemed to create any relationship between or among the Parties other than the relationship set forth herein.

10.3 Subsidiaries. Each of the Parties shall cause to be performed all actions, agreements and obligations set forth herein to be performed by any Subsidiary or Affiliate of such Party or by any entity that becomes a Subsidiary or Affiliate of such Party on and after the Distribution Date. The Parties acknowledge that certain actions, agreements and obligations that certain of their Affiliates and Subsidiaries may be required to perform in connection with the performance of the Parties obligations under this Agreement may require governmental approval under applicable Law, and therefore agree that performance of such actions, agreements and obligations is subject to the receipt of all such necessary governmental approvals, which governmental approvals each Party shall, and shall cause the members of its respective ParentCo Group or SpinCo Group, as applicable, to use its reasonable best efforts to obtain.

10.4 Notices. All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be deemed to be duly given when (a) delivered in person or (b) deposited in the United States mail or private express mail, postage prepaid, addressed as follows:

To ParentCo:

Theravance, Inc.
Attention: General Counsel
951 Gateway Boulevard
South San Francisco, CA 94080
Facsimile: 650-238-9601

To SpinCo:

Theravance Biopharma, Inc.
c/o Theravance Biopharma US, Inc.
Attention: General Counsel
901 Gateway Boulevard
South San Francisco, CA 94080
Facsimile: 650-808-6095

with a copy to: (not to constitute notice)

Gunderson Dettmer Stough Villeneuve
Franklin & Hachigian, LLP
Attention: David T. Young and Brooks Stough
1200 Seaport Boulevard
Redwood City, CA 94063
Facsimile: 650-321-2800

Either Party may, by notice to the other Party, change the address to which such notices are to be given.

10.5 Entire Agreement. This Agreement, the Separation Agreement, and all other agreements, instruments, understandings, assignments or other arrangements entered into between the Parties in connection with the Separation, including the exhibits and schedules thereto, contain the entire agreement between the Parties with respect to the subject matter hereof and shall supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter and there are no agreements or understandings between the Parties other than those set forth or referred to herein or therein. In the event of any conflict between the terms and conditions of this Agreement and the terms and conditions of the Separation Agreement, the terms and conditions of this Agreement (including amendments thereto) shall control.

10.6 Waivers. The failure of any Party to require strict performance by the other Party of any provision in this Agreement will not waive or diminish that Party's right to demand strict performance thereafter of that or any other provision hereof.

10.7 Governing Law. This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of Delaware, irrespective of the choice of

laws principles of the State of Delaware as to all matters, including matters of validity, construction, effect, enforceability, performance and remedies.

10.8 Counterparts. This Agreement may be executed in more than one counterparts, each of which shall be considered one and the same agreement, and shall become effective when each counterpart has been signed by each of the Parties and delivered to the other Parties. Execution of this Agreement or any other documents pursuant to this Agreement by facsimile or other electronic copy of a signature shall be deemed to be, and shall have the same effect as, executed by an original signature.

10.9 Severability. If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby or thereby, as the case may be, is not affected in any manner adverse to any Party. Upon such determination, the Parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to affect the original intent of the Parties.

10.10 Force Majeure. No Party (or any Person acting on its behalf) shall have any liability or responsibility for failure to fulfill any obligation (other than a payment obligation) under this Agreement so long as and to the extent to which the fulfillment of such obligation is prevented, frustrated, hindered or delayed as a consequence of circumstances of force majeure. A Party claiming the benefit of this provision shall, as soon as reasonably practicable after the occurrence of any such event: (a) notify the other Party of the nature and extent of any such force majeure condition and (b) use due diligence to remove any such causes and resume performance under this Agreement as soon as reasonably practicable.

10.11 Authorization. Each of the Parties hereby represents and warrants that it has the power and authority to execute, deliver and perform this Agreement, that this Agreement has been duly authorized by all necessary corporate action on the part of such Party, that this Agreement constitutes a legal, valid and binding obligation of each such Party and that the execution, delivery and performance of this Agreement by such Party does not contravene or conflict with any provision of law or of its charter or bylaws or any material agreement, instrument or order binding on such Party.

10.12 No Third Party Beneficiaries. The provisions of this Agreement are solely for the benefit of the Parties and are not intended to confer upon any Person except the Parties any rights or remedies hereunder. There are no Third Party beneficiaries of this Agreement and this Agreement shall not provide any Third Party, including, without limitation, any current or former employee or director of either Party, with any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement.

10.13 Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. This Agreement shall be construed without regard to any presumption or rule

requiring construction or interpretation against the party drafting or causing any instrument to be drafted.

10.14 Separation Agreement. To the extent not inconsistent with any specific term of this Agreement, the provisions of the Separation Agreement shall apply in relevant part to this Agreement, including Section 7.1 (Confidentiality), Article IX (Dispute Resolution), Article XI (Termination), Section 12.2 (Assignability), Section 12.10 (Specific Performance), Section 12.11 (Waiver of Jury Trial), Section 12.12 (Amendments) and Section 12.14 (Construction).

[*Remainder of Page Intentionally Left Blank*]

IN WITNESS WHEREOF, the Parties have caused this Employee Matters Agreement to be duly executed as of the day and year first above written.

THERAVANCE, INC.

By: _____
Name:
Title:

THERAVANCE BIOPHARMA, INC.

By: _____
Name:
Title:

[SIGNATURE PAGE TO EMPLOYEE MATTERS AGREEMENT]

Exhibit 10.10

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (this "Agreement") is made and entered into as of , , between THERAVANCE BIOPHARMA, INC., a Cayman Islands exempted company limited by shares ("the Company"), and ("Indemnitee").

WITNESSETH THAT:

WHEREAS, Indemnitee performs a valuable service for the Company; and

WHEREAS, the Board of Directors of the Company has adopted memorandum and articles of association (the "Articles") providing for the indemnification of the officers and directors of the Company to the maximum extent authorized applicable law, as it may hereafter be amended ("Law"); and

WHEREAS, the Bylaws and the Law, by their nonexclusive nature, permit contracts between the Company and the officers or directors of the Company with respect to indemnification of such officers or directors; and

WHEREAS, in accordance with the authorization as provided by the Law, the Company may purchase and maintain a policy or policies of directors' and officers' liability insurance ("D & O Insurance"), covering certain liabilities which may be incurred by its officers or directors in the performance of their obligations to the Company; and

WHEREAS, in order to induce Indemnitee to serve as an officer or director of the Company, the Company has determined and agreed to enter into this contract with Indemnitee;

NOW, THEREFORE, in consideration of Indemnitee's service as an officer or director after the date hereof, the parties hereto agree as follows:

1. Indemnity of Indemnitee. The Company hereby agrees to hold harmless and indemnify Indemnitee to the fullest extent authorized or permitted by the provisions of the Law and the Articles, as such may be amended from time to time. In furtherance of the foregoing indemnification, and without limiting the generality thereof:

(a) Proceedings Other Than Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section l(a) if, by reason of Indemnitee's Corporate Status (as hereinafter defined), Indemnitee is, or is threatened to be made, a party to or participant in any Proceeding (as hereinafter defined) other than a Proceeding by or in the right of the Company. Pursuant to this Section 1(a), Indemnitee shall be indemnified to the fullest extent permitted by Law against all Expenses (as hereinafter defined), judgments, penalties, fines and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, penalties, fines and amounts paid in settlement) actually and reasonably incurred by or on behalf of Indemnitee in connection with such Proceeding or any claim, issue or

matter therein, if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal Proceeding, had no reasonable cause to believe Indemnitee's conduct was unlawful.

(b) Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 1(b) if, by reason of Indemnitee's Corporate Status, Indemnitee is, or is threatened to be made, a party to or participant in any Proceeding brought by or in the right of the Company. Pursuant to this Section 1(b), Indemnitee shall be indemnified to the fullest extent permitted by Law against all Expenses actually and reasonably incurred by or on behalf of Indemnitee in connection with such Proceeding if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company; provided, however, that, if Law so provides, no indemnification against such Expenses shall be made in respect of any claim, issue or matter in such Proceeding as to which Indemnitee shall have been adjudged to be liable to the Company unless and to the extent that any court in which the Proceeding was brought shall determine that such indemnification may be made.

(a) Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of Indemnitee's Corporate Status, a party to (or participant in) and is successful, on the merits or otherwise, in any Proceeding or defense of any claim, issue or matter therein, Indemnitee shall be indemnified to the fullest extent permitted by Law against all Expenses actually and reasonably incurred by or on behalf of Indemnitee in connection with such Proceeding or in defense of any claim, issue or matter therein, in whole or in part. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall only indemnify Indemnitee to the fullest extent permitted by Law against all Expenses actually and reasonably incurred by or on behalf of Indemnitee in connection with each successfully resolved claim, issue or matter. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

2. Additional Indemnity. In addition to, and without regard to any limitations on, the indemnification provided for in Section 1, the Company shall and hereby does indemnify and hold harmless Indemnitee to the fullest extent permitted by Law against all Expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by or on behalf of Indemnitee if, by reason of Indemnitee's Corporate Status, Indemnitee is, or is threatened to be made, a party to or participant in any Proceeding (including a Proceeding by or in the right of the Company), including, without limitation, all liability arising out of the negligence or active or passive wrongdoing of Indemnitee. The only limitation that shall exist upon the Company's obligations pursuant to this Agreement shall be that the Company shall not be obligated to make any payment to Indemnitee that is finally determined (under the procedures, and subject to the presumptions, set forth in Sections 6 and 7 hereof) to be unlawful under Law.

3. Contribution in the Event of Joint Liability.

(a) Whether or not the indemnification provided in Sections 1 and 2 hereof is available, in respect of any Proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such Proceeding), the Company shall pay, in the first instance, the entire amount of any judgment or settlement of such Proceeding without requiring Indemnitee to contribute to such payment and the Company hereby waives and relinquishes, to the fullest extent permitted by Law, any right of contribution it may have against Indemnitee. The Company shall not enter into any settlement of any Proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such Proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnitee.

(b) Without diminishing or impairing the obligations of the Company set forth in the preceding subparagraph, if, for any reason, Indemnitee shall elect or be required to pay all or any portion of any judgment or settlement in any Proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such Proceeding), the Company shall contribute, to the fullest extent permitted by Law, to the amount of Expenses, judgments, penalties, fines and settlement amounts reasonably incurred and paid or payable by Indemnitee in proportion to the relative benefits received by the Company and all officers, directors or employees of the Company other than Indemnitee who are jointly liable with Indemnitee (or would be if joined in such Proceeding), on the one hand, and Indemnitee, on the other hand, from the transaction from which such Proceeding arose; provided, however, that the proportion determined on the basis of relative benefit may, to the extent necessary to conform to Law, be further adjusted by reference to the relative fault of the Company and all officers, directors or employees of the Company other than Indemnitee who are jointly liable with Indemnitee (or would be if joined in such Proceeding), on the one hand, and Indemnitee, on the other hand, in connection with the events that resulted in such expenses, judgments, fines or settlement amounts, as well as any other equitable considerations which the Law may require to be considered. The relative fault of the Company and all officers, directors or employees of the Company other than Indemnitee who are jointly liable with Indemnitee (or would be if joined in such Proceeding), on the one hand, and Indemnitee, on the other hand, shall be determined by reference to, among other things, the degree to which their actions were motivated by intent to gain personal profit or advantage, the degree to which their liability is primary or secondary, and the degree to which their conduct is active or passive.

(c) To the fullest extent permitted by Law, the Company hereby agrees to fully indemnify and hold Indemnitee harmless from any claims of contribution which may be brought by officers, directors or employees of the Company other than Indemnitee who may be jointly liable with Indemnitee.

4. Indemnification for Expenses of a Witness or Proceeding Participation. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of Indemnitee's Corporate Status, a witness in or otherwise asked to participate in any Proceeding to which Indemnitee is not a party, Indemnitee shall be indemnified to the fullest extent permitted by Law against all Expenses actually and reasonably incurred by or on behalf of Indemnitee in connection therewith.

5. Advancement of Expenses. Notwithstanding any other provision of this Agreement, the Company shall advance to the fullest extent not prohibited by Law all Expenses

incurred by or on behalf of Indemnitee in connection with any Proceeding (or part of any Proceeding) by reason of Indemnitee's Corporate Status (and not initiated by Indemnitee) within ten (10) days after the receipt by the Company of a statement or statements from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by or on behalf of Indemnitee and shall include or be preceded or accompanied by an undertaking by or on behalf of Indemnitee to repay any Expenses advanced if it shall ultimately be determined that Indemnitee is not entitled to be indemnified against such Expenses. Any advances and undertakings to repay pursuant to this Section 5 shall be unsecured and interest free. Notwithstanding the foregoing, the obligation of the Company to advance Expenses pursuant to this Section 5 shall be subject to the condition that if, when and to the extent that, following final disposition of the Proceeding, the Company determines that Indemnitee would not be permitted to be indemnified under Law or this Agreement, the Company shall be entitled to be reimbursed, within thirty (30) days of such determination, by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under Law, any determination made by the Company that Indemnitee would not be permitted to be indemnified under Law shall not be binding and Indemnitee shall not be required to reimburse the Company for any advance of Expenses until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed).

6. Procedures and Presumptions for Determination of Entitlement to Indemnification. It is the intent of this Agreement to secure for Indemnitee rights of indemnity that are as favorable as may be permitted under the Law and applicable public policy. Accordingly, the parties agree that the following procedures and presumptions shall apply in the event of any question as to whether Indemnitee is entitled to indemnification under this Agreement:

(a) To obtain indemnification (including, but not limited to, the advancement of Expenses and contribution by the Company) under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification (including, but not limited to, a description of the nature of the Proceeding and the facts underlying the Proceeding). The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that Indemnitee has requested indemnification.

(b) Upon written request by Indemnitee for indemnification pursuant to the first sentence of Section 6(a) hereof, a determination, if required by Law, with respect to Indemnitee's entitlement thereto shall be made in the specific case by one of the following four methods: (1) by a majority vote of the Disinterested Directors, even though less than a quorum, or (2) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum, or (3) if there are no such Disinterested Directors or if the Disinterested Directors so direct, by independent legal counsel ("Independent Counsel") in a written opinion to the Board of Directors, a copy of which shall be delivered to the Indemnitee, or (4) if directed by the Board of Directors, by the stockholders.

(c) If the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 6(b) hereof, the Independent Counsel shall be selected as provided in this Section 6(c). The Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board of Directors) and Indemnitee or the Company, as the case may be, shall give written notice to the other party advising such other party of the identity of the Independent Counsel so selected. Indemnitee or the Company, as the case may be, may, within 10 days after such written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 13 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If a written objection is made and substantiated, the Independent Counsel selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within 20 days after submission by Indemnitee of a written request for indemnification pursuant to Section 6(a) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition a court of competent jurisdiction for resolution of any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the court or by such other person as the court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 6(b) hereof. The Company shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with acting pursuant to Section 6(b) hereof, and the Company shall pay all reasonable fees and expenses incident to the procedures of this Section 6(c), regardless of the manner in which such Independent Counsel was selected or appointed. Upon the due commencement of any judicial proceeding pursuant to Section 7(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(d) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall to the fullest extent not prohibited by Law presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 6(a) of this Agreement. Anyone seeking to overcome this presumption shall to the fullest extent not prohibited by Law have the burden of proof and the burden of persuasion, by clear and convincing evidence.

(e) For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Enterprise. In addition, the knowledge and/or actions, or failure to act, of any director, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for

purposes of determining the right to indemnification under this Agreement. Whether or not the foregoing provisions of this Section 6(e) are satisfied, it shall to the fullest extent not prohibited by Law in any event be presumed that Indemnitee has at all times acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company. Anyone seeking to overcome this presumption shall to the fullest extent not prohibited by Law have the burden of proof and the burden of persuasion, by clear and convincing evidence.

(f) If the person, persons or entity empowered or selected under Section 6 to determine whether Indemnitee is entitled to indemnification shall not have made a determination within thirty (30) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under Law; provided, however, that such 30 day period may be extended for a reasonable time, not to exceed an additional fifteen (15) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 6(f) shall not apply if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 6(b) of this Agreement and if (A) within fifteen (15) days after receipt by the Company of the request for such determination the Board of Directors or the Disinterested Directors, if appropriate, resolve to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within seventy five (75) days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within fifteen (15) days after such receipt for the purpose of making such determination, such meeting is held for such purpose within sixty (60) days after having been so called and such determination is made thereat.

(g) Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any Independent Counsel, member of the Board of Directors, or stockholder of the Company shall act reasonably and in good faith in making a determination under this Agreement of the Indemnitee's entitlement to indemnification. Any costs or expenses (including reasonable attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(h) The Company acknowledges that a settlement or other disposition short of final judgment may be success on the merits if it permits a party to avoid expense, delay, distraction, disruption and uncertainty. In the event that any Proceeding to which Indemnitee is a party is resolved in any manner other than by adverse judgment against Indemnitee (including,

without limitation, settlement of such Proceeding with or without payment of money or other consideration) it shall, to the fullest extent not prohibited by Law, be presumed that Indemnitee has been successful on the merits or otherwise in such Proceeding. Anyone seeking to overcome this presumption shall, to the fullest extent not prohibited by Law, have the burden of proof and the burden of persuasion, by clear and convincing evidence.

(i) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not in and of itself (except as otherwise expressly provided in this Agreement) adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful.

7. Remedies of Indemnitee.

(a) In the event that (i) a determination is made pursuant to Section 6 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 5 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 6(b) of this Agreement within 90 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to this Agreement within ten (10) days after receipt by the Company of a written request therefor, (v) payment of indemnification is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to Section 6 of this Agreement, or (vi) in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, in whole or in part, or institutes any litigation or other action or Proceeding designed to deny, or to recover from, the Indemnitee the benefits provided or intended to be provided to the Indemnitee hereunder, Indemnitee shall be entitled to an adjudication in an appropriate court of competent jurisdiction, of Indemnitee's entitlement to such indemnification or advancement of Expenses. Indemnitee shall commence such proceeding seeking an adjudication within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 7(a). The Company shall not oppose Indemnitee's right to seek any such adjudication.

(b) In the event that a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding commenced pursuant to this Section 7 shall be conducted in all respects as a de novo trial, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination under Section 6(b). In any judicial proceeding commenced pursuant to this Section 7, the Company shall to the fullest extent not prohibited by Law have the burden of proving by clear and convincing evidence that Indemnitee is not entitled to indemnification or the advancement of Expenses, as the case may be.

(c) If a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding commenced pursuant to this Section 7, absent (i) a

misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under Law.

(d) In the event that Indemnitee, pursuant to this Section 7, seeks a judicial adjudication of Indemnitee's rights under, or to recover damages for breach of, this Agreement, or to recover under any directors' and officers' liability insurance policies maintained by the Company, the Company shall pay on Indemnitee's behalf, in advance, any and all Expenses incurred and paid or payable by Indemnitee in such judicial adjudication. If Indemnitee ultimately is determined not to be entitled to such advancement of Expenses, the Company shall be entitled to be reimbursed, within thirty (30) days of such determination, by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid.

(e) The Company shall be precluded from asserting in any judicial proceeding commenced pursuant to this Section 7 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court that the Company is bound by all the provisions of this Agreement.

8. Non-Exclusivity; Survival of Rights; Insurance; Subrogation.

(a) The rights of indemnification as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under Law, the certificate of incorporation of the Company, the Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in Indemnitee's Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in the Law, whether by statute or judicial decision, permits greater indemnification than would be afforded currently under the certificate of incorporation of the Company, the Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, trustees, partners, managing members, employees, or agents or fiduciaries of the Company or of any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise which such person serves at the request of the Company, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, trustee, partner, managing member, employee or agent under such policy or policies.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall

execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

9. Exceptions to Right of Indemnification. Notwithstanding any other provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnification payment:

(a) in connection with any claim made against Indemnitee for (i) an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or similar provisions of state statutory law or common law, (ii) any reimbursement of the Company by the Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by the Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act), or (iii) following an accounting restatement by the Company, the recovery by the Company from the Indemnitee of incentive-based compensation (including equity-based compensation) in excess of what would have been paid under the accounting restatement (including any such recovery pursuant to listing standards adopted pursuant to Section 10D of the Exchange Act);

(b) except as provided in Section 7(a) or 7(d) of this Agreement, in connection with any Proceeding (or any claim therein) initiated by Indemnitee, including any Proceeding (or any claim therein) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnities, unless (i) the bringing of such Proceeding or making of such claim shall have been approved by the Board of Directors of the Company or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under Law; or

(c) for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision.

10. Services to the Company. Indemnitee agrees to serve [as a [director] [officer] of the Company] [, at the request of the Company, as a [director] [officer] [employee] [agent] [fiduciary] of [another corporation, partnership, joint venture, trust or other Enterprise]. Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or any obligation imposed by operation of Law), in which event the

Company shall have no obligation under this Agreement to continue Indemnitee in such position. This Agreement shall not be deemed an employment contract between the Company (or any of its subsidiaries or any Enterprise) and Indemnitee. Indemnitee specifically acknowledges that Indemnitee's employment with the Company (or any of its subsidiaries or any Enterprise), if any, is at will, and the Indemnitee may be discharged at any time for any reason, with or without cause, except as may be otherwise provided in any written employment contract between Indemnitee and the Company (or any of its subsidiaries or any Enterprise), other applicable formal severance policies duly adopted by the Board of Directors, or, with respect to service as a director or officer of the Company, by the Articles and Law. The foregoing notwithstanding, this Agreement shall continue in force after Indemnitee has ceased to serve [as an [officer] [director] of the Company] [, at the request of the Company, as a [director] [officer] [employee] [agent] [fiduciary] of [another corporation, partnership, joint venture, trust or other Enterprise], as provided in Section 11 hereof.

11. Duration of Agreement. All agreements and obligations of the Company contained herein shall continue during the period Indemnitee is an officer or director of the Company (or is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, employee or agent of another corporation, limited liability company, partnership, joint venture, trust or other enterprise) and shall continue thereafter so long as Indemnitee shall be subject to any Proceeding (or any proceeding commenced under Section 7 hereof) by reason of Indemnitee's Corporate Status, whether or not Indemnitee is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), assigns, spouses, heirs, executors and personal and legal representatives. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as an officer or director of the Company or any other Enterprise at the Company's request.

12. Security. To the extent requested by the Indemnitee and approved by the Board of Directors of the Company, the Company may at any time and from time to time provide security to the Indemnitee for the Company's obligations hereunder through an irrevocable bank line of credit, funded trust or other collateral. Any such security, once provided to the Indemnitee, may not be revoked or released without the prior written consent of the Indemnitee.

13. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as an officer or director of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as an officer or director of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof; provided, however, that this Agreement is a supplement and additional to and in

furtherance of the Articles and Law, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

14. Definitions. For purposes of this Agreement:

(a) "Corporate Status" describes the status of a person who is or was a director, officer, trustee, partner, managing member, employee or agent or fiduciary of the Company or of any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise which such person is or was serving at the express written request of the Company.

(b) "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(c) "Enterprise" shall mean the Company and any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the express written request of the Company as a director, officer, trustee, partner, managing member, employee, agent or fiduciary.

(d) "Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts and other professionals, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in, or otherwise participating in, a Proceeding.

(e) "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(f) "Proceeding" includes any threatened, pending or completed action, suit, claim, counterclaim, cross claim, arbitration, alternate dispute resolution mechanism, formal or informal investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought by or in the right of the Company or otherwise and whether civil, criminal, administrative or investigative, including any appeal therefrom, in which Indemnitee was, is or will be involved as a party, potential party, non-party witness or otherwise, by reason of the fact that Indemnitee is or was a director or officer of the Company, by reason of any action taken by Indemnitee or of any inaction on Indemnitee's part while acting as an officer

or director of the Company, or by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, employee or agent of another corporation, limited liability company, partnership, joint venture, trust or other Enterprise; in each case whether or not Indemnitee is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement; including one pending on or before the date of this Agreement; and excluding one initiated by an Indemnitee pursuant to Section 7 of this Agreement to enforce Indemnitee's rights under this Agreement. If the Indemnitee believes in good faith that a given situation may lead to or culminate in the institution of a Proceeding, this shall be considered a Proceeding under this paragraph.

15. Severability. If any provision or provisions of this Agreement shall be held by a court of competent jurisdiction to be invalid, void, illegal or otherwise unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

16. Modification and Waiver. No supplement, modification, termination or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

17. Notice By Indemnitee. Indemnitee agrees to reasonably promptly under the circumstances notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification covered hereunder. The failure to so notify the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise unless and only to the extent that such failure or delay materially prejudices the Company.

18. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, to the address set forth below Indemnitee signature hereto.

(b) If to the Company, to:

Theravance Biopharma, Inc.
Ugland House, South Church Street
George Town, Grand Cayman, Cayman Islands KY1-1104
Attention: General Counsel

and to

Theravance Biopharma, Inc.
c/o Theravance Biopharma US, Inc.
901 Gateway Boulevard
South San Francisco, CA 94080
Attention: General Counsel

or to such other address as may have been furnished to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

19. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

20. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

2. Governing Law. The parties agree that this Agreement and the legal relations among the parties hereunder shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware without application of the conflict of laws principles thereof..

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on and as of the day and year first above written.

THERAVANCE BIOPHARMA, INC.

By: _____
Name:
Title:

Address:

_____
_____
_____
_____

INDEMNITEE

_____

Address:

_____
_____
_____
_____

Exhibit 10.27

[ ], 2014
Frank Pasqualone

Dear Frank:

As you know, Theravance, Inc. ("Theravance") will spin-off its drug discovery and development business into a separate publicly traded company, Theravance Biopharma, Inc., a Cayman Islands corporation (the "Spin-Off"). You, together with substantially all of the current Theravance employees who are involved with its drug discovery and development business, will become an employee of Theravance Biopharma US, Inc., (the "Company" or "Theravance Biopharma US") shortly before the Spin-Off becomes effective. The Company is a wholly-owned Delaware operating subsidiary of Theravance Biopharma, Inc.

At Theravance Biopharma US, you will work in the exempt position of Senior Vice President, Operations, reporting to Rick Winningham. Your salary on an annualized basis will be $475,000. Any accrued but unused vacation will rollover to Theravance Biopharma US and will be immediately available following your transition to Theravance Biopharma US. Annual vacation accrual will continue under the same accrual schedule formerly utilized at Theravance and you will receive credit under Theravance Biopharma US' vacation policy for your years of service at Theravance.

You will remain eligible to receive an annual discretionary bonus of up to 50% of your annual salary in 2014 (and each calendar year thereafter). Your 2014 bonus will be paid by the Company. As is currently required by Theravance's bonus program, you will be required to be an active employee in good standing at the time the bonus is paid in order to receive the bonus. The Company's bonus percentage targets may change from time-to-time at the sole discretion of the Board of Directors.

The Company will provide a similar comprehensive benefits package to that which you enjoyed at Theravance. Health and welfare benefits will include medical, vision and dental coverage, life insurance, long-term disability insurance, and a flexible spending plan. If you are a participant in the 401(k) plan, your account will be maintained, and you will continue to participate in the same plan with the same deferral and investment elections following your transfer of employment. If you do not currently participate in the plan, your transfer of employment will not impact your eligibility to become a participant. You will generally be eligible to participate in these benefit programs (or continue to participate, as applicable) immediately following the transition of your employment to Theravance Biopharma US. Theravance Biopharma, Inc. will also offer an Employee Stock Purchase Plan, although it has not yet been determined when the first offering period will commence.

Subject to the approval by the appropriate committee of the Theravance Biopharma, Inc. Board of Directors, you will be granted an option to purchase ordinary shares of Theravance Biopharma, Inc. at a per share purchase price equal to the fair market value of one Theravance Biopharma, Inc. ordinary share on the date of grant, which will be after the effective date of the Spin-Off. The number of shares subject to the option and the vesting and exercise details of your option grant will be set forth in your option paperwork. The option granted to you will be contingent on your execution of an Option Agreement and will be subject to all terms of the Theravance Biopharma, Inc. 2013 Equity Incentive Plan.

To the extent you hold outstanding equity awards granted to you by Theravance at the time of the Spin-Off, such awards (including outstanding stock options, restricted stock units and restricted stock awards) and the related stock option, restricted stock unit and restricted stock agreements will be adjusted. One of the primary purposes of these adjustments is to permit continued vesting of Theravance equity awards based on service to Theravance Biopharma, Inc. or any subsidiary thereof, including the Company, after the Spin-Off. These adjustments and other relevant information are set forth on Exhibit A. Except as described on Exhibit A, each

of your adjusted Theravance equity awards will continue to be governed by the applicable Theravance award agreement and the Theravance equity plan under which the award was granted.

In connection with the Spin-Off and the transition of your employment, you must sign the enclosed Proprietary Information and Inventions Agreement with Theravance Biopharma, Inc. You must also review and acknowledge receipt of the enclosed Employee Handbook. You will be expected to abide by its terms. In addition, we will need all employees to present documents establishing their legal right to work in the United States as required by the government's Form I-9. We will set up a time to meet with you to complete the necessary paperwork.

While we hope that your employment with Theravance Biopharma US will be mutually satisfactory, your employment status will remain at-will. As a result, both you and the Company are free to terminate the employment relationship at any time for any reason, with or without cause. Although your job duties, title, compensation and benefits, as well as the Company's personnel policies and procedures to which you will be subject, may change from time-to-time, the "at-will" nature of your employment may only be changed in an express writing signed by you and a Senior Officer of the Company.

There are two copies of this letter enclosed; if all of the foregoing is satisfactory, please sign and date each copy to acknowledge your receipt and acceptance of the terms, and return one copy to me no later than [ ], 2014, saving the other copy for yourself. Your signature below also constitutes your agreement to the adjustments to all of your outstanding Theravance equity awards as described in Exhibit A. Please also sign and return the enclosed Proprietary Information and Inventions Agreement. If we do not receive your completed paperwork by the due date your employment transition from Theravance to the Company will not occur.

We are very excited about the transition! We have enclosed an additional Q&A to help answer any questions. However, should you need further assistance, please don't hesitate to contact me.

Sincerely,

Foregoing terms and conditions hereby accepted upon the effective date of the Spin-Off:

Signed: _____
Frank Pasqualone

Date: _____

Start Date: _____

Exhibit 10.28

[ ], 2014
Jeffrey D. Jonker

Dear Jeff:

As you know, Theravance, Inc. ("Theravance") will spin-off its drug discovery and development business into a separate publicly traded company, Theravance Biopharma, Inc., a Cayman Islands corporation (the "Spin-Off"). You, together with substantially all of the current Theravance employees who are involved with its drug discovery and development business, will become an employee of Theravance Biopharma US, Inc., (the "Company" or "Theravance Biopharma US") shortly before the Spin-Off becomes effective. The Company is a wholly-owned Delaware operating subsidiary of Theravance Biopharma, Inc.

At Theravance Biopharma US, you will work in the exempt position of Senior Vice President, Corporate and Business Development, reporting to Rick Winningham. Your salary on an annualized basis will be $375,000. Any accrued but unused vacation will rollover to Theravance Biopharma US and will be immediately available following your transition to Theravance Biopharma US. Annual vacation accrual will continue under the same accrual schedule formerly utilized at Theravance and you will receive credit under Theravance Biopharma US' vacation policy for your years of service at Theravance.

You will remain eligible to receive an annual discretionary bonus of up to 50% of your annual salary in 2014 (and each calendar year thereafter). Your 2014 bonus will be paid by the Company. As is currently required by Theravance's bonus program, you will be required to be an active employee in good standing at the time the bonus is paid in order to receive the bonus. The Company's bonus percentage targets may change from time-to-time at the sole discretion of the Board of Directors.

The Company will provide a similar comprehensive benefits package to that which you enjoyed at Theravance. Health and welfare benefits will include medical, vision and dental coverage, life insurance, long-term disability insurance, and a flexible spending plan. If you are a participant in the 401(k) plan, your account will be maintained, and you will continue to participate in the same plan with the same deferral and investment elections following your transfer of employment. If you do not currently participate in the plan, your transfer of employment will not impact your eligibility to become a participant. You will generally be eligible to participate in these benefit programs (or continue to participate, as applicable) immediately following the transition of your employment to Theravance Biopharma US. Theravance Biopharma, Inc. will also offer an Employee Stock Purchase Plan, although it has not yet been determined when the first offering period will commence.

Subject to the approval by the appropriate committee of the Theravance Biopharma, Inc. Board of Directors, you will be granted an option to purchase ordinary shares of Theravance Biopharma, Inc. at a per share purchase price equal to the fair market value of one Theravance Biopharma, Inc. ordinary share on the date of grant, which will be after the effective date of the Spin-Off. The number of shares subject to the option and the vesting and exercise details of your option grant will be set forth in your option paperwork. The option granted to you will be contingent on your execution of an Option Agreement and will be subject to all terms of the Theravance Biopharma, Inc. 2013 Equity Incentive Plan.

To the extent you hold outstanding equity awards granted to you by Theravance at the time of the Spin-Off, such awards (including outstanding stock options, restricted stock units and restricted stock awards) and the related stock option, restricted stock unit and restricted stock agreements will be adjusted. One of the primary purposes of these adjustments is to permit continued vesting of Theravance equity awards based on service to

Theravance Biopharma, Inc. or any subsidiary thereof, including the Company, after the Spin-Off. These adjustments and other relevant information are set forth on Exhibit A. Except as described on Exhibit A, each of your adjusted Theravance equity awards will continue to be governed by the applicable Theravance award agreement and the Theravance equity plan under which the award was granted.

In connection with the Spin-Off and the transition of your employment, you must sign the enclosed Proprietary Information and Inventions Agreement with Theravance Biopharma, Inc. You must also review and acknowledge receipt of the enclosed Employee Handbook. You will be expected to abide by its terms. In addition, we will need all employees to present documents establishing their legal right to work in the United States as required by the government's Form I-9. We will set up a time to meet with you to complete the necessary paperwork.

While we hope that your employment with Theravance Biopharma US will be mutually satisfactory, your employment status will remain at-will. As a result, both you and the Company are free to terminate the employment relationship at any time for any reason, with or without cause. Although your job duties, title, compensation and benefits, as well as the Company's personnel policies and procedures to which you will be subject, may change from time-to-time, the "at-will" nature of your employment may only be changed in an express writing signed by you and a Senior Officer of the Company.

There are two copies of this letter enclosed; if all of the foregoing is satisfactory, please sign and date each copy to acknowledge your receipt and acceptance of the terms, and return one copy to me no later than [ ], 2014, saving the other copy for yourself. Your signature below also constitutes your agreement to the adjustments to all of your outstanding Theravance equity awards as described in Exhibit A. Please also sign and return the enclosed Proprietary Information and Inventions Agreement. If we do not receive your completed paperwork by the due date your employment transition from Theravance to the Company will not occur.

We are very excited about the transition! We have enclosed an additional Q&A to help answer any questions. However, should you need further assistance, please don't hesitate to contact me.

Sincerely,

Foregoing terms and conditions hereby accepted upon the effective date of the Spin-Off:

Signed: _____
Jeffrey D. Jonker

Date: _____

Start Date: _____

Exhibit 10.29

[ ], 2014
Brett K. Haumann

Dear Brett:

As you know, Theravance, Inc. ("Theravance") will spin-off its drug discovery and development business into a separate publicly traded company, Theravance Biopharma, Inc., a Cayman Islands corporation (the "Spin-Off"). You will continue to be employed by Theravance UK Limited (the "Company" or "Theravance UK"), which will transition from a wholly-owned subsidiary of Theravance, Inc. to a wholly-owned subsidiary of Theravance Biopharma, Inc. in connection with the Spin-Off.

At Theravance UK, you will work in the exempt position of Vice President, Clinical Development and Operations, initially reporting to Rick Winningham, and you will be based on the UK. However, in order to help in the efficiency and smooth running of the Company, recognize and fully accept that the Company may require you to work in any section carrying out other duties reasonably related to your position as a senior manager and within your capabilities, as the workload so requires. Both you and the Company acknowledge and agree that there will be times that it will be necessary for you to be on-site in San Francisco to fulfill your employment duties, which will require travel to and from the US and such other destinations as the Company may decide. The Company will cover the travel expenses to South San Francisco, provided that the airline tickets and hotel accommodations are purchased in compliance with the Company's travel policy. You will not be required to work continuously outside of the UK as part of your normal duties although business visits abroad will be required. The Company reserves the right to ask you to work on a temporary basis (usually for up to 60 days) anywhere within the UK and overseas. Depending on the circumstances, the Company will give you reasonable advance notice regarding overseas assignments.

Your salary on an annualized basis will be 245,000 GBP. Your salary will accrue from day to day and will normally be paid in equal installments by direct transfer to your bank/building society account by the last working day of each month. Your salary and any deductions will be set out on an itemized pay statement. Each payment relates to the calendar month in which it is paid.

You will remain eligible to receive an annual discretionary bonus of up to 40% of your annual salary in 2014 (and each calendar year thereafter). Your 2014 bonus will be paid by the Company and you will be required to be an active employee in good standing at the time the bonus is paid in order to receive the bonus. The Company's bonus percentage targets may change from time-to-time at the sole discretion of the Board of Directors of Theravance Biopharma, Inc.

As previously agreed with Theravance, an allowance for your individual and family benefits coverage is included in the base salary. Theravance Biopharma, Inc. will also offer an Employee Stock Purchase Plan, although it has not yet been determined when the first offering period will commence.

Subject to the approval by the appropriate committee of the Theravance Biopharma, Inc. Board of Directors, you will be granted an option to purchase ordinary shares of Theravance Biopharma, Inc. at a per share purchase price equal to the fair market value of one Theravance Biopharma, Inc. ordinary share on the date of grant, which will be after the effective date of the Spin-Off. The number of shares subject to the option and the vesting and exercise details of your option grant will be set forth in your option paperwork. The option granted to you will be contingent on your execution of an Option Agreement and will be subject to all terms of the Theravance Biopharma, Inc. 2013 Equity Incentive Plan.

To the extent you hold outstanding equity awards granted to you by Theravance at the time of the Spin-Off, such awards (including outstanding stock options, restricted stock units and restricted stock awards) and the related stock option, restricted stock unit and restricted stock agreements will be adjusted. One of the primary purposes of these adjustments is to permit continued vesting of Theravance equity awards based on service to Theravance Biopharma, Inc. or any subsidiary thereof, including the Company, after the Spin-Off. These adjustments and other relevant information are set forth on Exhibit A. Except as described on Exhibit A, each of your adjusted Theravance equity awards will continue to be governed by the applicable Theravance award agreement and the Theravance equity plan under which the award was granted.

The Company's normal office hours are from 9:00 am to 5:30 pm Monday to Friday, but as a senior manager, you will be required to work outside and in addition to these hours without additional remuneration in order to meet the requirements of the business and for the proper performance of your duties.

You will be entitled to 28 days of paid holiday per completed 12 months of employment, which include UK Bank Holidays. If you start or leave your employment during the holiday year, your entitlement for that year will be calculated on a *pro rata* basis for each complete calendar month worked. No holiday may be carried over from one holiday year to the next. No payment will be made *in lieu* of holiday accrued and not taken except in the year when you leave our employment.

Without prejudice to your right to statutory sick pay, once you have completed three (3) months continuous employment, you are entitled to full pay during the first three (3) months of absence due to sickness or injury in any calendar year. Absence through illness or injury must be reported to your manager immediately, i.e. on the first day of your absence. If you are absent from work due to sickness for more than three (3) days you must complete a self-certification form and send it to the office administrator when you return to work. If you are still ill after seven (7) calendar days you must obtain a doctor's certificate, which must be sent to the office administrator and renewed regularly as necessary. If, from the start of the illness, your doctor feels that you will be unable to work for more than a week you will be given a certificate on the first day. The Company will calculate how much statutory sick pay you may be entitled to and this will be paid in the following month. The Company reserves the right to withdraw or terminate the scheme referred to above or amend them at any time.

In connection with the Spin-Off, you must sign the enclosed Proprietary Information and Inventions Agreement with Theravance Biopharma, Inc. You will be expected to abide by its terms.

While we hope that your employment with the Company will be mutually satisfactory, employment with Theravance is for no specific period of time. Either you or the Company may terminate the employment relationship by giving the other party the following minimum advance written notice: 1) during the first 24 months of employment, 4 weeks; 2) after 24 months of employment, one additional week of notice for each completed year of service up to a maximum of 12 weeks' notice. The Company has the right to dismiss employees without notice in the case of gross misconduct.

The Company reserves the right to require you to take any outstanding holiday entitlement during your notice period. The Company also reserves the right to pay you *in lieu* of notice or require you to take "garden leave" for all or part of the notice period. During any "garden leave," you will not be required to work for the Company and you will not be allowed to undertake any other work without the written permission of the CEO. You are not permitted to take any holiday during "garden leave" and must ensure that you remain available to attend work, if required, at any time. The Company also reserves the right to require you to carry out other work within your capabilities in any department or area as an alternative to "garden leave."

The terms of your employment are not subject to any collective agreements with any Trade Union or other organization.

This is the full and complete agreement between us on this term. Although your job duties, title, compensation and benefits, as well as the Company's personnel policies and procedures, to which you will be subject, may change from time-to-time. The Company may amend, vary or terminate the terms and conditions in this document or any of its employment policies.

You will be consulted over any significant change applying to you as an individual. More general changes such as changes to procedures will be notified to you in writing or, by notice or by circular letter or email. This offer is contingent upon the successful completion of your background investigation.

There are two copies of this letter enclosed; if all of the foregoing is satisfactory, please sign and date each copy to acknowledge your receipt and acceptance of the terms, and return one copy to me no later than [ ], 2014, saving the other copy for yourself. Your signature below also constitutes your agreement to the adjustments to all of your outstanding Theravance equity awards as described in Exhibit A. Please also sign and return the enclosed Proprietary Information and Inventions Agreement. If we do not receive your completed paperwork by the due date your employment transition from Theravance to the Company will not occur.

We are very excited about the transition! We have enclosed an additional Q&A to help answer any questions. However, should you need further assistance, please don't hesitate to contact me.

Sincerely,

Foregoing terms and conditions hereby accepted upon the effective date of the Spin-Off:

Signed: _____
Brett K. Haumann

Date: _____

Start Date: _____

Exhibit 10.30

[ ], 2014
Renee D. Gala

Dear Renee:

As you know, Theravance, Inc. ("Theravance") will spin-off its drug discovery and development business into a separate publicly traded company, Theravance Biopharma, Inc., a Cayman Islands corporation (the "Spin-Off"). You, together with substantially all of the current Theravance employees who are involved with its drug discovery and development business, will become an employee of Theravance Biopharma US, Inc., (the "Company" or "Theravance Biopharma US") shortly before the Spin-Off becomes effective. The Company is a wholly-owned Delaware operating subsidiary of Theravance Biopharma, Inc.

At Theravance Biopharma US, you will continue to work in the exempt position of Vice President, Finance, reporting to Rick Winningham. Your salary on an annualized basis will be $313,500. Any accrued but unused vacation will rollover to Theravance Biopharma US and will be immediately available following your transition to Theravance Biopharma US. Annual vacation accrual will continue under the same accrual schedule formerly utilized at Theravance and you will receive credit under Theravance Biopharma US' vacation policy for your years of service at Theravance.

You will remain eligible to receive an annual discretionary bonus of up to 40% of your annual salary in 2014 (and each calendar year thereafter). Your 2014 bonus will be paid by the Company. As is currently required by Theravance's bonus program, you will be required to be an active employee in good standing at the time the bonus is paid in order to receive the bonus. The Company's bonus percentage targets may change from time-to-time at the sole discretion of the Board of Directors.

The Company will provide a similar comprehensive benefits package to that which you enjoyed at Theravance. Health and welfare benefits will include medical, vision and dental coverage, life insurance, long-term disability insurance, and a flexible spending plan. If you are a participant in the 401(k) plan, your account will be maintained, and you will continue to participate in the same plan with the same deferral and investment elections following your transfer of employment. If you do not currently participate in the plan, your transfer of employment will not impact your eligibility to become a participant. You will generally be eligible to participate in these benefit programs (or continue to participate, as applicable) immediately following the transition of your employment to Theravance Biopharma US. Theravance Biopharma, Inc. will also offer an Employee Stock Purchase Plan, although it has not yet been determined when the first offering period will commence.

Subject to the approval by the appropriate committee of the Theravance Biopharma, Inc. Board of Directors, you will be granted an option to purchase ordinary shares of Theravance Biopharma, Inc. at a per share purchase price equal to the fair market value of one Theravance Biopharma, Inc. ordinary share on the date of grant, which will be after the effective date of the Spin-Off. The number of shares subject to the option and the vesting and exercise details of your option grant will be set forth in your option paperwork. The option granted to you will be contingent on your execution of an Option Agreement and will be subject to all terms of the Theravance Biopharma, Inc. 2013 Equity Incentive Plan.

To the extent you hold outstanding equity awards granted to you by Theravance at the time of the Spin-Off, such awards (including outstanding stock options, restricted stock units and restricted stock awards) and the related stock option, restricted stock unit and restricted stock agreements will be adjusted. One of the primary purposes of these adjustments is to permit continued vesting of Theravance equity awards based on service to Theravance Biopharma, Inc. or any subsidiary thereof, including the Company, after the Spin-Off. These adjustments and other relevant information are set forth on Exhibit A. Except as described on Exhibit A, each

of your adjusted Theravance equity awards will continue to be governed by the applicable Theravance award agreement and the Theravance equity plan under which the award was granted.

In addition, in connection with the Spin-Off, the performance contingent cash award you were granted in March 2011 (the "TFIO Cash Award") and the related TFIO Performance Cash Award Agreement will be treated as set forth on Exhibit B.

In connection with the Spin-Off and the transition of your employment, you must sign the enclosed Proprietary Information and Inventions Agreement with Theravance Biopharma, Inc. You must also review and acknowledge receipt of the enclosed Employee Handbook. You will be expected to abide by its terms. In addition, we will need all employees to present documents establishing their legal right to work in the United States as required by the government's Form I-9. We will set up a time to meet with you to complete the necessary paperwork.

While we hope that your employment with Theravance Biopharma US will be mutually satisfactory, your employment status will remain at-will. As a result, both you and the Company are free to terminate the employment relationship at any time for any reason, with or without cause. Although your job duties, title, compensation and benefits, as well as the Company's personnel policies and procedures to which you will be subject, may change from time-to-time, the "at-will" nature of your employment may only be changed in an express writing signed by you and a Senior Officer of the Company.

There are two copies of this letter enclosed; if all of the foregoing is satisfactory, please sign and date each copy to acknowledge your receipt and acceptance of the terms, and return one copy to me no later than [ ], 2014, saving the other copy for yourself. Your signature below also constitutes your agreement to the adjustments to all of your outstanding Theravance equity awards as described in Exhibit A and the treatment of your TFIO Cash Award as described in Exhibit B. Please also sign and return the enclosed Proprietary Information and Inventions Agreement. If we do not receive your completed paperwork by the due date your employment transition from Theravance to the Company will not occur.

We are very excited about the transition! We have enclosed an additional Q&A to help answer any questions. However, should you need further assistance, please don't hesitate to contact me.

Sincerely,

Foregoing terms and conditions hereby accepted upon the effective date of the Spin-Off:

Signed: _____
Renee D. Gala

Date: _____

Start Date: _____

Exhibit 10.33

CONSENT TO ASSIGNMENT

This Consent to Assignment (this "**Consent**") is made as of , 201 , by **ARE-901/951 GATEWAY BOULEVARD, LLC**, a Delaware limited liability company, having an address of 385 E. Colorado Blvd., Suite 299, Pasadena, California 91101 ("**Landlord**"), to **THERAVANCE, INC**., a Delaware corporation ("**Tenant**"), and **THERAVANCE BIOPHARMA US, INC**., a Delaware corporation ("**Assignee**"), with reference to the following Recitals.

RECITALS

A. Tenant is the holder of the tenant's interest in, to, and under that certain Amended and Restated Lease Agreement, dated as of January 1, 2001, by and between Landlord, as successor landlord, and Tenant, as successor tenant, as amended by that certain First Amendment to Lease, dated as of June 1, 2010 (collectively, the "**Lease**"), with respect the property located at 901 Gateway Blvd., South San Francisco, California 94080 (the "**Property**")

B. Tenant desires to assign its interest in the Lease, the premises demised thereunder, and any security deposit held by Landlord thereunder to Assignee, all as more particularly described in and pursuant to the provisions of that certain ASSIGNMENT AND ASSUMPTION OF LEASE, dated as of , (the "**Assignment**"), a copy of which is attached hereto as Exhibit A.

C. Tenant desires to obtain Landlord's consent to the Assignment.

NOW, THEREFORE, in consideration of the foregoing and the agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord hereby consents to the assignment of the Lease to Assignee; such consent being subject to and upon the following terms and conditions to which Tenant and Assignee hereby agree:

1. All initially capitalized terms not otherwise defined in this Consent shall have the meanings set forth in the Lease unless the context clearly indicates otherwise.

2. This Consent shall not be effective and the Assignment shall not be valid nor shall Assignee take possession of the Premises unless and until Landlord shall have received: (a) a fully executed counterpart of the Assignment, (b) a fully executed counterpart of this Consent, and (c) a certificate of insurance in form and substance compliant with the terms of the Lease and otherwise reasonably satisfactory to Landlord. Tenant and Assignee represent and warrant to Landlord that the copy of the Assignment attached hereto as Exhibit A is true, correct and complete in all material respects.

3. Landlord neither approves nor disapproves the terms, conditions and agreements contained in the Assignment, all of which shall be subordinate and at all times subject to all of the covenants, agreements, terms, provisions and conditions contained in the Lease.

4. Nothing contained herein or in the Assignment shall be construed to modify, waive, impair, or affect any of the terms, covenants or conditions contained in the Lease (including

Assignee's obligation to obtain any required consents for any other or future assignments or sublettings), or to waive any breach thereof, or any rights or remedies of Landlord under the Lease against any person, firm, association or corporation liable for the performance thereof, or to enlarge or increase Landlord's obligations or liabilities under the Lease (including, without limitation, any liability to Tenant for any portion of the security deposit held by Landlord under the Lease, all interests in which have been assigned by tenant to Assignee), and all terms, covenants and conditions of the Lease are hereby declared by each of Landlord, Tenant and Assignee to be in full force and effect. Tenant shall remain liable and responsible for the due keeping, performance and observance of all the terms, covenants and conditions set forth in the Lease on the part of the "Tenant" party thereunder to be kept, performed and observed and for the payment of the annual rent, additional rent and all other sums now and hereafter becoming payable thereunder.

5. Notwithstanding anything in the Assignment to the contrary:

(a) Assignee does hereby expressly assume and agree to be bound by and to perform and comply with, for the benefit of Landlord, each and every obligation of Tenant under the Lease.

(b) Tenant and Assignee agree to each of the terms and conditions of this Consent, and upon any conflict between the terms of the Assignment and this Consent, as among Landlord, Tenant and Assignee the terms of this Consent shall control. As between Tenant and Assignee, in the event of any conflict between the terms of the Assignment and this Consent, the terms of the Assignment shall control.

6. Upon a default by Assignee under the Lease, Landlord may proceed directly against Assignee, Tenant, any guarantors or anyone else liable under the Lease or the Assignment without first exhausting Landlord's remedies against any other person or entity liable thereon to Landlord. The mention in this Consent of any particular remedy shall not preclude Landlord from any other remedy in law or in equity.

7. Tenant shall pay any broker commissions or fees that may be payable as a result of the Assignment and Tenant hereby indemnifies and agrees to hold Landlord harmless from and against any loss or liability arising therefrom or from any other commissions or fees payable in connection with the Assignment which result from the actions of Tenant. Assignee hereby indemnifies and agrees to hold Landlord harmless from and against any loss or liability arising from any commissions or fees payable in connection with the Assignment which result from the actions of Assignee.

8. Tenant and Assignee agree that the Assignment will not be modified or amended in any way without the prior written consent of Landlord, which shall not be unreasonably withheld, conditioned or delayed. Any modification or amendment of the Assignment without Landlord's prior written consent shall be void and of no force or effect.

9. This Consent may not be changed orally, but only by an agreement in writing signed by Landlord and the party against whom enforcement of any change is sought.

10. This Consent may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute but one and the same instrument.

11. This Consent and the legal relations between the parties hereto shall be governed by and construed and enforced in accordance with the internal laws of the State in which the Property is located, without regard to its principles of conflicts of law.

12. To the knowledge of each of Tenant and Assignee, without inquiry, and as of the date of execution of this Consent by each of Tenant and Assignee, as applicable, Tenant and Assignee are currently (a) in compliance with and, with respect to the Assignee, shall at all times during the Term of the Lease remain, in compliance with the regulations of the Office of Foreign Assets Control ("**OFAC**") of the U.S. Department of Treasury and any statute, executive order, or regulation relating thereto (collectively, the "**OFAC Rules**"), (b) not listed on, and, with respect to the Assignee, shall not during the term of the Lease be listed on, the Specially Designated Nationals and Blocked Persons List maintained by OFAC and/or on any other similar list maintained by OFAC or other governmental authority pursuant to any authorizing statute, executive order, or regulation, and (c) not a person or entity with whom a U.S. person is prohibited from conducting business under the OFAC Rules.

[THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, Landlord, Tenant and Assignee have caused their duly authorized representatives to execute this Consent as of the date first above written.

LANDLORD: ARE-901/951 GATEWAY BOULEVARD, LLC, a Delaware limited liability company

By: ALEXANDRIA REAL ESTATE EQUITIES, L.P., a Delaware limited partnership, managing member

By: ARE-QRS CORP., a Maryland corporation, general partner

By: _____

TENANT: THERAVANCE, INC., a Delaware corporation

By: _____
Its: _____

ASSIGNEE: THERAVANCE BIOPHARMA US, INC., a Delaware corporation

By: _____
Its: _____

Exhibit A

Copy of Assignment

ASSIGNMENT AND ASSUMPTION OF LEASE

THIS ASSIGNMENT AND ASSUMPTION OF LEASE ("Assignment") is dated for reference purposes only as of , 2014 ("Reference Date") by and between Theravance, Inc., a Delaware corporation ("Assignor"), and Theravance BioPharma US, Inc., a Delaware corporation ("Assignee"), with respect to the following facts:

A. HMS Gateway Office L.P., predecessor-in-interest to ARE-901/951 Gateway Boulevard, LLC, a Delaware limited liability company ("Landlord"), as Landlord, and Assignor, under its previous name Advanced Medicine, Inc., a Delaware corporation, as Tenant, entered into that certain Amended and Restated Lease Agreement, dated as of January 1, 2001 ("Original Lease"), as amended by that certain First Amendment to Lease, dated as of June 1, 2010 ("First Amendment", and, together with the Original Lease hereinafter collectively referred to as the "Lease"), with respect to those premises containing approximately 110,428 rentable square ("Premises") comprising the entirety of the building located at 901 Gateway Boulevard, South San Francisco, California 94080 ("Building"). A true and correct copy of the Lease is attached hereto as Exhibit A and incorporated by reference herein.

B. Assignee is a wholly-owned subsidiary of Assignor. Assignor intends to separate Assignor's business from Assignee's business and to spin Assignee off as an independent corporation not later than June 30, 2014. In connection with the spin-off, Assignor intends to assign the Lease to Assignee as of the effective date of the spin-off ("Separation Date").

C. Assignor desires to assign all of its rights and obligations under the Lease to Assignee, and Assignee desires to assume all such rights and obligations, on the terms and conditions set forth below.

D. Capitalized terms not defined herein shall have the meanings set forth in the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Assignment: As of the Separation Date (the "Effective Date"), Assignor hereby grants, transfers, assigns and sets over to Assignee all of Assignor's right, title and interest of whatsoever nature or kind in and to the Lease. Assignor hereby represents and warrants for the benefit of Assignee, as of the date of Assignor's execution of this Assignment, all of the following: (i) the Lease is in full force and effect; (ii) Assignor is not in default under, and, to the best of the actual knowledge of Assignor, Landlord is not in default under, the Lease; (iii) there are no amendments to the Lease except as referenced in Recital A above; (iv) to the best of the actual knowledge of Assignor, Assignor has no pending claims or offsets against Landlord; (v) Assignor has paid the Rent due and payable under the Lease through , 2014; (vi) the Expiration Date of the Lease is May 31, 2020; and (vii) "Tenant" has two (2) options to extend the Term of the Lease for successive periods of five (5) years each.

2. Acceptance and Assumption: From and after the Effective Date, Assignee accepts the foregoing assignment of the Lease, assumes all of Assignor's right, title and interest of whatsoever nature or kind in and to the Lease and expressly agrees to perform and fulfill all of the terms and obligations to be performed by the "Tenant" under the Lease.

3. Assignor's Obligations: Assignor shall perform all of the obligations of the "Tenant" under the Lease through and including the day prior to the Effective Date.

4. Assignee's Obligations: Assignee shall perform all of the obligations of the "Tenant" under the Lease from and after the Effective Date.

5. Indemnities:

A. Assignor's Indemnity. Assignor shall indemnify, defend, protect and hold harmless Assignee from all damages, liabilities, claims, judgments, actions, attorneys' fees, consultants' fees, costs and expenses arising from any breach by Assignor of any terms or conditions of the Lease prior to the Effective Date.

B. Assignee's Indemnity. Assignee shall indemnify, protect, defend and hold harmless Assignor from all damages, liabilities, claims, judgments, actions, attorneys' fees, consultants' fees, costs and expenses arising from any breach by Assignee of any terms or conditions of the Lease from and after the Effective Date.

6. Conditions Precedent: Assignor and Assignee acknowledge and agree that the effectiveness of this Assignment is conditioned upon the occurrence of all of the following:

(i) the approval of this Assignment by the appropriate management of Assignor;

(ii) the approval of this Assignment by the appropriate management of Assignee; and

(iii) the written consent of Landlord to this Assignment, which Consent to Assignment (the "Consent") shall be in a form reasonably acceptable to Assignor and Assignee.

Upon execution of this Assignment by both parties, Assignor shall use commercially reasonable efforts to obtain the Consent from Landlord. If Assignor fails to obtain the Consent from Landlord within sixty (60) days following the Effective Date, then following the expiration of such sixty (60)-day period, and at any time before receiving the Consent, Assignor may terminate this Assignment by written notice to Assignee.

Also notwithstanding anything to the contrary contained in this Assignment, if the Separation Date has not occurred by June 30, 2014, this Assignment shall be null and void and of no further force or effect.

7. Miscellaneous: This Assignment shall be governed by and construed in accordance with the laws of the State of California. Any waiver by either party of any breach of any term or condition of this Assignment shall not operate as a waiver of any other breach of such term or condition or of any other term or condition of this Assignment, nor shall any failure by either party to enforce any term or condition of this Assignment operate as a waiver of such term or condition of any other term or condition of this Assignment, nor constitute nor be deemed to constitute a waiver or release of the other party for anything arising out of, connected with or based upon this Assignment. The parties each agree to execute and deliver such other documents, certificates and agreements, and to take such other actions as may be reasonably necessary or appropriate to carry out and further the purposes of this Assignment. In the event of any litigation involving the parties to this Assignment to enforce any provision of this Assignment, to enforce any remedy available upon default under this Assignment, or seeking a declaration of the rights of either party under this Assignment, the prevailing party shall be entitled to recover from the other party such reasonable attorneys' fees and costs as may reasonably be incurred, as awarded by the court hearing the matter. If any term, covenant, condition or provision of this Assignment, or the application thereof to any person or circumstance, shall to any extent be held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, covenants, conditions or provisions of this Assignment, or the application thereof to any person or circumstance, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby. Each person signing this Assignment warrants that s/he is authorized to do so, and by so doing binds the entity which s/he represents to perform the obligations set forth herein. This Assignment may be executed in counterparts and, when assembled, the counterparts shall be considered a single instrument. Facsimile signatures and PDF format signatures sent by electronic mail shall be treated and have the same effect as original signatures.

[SIGNATURES APPEAR ON NEXT PAGE]

IN WITNESS WHEREOF, the parties have executed this Assignment as of the latest of the dates set forth below.

ASSIGNOR:

THERAVANCE, INC.,
a Delaware corporation

By: _____

Title: _____

Dated: _____

ASSIGNEE:

THERAVANCE BIOPHARMA US, INC.,
a Delaware corporation

By: _____

Title: _____

Dated: _____

Exhibit 10.34

CONSENT TO ASSIGNMENT

This Consent to Assignment (this "**Consent**") is made as of , 201 , by **ARE-901/951 GATEWAY BOULEVARD, LLC**, a Delaware limited liability company, having an address of 385 E. Colorado Blvd., Suite 299, Pasadena, California 91101 ("**Landlord**"), to **THERAVANCE, INC**., a Delaware corporation ("**Tenant**"), and **THERAVANCE BIOPHARMA US, INC**., a Delaware corporation ("**Assignee**"), with reference to the following Recitals.

RECITALS

A. Tenant is the holder of the tenant's interest in, to, and under that certain Amended and Restated Lease Agreement, dated as of January 1, 2001, by and between Landlord, as successor landlord, and Tenant, as successor tenant, as amended by that certain First Amendment to Lease, dated as of June 1, 2010, that certain Second Amendment to Lease, dated as of October 1, 2010, and that certain Third Amendment to Lease, dated as of September , 2013 (collectively, the "**Lease**"), with respect the property located at 951 Gateway Blvd., South San Francisco, California 94080 (the "**Property**").

B. Tenant desires to assign its interest in the Lease, the premises demised thereunder, and any security deposit held by Landlord thereunder to Assignee, all as more particularly described in and pursuant to the provisions of that certain ASSIGNMENT AND ASSUMPTION OF LEASE, dated as of , (the "**Assignment**"), a copy of which is attached hereto as Exhibit A.

C. Tenant desires to obtain Landlord's consent to the Assignment.

NOW, THEREFORE, in consideration of the foregoing and the agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord hereby consents to the assignment of the Lease to Assignee, such consent being subject to and upon the following terms and conditions to which Tenant and Assignee hereby agree:

1. All initially capitalized terms not otherwise defined in this Consent shall have the meanings set forth in the Lease unless the context clearly indicates otherwise.

2. This Consent shall not be effective and the Assignment shall not be valid nor shall Assignee take possession of the Premises unless and until Landlord shall have received: (a) a fully executed counterpart of the Assignment, (b) a fully executed counterpart of this Consent, and (c) a certificate of insurance in form and substance compliant with the terms of the Lease and otherwise reasonably satisfactory to Landlord. Tenant and Assignee represent and warrant to Landlord that the copy of the Assignment attached hereto as Exhibit A is true, correct and complete in all material respects.

3. Landlord neither approves nor disapproves the terms, conditions and agreements contained in the Assignment, all of which shall be subordinate and at all times subject to all of the covenants, agreements, terms, provisions and conditions contained in the Lease.

[Address of Property]
[Tenant/Assignee]

4. Nothing contained herein or in the Assignment shall be construed to modify, waive, impair, or affect any of the terms, covenants or conditions contained in the Lease (including Assignee's obligation to obtain any required consents for any other or future assignments or sublettings), or to waive any breach thereof, or any rights or remedies of Landlord under the Lease against any person, firm, association or corporation liable for the performance thereof, or to enlarge or increase Landlord's obligations or liabilities under the Lease (including, without limitation, any liability to Tenant for any portion of the security deposit held by Landlord under the Lease, all interests in which have been assigned by tenant to Assignee), and all terms, covenants and conditions of the Lease are hereby declared by each of Landlord, Tenant and Assignee to be in full force and effect. Tenant shall remain liable and responsible for the due keeping, performance and observance of all the terms, covenants and conditions set forth in the Lease on the part of the "Tenant" party thereunder to be kept, performed and observed and for the payment of the annual rent, additional rent and all other sums now and hereafter becoming payable thereunder.

5. Notwithstanding anything in the Assignment to the contrary:

(a) Assignee does hereby expressly assume and agree to be bound by and to perform and comply with, for the benefit of Landlord, each and every obligation of Tenant under the Lease.

(b) Tenant and Assignee agree to each of the terms and conditions of this Consent, and upon any conflict between the terms of the Assignment and this Consent, as among Landlord, Tenant and Assignee the terms of this Consent shall control. As between Tenant and Assignee, in the event of any conflict between the terms of the Assignment and this Consent, the terms of the Assignment shall control.

6. Upon a default by Assignee under the Lease, Landlord may proceed directly against Assignee, Tenant, any guarantors or anyone else liable under the Lease or the Assignment without first exhausting Landlord's remedies against any other person or entity liable thereon to Landlord. The mention in this Consent of any particular remedy shall not preclude Landlord from any other remedy in law or in equity.

7. Tenant shall pay any broker commissions or fees that may be payable as a result of the Assignment and Tenant hereby indemnifies and agrees to hold Landlord harmless from and against any loss or liability arising therefrom or from any other commissions or fees payable in connection with the Assignment which result from the actions of Tenant. Assignee hereby indemnifies and agrees to hold Landlord harmless from and against any loss or liability arising from any commissions or fees payable in connection with the Assignment which result from the actions of Assignee.

8. Tenant and Assignee agree that the Assignment will not be modified or amended in any way without the prior written consent of Landlord, which shall not be unreasonably withheld, conditioned or delayed. Any modification or amendment of the Assignment without Landlord's prior written consent shall be void and of no force or effect.

9. This Consent may not be changed orally, but only by an agreement in writing signed by Landlord and the party against whom enforcement of any change is sought.

10. This Consent may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute but one and the same instrument.

11. This Consent and the legal relations between the parties hereto shall be governed by and construed and enforced in accordance with the internal laws of the State in which the Property is located, without regard to its principles of conflicts of law.

12. To the knowledge of each of Tenant and Assignee, without inquiry, and as of the date of execution of this Consent by each of Tenant and Assignee, as applicable, Tenant and Assignee are currently (a) in compliance with and, with respect to the Assignee, shall at all times during the Term of the Lease remain, in compliance with the regulations of the Office of Foreign Assets Control ("**OFAC**") of the U.S. Department of Treasury and any statute, executive order, or regulation relating thereto (collectively, the "**OFAC Rules**"), (b) not listed on, and, with respect to the Assignee, shall not during the term of the Lease be listed on, the Specially Designated Nationals and Blocked Persons List maintained by OFAC and/or on any other similar list maintained by OFAC or other governmental authority pursuant to any authorizing statute, executive order, or regulation, and (c) not a person or entity with whom a U.S. person is prohibited from conducting business under the OFAC Rules.

[THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, Landlord, Tenant and Assignee have caused their duly authorized representatives to execute this Consent as of the date first above written.

LANDLORD:

ARE-901/951 GATEWAY BOULEVARD, LLC,
a Delaware limited liability company

By: ALEXANDRIA REAL ESTATE EQUITIES, L.P., a Delaware limited partnership, managing member

By: ARE-QRS CORP., a Maryland corporation, general partner

By: _____

TENANT:

THERAVANCE, INC., a Delaware corporation

By: _____
Its: _____

ASSIGNEE:

THERAVANCE BIOPHARMA US, INC., a Delaware corporation

By: _____
Its: _____

Exhibit A

Copy of Assignment

ASSIGNMENT AND ASSUMPTION OF LEASE

THIS ASSIGNMENT AND ASSUMPTION OF LEASE ("Assignment") is dated for reference purposes only as of , 2014 ("Reference Date") by and between Theravance, Inc., a Delaware corporation ("Assignor"), and Theravance BioPharma US, Inc., a Delaware corporation ("Assignee"), with respect to the following facts:

A. HMS Gateway Office L.P., predecessor-in-interest to ARE-901/951 Gateway Boulevard, LLC, a Delaware limited liability company ("Landlord"), as Landlord, and Assignor, under its previous name Advanced Medicine, Inc., a Delaware corporation, as Tenant, entered into that certain Amended and Restated Lease Agreement, dated as of January 1, 2001 ("Original Lease"), as amended by that certain First Amendment to Lease, dated as of June 1, 2010 ("First Amendment"), that certain Second Amendment to Lease, dated as of October 1, 2010 ("Second Amendment"), and that certain Third Amendment to Lease, dated as of September 27, 2013 ("Third Amendment", and, together with the Original Lease, the First Amendment and the Second Amendment hereinafter collectively referred to as the "Lease"), with respect to those premises containing approximately 39,828 rentable square ("Premises") comprising the entirety of the first and third floors of the building located at 951 Gateway Boulevard, South San Francisco, California 94080 ("Building"). A true and correct copy of the Lease is attached hereto as Exhibit A and incorporated by reference herein.

B. Assignee is a wholly-owned subsidiary of Assignor. Assignor intends to separate Assignor's business from Assignee's business and to spin Assignee off as an independent corporation not later than June 30, 2014. In connection with the spin-off, Assignor intends to assign the Lease to Assignee as of the effective date of the spin-off ("Separation Date").

C. Assignor desires to assign all of its rights and obligations under the Lease to Assignee, and Assignee desires to assume all such rights and obligations, on the terms and conditions set forth below.

D. Capitalized terms not defined herein shall have the meanings set forth in the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Assignment: As of the Separation Date (the "Effective Date"), Assignor hereby grants, transfers, assigns and sets over to Assignee all of Assignor's right, title and interest of whatsoever nature or kind in and to the Lease. Assignor hereby represents and warrants for the benefit of Assignee, as of the date of Assignor's execution of this Assignment, all of the following: (i) the Lease is in full force and effect; (ii) Assignor is not in default under, and, to the best of the actual knowledge of Assignor, Landlord is not in default under, the Lease; (iii) there are no amendments to the Lease except as referenced in Recital A above; (iv) to the best of the

actual knowledge of Assignor, Assignor has no pending claims or offsets against Landlord; (v) Assignor has paid the Rent due and payable under the Lease through , 2014; (vi) the Expiration Date of the Lease is May 31, 2020; and (vii) "Tenant" has two (2) options to extend the Term of the Lease for successive periods of five (5) years each.

2. Acceptance and Assumption: From and after the Effective Date, Assignee accepts the foregoing assignment of the Lease, assumes all of Assignor's right, title and interest of whatsoever nature or kind in and to the Lease and expressly agrees to perform and fulfill all of the terms and obligations to be performed by the "Tenant" under the Lease.

3. Assignor's Obligations: Assignor shall perform all of the obligations of the "Tenant" under the Lease through and including the day prior to the Effective Date.

4. Assignee's Obligations: Assignee shall perform all of the obligations of the "Tenant" under the Lease from and after the Effective Date.

5. Indemnities:

A. Assignor's Indemnity. Assignor shall indemnify, defend, protect and hold harmless Assignee from all damages, liabilities, claims, judgments, actions, attorneys' fees, consultants' fees, costs and expenses arising from any breach by Assignor of any terms or conditions of the Lease prior to the Effective Date.

B. Assignee's Indemnity. Assignee shall indemnify, protect, defend and hold harmless Assignor from all damages, liabilities, claims, judgments, actions, attorneys' fees, consultants' fees, costs and expenses arising from any breach by Assignee of any terms or conditions of the Lease from and after the Effective Date.

6. Conditions Precedent: Assignor and Assignee acknowledge and agree that the effectiveness of this Assignment is conditioned upon the occurrence of all of the following:

(i) the approval of this Assignment by the appropriate management of Assignor;

(ii) the approval of this Assignment by the appropriate management of Assignee; and

(iii) the written consent of Landlord to this Assignment, which Consent to Assignment (the "Consent") shall be in a form reasonably acceptable to Assignor and Assignee.

Upon execution of this Assignment by both parties, Assignor shall use commercially reasonable efforts to obtain the Consent from Landlord. If Assignor fails to obtain the Consent from Landlord within sixty (60) days following the Effective Date, then following the expiration of

such sixty (60)-day period, and at any time before receiving the Consent, Assignor may terminate this Assignment by written notice to Assignee.

Also notwithstanding anything to the contrary contained in this Assignment, if the Separation Date has not occurred by June 30, 2014, this Assignment shall be null and void and of no further force or effect.

7. Miscellaneous: This Assignment shall be governed by and construed in accordance with the laws of the State of California. Any waiver by either party of any breach of any term or condition of this Assignment shall not operate as a waiver of any other breach of such term or condition or of any other term or condition of this Assignment, nor shall any failure by either party to enforce any term or condition of this Assignment operate as a waiver of such term or condition of any other term or condition of this Assignment, nor constitute nor be deemed to constitute a waiver or release of the other party for anything arising out of, connected with or based upon this Assignment. The parties each agree to execute and deliver such other documents, certificates and agreements, and to take such other actions as may be reasonably necessary or appropriate to carry out and further the purposes of this Assignment. In the event of any litigation involving the parties to this Assignment to enforce any provision of this Assignment, to enforce any remedy available upon default under this Assignment, or seeking a declaration of the rights of either party under this Assignment, the prevailing party shall be entitled to recover from the other party such reasonable attorneys' fees and costs as may reasonably be incurred, as awarded by the court hearing the matter. If any term, covenant, condition or provision of this Assignment, or the application thereof to any person or circumstance, shall to any extent be held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, covenants, conditions or provisions of this Assignment, or the application thereof to any person or circumstance, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby. Each person signing this Assignment warrants that s/he is authorized to do so, and by so doing binds the entity which s/he represents to perform the obligations set forth herein. This Assignment may be executed in counterparts and, when assembled, the counterparts shall be considered a single instrument. Facsimile signatures and PDF format signatures sent by electronic mail shall be treated and have the same effect as original signatures.

[SIGNATURES APPEAR ON NEXT PAGE]

IN WITNESS WHEREOF, the parties have executed this Assignment as of the latest of the dates set forth below.

ASSIGNOR:

THERAVANCE, INC.,
a Delaware corporation

By: _____

Title: _____

Dated: _____

ASSIGNEE:

THERAVANCE BIOPHARMA US, INC.,
a Delaware corporation

By: _____

Title: _____

Dated: _____

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Exhibit 99.1

901 Gateway Boulevard
South San Francisco, California

, 2014

Dear Theravance, Inc. Stockholder:

On April 25, 2013, we announced our intention to spin off our drug discovery and development business (the "Drug Discovery and Development Business") into a separate publicly traded company, Theravance Biopharma, Inc. ("Theravance Biopharma"). Theravance, Inc. ("Theravance") will continue to own certain late-stage partnered respiratory assets and associated potential royalty revenues (the "Royalty Business").

We expect to complete this spin-off on June , 2014. We will accomplish the spin-off through a pro rata dividend of the ordinary shares of Theravance Biopharma to Theravance's stockholders. You will not need to take any action to receive Theravance Biopharma shares and you will not be required to pay anything for the new Theravance Biopharma shares or surrender any of your Theravance shares.

At the time of the spin-off, you will receive one ordinary share of Theravance Biopharma for every 3.5 shares of Theravance common stock that you hold at 5:00 p.m., Eastern Time, on May , 2014, the record date for this dividend. However, if you sell your shares of Theravance common stock prior to or on June , 2014, the distribution date, you also will be selling your right to receive ordinary shares of Theravance Biopharma. We will not issue any fractional shares of Theravance Biopharma, so if you otherwise would have been entitled to a fractional share of Theravance Biopharma in the spin-off, you will receive the net cash value of such fractional share instead. We have applied to have the ordinary shares of Theravance Biopharma listed on the Nasdaq Global Market to trade under the symbol "TBPH". Shares of Theravance will continue to be listed on the Nasdaq Global Market when the spin-off is completed and will trade under the symbol "THRX".

Our board of directors has determined that a strategic separation of our two businesses is in the best interests of our stockholders. We believe that the spinning off of the Drug Discovery and Development Business will provide several opportunities and benefits, including the following:

- *Market Recognition*: The investment community, including analysts, stockholders and prospective investors in each company, will be better able to realize the value of each company fully and independently and enhance the market recognition of each company;
- *Business Focus:* Each company will be better able to focus its efforts on and allocate its resources towards its own business opportunities and challenges;
- *Facilitate Return of Capital to Stockholders*: Following the spin-off, Theravance will have minimal staffing to support its operations and will be structured with the goal of distributing a significant portion of any future royalty revenues from the Royalty Business, net of operating expenses, debt service and income taxes, to its stockholders;
- *Improved Capital Flexibility:* Each company will be able to deploy capital and access additional financing, if appropriate, in accordance with its unique needs and business model; and
- *Employee Incentives:* Each company will be better able to attract, retain and motivate employees by providing equity compensation tied more directly to its performance.

All or a portion of the Theravance Biopharma shares you receive is expected to be taxable to you as a dividend. In connection with the spin-off, we submitted a private letter ruling request to the Internal Revenue Service (the "IRS") regarding the tax treatment of the distribution of the spin-off. In the course of discussions with the IRS regarding the ruling request, the IRS has indicated its intention

to treat the distribution of Theravance Biopharma ordinary shares as a taxable transaction. As a taxable transaction, an amount equal to the fair market value of the Theravance Biopharma ordinary shares received by you (including any fractional shares deemed to be received) on the distribution date will be treated as a taxable dividend to the extent of your ratable share of any current and accumulated earnings and profits of Theravance, measured as of the end of the year in which the distribution occurs, with the excess treated as a non-taxable return of capital to the extent of your tax basis in Theravance common stock and any remaining excess treated as a capital gain. You should consult your own tax advisor as to the particular tax consequences of the distribution to you, including the applicability and effect of any U.S. federal, state, local and non-U.S. tax laws.

Enclosed please find an Information Statement that describes the spin-off and the business of Theravance Biopharma, which we are providing to all Theravance stockholders in accordance with U.S. law. The Information Statement describes in detail the distribution of Theravance Biopharma ordinary shares to holders of Theravance common stock and contains important business and financial information about Theravance Biopharma. We encourage you to read this information carefully. Please note that stockholder approval is not required for this spin-off, so we are not asking you for a proxy.

If you have any questions regarding the spin-off, please contact our investor relations department by calling (650) 808-4100 or sending a letter to: Theravance, Inc., 901 Gateway Blvd., South San Francisco, CA 94080 Attention: Investor Relations.

Sincerely,

Rick E Winningham
Chief Executive Officer
Theravance, Inc.

This Information Statement is first being mailed to shareholders on or about , 2014. This Information Statement is furnished for informational purposes only.

Ugland House, South Church Street
George Town, Grand Cayman, Cayman Islands

, 2014

Dear Future Theravance Biopharma Shareholder:

It is my great pleasure to welcome you as a shareholder of Theravance Biopharma, Inc. ("Theravance Biopharma") and introduce you to our company. We are a biopharmaceutical company that focuses on the discovery, development and commercialization of small-molecule medicines in areas of significant unmet medical need. As you know, the board of directors of our parent company, Theravance, Inc. ("Theravance"), has approved a plan to spin off Theravance Biopharma into a separate publicly traded company. We expect to complete the spin-off on June , 2014. We have applied to have our ordinary shares listed on the Nasdaq Global Market under the symbol "TBPH".

Theravance Biopharma will continue to leverage Theravance's expertise in multivalent drug discovery and develop its small-molecule product candidate pipeline currently focused on bacterial infections, central nervous system (CNS)/pain, respiratory disease, and gastrointestinal (GI) motility dysfunction. Theravance Biopharma also will continue to make VIBATIV® (telavancin) commercially available in the United States. VIBATIV® (telavancin) is the bactericidal, once-daily injectable antibiotic discovered by Theravance in a research program dedicated to finding new antibiotics for serious infections due to *Staphylococcus aureus* and other Gram-positive bacteria, including methicillin-resistant (MRSA) strains. Theravance Biopharma also will have an economic interest in the revenues from Theravance agreements with Glaxo Group Limited with regard to the combination of umeclidinium, vilanterol and fluticasone furoate (UMEC/VI/FF), the Bifunctional Muscarinic Antagonist-Beta$_2$ Agonist (MABA) drug program, as monotherapy and in combination with other therapeutically active components, such as an inhaled corticosteroid (ICS), and any other product or combination of products that may be discovered and developed in the future under these agreements with Glaxo Group Limited. Theravance Biopharma will be capitalized with between $350 million and $400 million in cash, which is expected to fund operations through significant potential corporate milestones over the following two to three years.

With our promising clinical pipeline, drug discovery capabilities, experienced management team and strong balance sheet, we believe that we will begin our future as an independent public company from a position of considerable strength. The spin-off is designed to enable us to operate our business with greater focus. As a Theravance Biopharma shareholder, you can share in our progress as we strive to strengthen and grow our business. I invite you to learn more about Theravance Biopharma and our opportunity as a soon-to-be independent publicly traded company by reading the attached Information Statement.

Sincerely,

Rick E Winningham
Chief Executive Officer
Theravance Biopharma, Inc.

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Information contained herein is subject to completion or amendment. A Registration Statement on Form 10 relating to these securities has been filed with the Securities and Exchange Commission.

Preliminary and Subject to Completion, dated April 30, 2014

The date of this Information Statement is , 2014

Information Statement

Theravance Biopharma, Inc. Ordinary Shares
(par value $0.00001 per share)

We are furnishing this Information Statement to the stockholders of Theravance, Inc. ("Theravance") in connection with Theravance's distribution via stock dividend to holders of its common stock of all outstanding ordinary shares of Theravance Biopharma, Inc. ("Theravance Biopharma"). At this time, Theravance Biopharma is a wholly-owned subsidiary of Theravance. After the spin-off is completed, Theravance Biopharma will be a separate publicly traded company and will own and operate the drug discovery and development business (the "Drug Discovery and Development Business") currently owned and operated by Theravance. Theravance will continue to own certain late-stage partnered respiratory assets and associated potential royalty revenues (the "Royalty Business").

If you are a holder of record of Theravance common stock at 5:00 p.m., Eastern Time, on May , 2014, which is the record date for the distribution, you will be entitled to receive one ordinary share of Theravance Biopharma for every 3.5 shares of Theravance common stock that you hold on the record date. However, if you sell your shares of Theravance common stock prior to or on June , 2014, the distribution date, you also will be selling your right to receive ordinary shares of Theravance Biopharma. Unless requested otherwise, our ordinary shares will be issued in book-entry form. No fractional shares of Theravance Biopharma will be issued. If you otherwise would have been entitled to a fractional share of Theravance Biopharma in the distribution, you will receive the net cash value of such fractional share instead. Immediately after the distribution is completed on the distribution date, we will be an independent publicly traded company. We expect the distribution to occur on June , 2014.

No stockholder vote is required for the spin-off to occur. **We are not asking you for a proxy, and you are requested not to send us a proxy. No action is necessary for you to receive ordinary shares of Theravance Biopharma to which you are entitled in the spin-off.** This means that:

- You do not need to pay any consideration to Theravance Biopharma or to Theravance; and
- You do not need to surrender or exchange any shares of Theravance common stock to receive the ordinary shares of Theravance Biopharma to which you are entitled in the spin-off.

Currently, there is no public trading market for the ordinary shares of Theravance Biopharma, although we expect that a "when-issued" trading market will develop on or about the record date for the distribution. We have applied to have our ordinary shares listed on the Nasdaq Global Market under the symbol "TBPH".

As you review this Information Statement, you should carefully consider the matters described in "Risk Factors" beginning on page 16.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Information Statement is truthful or complete. Any representation to the contrary is a criminal offense.

This Information Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities.

If you have inquiries related to the distribution, you should contact Theravance's transfer agent, Computershare Shareowner Services, at 250 Royall Street, Canton, MA 02021, or (877) 884-3485.

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Explanatory Note

Theravance Biopharma is furnishing this Information Statement to you solely to provide you with information regarding both the spin-off and our company. It is not, and should not be construed as, an inducement or encouragement to buy or sell any securities of Theravance Biopharma or Theravance.

You should rely only on the information contained in this Information Statement. We have not authorized any other person to provide you with information different from that contained in this Information Statement. The information contained in this Information Statement is believed by us to be accurate as of its date. Therefore, you should assume that the information contained in this Information Statement is accurate only as of the date on the front cover of this Information Statement or other date stated in this Information Statement, regardless of the time of delivery of this Information Statement. Our business, financial condition, results of operations and prospects may have changed since that date, and neither we nor Theravance will update the information except in the normal course of our respective public disclosure obligations and practices or as specifically indicated in this Information Statement.

We will own or have rights to numerous trademarks, trade names, copyrights and other intellectual property used in our business. All other company names, tradenames and trademarks included in this Information Statement are trademarks, registered trademarks or trade names of their respective owners.

As used in this Information Statement, the terms "we," "us," "our," and the "Company" mean Theravance Biopharma together with its subsidiaries and affiliates through which it intends to conduct its operations (unless the context indicates a different meaning) and the term "GSK" means GlaxoSmithKline plc together with its affiliates, including Glaxo Group Limited.

We describe in this Information Statement the Drug Discovery and Development Business to be transferred to us by Theravance in connection with the spin-off as though the Drug Discovery and Development Business were our business for all historical periods described. However, Theravance Biopharma is a newly-formed entity that has not conducted any operations prior to the spin-off and most of the actions necessary to transfer assets and liabilities of Theravance to us have not occurred but will occur before the effectiveness of the spin-off. References in this Information Statement to the historical assets, liabilities, products, business or activities of our business are intended to refer to the historical assets, liabilities, products, business or activities of the Drug Discovery and Development Business as those were conducted as part of Theravance prior to the spin-off.

Summary

The following is a summary of some of the information contained in this Information Statement. We urge you to read this entire document carefully, including the risk factors, our historical combined financial statements and the notes to those financial statements and our unaudited pro forma combined balance sheet.

Our Company

Theravance Biopharma, Inc.

Theravance Biopharma is a biopharmaceutical company with one approved product that was discovered and developed internally, a pipeline of internally discovered product candidates and strategic collaborations with pharmaceutical companies. In addition, we have an economic interest in future payments that may be made by GSK pursuant to its agreements with Theravance relating to certain drug programs, including the combination of umeclidinium ("UMEC"), vilanterol ("VI") and fluticasone furoate ("FF") ("UMEC/VI/FF"), the combination of the Bifunctional Muscarinic Antagonist-Beta$_2$ Agonist ("MABA") GSK961081 (" '081") and FF (" '081/FF"), and MABA monotherapy. We are focused on the discovery, development and commercialization of small molecule medicines across a number of therapeutic areas including bacterial infections, central nervous system ("CNS")/pain, respiratory disease, and gastrointestinal ("GI") motility dysfunction. By leveraging our proprietary insight of multivalency to drug discovery, we are pursuing a best-in-class strategy designed to discover superior medicines in areas of significant unmet medical need.

Our strategy focuses on the discovery, development and commercialization of medicines with superior efficacy, convenience, tolerability and/or safety using our proprietary insight in chemistry, biology and multivalency, where applicable. Multivalency refers to the simultaneous attachment of a single molecule to multiple binding sites on one or more biological targets. When compared to monovalency, whereby a molecule attaches to only one binding site, multivalency can significantly increase a compound's potency, duration of action and/or selectivity. Multivalent compounds generally consist of several individual small molecules, at least one of which is biologically active when bound to its target, joined by linking components. In addition, we believe that we can enhance the probability of successfully developing and commercializing medicines by identifying at least two structurally different product candidates, whenever practicable, in each therapeutic program.

Our Programs

The following table summarizes the status of our approved product and our most advanced product candidates for internal development or co-development. The table also includes the status of respiratory programs in which we have an economic interest that are being developed and commercialized by GSK pursuant to agreements with Theravance, which we refer to as the GSK-partnered respiratory programs. We have an economic interest in these programs through our non-voting interest in Theravance Respiratory Company LLC ("TRC"), a Delaware limited liability company controlled by Theravance. See "The Spin-Off—Formation of Theravance Respiratory Company LLC" and "Business—Economic Interests in GSK Respiratory Programs Partnered with Theravance."

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Programs

THERAPEUTIC AREA	STATUS				
	Phase 1	Phase 2	Phase 3	Filed	Approved
ECONOMIC INTERESTS IN GSK RESPIRATORY PROGRAMS PARTNERED WITH THERAVANCE					
UMEC/VI/FF					
GSK961081 (MABA)					
THERAVANCE BIOPHARMA PRODUCT AND DEVELOPMENT PROGRAMS					
BACTERIAL INFECTIONS					
VIBATIV®					
TD-1792					
TD-1607					
CNS/PAIN					
Axelopran (TD-1211)					
TD-9855: Fibromyalgia					
RESPIRATORY					
TD-4208 (LAMA)					
GI MOTILITY DYSFUNCTION					
Velusetrag (TD-5108)					
TD-8954					

Legend:

Demonstrated Proof-of-Concept

Proof-of-Concept demonstrated for each of the individual components of the programs

Pre Proof-of-Concept

Key: **CNS:** Central Nervous System; **FF:** Fluticasone Furoate; **GI:** Gastrointestinal; **LAMA:** Long-Acting Muscarinic Antagonist; **MABA:** Bifunctional Muscarinic Antagonist-Beta$_2$ Agonist; **UMEC:** Umeclidinium; **VI:** Vilanterol

In the table above:

Status indicates the most advanced stage of clinical development that has been completed or is in process.

Phase 1 indicates initial clinical safety testing in healthy volunteers, or studies directed toward understanding the mechanisms of action of the drug.

Phase 2 indicates further clinical safety testing and preliminary efficacy testing in a limited patient population.

Phase 3 indicates evaluation of clinical efficacy and safety within an expanded patient population.

Filed indicates that a marketing application has been submitted to a regulatory authority.

Approved indicates the drug has been approved for marketing in at least one jurisdiction.

We consider programs in which at least one compound has successfully completed a Phase 2a study showing efficacy and tolerability as having demonstrated Proof-of-Concept.

Corporate and Available Information

We were incorporated as a Cayman Islands exempted company limited by shares in July 2013 under the name Theravance Biopharma, Inc. Our principal executive offices are located at Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands. Our principal wholly-owned operating subsidiary, Theravance Biopharma US, Inc., is incorporated in Delaware but will not commence operations prior to the spin-off.

Reasons for the Spin-Off

On April 25, 2013, Theravance announced a plan to spin off its Drug Discovery and Development Business into a separate publicly traded company. Theravance and we believe that the spin-off of the Drug Discovery and Development Business to us will provide several opportunities and benefits, including the following:

- *Market Recognition:* The investment community, including analysts, stockholders and prospective investors in each company, will be better able to realize the value of each company fully and independently and enhance the market recognition of each company;
- *Business Focus:* Each company will be better able to focus its efforts on and allocate it resources towards its own business opportunities and challenges, with the management of Theravance Biopharma focusing on the discovery, development and commercialization of small-molecule medicines in areas of significant unmet medical need and the management of Theravance focusing on maximizing the commercial value of the potential royalty streams from its agreements with GSK;
- *Facilitate Return of Capital to Stockholders:* Following the spin-off, Theravance will have minimal staffing to support its operations and will be structured with the goal of distributing a significant portion of any future royalty revenues from the Royalty Business, net of operating expenses, debt service and income taxes, to its stockholders;
- *Improved Capital Flexibility:* Each company will be able to deploy capital and access additional financing, if appropriate, in accordance with its unique needs and business model; and
- *Employee Incentives:* Each company will be better able to attract, retain and motivate employees by providing equity compensation tied more directly to its performance, and in particular in the case of Theravance Biopharma, to our research and development efforts.

Selected Risks of our Business and Industry and of the Spin-Off

We face a number of risks associated with our business and industry and must overcome a variety of challenges in completing the spin-off and in implementing our operating strategy in order to be successful. These risks and challenges include the following:

- we expect to incur losses for the foreseeable future, we will require additional financing to meet our future capital needs and we may not be able to obtain additional financing on terms favorable to us, if at all;
- if our development of new product candidates is delayed, or if our product candidates do not demonstrate safety or effectiveness or are terminated, our business will be harmed;
- the adverse effect on developing and commercializing product candidates that could result if we are unable to enter into future collaborations;
- if our current or future partners do not satisfy their obligations under our agreements with them or if they terminate our partnerships with them, as Astellas Pharma Inc. and Merck did to Theravance, we may not be able to develop or commercialize our partnered product candidates as planned;
- our reliance on single-source manufacturers and suppliers may damage our commercial prospects, as occurred to Theravance in the past when commercialization of VIBATIV® was halted due to supply issues;
- if we cannot identify a suitable commercialization partner for VIBATIV® in the U.S., we will not be able to leverage a commercialization partner's capabilities and infrastructure and we will incur all of the costs and expenses associated with our reintroduction of VIBATIV® in the U.S., including the creation of an independent sales and marketing organization with appropriate technical expertise, supporting infrastructure and distribution capabilities, expansion of medical affairs presence, manufacturing and third party vendor logistics and consultant support;
- VIBATIV® and our product candidates, once approved, may not be accepted by physicians, patients, third party payors, or the medical community in general;
- the uncertainty of the trading value of our common stock as a new publicly-traded company and the heightened risks that we will face operating as a standalone independent public company after the spin-off from Theravance;
- the expected taxable nature of the spin-off;
- the significant costs and expenses that will be incurred to effect the spin-off and the duplication of costs for operating two separate independent public companies;
- the process of preparing for and effecting the spin-off may distract management from managing the ongoing business to be conducted by us; and
- after the spin-off, certain of our directors and officers may have actual or potential conflicts of interest because of their equity ownership in Theravance and, in the case of our Chairman and Chief Executive Officer, because he will hold the same positions for Theravance.

For a further discussion of these challenges and other risks we face, see "Risk Factors" beginning on page 16.

Summary of the Spin-Off

The following is a brief summary of the terms of the spin-off. Please see "The Spin-Off" for a more detailed description of the matters described below.

Distributing company	Theravance, Inc.
Distributed company	Theravance Biopharma, Inc.
Distribution ratio	Each holder of Theravance common stock will receive one of our ordinary shares for every 3.5 shares of Theravance common stock held on the record date.
Securities to be distributed	Approximately million of our ordinary shares. Our ordinary shares to be distributed will constitute all of our outstanding ordinary shares immediately after the spin-off.
Distribution agent, transfer agent and registrar for Theravance Biopharma shares	Computershare Shareowner Services
Record Date	5:00 p.m. Eastern Time on May , 2014
Distribution Date	June , 2014
Stock exchange listing	Currently there is no public market for our ordinary shares. We have applied to have our ordinary shares listed on the Nasdaq Global Market under the symbol "TBPH".
U.S. federal income tax consequences	All or a portion of the Theravance Biopharma shares you receive is expected to be taxable to you as a dividend. In connection with the spin-off, we submitted a private letter ruling request to the Internal Revenue Service (the "IRS") regarding the tax treatment of the spin-off. In the course of discussions with the IRS regarding the ruling request, the IRS has indicated its intention to treat the distribution of Theravance Biopharma ordinary shares as a taxable transaction. As a taxable transaction, an amount equal to the fair market value of our ordinary shares received by you (including any fractional shares deemed to be received) on the distribution date will be treated as a taxable dividend to the extent of your ratable share of any current and accumulated earnings and profits of Theravance, measured as of the end of the year in which the distribution occurs, with the excess treated as a non-taxable return of capital to the extent of your tax basis in Theravance common stock and any remaining excess treated as capital gain. Theravance will not be able to advise stockholders of the amount of such earnings and profits of Theravance until approximately January 2015. Theravance and other applicable withholding agents will withhold an amount equal to 30% of the fair market value of our ordinary shares distributed to a non-U.S. holder (as if the gross amount of such distribution was a taxable dividend) unless a reduced rate of withholding or an exemption from withholding is applicable.

	Theravance Biopharma should be respected as a foreign corporation for U.S. federal income tax purposes under Section 7874 of the Code because the assets contributed to Theravance Biopharma by Theravance in connection with the spin-off do not constitute "substantially all" of the assets of Theravance. For a more detailed discussion see "The Spin-Off—U.S. Federal Income Tax Consequences" beginning on page 50.
Purposes of the Distribution	The spin-off is designed to enhance long-term stockholder value by providing the benefits set forth above and under the caption "The Spin-Off—Reasons for the Spin-Off."
Conditions to the Distribution	The distribution of our ordinary shares is subject to the satisfaction of the following conditions, among other conditions described in this information statement: • the Securities and Exchange Commission, or SEC, shall have declared effective our registration statement on Form 10, of which this Information Statement is a part, under the Securities Exchange Act of 1934, as amended, or the Exchange Act; and no stop order relating to the registration statement shall be in effect; • all permits, registrations and consents required under the securities or blue sky laws of states or other political subdivisions of the U.S. or of other foreign jurisdictions in connection with the distribution shall have been received; • the listing of our ordinary shares on the Nasdaq Global Market shall have been approved, subject to official notice of issuance; • all material government approvals and other consents necessary to consummate the distribution shall have been received; • the transfers of the assets and liabilities contemplated by the Separation and Distribution Agreement shall be in effect; and • no order, injunction or decree issued by any court of competent jurisdiction or other legal restraint or prohibition preventing consummation of the distribution or any of the transactions related thereto, including those contemplated by the Separation and Distribution Agreement, shall be in effect. The fulfillment of these conditions does not create any obligation on Theravance to effect the distribution, and the Theravance board of directors has reserved the right, in its sole discretion, to amend, modify or abandon the distribution and related transactions at any time prior to or on the distribution date. Theravance has the right not to complete the distribution if, at any time, the Theravance board of directors determines, in its sole discretion, that the distribution is not in the best interests of Theravance or its stockholders or that market conditions are such that it is not advisable to separate the Drug Discovery and Development Business from Theravance.

Agreements and Relationships with Theravance	Theravance and Theravance Biopharma each will be independent, publicly traded companies. However, we will enter into a Separation and Distribution Agreement, a Transition Services Agreement, an Employee Matters Agreement and a Tax Matters Agreement and other agreements with Theravance to effect the separation and distribution and provide a framework for our relationship with Theravance after the separation. These agreements will govern the relationships between us and Theravance after the completion of the separation and provide for the allocation between us and Theravance of Theravance's assets, liabilities and obligations (including employee benefits and tax-related assets and liabilities) attributable to periods prior to our separation from Theravance. After the spin-off, Rick E Winningham will serve as our Chairman and Chief Executive Officer and will also serve in the same positions for Theravance. He and other members of our management will also have significant financial interests in Theravance equity. For a discussion of these arrangements and relationships, see "Risk Factors—Risks Related to the Spin-Off," beginning on page 16, "Our Relationship with Theravance, Inc. after the Spin-Off" beginning on page 96 and "Compensation of Named Executive Officers" beginning on page 113.
Interest in Theravance Respiratory Company LLC	Theravance has formed a Delaware limited liability company named Theravance Respiratory Company LLC ("TRC"). Theravance will assign to TRC its strategic alliance agreement with GSK and all of its rights and obligations under its collaboration agreement with GSK other than with respect to RELVAR® ELLIPTA®/BREO® ELLIPTA®, ANORO™ ELLIPTA™ and vilanterol monotherapy. TRC will be controlled by Theravance and jointly owned by Theravance and us. Our equity interest in TRC will entitle us to an 85% economic interest in any future payments made by GSK under the strategic alliance agreement with GSK and under the portion of the collaboration agreement with GSK assigned to TRC. These other drug programs include UMEC/VI/FF and the MABA program, as monotherapy and in combination with other therapeutically active components, such as an inhaled corticosteriod (ICS), and any other product or combination of products that may be discovered and developed in the future under the strategic alliance agreement with GSK or collaboration agreement with GSK, which we refer to as the GSK agreements. Theravance's equity interest in TRC will entitle it to 15% of the economic interest in all future payments by GSK under the strategic alliance agreement and under the portion of the collaboration agreement assigned to TRC. See "The Spin-Off—Formation of Theravance Respiratory Company LLC" beginning on page 48.

Questions and Answers about the Spin-off

How will the spin-off work?	Theravance will contribute to us its Drug Discovery and Development Business (including assets and liabilities) and an equity interest in TRC, and between $350 million and $400 million in cash and cash equivalents, which we refer to as the contribution, and Theravance will distribute to its stockholders all of our outstanding ordinary shares on a pro rata basis, which we refer to as the distribution. When we refer to the occurrence of the spin-off, we are referring to the date the spin-off is finalized and our stock is distributed to you. For additional information on the transactions in the spin-off, see "The Spin-Off—Manner of Effecting the Spin-Off" beginning on page 46.
How will Theravance fund the contribution of cash and cash equivalents to us?	As of December 31, 2013, Theravance held an aggregate of approximately $520 million of cash, cash equivalents, short-term investments, and long-term securities. In addition, in April 2014, Theravance received net proceeds of approximately $434.3 million from the private placement of 9% non-recourse PhaRMA[SM] notes issued by a wholly-owned subsidiary; however, $32 million of such proceeds have been deposited into a milestone payment reserve account to fund 40% of any future milestone payments owing to GSK under the collaboration agreement with GSK.Theravance will continue to manage both its short-term investment and long-term marketable securities portfolios to ensure that at spin-off cash and cash equivalents of between $350 million and $400 million is available for transfer to us. Post spin-off, Theravance is expected to maintain the necessary amount of cash, cash equivalents and marketable securities that will be sufficient to meet its anticipated operating needs for at least the next twelve months based on then current operating plans and financial forecasts.
When will the spin-off be completed?	Theravance expects to complete the spin-off by distributing our ordinary shares on June , 2014 to holders of record of Theravance common stock on the record date. As discussed under "The Spin-Off—Trading of Theravance Common Stock After the Record Date and Prior to or on the Distribution Date," if you sell your shares of Theravance common stock in the "regular way" market after the record date and prior to or on the distribution date, you also will be selling your right to receive our ordinary shares in connection with the spin-off. For additional information on the spin-off, see "The Spin-Off—Results of the Spin-Off" beginning on page 49.
What do I have to do to participate in the distribution?	Nothing. You are not required to take any action to receive our ordinary shares in the spin-off. No vote of Theravance stockholders will be taken for the spin-off. If you own shares of Theravance common stock as of the close of business on the record date and do not sell those shares in the "regular way" market prior to or on the distribution date, unless requested otherwise, a book-entry account statement reflecting your ownership of our ordinary shares will be mailed to you, or your brokerage account will be credited for the shares, on or about June , 2014. Do not mail in Theravance common stock certificates in connection with the spin-off.

How many of your ordinary shares will I receive?	Theravance will distribute one of our ordinary shares for every 3.5 shares of Theravance common stock you own of record as of the close of business on the record date and do not sell in the "regular way" market prior to or on the distribution date. Cash will be distributed in lieu of fractional shares, as described below. Based on approximately million shares of Theravance common stock that we expect to be outstanding on the record date, Theravance will distribute a total of approximately million of our ordinary shares. The number of our ordinary shares that Theravance will distribute to its stockholders will be reduced to the extent that cash payments are to be made in lieu of the issuance of fractional shares of Theravance Biopharma and to the extent that our ordinary shares are held back and sold on the market to satisfy backup withholding taxes and non-U.S. holder dividend withholding taxes and brokerage and other costs, and will be increased to the extent, if any, that Theravance options are exercised prior to the record date. For additional information on the distribution, see "The Spin-Off—Results of the Spin-Off" beginning on page 49.
How will Theravance distribute fractional ordinary shares of Theravance Biopharma?	Theravance will not distribute any fractional shares of Theravance Biopharma to its stockholders. Instead, the distribution agent will aggregate fractional shares into whole shares, sell the whole shares in the open market at prevailing market prices and distribute the aggregate net cash proceeds of the sales pro rata to each holder who otherwise would have been entitled to receive a fractional share in the distribution. Recipients of cash in lieu of fractional shares will not be entitled to any interest on the amounts of payment made in lieu of fractional shares. The receipt of cash in lieu of fractional shares generally will be taxable to the recipient stockholders as described in "The Spin-Off—U.S. Federal Income Tax Consequences" beginning on page 50.
Can Theravance decide to cancel the distribution of Theravance Biopharma ordinary shares even if all the conditions have been met?	Yes. Theravance has the right to terminate the distribution, and the spin-off, even if all of the conditions set forth in the Separation and Distribution Agreement are satisfied, if at any time the board of directors of Theravance determines that the distribution is not in the best interest of Theravance and its stockholders or that market conditions are such that it is not advisable to separate the Drug Discovery and Development Business from Theravance.
Will I receive physical certificates representing Theravance Biopharma ordinary shares following the separation?	No. Theravance, with the assistance of Computershare Shareowner Services, the distribution agent, will electronically issue our ordinary shares to you or to your bank or brokerage firm on your behalf by way of direct registration in book-entry form. The book-entry system allows registered shareholders to hold their shares without physical share certificates. A benefit of issuing shares electronically in book-entry form is that there will be none of the physical handling and safekeeping responsibilities that are inherent in owning physical share certificates. For additional information, see "The Spin-Off—Manner of Effecting the Spin-Off" beginning on page 46.

How will the distribution affect my tax basis and holding period in Theravance common stock and what will my tax basis and holding period be in the ordinary shares received in the distribution?	The treatment of the distribution of Theravance Biopharma ordinary shares as taxable will result in your basis in your shares of Theravance common stock being reduced by the excess, if any, of the fair market value of the Theravance Biopharma ordinary shares received over the amount treated as a taxable dividend. Your holding period for such Theravance shares will not be affected by the distribution. You will have a tax basis in your Theravance Biopharma ordinary shares equal to the fair market value of such shares at the time of the distribution. Your holding period for the Theravance Biopharma ordinary shares received in the distribution will begin on the day after the distribution. You should consult your own tax advisor as to the particular tax consequences of the distribution to you, including the applicability of any U.S. federal, state, local and non U.S. tax laws. For a more detailed discussion see "U.S. Federal Income Tax Consequences" beginning on page 50.
Is there a chance I may incur taxable gain as a result of the distribution?	All or a portion of the Theravance Biopharma shares you receive are expected to be taxable to you as a dividend. In connection with the spin-off, we submitted a private letter ruling request to the IRS regarding the tax treatment of the distribution of the spin-off. In the course of discussions with the IRS regarding the ruling request, the IRS has indicated its intention to treat the distribution of Theravance Biopharma ordinary shares as a taxable transaction. As a taxable transaction, an amount equal to the fair market value of our ordinary shares received by you (including any fractional shares deemed to be received) on the distribution date will be treated as a taxable dividend to the extent of your ratable share of any current and accumulated earnings and profits of Theravance, measured as of the end of the year in which the distribution occurs, with the excess treated as a non-taxable return of capital to the extent of your tax basis in Theravance common stock and any remaining excess treated as a capital gain.
What will happen to Theravance equity awards?	Holders of Theravance restricted stock awards will receive ordinary shares of Theravance Biopharma upon the distribution subject to the same terms and conditions as apply to Theravance common stock. The number of shares and exercise price, if applicable, of Theravance stock options and restricted stock units that are outstanding on the date of the spin-off will adjust in accordance with the plans under which they were issued. In addition, Theravance equity awards held by Theravance employees who join Theravance Biopharma in connection with the spin-off have been amended so that the awards will remain outstanding and continue to vest based on service to Theravance Biopharma following the spin-off. Further, certain Theravance equity awards held by Theravance non-employee directors who join Theravance Biopharma in connection with the spin-off have been amended, effective as of immediately prior to the spin-off, so that the awards will remain outstanding for the remainder of their respective terms based on service to Theravance Biopharma following the spin-off. See "The Spin-Off—Treatment of Outstanding Theravance Equity Awards in Connection with the Spin-Off." We also expect to issue new Theravance Biopharma options to our employees and non-employee directors following the spin-off.

Do you intend to pay dividends on your ordinary shares?	We currently do not intend to pay dividends on our ordinary shares. The declaration and amount of dividends will be determined by our board of directors and will depend on our financial condition, earnings, capital requirements, legal requirements, regulatory constraints, contractual restrictions, and any other factors that our board of directors believes are relevant. See "Dividend Policy" on page 62 for additional information on our dividend policy following the spin-off.
What if I want to sell my Theravance common stock or Theravance Biopharma ordinary shares?	You should consult your financial advisors, such as your stockbroker, bank or tax advisor. Neither Theravance nor Theravance Biopharma makes any recommendation as to the purchase, retention or sale of shares of Theravance common stock or the Theravance Biopharma ordinary shares to be distributed. If you decide to sell any shares of Theravance common stock prior to or on the distribution date, you should make sure your stockbroker, bank or other nominee understands whether you want to sell your Theravance common stock or the Theravance Biopharma ordinary shares you will receive in the distribution or both.
Where will I be able to trade Theravance Biopharma ordinary shares?	There is no current trading market for our ordinary shares. We have applied to have our ordinary shares listed on the Nasdaq Global Market under the symbol "TBPH." We expect that a limited market, commonly known as a "when-issued" trading market, for our ordinary shares will begin shortly after , 2014. The term "when-issued" means that shares can be traded prior to the time shares are actually available or issued. We expect that on the distribution date or the first trading day after the distribution date, "when-issued" trading in our ordinary shares will end and "regular way" trading will begin. "Regular way" trading refers to trading after a security has been issued and typically involves a transaction that settles on the third full business day following the date of a trade. Our ordinary shares generally will be freely tradable following the spin-off. For additional information regarding the trading of our ordinary shares, see "The Spin-Off—Market for Our Ordinary Shares; Trading of Our Ordinary Shares in Connection with the Spin-Off" beginning on page 57.
Will the number of Theravance shares I own change as a result of the spin-off?	No. The number of shares of Theravance common stock you own will not change as a result of the spin-off.
What will happen to the listing of Theravance common stock?	Nothing. It is expected that after the distribution of Theravance Biopharma ordinary shares, Theravance common stock will continue to be traded on the Nasdaq Global Market under the symbol "THRX".
Are there any risks to owning Theravance Biopharma ordinary shares?	Yes. Our business is subject to both general and specific risks relating to our operations, anticipated net losses, and our operating as a standalone company. Our business is also subject to risks relating to the separation. These and other risks are described in "Risk Factors" beginning on page 16. We encourage you to read that section carefully.

Who do I contact for information regarding you and the spin-off?	Before the spin-off, you should direct inquiries relating to the spin-off to: Investor Relations Theravance, Inc. 901 Gateway Boulevard South San Francisco, CA 94080 After the spin-off, you should direct inquiries relating to our ordinary shares to: Investor Relations Theravance Biopharma US, Inc. 901 Gateway Boulevard South San Francisco, CA 94080 After the spin-off, the transfer agent and registrar for our ordinary shares will be: Computershare Shareowner Services 250 Royall Street Canton, MA 02021

Summary Historical Combined Financial Information

The following table sets forth certain summary historical financial information as of December 31, 2011, 2012 and 2013, which has been derived from our audited combined financial statements that are included elsewhere in this Information Statement. We derived the balance sheet data as of December 31, 2011 from our audited combined financial statements which are not included in this Information Statement. At each of these dates, Theravance Biopharma was an integrated business of Theravance. The summary historical financial information may not be indicative of the results of operations or financial position that we would have obtained if we had been an independent company during the periods presented or of our future performance as an independent company. See "Risk Factors."

The following tables also set forth the pro forma combined balance sheet as of December 31, 2013, which has been derived from our historical combined balance sheet as of such date. The pro forma adjustments are based upon available information and assumptions that we believe are reasonable. Please see the notes to the unaudited pro forma combined financial statement included elsewhere in this Information Statement for a discussion of adjustments reflected in the pro forma combined financial statements.

You should read these tables together with "Historical Selected Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Unaudited Pro Forma Combined Financial Statement" and our historical combined financial statements and the notes thereto included elsewhere in this Information Statement.

Combined Statements of Operations Data

	Year Ended December 31,		
(in thousands, except per share data)	2011	2012	2013
Revenue	$ 14,854	$ 130,145	$ 226
Operating expenses:			
Research and development	98,850	113,995	120,579
Selling, general and administrative	25,339	25,725	35,931
Total operating expenses(1)	124,189	139,720	156,510
Net loss	$ (109,335)	$ (9,575)	$ (156,284)

Combined Balance Sheet Data

(in thousands)	Year ended December 31, 2011	2012	2013	2013 Pro Forma (Unaudited)
Cash and cash equivalents(2)	$ —	$ —	$ —	$ 375,000
Restricted cash	893	833	833	833
Working capital (deficit)	(33,565)	(11,837)	(22,747)	352,253
Total assets	13,821	20,962	25,177	400,177
Long-term liabilities(3)	118,664	5,280	5,359	5,359
Total parent company (deficit)/stockholders' equity(4)	(140,724)	(6,990)	(17,035)	357,965

(1) The following table discloses the allocation of stock-based compensation expense included in total operating expenses:

(in thousands)	Year Ended December 31, 2011	2012	2013
Research and development	$ 12,696	$ 13,192	$ 15,444
Selling, general and administrative	8,767	8,131	7,032
Total stock-based compensation	$ 21,463	$ 21,323	$ 22,476

(2) Cash and cash equivalents pro forma include an assumed cash capital contribution by Theravance, Inc. of $375 million, the midpoint in the range of $350 million to $400 million that is anticipated to be contributed.

(3) Long-term liabilities include the long-term portion of deferred revenue as follows:

(in thousands)	December 31, 2011	2012	2013	2013 Pro Forma (Unaudited)
Deferred revenue	$ 112,843	$ 206	$ 585	$ 585

(4) Total parent company equity, pro forma at December 31, 2013 for Theravance Biopharma, Inc. assumes the issuance of approximately shares at $0.00001 par value, which is based on the number of outstanding shares of Theravance, Inc. as of rate of one ordinary share of Theravance Biopharma, Inc. for every 3.5 shares of Theravance common stock.

Risk Factors

This Information Statement includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, which we refer to as the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. All statements in this Information Statement, other than statements of historical facts, including statements regarding the spin-off, our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans, intentions, expectations and objectives could be forward-looking statements. The words "anticipates," "believes," "could," "designed," "estimates," "expects," "goal," "intends," "may," "plans," "projects," "pursuing," "will," "would" and similar expressions (including the negatives thereof) are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions, expectations or objectives disclosed in our forward-looking statements and the assumptions underlying our forward-looking statements may prove incorrect. Therefore, you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions, expectations and objectives disclosed in the forward-looking statements that we make. Factors that we believe could cause actual results or events to differ materially from our forward-looking statements include, but are not limited to, those discussed below in "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Information Statement. Our forward-looking statements in this Information Statement are based on current expectations and we do not assume any obligation to update any forward-looking statements.

RISKS RELATING TO THE SPIN-OFF

We may not realize the potential benefits from the spin-off; Theravance stockholders may not realize the potential benefits of the spin-off.

We may not realize the potential benefits that we expect from our spin-off from Theravance, Inc. ("Theravance"). Further, Theravance stockholders may not realize the intended benefits of the spin-off. We have described those anticipated benefits elsewhere in this Information Statement. See "The Spin-Off—Reasons for the Spin-Off." By separating from Theravance, there is a risk that our company may be more susceptible to market fluctuations and other adverse events than we would have been were we still a part of the current Theravance. In addition, we will incur significant costs, including those described below, which may exceed our estimates, and we will incur some negative effects from our separation from Theravance, including the loss of potential royalty revenue derived from certain of Theravance's late-stage partnered respiratory assets (the "Royalty Business").

Our historical and pro forma financial information may not reflect what our financial position, results of operations or cash flows would have been as a stand-alone company during the periods presented and is not necessarily indicative of our future financial position, future results of operations or future cash flows.

Our historical financial information included in this Information Statement does not necessarily reflect what our financial position, results of operations or cash flows would have been as a stand-alone company during the periods presented and is not necessarily indicative of our future financial position, future results of operations or future cash flows. This is primarily a result of the following factors:

- Prior to the separation, our business was operated by Theravance as part of its broader corporate organization rather than as a stand-alone company, and our business was able to leverage Theravance's financial resources and creditworthiness;

- Certain general administrative functions are performed by Theravance for the combined entity. Our historical combined financial statements reflect allocations of costs for services shared with Theravance. These allocations may differ from the costs we will incur for these services as an independent company;

- After the spin-off, our cost of capital may be higher than Theravance's cost of capital prior to our separation; and

- After the spin-off, we will also be responsible for the additional costs associated with being an independent, public company, including costs related to corporate governance and listed and registered securities.

The unaudited pro forma combined balance sheet as of December 31, 2013 assumes cash funding by Theravance of $375 million, the midpoint in the range of $350 million to $400 million that is anticipated to be contributed. Please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Unaudited Pro Forma Combined Balance Sheet" and our historical combined financial statements and the notes thereto included elsewhere in this Information Statement.

Our accounting and other management systems and resources may not be adequately prepared to meet the financial reporting and other requirements to which we will be subject following the transactions. If we are unable to achieve and maintain effective internal controls, our business, financial position and results of operations could be adversely affected.

Our financial results previously were included within the consolidated results of Theravance. However, we were not directly subject to the reporting and other requirements of the Exchange Act. As a result of the separation, we will be directly subject to the reporting and other obligations under the Exchange Act, including the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, which will require annual management assessments of the effectiveness of our internal control over financial reporting. When and if we are a "large accelerated filer" or an "accelerated filer" and are no longer an "emerging growth company," each as defined in the Exchange Act, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting. These reporting and other obligations will place significant demands on our management and administrative and operational resources, including accounting resources.

To comply with these requirements, it is anticipated that we may need to upgrade our systems, including information technology, implement additional financial and management controls, reporting systems and procedures and hire additional legal, accounting and/or finance staff. If we are unable to upgrade our financial and management controls, reporting systems, information technology and procedures in a timely and effective fashion, our ability to comply with our financial reporting requirements and other rules that apply to reporting companies could be impaired. In addition, if we are unable to conclude that our internal control over financial reporting is effective (or if the auditors are unable to express an opinion on the effectiveness of our internal controls), we could lose investor confidence in the accuracy and completeness of our financial reports.

Our management will be responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Any failure to achieve and maintain effective internal controls could have an adverse effect on our business, financial position and results of operations.

We have no history operating as an independent company upon which you can evaluate us.

We do not have an operating history as a stand-alone entity. While our drug discovery and development business (the "Drug Discovery and Development Business") has constituted a substantial part of the historic operations of Theravance, we have not operated as a stand-alone company without the Royalty Business. After the spin-off, as an independent company, our ability to satisfy our

obligations and achieve profitability will be primarily dependent upon the future performance of our Drug Discovery and Development Business, and we will not be able to rely upon the revenues, capital resources and cash flows of the Royalty Business remaining with Theravance. In addition, after the spin-off, we may need certain transition services from Theravance to be able to operate our business and we will be required to deliver a significant number of services to Theravance.

Concerns about our prospects as a stand-alone company and employee compensation and benefits after the spin-off or otherwise, could affect our ability to retain employees.

The spin-off represents a significant organizational change and our employees may have concerns about our prospects as a stand-alone company, including our ability to successfully operate the new entity over the long-term, and our ability maintain our independence after the spin-off. If we are not successful in assuring our employees of our prospects as an independent company, our employees may seek other employment, which could materially adversely affect our business.

After the spin-off, substantially all of our employees will hold stock options, restricted stock and/or restricted stock units for shares of Theravance common stock and will continue to vest in such Theravance equity interests based on service to us. We believe that the continued vesting of Theravance equity awards will help us retain our employees as we transition to a stand-alone company. However, after the spin-off, we will not be able to grant our employees further equity awards for Theravance common stock or effect amendments of Theravance's equity incentive plans (and similar programs) or equity awards previously granted by Theravance. Furthermore, in the event Theravance is acquired and the vesting of Theravance equity awards are accelerated in such an acquisition, we may have difficulty retaining our employees and may have to incur additional costs to retain them.

If we fail to retain our qualified personnel or replace them when they leave, we may be unable to continue our development and commercialization activities, which may cause the price of our securities to fall.

We will be required to satisfy certain indemnification obligations to Theravance or may not be able to collect on indemnification rights from Theravance.

Under the terms of the Separation and Distribution Agreement, we will indemnify Theravance from and after the spin-off with respect to (i) all debts, liabilities and obligations transferred to us in connection with the spin-off (including our failure to pay, perform or otherwise promptly discharge any such debts, liabilities or obligations after the spin-off), (ii) any misstatement or omission of a material fact in this Information Statement resulting in a misleading statement and (iii) any breach by us of the Separation and Distribution Agreement, the Transition Services Agreement, the Employee Matters Agreement, the Tax Matters Agreement, and the Sublease Agreement. We are not aware of any existing indemnification obligations at this time, but any such indemnification obligations that may arise could be significant. Under the terms of the Separation and Distribution Agreement, Theravance will indemnify us from and after the spin-off with respect to (i) all debts, liabilities and obligations retained by Theravance after the spin-off (including its failure to pay, perform or otherwise promptly discharge any such debts, liabilities or obligations after the spin-off) and (ii) any breach by Theravance of the Separation and Distribution Agreement, the Transition Services Agreement, the Employee Matters Agreement, the Tax Matters Agreement, and the Sublease Agreement. Our and Theravance's ability to satisfy these indemnities, if called upon to do so, will depend upon our and Theravance's future financial strength. If we are required to indemnify Theravance, or if we are not able to collect on indemnification rights from Theravance, our business prospects and financial condition may be harmed. We cannot determine whether we will have to indemnify Theravance, or if Theravance will have to indemnify us, for any substantial obligations after the distribution.

We may have received better terms from unaffiliated third parties than the terms we receive in our agreements with Theravance.

The agreements we will enter into with Theravance in connection with the spin-off were determined by management and the Theravance board of directors in the context of the spin-off while we were still part of Theravance and, accordingly, may not reflect terms that would have resulted from arm's-length negotiations between unaffiliated third parties. The terms of the agreements relate to, among other things, the licensing of intellectual property and the provision of certain employment and transition services. We may have received better terms from third parties because, among other things, third parties may have competed with each other to win our business. See "Our Relationship with Theravance, Inc. after the Spin-Off."

After the spin-off, certain of our directors and officers may have actual or potential conflicts of interest because of their equity ownership in Theravance, and our Chairman and Chief Executive Officer may have actual or potential conflicts of interest because he will also serve as Chairman and Chief Executive Officer for Theravance, which actual or potential conflicts may harm our business, prospects and financial condition and result in the diversion of corporate opportunities to Theravance.

Following the distribution, Rick E Winningham will serve as our Chairman and Chief Executive Officer and will hold the same positions for Theravance. In addition, following the spin-off, certain of our directors and executive officers will own shares of Theravance's common stock, and the individual holdings may be significant for some of these individuals compared to their total assets. This service to both companies and ownership of Theravance common stock may create, or may create the appearance of, conflicts of interest when these directors and officers are faced with decisions that could have different implications for Theravance and us. For example, potential or actual conflicts could arise relating to: the terms and conditions of the spin-off; the relationship between Theravance and us after the spin-off, including Theravance's and our respective rights and obligations under agreements entered into in connection with the spin-off; the management of TRC by Theravance after the spin-off, particularly given that we and Theravance have different economic interests in TRC; the compensation of individuals who serve as officers of both companies; and corporate opportunities that may be available to both companies in the future. Although we and Theravance have implemented policies and procedures to identify and properly address such potential and actual conflicts of interest, there can be no assurance that such conflicts of interest will not harm our business, prospects and financial condition and result in the diversion of corporate opportunities to Theravance.

The amount of Theravance's net operating losses that will be used as a result of pre spin-off restructuring is uncertain.

As part of the overall spin-off transaction, it is anticipated that certain assets that are transferred by Theravance to us will result in taxable transfers pursuant to Section 367 of the Internal Revenue Code of 1986, as amended (the "Code"), or other applicable provisions of the Code and Treasury Regulations. The taxable gain recognized by Theravance attributable to the transfer of certain assets to us will equal the excess of the fair market value of each asset transferred over Theravance's adjusted tax basis in such asset. While Theravance's basis in the cash it transfers to us will be equal to the amount of such cash (and, therefore, no gain will be recognized on the transfer of such cash), Theravance's basis in other assets (other than cash) transferred to us may be significantly less than their respective fair market values, which could result in substantial taxable gain to Theravance. The determination of the fair market value of non-publicly traded assets is subjective and could be subject to adjustments or future challenge by the IRS, which could result in an increase in the amount of gain, and thus U.S. federal income tax, realized by Theravance as a result of the transfer. Theravance's U.S. federal income tax resulting from any gain recognized upon the transfer of its assets to us (including any increased U.S. federal income tax that may result from a subsequent determination of higher fair

market values for the transferred assets), may be reduced by Theravance's net operating loss carryforward. While federal and state tax laws impose restrictions on the utilization of net operating losses in the event of an ownership change, as defined in Section 382 of the Code, Theravance conducted an analysis to determine whether an ownership change had occurred since its inception through December 31, 2013, and has concluded that Theravance had undergone two ownership changes in prior years. Theravance had approximately $1.4 billion of net operating loss as of December 31, 2013. Theravance expects its net operating loss carryforward and current projected losses will generally fully offset the U.S. federal income tax resulting from the gains it will realize in connection with the pre spin-off restructuring. However, the amount of Theravance's net operating loss carryforward that will be used is uncertain as the appraisal of the fair market values of our transferred assets will not be complete untill after the spin-off.

Our shareholders could incur significant U.S. federal income tax liabilities.

Because of uncertain issues relating to the taxable status of the distribution, Theravance sought a private letter ruling from the IRS regarding the U.S. federal income tax consequences of the distribution of our ordinary shares to the Theravance stockholders substantially to the effect that the distribution, except for cash received in lieu of a fractional share of our ordinary shares, would qualify as tax-free under Sections 368(a)(1)(D) and 355 of the Code and, that, for U.S. federal income tax purposes, no gain or loss would be recognized by a holder of Theravance common stock upon the receipt of our ordinary shares pursuant to the distribution. The IRS declined to issue such ruling and has informed us that in the view of the IRS, the distribution will fail to satisfy the requirements of Section 355 of the Code. Specifically, the IRS informed us that, in its view, Theravance will not be engaged in an "active trade or business" immediately following the distribution, as required by Section 355 of the Code, and that the IRS intends to treat the distribution as a taxable transaction. Accordingly, all or a portion of the Theravance Biopharma ordinary shares you receive is expected be taxable to you as a dividend. If the spin-off is taxable, an amount equal to the fair market value of our ordinary shares received by you (including any fractional shares deemed to be received) on the distribution date will be treated as a taxable dividend to the extent of your ratable share of any current and accumulated earnings and profits of Theravance, measured as of the end of the year in which the distribution occurs, with the excess treated as a non-taxable return of capital to the extent of your tax basis in Theravance common stock and any remaining excess treated as a capital gain. You could incur significant U.S. federal income tax liabilities as a result of the distribution.

Theravance Biopharma may be treated as a U.S. corporation for U.S. federal income tax purposes.

For U.S. federal income tax purposes, a corporation generally is considered tax resident in the place of its incorporation. Because Theravance Biopharma is incorporated under Cayman Islands law, it should be deemed a Cayman Islands corporation under this general rule. Section 7874 of the Code, however, contains rules that could result in a foreign corporation being taxed as a U.S. corporation for U.S. federal income tax purposes. The application of these rules is complex and there is little guidance regarding their application.

Under Section 7874 of the Code, a corporation created or organized outside the U.S. will be treated as a U.S. corporation for U.S. federal tax purposes, when (i) the foreign corporation directly or indirectly acquires substantially all of the assets held directly or indirectly by a U.S. corporation, (ii) the former shareholders of the acquired U.S. corporation hold at least 80% of the vote or value of the shares of the foreign acquiring corporation by reason of holding stock in the U.S. acquired corporation, and (iii) the foreign corporation's "expanded affiliated group" does not have "substantial business activities" in the foreign corporation's country of incorporation relative to its expanded affiliated group's worldwide activities. For this purpose, "expanded affiliated group" generally means the foreign corporation and all subsidiaries in which the foreign corporation, directly or indirectly, owns more than

50% of the stock by vote and value, and "substantial business activities" generally means at least 25% of employees (by number and compensation), assets and gross income of our expanded affiliated group are based, located and derived, respectively, in the Cayman Islands.

We do not expect to be treated as a U.S. corporation under Section 7874 of the Code, because the assets contributed to us by Theravance are not expected to constitute "substantially all" of the properties of Theravance (as determined on both a gross and net fair market value basis). However, the IRS may disagree with our conclusion on this point and assert that, in its view, the assets contributed to us by Theravance do constitute "substantially all" of the properties of Theravance. In addition, there have been legislative proposals to expand the scope of U.S. corporate tax residence and there could be changes to Section 7874 of the Code or the Treasury Regulations promulgated thereunder that could result in Theravance Biopharma being treated as a U.S. corporation.

If it were determined that we should be taxed as a U.S. corporation for U.S. federal income tax purposes, we could be liable for substantial additional U.S. federal income tax on our post-spin-off taxable income. In addition, payments of dividends to non-U.S. holders may be subject to U.S. withholding tax.

Theravance Biopharma is likely to be classified as a passive foreign investment company, or "PFIC," which may have adverse U.S. federal income tax consequences to U.S. holders.

For U.S. federal income tax purposes, Theravance Biopharma generally would be classified as a PFIC for any taxable year if either (i) 75% or more of its gross income (including gross income of certain 25%-or-more-owned corporate subsidiaries) is "passive income" (as defined for such purposes) or (ii) the average percentage of its assets (including the assets of certain 25%-or-more-owned corporate subsidiaries) that produce passive income or that are held for the production of passive income is at least 50%.

We believe that Theravance Biopharma will be a PFIC immediately following the spin-off and distribution and may be a PFIC in subsequent years. If we were to be treated as a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. holder, then the U.S. holder would generally be subject to additional U.S. federal income taxes plus an interest charge with respect to distributions from Theravance Biopharma. U.S. holders of our common stock may wish to file elections to be treated as owning an interest in a "qualified electing fund" ("QEF") or to "mark-to-market" their ordinary shares to avoid the interest charge consequences of the default PFIC treatment. This paragraph is qualified in its entirety by the discussion below under "The Spin-Off—U.S. Federal Income Tax Consequences." U.S. holders should consult their tax advisers regarding the potential PFIC, QEF and Mark-to-Market treatment of their interests in our ordinary shares.

No vote of the Theravance stockholders is required in connection with the distribution. As a result, if you do not want to receive our ordinary shares in the distribution, your sole recourse will be to divest yourself of your Theravance common stock prior to or on the distribution date.

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RISKS RELATING TO THE COMPANY

We anticipate that we will incur losses for the foreseeable future. We may never achieve or sustain profitability.

During the years ended December 31, 2011, 2012 and 2013, we recognized losses of $109.3, $9.6 and $156.3 million, respectively. During the three years ended December 31, 2011, 2012 and 2013, we recognized a cumulative loss of $275.2 million, which is reflected in the Parent Company Deficit on Theravance Biopharma's combined balance sheets. After the spin-off, we will reflect cumulative net loss incurred and retained after the effective date of the spin-off as accumulated deficit on Theravance Biopharma's consolidated balance sheets. We expect to continue to incur net losses over the next several years as we continue our drug discovery and development activities and incur significant preclinical and clinical development costs and commercialization costs relating to VIBATIV®. We expect to incur substantial expenses as we continue our drug discovery and development efforts, particularly to the extent we advance our product candidates into and through clinical studies, which are very expensive. For example, TD-9855 in our MARIN program is in an ongoing Phase 2 study for fibromyalgia and in September 2013 Theravance reported positive top-line data from a Phase 2b study with TD-4208 our LAMA compound, and in April 2014 Theravance initiated a larger Phase 2b study in COPD with TD-4208. Also, in July 2012, Theravance announced positive results from the key study in our Phase 2b program with TD-1211 in our Peripheral Mu Opioid Receptor Antagonist program for opioid-induced constipation. Though we are seeking to partner these programs, we may choose to progress one or more of these programs into later stage clinical studies by ourselves, which could increase our anticipated operating expenses substantially. Furthermore, if we do not identify a suitable commercialization partner for VIBATIV® in the U.S. we will not be able to leverage a commercialization partner's capabilities and infrastructure and we will incur all of the costs and expenses associated with our reintroduction of VIBATIV® in the U.S., including the creation of an independent sales and marketing organization with appropriate technical expertise, supporting infrastructure and distribution capabilities, expansion of medical affairs presence, manufacturing and third party vendor logistics and consultant support, and post-marketing studies. Our commitment of resources to the further discovery and continued development of our product candidates will require significant additional funding. Our operating expenses also will increase if:

- our earlier stage potential products move into later stage clinical development, which is generally a more expensive stage of development;
- additional preclinical product candidates are selected for clinical development;
- we pursue clinical development of our potential products in new indications;
- we increase the number of patents we are prosecuting or otherwise expend additional resources on patent prosecution or defense; and
- we acquire additional technologies, product candidates, products or businesses.

Other than potential revenues from VIBATIV®, our only approved drug, and potential contingent payments under collaboration agreements, we do not expect to generate revenues from our drug programs for the foreseeable future. Since we or our collaborators or licensees may not successfully develop additional products, obtain required regulatory approvals, manufacture products at an acceptable cost or with appropriate quality, or successfully market such products with desired margins, our expenses may continue to exceed any revenues we may receive.

In the absence of substantial licensing, contingent payments or other revenues from third-party collaborators, royalties on sales of products licensed under our intellectual property rights, future revenues from our products in development or other sources of revenues, we will continue to incur operating losses and may require additional capital to fully execute our business strategy. The likelihood of reaching, and time required to reach, sustained profitability are highly uncertain. As a

result, we expect to continue to incur substantial losses for the foreseeable future. We are uncertain when or if we will ever be able to achieve or sustain profitability. Failure to become and remain profitable would adversely affect the price of our securities and our ability to raise capital and continue operations.

If additional capital is not available, we may have to curtail or cease operations or we could be forced to share our rights to commercialize our product candidates with third parties on terms that may not be favorable to us.

Based on our current operating plans and financial forecasts, we believe that our cash and cash equivalents and marketable securities will be sufficient to meet our anticipated operating needs for the next two to three years. If our current operating plans or financial forecasts change, we may require additional funding sooner in the form of public or private equity offerings, debt financings or additional collaborations and licensing arrangements. For example, if we chose to conduct Phase 3 studies with TD-1211 in our Peripheral Mu Opioid Receptor Antagonist program for opioid-induced constipation, or progress TD-4208 in our LAMA program or TD-9855 in our MARIN program into later stage development and we choose to progress any of these programs on our own, our capital needs would increase substantially.

Although we expect that we will have sufficient cash to fund our operations and working capital requirements for approximately the next two to three years after the spin-off based on current operating plans and financial forecasts, we may need to raise additional capital in the future to, among other things:

- fund our discovery efforts and research and development programs;
- progress mid-to-late stage product candidates into Phase 3 development, if warranted;
- bear the full cost of developing our own sales, marketing and distribution capabilities to commercialize VIBATIV® in the U.S. with appropriate technical expertise and supporting infrastructure, if we cannot identify a suitable commercialization partner;
- respond to competitive pressures; and
- acquire complementary businesses or technologies.

Our future capital needs depend on many factors, including:

- the scope, duration and expenditures associated with our discovery efforts and research and development programs;
- continued scientific progress in these programs;
- the extent to which we encounter technical obstacles in our research and development programs;
- the outcome of potential licensing transactions, if any;
- competing technological developments;
- the extent of our proprietary patent position in our product candidates;
- our facilities expenses, which will vary depending on the time and terms of any facility lease or sublease we may enter into;
- potential litigation and other contingencies; and
- the regulatory approval process for our product candidates.

We may seek to raise necessary funds through public or private equity offerings, debt financings or additional collaborations and licensing arrangements. We may not be able to obtain additional financing

on terms favorable to us, if at all. General market conditions may make it very difficult for us to seek financing from the capital markets. We may be required to relinquish rights to our technologies or product candidates, or grant licenses on terms that are not favorable to us, in order to raise additional funds through collaborations or licensing arrangements. If adequate funds are not available, we may have to sequence preclinical and clinical studies as opposed to conducting them concomitantly in order to conserve resources, or delay, reduce or eliminate one or more of our research or development programs and reduce overall overhead expenses. If we are unable to raise additional capital in sufficient amounts or on terms acceptable to us, we may have to make reductions in our workforce and may be prevented from continuing our discovery and development efforts and exploiting other corporate opportunities. This would likely harm our business, prospects and financial condition and cause the price of our securities to fall.

We may obtain future financing through the issuance of debt or equity, which may have an adverse effect on our shareholders or may otherwise adversely affect our business.

If we raise funds through the issuance of debt or equity, any debt securities or preferred shares issued will have rights, preferences and privileges senior to those of holders of our ordinary shares in the event of liquidation. In such event, there is a possibility that once all senior claims are settled, there may be no assets remaining to pay out to the holders of ordinary shares. In addition, if we raise funds through the issuance of additional equity, whether through private placements or public offerings, such an issuance would dilute ownership of current shareholders in us.

The terms of debt securities may also impose restrictions on our operations, which may include limiting our ability to incur additional indebtedness, to pay dividends on or repurchase our share capital, or to make certain acquisitions or investments. In addition, we may be subject to covenants requiring us to satisfy certain financial tests and ratios, and our ability to satisfy such covenants may be affected by events outside of our control.

If the MABA program for the treatment of chronic obstructive pulmonary disease ("COPD") encounters further delays, does not demonstrate safety and efficacy or is terminated, our business will be harmed, and the price of our securities could fall.

The lead compound, GSK961081 ('081), in the MABA program that Theravance partnered with GSK and to which we have certain economic rights, has completed a Phase 2b study, a Phase 1 study in combination with the inhaled corticosteroid, fluticasone propionate ("FP"), and a number of Phase 3-enabling non-clinical studies. '081 is now being progressed as a combination with fluticasone furoate ('FF") delivered once-daily in the ELLIPTA™ inhaler which requires additional work on non-clinical studies, manufacturing and a Phase 1 bioequivalence study. As a result, it is unlikely that a Phase 3 study with '081 will commence in 2014. Any further delays or adverse developments or results or perceived adverse developments or results with respect to the MABA program will harm our business and could cause the price of our securities to fall. Examples of such adverse developments include, but are not limited to:

- GSK deciding to further delay or halt development of '081 or '081/FF;
- the U.S. Food and Drug Administration ("FDA") and/or other regulatory authorities determining that any of these studies do not demonstrate adequate safety or efficacy, or that additional non-clinical or clinical studies are required with respect to the MABA program;
- safety, efficacy or other concerns arising from clinical or non-clinical studies in this program; or
- any change in FDA policy or guidance regarding the use of MABAs to treat COPD.

Furthermore, we have little, if any, ability to influence the progress of the MABA program, because our interest in this program is only through our economic interest in TRC, which is controlled by Theravance.

If we cannot identify a suitable commercialization partner for VIBATIV® in the U.S. we will bear the full cost of developing the capability to market, sell and distribute the product.

Our general strategy is to engage pharmaceutical or other healthcare companies with an existing sales and marketing organization and distribution system to market, sell and distribute our products. We may not be able to establish these sales and distribution relationships on acceptable terms, or at all. For any of our product candidates that receive regulatory approval in the future and are not covered by our current collaboration agreements, we will need a partner in order to commercialize such products unless we establish independent sales, marketing and distribution capabilities with appropriate technical expertise and supporting infrastructure. VIBATIV® was returned to Theravance by Astellas Pharma Inc. ("Astellas"), Theravance's former VIBATIV® collaboration partner, in January 2012. Astellas had the right to terminate the agreement if a VIBATIV® new drug application was not approved by the FDA within two years of submission, or if VIBATIV® was not approved by the FDA for both complicated skin and skin structure infections and hospital-acquired pneumonia by December 31, 2008. Both of these conditions giving rise to Astellas' termination rights existed in January 2012 when Astellas exercised its right to terminate the agreement. On August 14, 2013 Theravance announced the reintroduction of VIBATIV® to the U.S. market with the commencement of shipments into the wholesaler channel. While Theravance has contracted a small sales force and is expanding its medical affairs presence, other commercialization alternatives for the U.S. market are being evaluated. The risks of commercializing VIBATIV® in the U.S. without a partner include:

- costs and expenses associated with creating an independent sales and marketing organization with appropriate technical expertise and supporting infrastructure and distribution capability, which costs and expenses could, depending on the scope and method of the marketing effort, exceed any product revenue from VIBATIV® for several years;
- our unproven ability to recruit and retain adequate numbers of effective sales and marketing personnel;
- the unproven ability of sales personnel to obtain access to or educate adequate numbers of physicians about prescribing VIBATIV® in appropriate clinical situations; and
- the lack of complementary products to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive product lines.

If we are not able to partner VIBATIV® in the U.S. with a third party with marketing, sales and distribution capabilities and if we are not successful in recruiting sales and marketing personnel or in building an internal sales and marketing organization with appropriate technical expertise and supporting infrastructure and distribution capability, we will have difficulty commercializing VIBATIV® in the U.S., which would adversely affect our business and financial condition and which could cause the price of our securities to fall.

With regard to all of our programs, any delay in commencing or completing clinical studies for product candidates and any adverse results from clinical or non-clinical studies or regulatory obstacles product candidates may face, would harm our business and could cause the price of our securities to fall.

Each of our product candidates must undergo extensive non-clinical and clinical studies as a condition to regulatory approval. Non-clinical and clinical studies are expensive, take many years to complete and study results may lead to delays in further studies or decisions to terminate programs.

The commencement and completion of clinical studies for our product candidates may be delayed and programs may be terminated due to many factors, including, but not limited to:

- lack of effectiveness of product candidates during clinical studies (for example, as Theravance experienced when TD-9855 did not meet the primary efficacy endpoints in the Phase 2 study in adult patients with Attention-Deficit/Hyperactivity Disorder);
- adverse events, safety issues or side effects relating to the product candidates or their formulation into medicines;
- inability to raise additional capital in sufficient amounts to continue our development programs, which are very expensive;
- the need to sequence clinical studies as opposed to conducting them concomitantly in order to conserve resources;
- our inability to enter into partnering arrangements relating to the development and commercialization of our programs and product candidates;
- our inability or the inability of our collaborators or licensees to manufacture or obtain from third parties materials sufficient for use in non-clinical and clinical studies;
- governmental or regulatory delays and changes in regulatory requirements, policy and guidelines;
- failure of our partners to advance our product candidates through clinical development;
- delays in patient enrollment and variability in the number and types of patients available for clinical studies;
- difficulty in maintaining contact with patients after treatment, resulting in incomplete data;
- varying regulatory requirements or interpretations of data among the FDA and foreign regulatory authorities; and
- a regional disturbance where we or our collaborative partners are enrolling patients in clinical trials, such as a pandemic, terrorist activities or war, political unrest or a natural disaster.

If our product candidates that we develop on our own or with collaborative partners are not approved by regulatory authorities, including the FDA, we will be unable to commercialize them.

The FDA must approve any new medicine before it can be marketed and sold in the U.S. We must provide the FDA and similar foreign regulatory authorities with data from preclinical and clinical studies that demonstrate that our product candidates are safe and effective for a defined indication before they can be approved for commercial distribution. We will not obtain this approval for a product candidate unless and until the FDA approves a new drug application, or NDA. The processes by which regulatory approvals are obtained from the FDA to market and sell a new product are complex, require a number of years and involve the expenditure of substantial resources. In order to market our medicines in foreign jurisdictions, we must obtain separate regulatory approvals in each country. The approval procedure varies among countries and can involve additional testing, and the time required to obtain approval may differ from that required to obtain FDA approval. Approval by the FDA does not ensure approval by regulatory authorities in other countries, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries or by the FDA. Conversely, failure to obtain approval in one or more jurisdictions may make approval in other jurisdictions more difficult.

Clinical studies involving our product candidates may reveal that those candidates are ineffective, inferior to existing approved medicines, unacceptably toxic, or that they have other unacceptable side

effects. In addition, the results of preclinical studies do not necessarily predict clinical success, and larger and later-stage clinical studies may not produce the same results as earlier-stage clinical studies.

Frequently, product candidates that have shown promising results in early preclinical or clinical studies have subsequently suffered significant setbacks or failed in later clinical or non-clinical studies. In addition, clinical and non-clinical studies of potential products often reveal that it is not possible or practical to continue development efforts for these product candidates. If these studies are substantially delayed or fail to prove the safety and effectiveness of our product candidates in development, we may not receive regulatory approval of any of these product candidates. Further, the implementation of new laws and regulations, and revisions to FDA clinical trial design guidance, have increased uncertainty regarding the approvability of a new drug. In addition, over the past decade, the FDA has implemented additional requirements for approval of new drugs, including advisory committee meetings for new chemical entities, and formal risk evaluation and mitigation strategy at the FDA's discretion. These laws, regulations, additional requirements and changes in interpretation could cause non-approval or further delays in the FDA's review and approval of our and our collaborative partner's product candidates, which would materially harm our business and financial condition and could cause the price of our securities to fall.

We rely on a single manufacturer for the Active Pharmaceutical Ingredient ("API") for telavancin and a separate, single manufacturer for VIBATIV® drug product supply. Our business will be harmed if either of these single-source manufacturers are not able to satisfy demand and alternative sources are not available.

We have a single source of supply of API for telavancin and another, separate single source of supply of VIBATIV® drug product. If, for any reason, either single-source third party manufacturer of telavancin API or of VIBATIV® drug product is unable or unwilling to perform, or if its performance does not meet regulatory requirements, including maintaining current Good Manufacturing Practice ("cGMP") compliance, we may not be able to locate alternative manufacturers, enter into acceptable agreements with them or obtain sufficient quantities of API or finished drug product in a timely manner. Any inability to acquire sufficient quantities of API or finished drug product in a timely manner from current or future sources would adversely affect the commercialization of VIBATIV® and our obligations to our partners and could cause the price of our securities to fall.

Theravance's previous VIBATIV® commercialization partner failed to maintain a reliable source of drug product supply which resulted in critical product shortages and, eventually, suspension of commercialization. In May 2012, Theravance entered into an agreement with Hospira Worldwide, Inc. ("Hospira") to supply VIBATIV® drug product. In June 2013, the FDA approved Hospira as a VIBATIV® drug product manufacturer, and this agreement with Hospira will be assigned to Theravance Biopharma. Although we believe that Hospira will be a reliable supplier of VIBATIV® drug product, if it cannot perform or if its performance does not meet regulatory requirements, including maintaining cGMP compliance, and if commercial manufacture of VIBATIV® drug product cannot be arranged elsewhere on a timely basis, the commercialization of VIBATIV® in the U.S. will continue to be adversely affected and the commercial introduction of VIBATIV® in the European Union and Canada will be further delayed.

We rely on a single source of supply for a number of our product candidates, and our business will be harmed if any of these single-source manufacturers are not able to satisfy demand and alternative sources are not available.

We have limited in-house production capabilities for preclinical and clinical study purposes, and depend primarily on a number of third-party API and drug product manufacturers. We may not have long-term agreements with these third parties and our agreements with these parties may be terminable at will by either party at any time. If, for any reason, these third parties are unable or unwilling to perform, or if their performance does not meet regulatory requirements, we may not be able to locate

alternative manufacturers or enter into acceptable agreements with them. Any inability to acquire sufficient quantities of API and drug product in a timely manner from these third parties could delay preclinical and clinical studies, prevent us from developing our product candidates in a cost-effective manner or on a timely basis. In addition, manufacturers of our API and drug product are subject to the FDA's cGMP regulations and similar foreign standards and we do not have control over compliance with these regulations by our manufacturers.

Our manufacturing strategy presents the following additional risks:

- because of the complex nature of many of our compounds, our manufacturers may not be able to successfully manufacture our APIs and/or drug products in a cost effective and/or timely manner and changing manufacturers for our APIs or drug products could involve lengthy technology transfer, validation and regulatory qualification activities for the new manufacturer;

- the processes required to manufacture certain of our APIs and drug products are specialized and available only from a limited number of third-party manufacturers;

- some of the manufacturing processes for our APIs and drug products have not been scaled to quantities needed for continued clinical studies or commercial sales, and delays in scale-up to commercial quantities could delay clinical studies, regulatory submissions and commercialization of our product candidates; and

- because some of the third-party manufacturers are located outside of the U.S., there may be difficulties in importing our APIs and drug products or their components into the U.S. as a result of, among other things, FDA import inspections, incomplete or inaccurate import documentation or defective packaging.

Even if our product candidates receive regulatory approval, as VIBATIV® has, commercialization of such products may be adversely affected by regulatory actions and oversight.

Even if we receive regulatory approval for our product candidates, this approval may include limitations on the indicated uses for which we can market our medicines or the patient population that may utilize our medicines, which may limit the market for our medicines or put us at a competitive disadvantage relative to alternative therapies. For example, the U.S. labeling for VIBATIV® contains a number of boxed warnings. Products with boxed warnings are subject to more restrictive advertising regulations than products without such warnings. In addition, the VIBATIV® labeling for hospital-acquired and ventilator associated pneumonia ("HABP/VABP") in the U.S. and the European Union specifies that VIBATIV® should be reserved for use when alternative treatments are not suitable. These restrictions make it more difficult to market VIBATIV®. With VIBATIV® approved in certain countries, we are subject to continuing regulatory obligations, such as safety reporting requirements and additional post-marketing obligations, including regulatory oversight of promotion and marketing.

In addition, the manufacturing, labeling, packaging, adverse event reporting, advertising, promotion and recordkeeping for the approved product remain subject to extensive and ongoing regulatory requirements. If we become aware of previously unknown problems with an approved product in the U.S. or overseas or at contract manufacturers' facilities, a regulatory authority may impose restrictions on the product, the contract manufacturers or on us, including requiring us to reformulate the product, conduct additional clinical studies, change the labeling of the product, withdraw the product from the market or require the contract manufacturer to implement changes to its facilities. For example, during the fourth quarter of 2011, the third party manufacturer of VIBATIV® drug product utilized by Theravance's former commercialization partner notified the FDA of an ongoing investigation related to its production equipment and processes. In response to this notice, Theravance's former VIBATIV® commercialization partner placed a voluntary hold on distribution of VIBATIV® to wholesalers and cancelled pending orders for VIBATIV® with this manufacturer. In April 2013, we were advised by the

FDA that its consent decree with the manufacturer prohibited the distribution of the VIBATIV® drug product lots previously manufactured but unreleased by this manufacturer. As a result of this supply termination, commercialization of VIBATIV® ceased for well over a year.

We are also subject to regulation by regional, national, state and local agencies, including the Department of Justice, the Federal Trade Commission, the Office of Inspector General of the U.S. Department of Health and Human Services and other regulatory bodies with respect to VIBATIV®, as well as governmental authorities in those foreign countries in which any of our product candidates are approved for commercialization. The Federal Food, Drug, and Cosmetic Act, the Public Health Service Act and other federal and state statutes and regulations govern to varying degrees the research, development, manufacturing and commercial activities relating to prescription pharmaceutical products, including non-clinical and clinical testing, approval, production, labeling, sale, distribution, import, export, post-market surveillance, advertising, dissemination of information and promotion. If we or any third parties that provide these services for us are unable to comply, we may be subject to regulatory or civil actions or penalties that could significantly and adversely affect our business. Any failure to maintain regulatory approval will limit our ability to commercialize our product candidates, which would materially and adversely affect our business and financial condition, which may cause the price of our securities to fall.

The risks identified in this risk factor relating to regulatory actions and oversight by agencies in the U.S. and throughout the world also apply to the commercialization of partnered products by our collaboration partners, and such regulatory actions and oversight may limit our collaboration partners' ability to commercialize such products, which could materially and adversely affect our business and financial condition, which may cause the price of our securities to fall.

VIBATIV® may not be accepted by physicians, patients, third party payors, or the medical community in general.

The commercial success of VIBATIV® depends upon its acceptance by physicians, patients, third party payors and the medical community in general. We cannot be sure that VIBATIV® will be accepted by these parties. VIBATIV® competes with vancomycin, a relatively inexpensive generic drug that is manufactured by a variety of companies, and a number of existing antibacterials manufactured and marketed by major pharmaceutical companies and others, and may compete against new antibacterials that are not yet on the market. If we are unable to demonstrate to physicians that, based on experience, clinical data, side-effect profiles and other factors, VIBATIV® for the treatment of complicated skin and skin structure infections ("cSSSI") and HABP/VABP caused by susceptible Gram-positive bacteria in adult patients is a suitable alternative to vancomycin and other antibacterial drugs in certain clinical situations, we may never generate meaningful revenue from VIBATIV® which could cause the price of our securities to fall. The degree of market acceptance of VIBATIV® depends on a number of factors, including, but not limited to:

- the demonstration of the clinical efficacy and safety of VIBATIV®;
- the experiences of physicians, patients and payors with the use of VIBATIV® in the U.S.;
- potential negative perceptions of physicians related to product shortages and regional supply outages that halted commercialization of VIBATIV®, stemming from the manufacturing issues at the previous drug product supplier;
- potential negative perceptions of physicians related to the European Commission's previous suspension of marketing authorization for VIBATIV® (which suspension was recently lifted in March 2014) because the prior VIBATIV® commercialization partner's single-source VIBATIV® drug product supplier did not meet the cGMP requirements for the manufacture of VIBATIV®;
- the advantages and disadvantages of VIBATIV® compared to alternative therapies;

- our ability to educate the medical community about the appropriate circumstances for use of VIBATIV®;
- the reimbursement policies of government and third party payors; and
- the market price of VIBATIV® relative to competing therapies.

If our partners do not satisfy their obligations under our agreements with them, or if they terminate our partnerships with them, we may not be able to develop or commercialize our partnered product candidates as planned.

In October 2012, Theravance entered into an exclusive development and commercialization agreement with Alfa Wassermann società per azioni (S.p.A.) ("Alfa Wassermann") for velusetrag, our lead compound in the 5-HT4 program, covering the European Union, Russia, China, Mexico and certain other countries, and Theravance entered into a research collaboration and license agreement with Merck to discover, develop and commercialize novel small molecule therapeutics for the treatment of cardiovascular disease on an exclusive, worldwide basis. In March 2013, Theravance entered into a commercialization agreement with Clinigen Group plc ("Clinigen") for VIBATIV® in the European Union and certain other European countries (including Switzerland and Norway). In connection with these agreements, Theravance granted to these parties certain rights regarding the use of its patents and technology with respect to the compounds in our development programs, including development and marketing rights. In September 2013, Merck terminated its research collaboration and license agreement with Theravance. The Alfa Wassermann agreement provides research and development funding for the program under license, and if it decides not to progress the licensed program, we may not be able to develop or commercialize the program on our own. The Alfa Wassermann and Clinigen agreements will be assigned to us in the spin-off.

Our partners might not fulfill all of their obligations under these agreements, and, in certain circumstances, they may terminate our partnership with them as Astellas did to Theravance in January 2012 with its VIBATIV® agreement and as Merck did to Theravance in September 2013 with the cardiovascular disease collaboration. In either event, we may be unable to assume the development and commercialization of the product candidates covered by the agreements or enter into alternative arrangements with a third party to develop and commercialize such product candidates. If a partner elected to promote its own products and product candidates in preference to those licensed from us, the development and commercialization of product candidates covered by the agreements could be delayed or terminated, and future payments to us could be delayed, reduced or eliminated and our business and financial condition could be materially and adversely affected. Accordingly, our ability to receive any revenue from the product candidates covered by these agreements is dependent on the efforts of our partners. If a partner terminates or breaches its agreements with us, otherwise fails to complete its obligations in a timely manner or alleges that we have breached our contractual obligations under these agreements, the chances of successfully developing or commercializing product candidates under the collaboration could be materially and adversely affected. We could also become involved in disputes with a partner, which could lead to delays in or termination of our development and commercialization programs and time-consuming and expensive litigation or arbitration.

Because GSK is a strategic partner of Theravance and will be a strategic partner of TRC upon the spin-off as well as a significant shareholder of us, it may take actions that in certain cases are materially harmful to both our business or to our other shareholders.

Although GSK will beneficially own approximately 26.9% of our outstanding capital stock immediately following the distribution (based on GSK's beneficial ownership of Theravance common stock as of March 31, 2014 and without giving effect to tax withholding on the dividend of our shares that is expected to occur with regard to GSK as a non-U.S. holder of Theravance stock or to the

potential purchase by GSK from us of such number of withheld shares pursuant to its rights under the master agreement between GSK, Theravance and us), GSK is also a strategic partner with rights and obligations under its collaboration and strategic alliance agreements with Theravance and, following the assignments contemplated in connection with the spin-off, with TRC, that may cause GSK's interests to differ from the interests of us and our other shareholders. In particular, upon the regulatory approval of UMEC/VI/FF or a MABA/ICS in either the U.S. or the European Union, GSK's diligent efforts obligations under the collaboration agreement and strategic alliance agreement with regard to commercialization matters will have the objective of focusing on the best interests of patients and maximizing the net value of the overall portfolio of products under the collaboration agreement and strategic alliance agreement. Following such regulatory approval, GSK's commercialization efforts will be guided by a portfolio approach across products in which we have an indirect interest through TRC and products in which we have no interests. Accordingly, GSK's commercialization efforts may have the effect of reducing the value of our interests in TRC. Furthermore, GSK has a substantial respiratory product portfolio in addition to its products covered by the strategic alliance agreement with GSK and collaboration agreement with GSK (the "GSK agreements"). GSK may make respiratory product portfolio decisions or statements about its portfolio which may be, or may be perceived to be, harmful to the respiratory products partnered with Theravance and TRC. For example, GSK could promote its own respiratory products and/or delay or terminate the development or commercialization of the respiratory programs covered by the GSK agreements. Also, given the potential future royalty payments GSK may be obligated to pay under the GSK agreements, GSK may seek to acquire us or acquire our interests in TRC in order to effectively reduce those payment obligations, though the actions GSK may take to acquire us will be limited under our Governance Agreement with GSK which agreement will become effective if the spin-off is effected prior to June 30, 2014 and will expire on December 31, 2017. The timing of when GSK may seek to acquire us could potentially be when it possesses information regarding the status of drug programs covered by the GSK agreements that has not been publicly disclosed and is not otherwise known to us. As a result of these differing interests, GSK may take actions that it believes are in its best interest but which might not be in the best interests of either us or our other shareholders. In addition, GSK could also seek to challenge our post-spin-off operations as violating or allowing it to terminate the GSK agreements, including by violating the confidentiality provisions of those agreements or the master agreement between GSK, Theravance and us entered into in connection with the spin-off, or otherwise violating its legal rights. While we believe our planned operations fully comply with the GSK agreements, the master agreement and applicable law, there can be no assurance that we or Theravance will prevail against any such claims by GSK. Moreover, regardless of the merit of any claims by GSK, we may incur significant cost and diversion of resources in defending them. In addition, any uncertainty about the respiratory programs partnered with GSK or the enforceability of the GSK agreements could result in significant reduction in the market price of our securities and other material harm to our business.

Agreements entered into with or for the benefit of GSK in connection with the spin-off may significantly restrict our business and affairs.

On March 3, 2014, in connection with the spin-off, we, Theravance and GSK entered into a number of agreements that may significantly restrict our business and affairs. In particular, we, Theravance and GSK entered into a three-way master agreement that, among other things, requires GSK's consent to make any changes to (A) the Separation and Distribution Agreement, Transition Services Agreement, Employee Matters Agreement and Tax Matters Agreement that would, individually or in the aggregate, reasonably be expected to adversely affect GSK in any material respect or (B) to the TRC Limited Liability Company Agreement, which consent is not to be unreasonably withheld, conditioned or delayed, provided that GSK may withhold, condition or delay such consent in its sole discretion with respect to certain sections of the TRC Limited Liability Company Agreement and any changes to the governance structure of TRC, the confidentiality restrictions, the consent rights, and the

transfer restrictions in the TRC Limited Liability Company Agreement. The Master Agreement also limits Mr. Winningham's ability to act as Chief Executive Officer of both us and Theravance to a period of nine months following the spin-off and also limits the periods of time that Theravance employees may provide services to us pursuant to the transition services agreement between Theravance and us. We and GSK also entered into a (i) governance agreement that, among other things, provides share purchase rights to GSK and exempts GSK from triggering our Rights Agreement until December 31, 2017, (ii) registration rights agreement that gives GSK certain registration rights with respect to our ordinary shares held by GSK and (iii) extension agreement that extends to us certain restrictive covenants similar to those applicable to Theravance under the collaboration and strategic alliance agreement with GSK . There can be no assurance that these restrictions will not materially harm our business, particularly given that GSK's interests may not be aligned with the interests of our business or our other shareholders. See "Because GSK is a strategic partner of Theravance and will be a strategic partner of TRC upon the spin-off as well as a significant shareholder of us, it may take actions that in certain cases are materially harmful to both our business or to our other shareholders."

We will not control TRC and, in particular, will have no control over or access to non-public information about the GSK-partnered respiratory programs assigned to TRC in which we have a substantial economic interest.

Before the spin-off, Theravance will form TRC and assign to TRC its strategic alliance agreement with GSK and all of its rights and obligations under its collaboration agreement with GSK other than with respect to RELVAR® ELLIPTA®/BREO® ELLIPTA®, ANORO™ ELLIPTA™ and vilanterol monotherapy. Our equity interest in TRC will entitle us to an 85% economic interest in any future payments made by GSK under the strategic alliance agreement with GSK and under the portion of the collaboration agreement with GSK assigned to TRC. These other drug programs include UMEC/VI/FF and the MABA program, as monotherapy and in combination with other therapeutically active components, such as an inhaled corticosteroid (ICS), and any other product or combination of products that may be discovered and developed in the future under the GSK agreements. Our economic interest will not include any payments by GSK associated with RELVAR® ELLIPTA®/BREO® ELLIPTA®, ANORO™ ELLIPTA™ or vilanterol monotherapy. Theravance will control TRC and, except for certain limited consent rights, we will have no right to participate in the business and affairs of TRC. Theravance will have the exclusive right to appoint TRC's manager who, among other things, will be responsible for the day-to-day management of the drug programs assigned to TRC and will exercise the rights relating to the drug programs under the GSK agreements assigned to TRC by Theravance. As a result, we will have no rights to participate in or access to non-public information about the development and commercialization of the drug programs and no right to enforce rights under the GSK agreements assigned to TRC. Moreover, we will have many of the same risks with respect to our dependence on GSK as we have with respect to our dependence on our own partners. See "The Spin-Off—Formation of Theravance Respiratory Company LLC" and "—If our partners do not satisfy their obligations under our agreements with them or if they terminate our partnership with them we may not be able to develop and commercialize our partner product candidates as planned."

If we are unable to enter into future collaboration arrangements or if any such collaborations with third parties are unsuccessful, we will be unable to fully develop and commercialize our product candidates and our business will be adversely affected.

Theravance has active collaborations with Alfa Wassermann for velusetrag, with Clinigen for VIBATIV® for the European Union, and with other companies for regional development and commercialization of VIBATIV®. In connection with the spin-off, these partnership agreements will be assigned to us by Theravance. Also, through our interest in TRC we may participate economically in Theravance's collaborations with GSK with respect to certain GSK-partnered respiratory programs.

Additional collaborations will be needed to fund later-stage development of our product candidates that have not been licensed to a collaborator or for territory that is not covered by existing collaborations, and to commercialize these product candidates if approved by the necessary regulatory authorities. Velusetrag, our lead compound in the 5-HT4 program, and TD-1792, our investigational antibiotic have successfully completed Phase 2 proof-of-concept studies. In July 2012 Theravance reported positive results from a Phase 2b study with TD-1211, the lead compound in our Peripheral Mu Opioid Receptor Antagonist program for opioid-induced constipation and in September 2013 Theravance reported positive top-line results from a Phase 2b study with TD-4208 LAMA compound which Theravance recently progressed into a larger Phase 2b study in COPD patients. In addition, in connection with the expansion of the MABA program under the strategic alliance with GSK in October 2011, GSK relinquished its right to option our MARIN program with TD-9855 and our ARNI program. We currently intend to seek additional third parties with which to pursue collaboration arrangements for the development and commercialization of our development programs and for the future commercialization of VIBATIV® in regions where it is not currently partnered. Collaborations with third parties regarding these programs or our other programs may require us to relinquish material rights, including revenue from commercialization of our medicines, on terms that are less attractive than the arrangements Theravance negotiated and will assign to us, or to assume material ongoing development obligations that we would have to fund. These collaboration arrangements are complex and time-consuming to negotiate, and if we are unable to reach agreements with third-party collaborators, we may fail to meet our business objectives and our financial condition may be adversely affected. We face significant competition in seeking third-party collaborators. We may be unable to find third parties to pursue product collaborations on a timely basis or on acceptable terms. Furthermore, for any collaboration, we may not be able to control the amount of time and resources that our partners devote to our product candidates and our partners may choose to prioritize alternative programs. Our inability to successfully collaborate with third parties would increase our development costs and would limit the likelihood of successful commercialization of our product candidates which may cause the price of our securities to fall.

We depend on third parties in the conduct of our clinical studies for our product candidates.

We depend on independent clinical investigators, contract research organizations and other third-party service providers in the conduct of our non-clinical and clinical studies for our product candidates. We rely heavily on these parties for execution of our non-clinical and clinical studies, and control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that our clinical studies are conducted in accordance with good clinical practices ("GCPs") and other regulations as required by the FDA and foreign regulatory authorities, and the applicable protocol. Failure by these parties to comply with applicable regulations, GCPs and protocols in conducting studies of our product candidates can result in a delay in our development programs or non-approval of our product candidates by regulatory authorities.

The FDA enforces GCPs and other regulations through periodic inspections of trial sponsors, clinical research organizations ("CROs"), principal investigators and trial sites. If we or any of the third parties on which we have relied to conduct our clinical studies are determined to have failed to comply with GCPs, the study protocol or applicable regulations, the clinical data generated in our studies may be deemed unreliable. This could result in non-approval of our product candidates by the FDA, or we or the FDA may decide to conduct additional audits or require additional clinical studies, which would delay our development programs, could result in significant additional costs and could cause the price of our securities to fall.

We face substantial competition from companies with more resources and experience than we have, which may result in others discovering, developing, receiving approval for or commercializing products before or more successfully than we do.

Our ability to succeed in the future depends on our ability to demonstrate and maintain a competitive advantage with respect to our approach to the discovery and development of medicines. Our objective is to discover, develop and commercialize new small molecule medicines with superior efficacy, convenience, tolerability and/or safety using our proprietary insight in chemistry, biology and multivalency, where applicable. We expect that any medicines that we commercialize with our collaborative partners will compete with existing or future market-leading medicines.

Many of our potential competitors have substantially greater financial, technical and personnel resources than we have. In addition, many of these competitors have significantly greater commercial infrastructures than we have. Our ability to compete successfully will depend largely on our ability to leverage our experience in drug discovery and development to:

- discover and develop medicines that are superior to other products in the market;
- attract and retain qualified personnel;
- obtain patent and/or other proprietary protection for our medicines and technologies;
- obtain required regulatory approvals; and
- successfully collaborate with pharmaceutical companies in the discovery, development and commercialization of new medicines.

Established pharmaceutical companies, including companies with which we collaborate, may invest heavily to quickly discover and develop or in-license novel compounds that could make our product candidates obsolete. Accordingly, our competitors may succeed in obtaining patent protection, receiving FDA approval or discovering, developing and commercializing medicines before we do. Other companies are engaged in the discovery of medicines that would compete with the product candidates that we are developing.

Any new medicine that competes with a generic or proprietary market leading medicine must demonstrate compelling advantages in efficacy, convenience, tolerability and/or safety in order to overcome severe price competition and be commercially successful. VIBATIV® must demonstrate these advantages in certain circumstances, as it competes with vancomycin, a relatively inexpensive generic drug that is manufactured by a number of companies, and a number of existing antibacterial drugs marketed by major and other pharmaceutical companies. If we are not able to compete effectively against our current and future competitors, our business will not grow, our financial condition and operations will suffer and the price of our securities could fall.

As the principles of multivalency become more widely known, we expect to face increasing competition from companies and other organizations that pursue the same or similar approaches. Novel therapies, such as gene therapy or effective vaccines for infectious diseases, may emerge that will make both conventional and multivalent medicine discovery efforts obsolete or less competitive.

Our Chief Executive Officer is expected to work only part-time for us while continuing to work part-time for Theravance during a transition period following the spin-off. Our business may suffer due to lack of time or attention from him or potential conflicts of interest.

After the spin-off, our Chief Executive Officer is expected to work part-time for us and part-time for Theravance and this arrangement is expected to last until the earlier of the recruitment and transition of a new chief executive officer of Theravance or, pursuant to the terms of our master agreement with Theravance and GSK, up to nine months following the spin-off. While we will benefit from his deep knowledge of our current programs, partners and personnel, as well as his familiarity with our systems, policies, procedures and mode of operation, the lack of his full time focus on our business may dilute his effectiveness on our behalf and therefore hurt our business.

If we lose key management or scientific personnel, or if we fail to retain our key employees, our ability to discover and develop our product candidates will be impaired.

We are highly dependent on principal members of our management team and scientific staff, and in particular, our Chief Executive Officer, Rick E Winningham, to operate our business. Mr. Winningham has significant pharmaceutical industry experience. The loss of Mr. Winningham's services could impair our ability to discover, develop and market new medicines.

Our U.S. operating subsidiary's facility and most of its and our employees will be located in northern California, which is headquarters to many other biotechnology and biopharmaceutical companies and many academic and research institutions. As a result, competition for certain skilled personnel in our market is intense. None of our employees have employment commitments for any fixed period of time and they all may leave our employment at will. If we fail to retain our qualified personnel or replace them when they leave, we may be unable to continue our development and commercialization activities, which may cause the price of our securities to fall.

Our business and operations would suffer in the event of system failures.

Although we have security measures in place, our internal computer systems and those of our CROs and other service providers are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. Any material system failure, accident or security breach could result in a material disruption to our business. For example, the loss of clinical trial data from completed or ongoing clinical trials of our product candidates could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. If a disruption or security breach results in a loss of or damage to our data or regulatory applications, or inadvertent disclosure of confidential or proprietary information, we could incur liability, the further development of our product candidates could be delayed and the price of our securities could fall.

Our U.S. operating subsidiary's facility will be located near known earthquake fault zones, and the occurrence of an earthquake, extremist attack or other catastrophic disaster could cause damage to our facilities and equipment, which could require us to cease or curtail operations.

Our U.S. operating subsidiary's facility will be located in the San Francisco Bay Area near known earthquake fault zones and therefore will be vulnerable to damage from earthquakes. In October 1989, a major earthquake struck this area and caused significant property damage and a number of fatalities. We will also be vulnerable to damage from other types of disasters, including power loss, attacks from extremist organizations, fire, floods, communications failures and similar events. If any disaster were to occur, our ability to operate our business could be seriously impaired. In addition, the unique nature of our research activities and of much of our equipment could make it difficult for us to recover from this type of disaster. We may not have adequate insurance to cover our losses resulting from disasters or other similar significant business interruptions and we do not plan to purchase additional insurance to cover such losses due to the cost of obtaining such coverage. Any significant losses that are not recoverable under our insurance policies could seriously impair our business and financial condition, which could cause the price of our securities to fall.

We are an "emerging growth company" and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our ordinary shares less attractive to investors.

We are an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. Emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We plan to avail ourselves of this exemption from new or revised accounting standards and, therefore, we may not be subject to the same

new or revised accounting standards as other public companies that are not emerging growth companies.

For as long as we continue to be an emerging growth company, we also intend to take advantage of certain other exemptions from various reporting requirements that are applicable to other public companies including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements of holding a nonbinding advisory shareholder vote on executive compensation and any golden parachute payments not previously approved, exemption from the requirement of auditor attestation in the assessment of our internal control over financial reporting and exemption from any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (auditor discussion and analysis). If we do, the information that we provide shareholders may be different than what is available with respect to other public companies. We cannot predict if investors will find our ordinary shares less attractive because we will rely on these exemptions. If some investors find our ordinary shares less attractive as a result, there may be a less active trading market for our ordinary shares and our share price may be more volatile.

We will remain an emerging growth company until the earliest of (i) the end of the fiscal year in which the market value of our ordinary shares that is held by non-affiliates exceeds $700 million as of the end of the second fiscal quarter, (ii) the end of the fiscal year in which we have total annual gross revenues of $1 billion or more during such fiscal year, (iii) the date on which we issue more than $1 billion in non-convertible debt in a three-year period or (iv) the end of the fiscal year following the fifth anniversary of the date of the first sale of our ordinary shares pursuant to an effective registration statement filed under the Securities Act.

RISKS RELATED TO LEGAL AND REGULATORY UNCERTAINTY

If our efforts to protect the proprietary nature of the intellectual property related to our technologies are not adequate, we may not be able to compete effectively in our market.

We rely upon a combination of patents, patent applications, trade secret protection and confidentiality agreements to protect the intellectual property related to our technologies. Any involuntary disclosure to or misappropriation by third parties of this proprietary information could enable competitors to quickly duplicate or surpass our technological achievements, thus eroding our competitive position in our market. The status of patents in the biotechnology and pharmaceutical field involves complex legal and scientific questions and is very uncertain. As of December 31, 2013, Theravance owned 379 issued United States patents and 1,364 granted foreign patents, as well as additional pending United States and foreign patent applications. We anticipate that all or substantially all of the patents and patent applications related to our business will be assigned by Theravance to us or one of our wholly-owned subsidiaries in the spin-off. Our patent applications may be challenged or fail to result in issued patents and our existing or future patents may be invalidated or be too narrow to prevent third parties from developing or designing around these patents. If the sufficiency of the breadth or strength of protection provided by our patents with respect to a product candidate is threatened, it could dissuade companies from collaborating with us to develop, and threaten our ability to commercialize, the product candidate. Further, if we encounter delays in our clinical trials or in obtaining regulatory approval of our product candidates, the patent lives of the related product candidates would be reduced.

In addition, we rely on trade secret protection and confidentiality agreements to protect proprietary know-how that is not patentable, for processes for which patents are difficult to enforce and for any other elements of our drug discovery and development processes that involve proprietary know-how, information and technology that is not covered by patent applications. Although we require

our employees, consultants, advisors and any third parties who have access to our proprietary know-how, information and technology to enter into confidentiality agreements, we cannot be certain that this know-how, information and technology will not be disclosed or that competitors will not otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques. Further, the laws of some foreign countries do not protect proprietary rights to the same extent as the laws of the United States. As a result, we may encounter significant problems in protecting and defending our intellectual property both in the United States and abroad. If we are unable to prevent material disclosure of the intellectual property related to our technologies to third parties, we will not be able to establish or, if established, maintain a competitive advantage in our market, which could materially adversely affect our business, financial condition and results of operations, which could cause the price of our securities to fall.

Litigation or third-party claims of intellectual property infringement would require us to divert resources and may prevent or delay our drug discovery and development efforts.

Our commercial success depends in part on us and our partners not infringing the patents and proprietary rights of third parties. Third parties may assert that we or our partners are using their proprietary rights without authorization. There are third party patents that may cover materials or methods for treatment related to our product candidates. At present, we are not aware of any patent claims with merit that would adversely and materially affect our ability to develop our product candidates, but nevertheless the possibility of third party allegations cannot be ruled out. In addition, third parties may obtain patents in the future and claim that use of our technologies infringes upon these patents. Furthermore, parties making claims against us or our partners may obtain injunctive or other equitable relief, which could effectively block our ability to further develop and commercialize one or more of our product candidates. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of employee resources from our business.

In the event of a successful claim of infringement against us, we may have to pay substantial damages, obtain one or more licenses from third parties or pay royalties. In addition, even in the absence of litigation, we may need to obtain licenses from third parties to advance our research or allow commercialization of our product candidates, and we have done so from time to time. We may fail to obtain any of these licenses at a reasonable cost or on reasonable terms, if at all. In that event, we would be unable to further develop and commercialize one or more of our product candidates, which could harm our business significantly. In addition, in the future we could be required to initiate litigation to enforce our proprietary rights against infringement by third parties. Prosecution of these claims to enforce our rights against others would involve substantial litigation expenses and divert substantial employee resources from our business. If we fail to effectively enforce our proprietary rights against others, our business will be harmed, which may cause the price of our securities to fall.

If the efforts of our partners to protect the proprietary nature of the intellectual property related to collaboration assets are not adequate, the future commercialization of any medicines resulting from collaborations could be delayed or prevented, which would materially harm our business and could cause the price of our securities to fall.

The risks identified in the two preceding risk factors also apply to the intellectual property protection efforts of our partners and to GSK with respect to the GSK-partnered respiratory programs in which we hold an economic interest. To the extent the intellectual property protection of any partnered assets are successfully challenged or encounter problems with the United States Patent and Trademark Office or other comparable agencies throughout the world, the future commercialization of these potential medicines could be delayed or prevented. Any challenge to the intellectual property protection of a late-stage development asset, particularly those of the GSK-partnered respiratory

programs in which we hold an economic interest, could harm our business and cause the price of our securities to fall.

Product liability lawsuits could divert our resources, result in substantial liabilities and reduce the commercial potential of our medicines.

The risk that we may be sued on product liability claims is inherent in the development and commercialization of pharmaceutical products and have likely increased with the reintroduction of VIBATIV® to the U.S. market. Side effects of, or manufacturing defects in, products that we or our partners develop or commercialize could result in the deterioration of a patient's condition, injury or even death. Once a product is approved for sale and commercialized, the likelihood of product liability lawsuits tends to increase. Claims may be brought by individuals seeking relief for themselves or by individuals or groups seeking to represent a class. Also, changes in laws outside the U.S. are expanding our potential liability for injuries that occur during clinical trials. These lawsuits may divert our management from pursuing our business strategy and may be costly to defend. In addition, if we are held liable in any of these lawsuits, we may incur substantial liabilities and may be forced to limit or forgo further commercialization of the applicable products.

Although we maintain general liability and product liability insurance, this insurance may not fully cover potential liabilities and we cannot be sure that our insurer will not disclaim coverage as to a future claim. In addition, inability to obtain or maintain sufficient insurance coverage at an acceptable cost or to otherwise protect against potential product liability claims could prevent or inhibit the commercial production and sale of our products, which could adversely affect our business. The cost of defending any product liability litigation or other proceeding, even if resolved in our favor, could be substantial and uncertainties resulting from the initiation and continuation of product liability litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace. Product liability claims could also harm our reputation, which may adversely affect our and our partners' ability to commercialize our products successfully, which could cause the price of our securities to fall.

Government restrictions on pricing and reimbursement, as well as other healthcare payor cost-containment initiatives, may negatively impact our ability to generate revenues.

The continuing efforts of the government, insurance companies, managed care organizations and other payors of health care costs to contain or reduce costs of health care may adversely affect one or more of the following:

- our or our collaborators' ability to set a price we believe is fair for our products, if approved;
- our ability to generate revenues and achieve profitability; and
- the availability of capital.

The Patient Protection and Affordable Care Act and other potential legislative or regulatory action regarding healthcare and insurance matters, along with the trend toward managed healthcare in the United States, could influence the purchase of healthcare products and reduce demand and prices for our products, if approved. This could harm our or our collaborators' ability to market our potential medicines and generate revenues. Cost containment measures that health care payors and providers are instituting and the effect of the Patient Protection and Affordable Care Act and further agency regulations that are likely to emerge in connection with the passage of this act could significantly reduce potential revenues from the sale of any product candidates approved in the future. In addition, in certain foreign markets, the pricing of prescription drugs is subject to government control and reimbursement may in some cases be unavailable. We believe that pricing pressures at the state and federal level, as well as internationally, will continue and may increase, which may make it difficult for

us to sell our potential medicines that may be approved in the future at a price acceptable to us or our collaborators, which may cause the price of our securities to fall.

If we use hazardous and biological materials in a manner that causes injury or violates applicable law, we may be liable for damages.

Our research and development activities involve the controlled use of potentially hazardous substances, including chemical, biological and radioactive materials. In addition, our operations produce hazardous waste products. Federal, state and local laws and regulations govern the use, manufacture, storage, handling and disposal of hazardous materials. We may incur significant additional costs to comply with these and other applicable laws in the future. Also, even if we are in compliance with applicable laws, we cannot completely eliminate the risk of contamination or injury resulting from hazardous materials and we may incur liability as a result of any such contamination or injury. In the event of an accident, we could be held liable for damages or penalized with fines, and the liability could exceed our resources. We do not have any insurance for liabilities arising from hazardous materials. Compliance with applicable environmental laws and regulations is expensive, and current or future environmental regulations may impair our research, development and production efforts, which could harm our business, which could cause the price of our securities to fall.

RISKS RELATING TO OUR ORDINARY SHARES

There is no existing market for our ordinary shares and a trading market that will provide you with adequate liquidity may not develop for our ordinary shares. In addition, once our ordinary shares begin trading, the market price for our shares may fluctuate widely.

There is currently no public market for our ordinary shares. It is anticipated that on or about the record date for the distribution, trading of our ordinary shares will begin on a "when-issued" basis and will continue up to either the distribution date or the first trading date after the distribution date, after which "regular way" trading of our ordinary shares will begin. However, there can be no assurance that an active trading market for our ordinary shares will develop as a result of the distribution or be sustained in the future.

To date, no securities analysts have written reports regarding our company as a stand-alone entity and there can be no assurance that any will. Lack of securities analyst coverage or limited securities analyst coverage of our company and stock is likely to reduce demand for our stock from potential investors, which likely will reduce the market price for our shares.

Market prices for securities of biotechnology companies have been highly volatile, and we expect such volatility to continue for the foreseeable future, so that investment in our securities involves substantial risk. By separating from Theravance, there is a risk that our company may be more susceptible to market fluctuations and other adverse events than we would have been were we still a part of the current Theravance. Additionally, the stock market from time to time has experienced significant price and volume fluctuations unrelated to the operating performance of particular companies. Also, the trading price of shares of newly public companies distributed in spin-off transactions, as our shares will be distributed, can often be very volatile and subject to sharp declines, particularly shortly following the spin-off. The following are some of the factors that may have a significant effect on the market price of our ordinary shares:

- any adverse developments or results or perceived adverse developments or results with respect to the MABA program with GSK, including, without limitation, any further delays encountered in progressing '081 and/or '081/FF, any difficulties or delays encountered with regard to the regulatory path for '081, either alone or in combination with other therapeutically active ingredients, or any indication from non-clinical studies of '081 that the compound is not safe or efficacious;

- any further adverse developments or perceived adverse developments with respect to the commercialization of VIBATIV®;
- any announcements of developments with, or comments by, the FDA or other regulatory authorities with respect to products we or our partners have under development or have commercialized;
- the extent to which GSK advances (or does not advance) UMEC/VI/FF through development into commercialization in all indications in all major markets;
- any adverse developments or agreements or perceived adverse developments or agreements with respect to the relationship of Theravance or TRC, on the one hand, and GSK, on the other hand, including any such developments or agreements resulting from or relating to the spin-off;
- any adverse developments or perceived adverse developments with respect to our relationship with any of our research, development or commercialization partners, including, without limitation, disagreements that may arise between us and any of those partners, including any such developments resulting from or relating to the spin-off;
- any adverse developments or perceived adverse developments with respect to the partnering efforts with VIBATIV®, velusetrag, TD-1211, TD-9855, TD-4208, TD-1792, TD-8954 or our ARNI program;
- announcements of patent issuances or denials, technological innovations or new commercial products by us or our competitors;
- publicity regarding actual or potential study results or the outcome of regulatory review relating to products under development by us, our partners or our competitors;
- regulatory developments in the United States and foreign countries;
- economic and other external factors beyond our control;
- loss of key personnel;
- relative illiquidity in the public market for our ordinary shares related to the concentration of ownership;
- developments or disputes as to patent or other proprietary rights;
- approval or introduction of competing products and technologies;
- results of clinical trials;
- failures or unexpected delays in timelines for our potential products in development, including the obtaining of regulatory approvals;
- delays in manufacturing or clinical trial plans;
- fluctuations in our operating results;
- market reaction to announcements by other biotechnology or pharmaceutical companies;
- initiation, termination or modification of agreements with our collaborators or disputes or disagreements with collaborators;
- litigation or the threat of litigation;
- public concern as to the safety of drugs developed by us; and
- comments and expectations of results made by securities analysts or investors.

If any of these factors causes us to fail to meet the expectations of securities analysts or investors, or if adverse conditions prevail or are perceived to prevail with respect to our business, the price of the ordinary shares would likely drop significantly. A significant drop in the price of a company's ordinary shares often leads to the filing of securities class action litigation against the company. This type of litigation against us could result in substantial costs and a diversion of management's attention and resources.

Substantial sales of ordinary shares may occur in connection with this distribution, which could cause our share price to decline.

Our ordinary shares that Theravance intends to distribute to its stockholders generally may be sold immediately in the public market. It is possible that some Theravance stockholders, including possibly some of Theravance's large stockholders, will sell some or all of our ordinary shares received in the distribution for many reasons, such as that our business profile or market capitalization as an independent company does not fit their investment objectives. The sales of significant amounts of our ordinary shares or the perception in the market that this will occur is likely to result in lowering the market price of our ordinary shares.

Concentration of ownership will limit your ability to influence corporate matters.

Theravance Biopharma's ownership at the time of the spin-off will reflect the ownership composition of Theravance. As of March 31, 2014, GSK beneficially owned approximately 26.9% of Theravance's outstanding capital stock (without giving effect to tax withholding on the dividend of our shares that is expected to occur with regard to GSK as a non-U.S. holder of Theravance stock or to the potential purchase by GSK from us of such number of withheld shares pursuant to its rights under the master agreement between GSK, Theravance and us). Based on our review of publicly available filings as of March 31, 2014, Theravance's three largest stockholders other than GSK collectively owned approximately 36.6% of its outstanding capital stock. These shareholders could control the outcome of actions taken by us that require shareholder approval, including a transaction in which shareholders might receive a premium over the prevailing market price for their shares.

Your percentage ownership in Theravance Biopharma will be diluted in the future.

Your percentage ownership in Theravance Biopharma will be diluted in the future because of equity awards that we expect will be granted to our directors, officers and employees following the spin-off as well as other equity instruments such as debt and equity financing. We have adopted an equity incentive plan that provides for the grant of equity-based awards, including restricted shares, restricted share units, options, share appreciation rights and other equity-based awards, to our directors, officers and other employees and advisors.

Certain provisions in our constitutional documents may discourage our acquisition by a third party, which could limit your opportunity to sell shares at a premium.

Our constitutional documents include provisions that could limit the ability of others to acquire control of us, modify our structure or cause us to engage in change-of-control transactions, including, among other things, provisions that:

- require supermajority shareholder voting to effect certain amendments to our amended and restated memorandum and articles of association;
- establish a classified board of directors;
- restrict our shareholders from calling meetings or acting by written consent in lieu of a meeting;
- limit the ability of our shareholders to propose actions at duly convened meetings; and

- authorize our board of directors, without action by our shareholders, to issue preferred shares and additional ordinary shares.

These provisions could have the effect of depriving you of an opportunity to sell your ordinary shares at a premium over prevailing market prices by discouraging third parties from seeking to acquire control of us in a tender offer or similar transaction.

Our shareholders may face difficulties in protecting their interests because we are incorporated under Cayman Islands law.

Our corporate affairs will be governed by our amended and restated memorandum and articles of association to be effective following the spin-off, by the Companies Law (2012 Revision) (as amended) of the Cayman Islands and the common law of the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under the laws of the Cayman Islands are different from those under statutes or judicial precedent in existence in jurisdictions in the U.S. Therefore, you may have more difficulty in protecting your interests than would shareholders of a corporation incorporated in a jurisdiction in the U.S., due to the different nature of Cayman Islands law in this area.

While Cayman Islands law allows a dissenting shareholder to express the shareholder's view that a court sanctioned reorganization of a Cayman Islands company would not provide fair value for the shareholder's shares, Cayman Islands statutory law does not specifically provide for shareholder appraisal rights on a merger or consolidation of a company. This may make it more difficult for you to assess the value of any consideration you may receive in a merger or consolidation or to require that the offeror give you additional consideration if you believe the consideration offered is insufficient.

Shareholders of Cayman Islands exempted companies such as our company have no general rights under Cayman Islands law to inspect corporate records and accounts or to obtain copies of lists of shareholders. Our directors have discretion under our amended and restated memorandum and articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Our Cayman Islands counsel, Maples and Calder, is not aware of any reported class action having been brought in a Cayman Islands court. Derivative actions have been brought in the Cayman Islands courts, and the Cayman Islands courts have confirmed the availability for such actions. In most cases, the company will be the proper plaintiff in any claim based on a breach of duty owed to it, and a claim against (for example) the company's officers or directors usually may not be brought by a shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority and be applied by a court in the Cayman Islands, exceptions to the foregoing principle apply in circumstances in which:

- a company is acting, or proposing to act, illegally or beyond the scope of its authority;
- the act complained of, although not beyond the scope of the authority, could be effected if duly authorized by more than the number of votes which have actually been obtained; or
- those who control the company are perpetrating a "fraud on the minority."

A shareholder may have a direct right of action against the company where the individual rights of that shareholder have been infringed or are about to be infringed.

There is uncertainty as to shareholders' ability to enforce certain foreign civil liabilities in the Cayman Islands.

We are incorporated as an exempted company limited by shares with limited liability under the laws of the Cayman Islands. A material portion of our assets are located outside of the United States. As a result, it may be difficult for our shareholders to enforce judgments against us or judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States or any state of the United States.

We have been advised by our Cayman Islands legal counsel, Maples and Calder, that the courts of the Cayman Islands are unlikely (i) to recognize or enforce against Theravance Biopharma judgments of courts of the United States predicated upon the civil liability provisions of the securities laws of the United States or any State; and (ii) in original actions brought in the Cayman Islands, to impose liabilities against Theravance Biopharma predicated upon the civil liability provisions of the securities laws of the United States or any State, on the grounds that such provisions are penal in nature. However, in the case of laws that are not penal in nature, although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands' judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, and or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands' court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere. There is also recent English authority which suggests that due to the universal nature of bankruptcy/insolvency proceedings, foreign judgments obtained in foreign bankruptcy/insolvency proceedings may be enforced by the English courts automatically without applying the principles outlined above. This decision would be persuasive in the Cayman Islands but not binding. To date it has not been considered by the Cayman Islands courts. This decision has also been appealed to the Supreme Court in England and judgment is pending. The Grand Court of the Cayman Islands may stay proceedings if concurrent proceedings are being brought elsewhere, which would delay proceedings and make it more difficult for our shareholders to bring action against us.

The Spin-Off

Reasons for the Spin-Off

Since its incorporation in November 1996, Theravance, Inc. ("Theravance") has focused primarily on the discovery, development and commercialization of small molecule medicines across a number of therapeutic areas including bacterial infections, central nervous system ("CNS")/pain, respiratory disease, and gastrointestinal ("GI") motility dysfunction. Theravance's key programs include RELVAR® ELLIPTA®/BREO® ELLIPTA® (fluticasone furoate/vilanterol), ANORO™ ELLIPTA™ (umeclidinium bromide/vilanterol) and vilanterol monotherapy, each partnered with GSK, and Theravance will retain full interests in these programs following the spin-off. BREO® ELLIPTA® has been approved for marketing in the United States and Canada, RELVAR® ELLIPTA® has been granted marketing authorization in the European Union and is licensed across 31 European countries, and ANORO™ ELLIPTA™ has been approved for marketing in the United States. Theravance also has other drug programs it is working on internally or that have been partnered with GSK or other collaborative partners that are not as far along in development and do not offer the potential to generate significant near-term royalty streams.

Prior to announcing the spin-off in April 2013, the Theravance board of directors worked with its financial and legal advisors to explore potential strategic alternatives to enhance stockholder value. These alternatives included selling the company, a merger or consolidation with another company, a royalty monetization transaction and separating the company into two businesses, one (the "Royalty Business") focused primarily on certain late stage respiratory drug programs and the other (the "Drug Discovery and Development Business") focused primarily on the core drug discovery and development business and the remaining drug development programs. In considering the separation of the two businesses, the Theravance board of directors considered, among other factors, that (i) they have different business models, distinct cost structures and can be operated independently with limited overlap, (ii) investors often appeared to be focused on one of the two businesses, but not both of them, and (iii) potential acquirers who may be interested in either one of the businesses may not necessarily be interested in the other.

Following its evaluation process, on April 25, 2013 the Theravance board of directors approved plans to separate its business into two independent publicly traded companies through a spin-off of the Drug Discovery and Development Business to Theravance Biopharma. Following the spin-off, Theravance will retain its full interests in the RELVAR® ELLIPTA®/BREO® ELLIPTA®, ANORO™ ELLIPTA™ and vilanterol monotherapy programs, each partnered with GSK (collectively, the "Retained GSK Respiratory Drug Programs"). As part of the separation, the Theravance board of directors also approved assigning to a Delaware limited liability company, Theravance Respiratory Company LLC ("TRC"), that will be controlled by Theravance and jointly owned by Theravance and us, Theravance's strategic alliance agreement with GSK and all of its rights and obligations under its collaboration agreement with GSK other than with respect to RELVAR® ELLIPTA®/BREO® ELLIPTA®, ANORO™ ELLIPTA™ and vilanterol monotherapy. See "The Spin-Off—Formation of Theravance Respiratory Company LLC."

Upon completion of the spin-off, we will focus primarily on the discovery, development and commercialization of small-molecule medicines in areas of significant unmet medical need. Key components of our business will consist of:

- Theravance's core drug discovery and development business;
- VIBATIV® and all of Theravance's drug programs that are not partnered with GSK;
- through our equity interest in TRC, an 85% economic interest in any future payments made by GSK under the strategic alliance agreement with GSK and under the portion of the collaboration agreement with GSK assigned to TRC. These drug programs include UMEC/VI/FF

and the MABA program, as monotherapy and in combination with other therapeutically active components, such as an inhaled corticosteroid (ICS), and any other product or combination of products that may be discovered and developed in the future under the GSK agreements; and

- between $350 million and $400 million in cash and cash equivalents in the aggregate.

Theravance will focus on managing the Retained GSK Respiratory Drug Programs. The key components of its business will consist of:

- the on-going collaboration activities and responsibilities of Theravance under the GSK agreements;
- all future payments made by GSK under the GSK agreements relating to RELVAR® ELLIPTA®/BREO® ELLIPTA®, ANORO™ ELLIPTA™; and vilanterol monotherapy programs; and
- through its equity interest in TRC, a 15% economic interest in any future payments made by GSK under the GSK agreements relating to GSK-partnered respiratory programs assigned to TRC (collectively, the "TRC Drug Programs").

At the closing of the spin-off, Theravance will make a one-time contribution to us of between $350 million and $400 million in cash and cash equivalents. In addition, Theravance will assign to us substantially all liabilities and obligations other than those related to the Royalty Business and its existing convertible debt.

We also anticipate hiring substantially all of Theravance's current employees, other than five of the most senior officers of Theravance after its chief executive officer and a limited number of other employees relating to the Royalty Business, and our Chief Executive Officer will work part-time for us and part-time for Theravance following the spin-off. We expect that our Chief Executive Officer will end his part-time service to Theravance and become one of our full-time employees and that some or all of the other senior officers remaining at Theravance may become our officers following the spin-off as Theravance recruits and integrates new officers for its Royalty Business. Some of these transitions may occur quickly after the spin-off depending in part on Theravance's success in recruiting and integrating new officers into its management. Under our master agreement with Theravance and GSK, we have agreed that Mr. Winningham may remain the Chief Executive Officer of both us and Theravance for up to nine months following the spin-off. We also expect that our wholly-owned U.S. operating subsidiary, which will employ our employees, will be headquartered in Theravance's existing facilities.

Theravance and we believe that the spin-off of the Drug Discovery and Development Business to us will provide several opportunities and benefits, including the following:

- *Market Recognition:* The investment community, including analysts, stockholders and prospective investors in each company, will be better able to realize the value of each company fully and independently and enhance the market recognition of each company;
- *Business Focus:* Each company will be better able to focus its efforts on and allocate it resources towards its own business opportunities and challenges, with the management of Theravance Biopharma focusing on the discovery, development and commercialization of small molecule medicines in areas of significant unmet medical need and the management of Theravance focusing on maximizing the commercial value of the potential royalty streams from the Royalty Business;
- *Facilitate Return of Capital to Stockholders:* Following the spin-off, Theravance will have minimal staffing to support its operations and will be structured with the goal of distributing a significant portion of any future royalty revenues from the Retained GSK Respiratory Drug Programs, net of operating expenses, debt service and income taxes, to its stockholders.

- *Improved Capital Flexibility:* Each company will be better able to deploy capital and access additional financing, if appropriate, in accordance with its unique needs and business model. In particular, Theravance will be positioned to return capital to its stockholders, because the benefit of future revenues of the Retained GSK Respiratory Drug Programs will accrue to Theravance; and

- *Employee Incentives*: Each company will be better able to attract, retain and motivate employees by providing equity compensation tied more directly to its performance and, in particular in the case of Theravance Biopharma, to our research and development programs.

The Theravance board of directors also considered the risks and challenges of the separation, including the following:

- *Recurring Losses:* Theravance Biopharma expects to incur losses over the next several years and may never achieve or sustain profitability and Theravance Biopharma may not be able to obtain additional financing on favorable terms, if at all;

- *Heightened Risks:* The heightened risks of Theravance Biopharma operating as a standalone independent public company;

- *Uncertain Trading Values:* Uncertainty as to the trading value of Theravance after the spin-off because of the unique nature of the remaining Royalty Business and the lack of similarly situated publicly traded entities, which could serve as models and the uncertainty of the trading value of Theravance Biopharma as a new publicly traded company;

- *Potential Tax Inefficiencies:* The losses of the Drug Discovery and Development Business would no longer reduce the taxable income, if any, from the Royalty Business of Theravance, the expected tax impact of the separation on Theravance and its stockholders, and the taxable nature of the spin-off;

- *Duplicative Costs:* There will also be duplicative costs for operating two separate independent public companies;

- *Transaction Costs:* Significant costs and expenses will be incurred to effect the spin-off;

- *Risk of Distraction:* The process of preparing for and effecting the spin-off risks distracting management from managing the ongoing business of both entities; and

- *Dual Officer:* The fact that our Chief Executive Officer will only work for us part-time and for Theravance part-time, and that this arrangement is expected to last until the earlier of Theravance recruiting a new chief executive officer or up to nine months following the spin-off.

After further determination regarding the terms of the separation, Theravance and we continue to believe that maximizing value to stockholders may best be achieved by the separation and independent operation of the Drug Discovery and Development Business and the Royalty Business.

Manner of Effecting the Spin-Off

The general terms and conditions of the spin-off will be set forth in the Separation and Distribution Agreement to be entered into by Theravance and us. For a description of the expected terms of that agreement, see "Our Relationship with Theravance, Inc. after the Spin-Off—Separation and Distribution Agreement."

Overview. Under the Separation and Distribution Agreement, Theravance will contribute to Theravance Biopharma its Drug Discovery and Development Business, including certain intellectual property, and distribute to its stockholders of record on the record date all of the outstanding Theravance Biopharma ordinary shares. In addition, prior to the distribution, Theravance will assign certain contract rights under the GSK agreements to TRC in which Theravance Biopharma will have

economic interests as set forth in TRC's limited liability company agreement. See "Business—The TRC Structure".

As discussed under "The Spin-Off—Trading of Theravance Common Stock After the Record Date and Prior to or on the Distribution Date," if a holder of record of Theravance common stock sells those shares in the "regular way" market prior to or on the distribution date, that stockholder also will be selling the right to receive Theravance Biopharma ordinary shares in the distribution. Unless requested otherwise, the distribution will be made in book-entry form on the basis of one Theravance Biopharma ordinary share for every 3.5 shares of Theravance common stock held on the record date of , 2014. We will instruct Computershare Shareowner Services, as distribution agent, to record the distribution on the distribution date to the holders of Theravance common stock at the close of business on the record date (or their designated transferees) unless the shares of Theravance common stock had been sold prior to or on the distribution date. Each Theravance Biopharma ordinary share that Theravance distributes will be validly issued, fully paid and nonassessable and free of preemptive rights.

Fractional Shares. Theravance will not distribute any fractional Theravance Biopharma ordinary shares to its stockholders. Instead, the distribution agent will aggregate fractional shares into whole shares, sell the whole shares in the open market at prevailing market prices and distribute the aggregate net cash proceeds of the sales pro rata (based on the fractional share such holder would otherwise be entitled to receive) to each holder who otherwise would have been entitled to receive a fractional share in the distribution. The distribution agent, in its sole discretion, without any influence by Theravance or us, will determine when, how, through which broker-dealer and at what price to sell the whole shares. Any broker-dealer used by the distribution agent will not be an affiliate of either Theravance or us. Recipients of cash in lieu of fractional shares will not be entitled to any interest on the amounts of payment made in lieu of fractional shares. If you physically hold Theravance common stock certificates and are the registered holder, you will receive a check from the distribution agent in an amount equal to your pro rata share of the aggregate net cash proceeds of the sales. We estimate that it will take approximately four to six weeks from the distribution date for the distribution agent to complete the distributions of the aggregate net cash proceeds. If you hold your Theravance common stock through a bank or brokerage firm, your bank or brokerage firm will receive on your behalf your pro rata share of the aggregate net cash proceeds of the sales, which should electronically credit your account for your share of such proceeds.

Book Entry Statements. A book-entry account statement reflecting your ownership of Theravance Biopharma ordinary shares will be mailed to you, or your brokerage account should be credited for the shares, on or about , 2014.

Future Cash Payments. In addition to its one-time cash payment to us of between $350 million and $400 million in cash and cash equivalents at the closing of the spin-off, Theravance will remain responsible for all operating expenses and related liabilities that were incurred prior to the spin-off under the Separation and Distribution Agreement. However, for ease of administration and in connection with the assignment of certain rights and obligations from Theravance to Theravance Biopharma under the Separation and Distribution Agreement, Theravance Biopharma will assume the obligation to pay for certain of such liabilities following the spin-off. Theravance and Theravance Biopharma will determine the amount of such current liabilities in accordance with the Separation and Distribution Agreement within business days after the date of the spin-off, and Theravance will deliver to Theravance Biopharma a payment to reimburse Theravance Biopharma for assuming the obligation to pay such liabilities.

Formation of Theravance Respiratory Company LLC

Prior to the spin-off, Theravance will assign to TRC its strategic alliance agreement with GSK and all of its rights and obligations under its collaboration agreement with GSK other than with respect to RELVAR® ELLIPTA®/BREO® ELLIPTA®, ANORO™ ELLIPTA™ and vilanterol monotherapy. Theravance will guarantee the performance by TRC of the strategic alliance agreement and all obligations under the collaboration agreement assigned to TRC.

Theravance will own limited liability company units in TRC entitling it to 15% of the economic interest in any future payments made by GSK under the GSK agreements relating to the TRC Drug Programs. We will own limited liability company units entitling us to receive 85% of the economic interest in any future payments made by GSK under the GSK agreements relating to the TRC Drug Programs. These TRC Drug Programs include UMEC/VI/FF and the MABA program, as monotherapy and in combination with other therapeutically active components, such as an inhaled corticosteroid (ICS), and any other product or combination of products that may be discovered and developed in the future under the GSK agreements. Theravance's assignment to TRC of the strategic alliance agreement with GSK and portions of the collaboration agreement with GSK and the allocation of economic interests in TRC between us and Theravance was consented to by GSK (subject to certain conditions and so long as the spin-off occurs prior to June 30, 2014) and was structured to grant us an economic interest in certain of the GSK-partnered drug programs in a manner that would comply with Theravance's existing contractual and legal obligations, including its obligations under the GSK agreements and its indenture for its convertible subordinated notes due 2023.

Under TRC's limited liability company agreement, Theravance or one of its affiliates will be the manager of TRC. The business and affairs of TRC shall be managed exclusively by the manager, including (i) day-to-day management of the drug programs in accordance with the GSK agreements, (ii) preparing an annual operating plan for TRC and (iii) taking all actions necessary to ensure that the formation, structure and operation of TRC complies with applicable law and the GSK agreements, provided that the manager shall not cause TRC to incur any indebtedness, issue any interests in TRC or take any action that would be prohibited under the GSK agreements. In order to comply with the GSK agreements, TRC will be severely limited in the information rights it can grant us and we have little, if any, ability to participate in the business and affairs of TRC. As a result, we will have no access to any confidential information of GSK relating to the TRC Drug Programs. Our consent is required in certain circumstances including for any actions or omisions to take any action by the manager of TRC that would be reasonably expected to have a material and adverse effect on the rights, preferences, privileges of or obligations relating to our limited liability company units or the economic interest represented by those units, provided that we will not have any consent rights with respect to development and commercialization matters under the GSK Agreements to the extent that the manager of TRC determines in good faith that GSK is complying with its diligent efforts obligations under the GSK agreements. In addition, we will lose these limited consent rights if we transfer specified portions of our limited liability company units to other than an affiliate or a successor. Since we have no ability to vote for the manager of TRC and only limited consent rights with respect to actions taken by the manager of TRC, we will have little, if any, ability to influence the business and affairs of TRC.

Agreements Entered into with GSK in Connection with the Spin-Off

On March 3, 2014 we, Theravance and GSK entered into a three-way master agreement providing for GSK's consent to the spin-off provided certain conditions are met. On that date, Theravance and GSK also entered into amendments to their collaboration agreement and strategic alliance agreement (see "Our Business—Program Highlights—Economic Interests In GSK Respiratory Programs Partnered with Theravance") and we and GSK entered into a governance agreement, a registration rights agreement and an extension agreement (see "Description of Share Capital—Governance Agreement,"

"—Registration Rights Agreement" and "Our Business—Program Highlights—Theravance Biopharma Respiratory Program"). The master agreement is currently effective, but will terminate if the spin-off is not effected by June 30, 2014, and the other agreements will only become effective upon the spin-off, provided that the spin-off is effected on or before June 30, 2014. See "Risk Factors—Risks Relating to the Company—Agreements Entered into with or for the benefit of GSK in connection with the spin-off may significantly restrict our business and affairs."

Prior to entering into these agreements, GSK reviewed the then current versions of the Separation and Distribution Agreement, Transition Services Agreement, Employee Matters Agreement and Tax Matters Agreement (collectively referred to herein as the "Spin-Off Documents") (see "Our Relationship with Theravance after the Spin-Off") and the then current versions of our proposed Amended and Restated Memorandum and Articles of Association (see "Description of Share Capital") and Rights Agreement (see "Description of Share Capital—Rights Agreement"). We have agreed that, prior to the spin-off, without GSK's written consent, we will not make any changes to these documents that would, individually or in the aggregate, reasonably be expected to adversely affect GSK in any material respect. Other than with respect to our Amended and Restated Memorandum and Articles of Association and Rights Agreement, our agreement not to change the foregoing documents in a manner adverse to GSK will also apply after the spin-off. GSK also reviewed the then current version of the TRC Limited Liability Company Agreement (see "The Spin-Off—Formation of Theravance Respiratory Company LLC") prior to entering into the master agreement and we agreed—before and after the spin-off—not to make any changes to that agreement without the consent of GSK, which consent is not to be unreasonably withheld, conditioned or delayed, provided that GSK may withhold, condition or delay such consent in its sole discretion with respect to any changes to certain sections of the TRC Limited Liability Company Agreement, the governance structure of TRC or the confidentiality restrictions, consent rights and transfer restrictions in the TRC Limited Liability Company Agreement.

Subject to the effectiveness of the agreements described in preceding two paragraphs (other than our Rights Agreement) and changes to such agreements being made in compliance with the preceding paragraph, GSK has consented to the assignments by Theravance to TRC of the strategic alliance agreement and portions of the collaboration agreement other than with respect to RELVAR® ELLIPTA®/BREO® ELLIPTA®, ANORO™ ELLIPTA™ and vilanterol monotherapy, the contribution by Theravance of limited liability company units to us, and the pro rata dividend of our ordinary shares to Theravance stockholders.

Formation of Holding Company Structure Prior to the Spin-Off

In connection with the spin-off, Theravance incorporated us in July 2013 as a Cayman Islands exempted company limited by shares for the purpose of transferring to us the Drug Discovery and Development Business and completing the spin-off. Theravance Biopharma, in turn, has formed two wholly-owned Cayman Islands subsidiaries to hold certain assets and has formed a wholly-owned Delaware subsidiary to employ the U.S.-based employees of the Drug Discovery and Development Business.

Results of the Spin-Off

Following the spin-off, we will be an independent, publicly traded company owning and operating what had previously been Theravance's Drug Discovery and Development Business. We expect to have approximately million of our ordinary shares issued and outstanding immediately following the spin-off based on the distribution ratio described above and the anticipated number of outstanding shares of Theravance common stock on , 2014, the record date. The actual number of shares to be distributed will be determined based on the number of shares of Theravance common stock outstanding on the record date and will be reduced to the extent that cash payments are to be made in lieu of the issuance of fractional shares of Theravance Biopharma and to the extent that our

ordinary shares are held back and sold on the market to satisfy backup withholding taxes and non-U.S. holder dividend withholding taxes and brokerage and other costs, and may be increased if Theravance option holders exercise any stock options prior to the record date.

U.S. Federal Income Tax Consequences

The Distribution

Because of uncertain issues relating to the taxable status of the distribution, Theravance sought a private letter ruling from the IRS regarding the U.S. federal income tax consequences of the distribution of our ordinary shares to the Theravance stockholders substantially to the effect that the distribution, except for cash received in lieu of a fractional share of our ordinary shares, would qualify as tax free under Sections 368(a)(1)(D) and 355 of the Code and, that, for U.S. federal income tax purposes, no gain or loss would be recognized by a holder of Theravance common stock upon the receipt of our ordinary shares pursuant to the distribution. The IRS declined to issue such ruling and has informed us that in the view of the IRS, the distribution will fail to satisfy the requirements of Section 355 of the Code. Specifically, the IRS informed us that, in its view, Theravance will not be engaged in an "active trade or business" immediately following the distribution, as required by Section 355 of the Code, and that the IRS intends to treat the distribution as a taxable transaction.

Accordingly, each Theravance stockholder who receives Theravance Biopharma ordinary shares in the distribution is expected to generally be treated as receiving a taxable distribution in an amount equal to the fair market value of the Theravance Biopharma ordinary shares received, including any fractional share sold on behalf of the stockholder. Such stockholder will be taxed on the full value of the Theravance Biopharma ordinary shares received in the distribution (without reduction for any portion of such stockholder's tax basis in its Theravance shares) as a dividend for U.S. federal income tax purposes to the extent of such stockholder's pro rata share of any current and accumulated earnings and profits of Theravance, measured as of the end of the year in which the distribution occurs (including Theravance's taxable gain on the contribution and distribution, if any). Since the spin-off is taxable, any amount in excess of Theravance's earnings and profits will be treated first as a non-taxable dollar-for-dollar reduction in the stockholder's basis in its Theravance's stock, and thereafter as capital gain from the sale or exchange of such stockholder's Theravance's stock. Subject to certain exceptions, any amount treated as a taxable dividend that is paid to a non-U.S. holder of Theravance stock that is not effectively connected with the non-U.S. holder's conduct of a trade or business within the United States will generally be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends (or such lower rate specified by an applicable income tax treaty). Additionally, backup withholding (as discussed below) may apply with respect to the amount treated as a taxable dividend.

Because a definitive calculation of the U.S. federal income tax impact of the distribution will not be possible until after the close of Theravance's 2014 taxable year, Theravance and other applicable withholding agents will withhold an amount equal to 30% of the fair market value of our ordinary shares distributed to a non-U.S. holder (as if the gross amount of such distribution was a taxable dividend) unless a reduced rate of withholding or an exemption from withholding is applicable. In addition, because the distribution is an in-kind distribution, Theravance and other applicable withholding agents will collect the amount required to be withheld (to the extent any cash in lieu of fractional shares is insufficient) by reducing to cash for remittance to the IRS a sufficient portion of the ordinary shares that a non-U.S. holder would otherwise receive and such non-U.S. holder may bear brokerage or other costs for this withholding procedure. Non-U.S. holders should consult their own tax advisors regarding their entitlement to benefits under an applicable treaty or other exemption and the manner of claiming the benefits of such treaty or other exemption. Non-U.S. holders may be eligible to obtain a refund of any excess amounts withheld if (1) all or a portion of the distribution is treated as a tax-free return of capital or capital gain or (2) the non-U.S. holder is eligible for a reduced rate of withholding tax pursuant to an applicable income tax treaty.

The distribution may, under certain circumstances, be subject to "backup withholding," unless a stockholder provides proof of an applicable exemption or a correct taxpayer identification number, and otherwise complies with the requirements of the backup withholding rules. Corporations and non-U.S. holders will generally be exempt from backup withholding, but may be required to provide a certification to establish their entitlement to the exemption. Backup withholding does not constitute an additional tax, but is merely an advance payment that may be refunded or credited against a holder's U.S. federal income tax liability if the required information is timely furnished to the IRS.

The U.S. Anti-Inversion Rules

Although Theravance Biopharma is incorporated in the Cayman Islands, the IRS may assert that Theravance Biopharma should be treated as a U.S. corporation (and, therefore, a U.S. tax resident) for U.S. federal tax purposes under Section 7874 of the Code. At the time of enactment of Section 7874 in 2004, a number of publicly-traded U.S. multinational corporations had expatriated to non-U.S. jurisdictions. In most cases, those corporations expatriated to tax haven jurisdictions in which the applicable U.S. multinational corporation had no (or minimal) historic business activities. As a general matter, absent the application of Section 7874, a corporation is considered, for U.S. federal tax purposes, to be a tax resident of the jurisdiction in which it is incorporated.

Under Section 7874, a corporation created or organized outside the U.S. will be treated as a U.S. corporation for U.S. federal tax purposes, when (i) the foreign corporation directly or indirectly acquires substantially all of the assets held directly or indirectly by a U.S. corporation, (ii) the former shareholders of the acquired U.S. corporation hold at least 80% of the vote or value of the shares of the foreign acquiring corporation by reason of holding stock in the U.S. acquired corporation, and (iii) the foreign corporation's "expanded affiliated group" does not have "substantial business activities" in the foreign corporation's country of incorporation relative to its expanded affiliated group's worldwide activities. Solely for purposes of Section 7874, "expanded affiliated group" means the foreign corporation and all subsidiaries in which the foreign corporation, directly or indirectly, owns more than 50% of the stock by vote and value. Treasury Regulation Section 1.7874-3 provides that an expanded affiliated group will be treated as having "substantial business activities" in the relevant foreign country when compared to its total business activities if, in general, at least 25% of the expanded affiliated group's employees (by number and compensation), asset value and gross income are based, located and derived, respectively, in the relevant foreign country. Specifically, (i) the number of "group employees" based in the relevant foreign country must be at least 25% of the total number of group employees on the applicable date, which is either the date the transaction is completed or the last day of the month immediately preceding the closing of the transaction (to be applied consistently for purposes of each clause), (ii) the "employee compensation" incurred with respect to group employees based in the relevant foreign country must be at least 25% of the total employee compensation incurred with respect to all group employees during the testing period, which is the one-year period ending on the applicable date (as described in clause (i) above), (iii) the value of the "group assets" (generally, tangible and real property, including certain leases thereof) located in the relevant foreign country must be at least 25% of the total value of all group assets on the applicable date, and (iv) the "group income" (generally, gross income from unrelated customers) derived in the relevant foreign country must be at least 25% of the total group income during the testing period (as described in clause (ii) above).

In general, we do not expect that the assets contributed to Theravance Biopharma by Theravance in connection with the spin-off constitute, in the aggregate, "substantially all" of the properties held directly or indirectly by Theravance (as determined on both a gross and net fair market value basis). However, the IRS has not explicitly defined what constitutes "substantially all" of the properties of a corporation in the context of Section 7874. It is possible the IRS may challenge this conclusion and find that the assets contributed to Theravance Biopharma constitute substantially all of the assets of Theravance and thus, Theravance Biopharma could be treated as a U.S. corporation for U.S. federal

tax purposes. Furthermore, we caution that there could be adverse changes to the relevant facts and circumstances, which could become known in the future. In addition, there have been legislative proposals to expand the scope of U.S. corporate tax residence and there could be a future change in law under Section 7874 of the Code, the Treasury Regulations promulgated thereunder or otherwise that could result in Theravance Biopharma being treated as a U.S. corporation. If it were determined that Theravance Biopharma should be taxed as a U.S. corporation for U.S. federal income tax purposes, Theravance Biopharma could be liable for substantial additional U.S. federal income tax on its post-spin-off taxable income.

Owning or Disposing of Theravance Biopharma Shares

The following summary discusses certain U.S. federal income tax consequences of the ownership and disposition by U.S. holders of Theravance Biopharma ordinary shares. This discussion is based upon the Code, Treasury Regulations, published positions of the IRS, judicial decisions and other applicable authorities, all as currently in effect, and all of which are subject to change or differing interpretations, possibly with retroactive effect. Any such change could affect the accuracy of this discussion.

The following discussion assumes that Theravance stockholders hold their Theravance common stock, and will hold Theravance Biopharma ordinary shares, as capital assets within the meaning of Section 1221 of the Code. Further, this section does not discuss all tax considerations that may be relevant to holders of Theravance common stock in light of their particular circumstances, nor does it address the consequences to holders of Theravance common stock subject to special treatment under the U.S. federal income tax laws, such as tax-exempt entities, partnerships (including entities treated as partnerships for U.S. federal income tax purposes), persons who acquire such shares of Theravance common stock pursuant to the exercise of employee stock options or otherwise as compensation, financial institutions, insurance companies, dealers or traders in securities, and persons who hold their shares of Theravance common stock as part of a straddle, hedge, conversion, constructive sale, synthetic security, integrated investment or other risk-reduction transaction for U.S. federal income tax purposes. This section does not address any U.S. federal estate, gift or other non-income tax consequences or any state, local or foreign tax consequences, or the consequences of the Medicare tax on net investment income.

Holders of Theravance Biopharma ordinary shares should consult their tax advisors as to the particular tax consequences to them of the distribution and ownership of Theravance Biopharma shares.

For purposes of this section, a U.S. holder is a beneficial owner of Theravance Biopharma ordinary shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or a resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States or any state or political subdivision thereof;
- an estate, the income of which is subject to United States federal income taxation regardless of its source; or
- a trust, if (i) a court within the United States is able to exercise primary jurisdiction over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or (ii) in the case of a trust that was treated as a domestic trust under the law in effect before 1997, a valid election is in place under applicable Treasury Regulations.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) holds shares of Theravance common stock, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partner of a partnership holding shares of Theravance common stock should consult its tax advisor regarding the tax consequences of the distribution.

Distributions or dividends with respect to Theravance Biopharma shares (which for these purposes will include the amount of any non-U.S. taxes withheld therefrom) should generally be includible in the gross income of a U.S. holder as foreign source dividend income to the extent that such distributions are paid out of Theravance Biopharma's current or accumulated earnings and profits as determined under U.S. federal income tax principles.

To the extent Theravance Biopharma pays dividends in a currency other than the U.S. dollar, the amount of any dividend paid to U.S. holders in such currency will be includible in income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt, regardless of whether the amount of such dividend is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. holder should not be required to recognize foreign currency exchange gain or loss in respect of the dividend income. A U.S. holder may have foreign currency exchange gain or loss if the dividend is converted into U.S. dollars after the date of receipt. In general, foreign currency exchange gain or loss will be treated as U.S.-source ordinary gain or loss for foreign tax credit purposes.

Subject to certain limitations, including the PFIC rules discussed below, non-U.S. taxes (if any) withheld from or paid on dividend distributions generally will be eligible for credit against the U.S. holder's U.S. federal income taxes. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. The foreign tax credit rules are complex, and U.S. holders are urged to consult their tax advisors regarding the availability of foreign tax credits in their particular circumstances.

A U.S. holder will generally recognize a capital gain or loss for U.S. federal income tax purposes on the sale or disposition of Theravance Biopharma shares in the same manner as on the sale or disposition of any other shares held as capital assets and such capital gain or loss will be long-term capital gain or loss if the U.S. holder's holding period for such Theravance Biopharma shares exceeds one year as of the date of sale or disposition.

Information Reporting with Respect to Foreign Financial Assets

Certain U.S. holders are required to report information relating to an interest in Theravance Biopharma shares, subject to exceptions (including an exception for ordinary shares held in accounts maintained by certain financial institutions), by attaching a completed IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold an interest in Theravance Biopharma shares. U.S. holders are urged to consult their own tax advisors regarding information reporting requirements relating to their ownership of Theravance Biopharma shares.

Passive Foreign Investment Company Status

The treatment of U.S. holders of our common stock in some cases could be materially different from that described above if, at any relevant time, Theravance Biopharma was a PFIC for U.S. federal income tax purposes. We believe it is likely that Theravance Biopharma will be a PFIC for its first year of existence. The following sections will generally describe the U.S. federal income tax consequences to a U.S. holder of the receipt, ownership, and disposition of our ordinary shares, if Theravance Biopharma is considered to be PFIC under the meaning of Section 1297 of the Code at any time during a U.S. holder's holding period.

PFIC Status of Theravance Biopharma

Theravance Biopharma generally will be a PFIC under Section 1297 of the Code if, for a taxable year, (a) 75% or more of the gross income of Theravance Biopharma for such taxable year is passive income or (b) 50% or more of the assets held by Theravance Biopharma either produce passive income or are held for the production of passive income, based on the fair market value of such assets. "Gross income" generally means all revenues less the cost of goods sold, and "passive income" includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. Active business gains arising from the sale of commodities generally are excluded from passive income if substantially all of a foreign corporation's commodities are (a) stock in trade of such foreign corporation or other property of a kind which would properly be included in inventory of such foreign corporation, or property held by such foreign corporation primarily for sale to customers in the ordinary course of business, (b) property used in the trade or business of such foreign corporation that would be subject to the allowance for depreciation under Section 167 of the Code, or (c) supplies of a type regularly used or consumed by such foreign corporation in the ordinary course of its trade or business.

Under certain attribution rules, if Theravance Biopharma is a PFIC, U.S. holders will be deemed to own their proportionate share of any subsidiary of Theravance Biopharma which is also a PFIC (a "Subsidiary PFIC"), and will be subject to U.S. federal income tax on (i) a distribution on the shares of a Subsidiary PFIC and (ii) a disposition of shares of a Subsidiary PFIC, both as if the holder directly held the shares of such Subsidiary PFIC.

Theravance Biopharma believes that it will be classified as a PFIC during its first taxable year, and based on current business plans and financial expectations, Theravance Biopharma expects that it will be a PFIC for at least some subsequent taxable years. The determination of whether Theravance Biopharma (or a Subsidiary PFIC) was, or will be, a PFIC for a taxable year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether Theravance Biopharma (or a Subsidiary PFIC) will be a PFIC for any taxable year depends on the assets and income of Theravance Biopharma (and each Subsidiary PFIC) over the course of each such taxable year and, as a result, cannot be predicted with certainty as of the date of this Information Statement. Each U.S. holder should consult its own tax advisor regarding the PFIC status of Theravance Biopharma and each Subsidiary PFIC.

Default PFIC Rules under Section 1291 of the Code

The U.S. federal income tax consequences to a U.S. holder of the receipt, ownership, and disposition of our ordinary shares will depend on whether such U.S. holder makes an election to treat Theravance Biopharma as a "qualified electing fund" or "QEF" under Section 1295 of the Code (a "QEF Election") or a mark-to-market election under Section 1296 of the Code (a "Mark-to-Market Election"). A U.S. holder that does not make either a QEF Election or a Mark-to-Market Election will be referred to in this summary as a "Non-Electing U.S. Holder."

A Non-Electing U.S. Holder will be subject to the rules of Section 1291 of the Code with respect to (a) any gain recognized on the sale or other taxable disposition of our ordinary shares and (b) any excess distribution received on the our ordinary shares. A distribution generally will be an "excess distribution" to the extent that such distribution (together with all other distributions received in the current taxable year) exceeds 125% of the average distributions received during the three preceding taxable years (or during a U.S. holder's holding period for the our ordinary shares, if shorter).

Under Section 1291 of the Code, any gain recognized on the sale or other taxable disposition of our ordinary shares, and any "excess distribution" (as defined in Section 1291(b) of the Code) received on our ordinary shares, must be ratably allocated to each day in a Non-Electing U.S. Holder's holding period for the respective shares. The amount of any such gain or excess distribution allocated to prior

years of such Non-Electing U.S. Holder's holding period for the our ordinary shares generally will be subject to U.S. federal income tax at the highest tax applicable to ordinary income in each such prior year. A Non-Electing U.S. Holder will be required to pay interest on the resulting tax liability for each such prior year, calculated as if such tax liability had been due in each such prior year. Such a Non-Electing U.S. Holder that is not a company must treat any such interest paid as "personal interest," which is not deductible. The amount of any such gain or excess distribution allocated to the current year of such Non-Electing U.S. Holder's holding period for the our ordinary shares will be treated as ordinary income in the current year, and no interest charge will be incurred with respect to the resulting tax liability for the current year.

For any taxable year during which a Non-Electing U.S. Holder holds our ordinary shares, Theravance Biopharma will continue to be treated as a PFIC with respect to such Non-Electing U.S. Holder, regardless of whether Theravance Biopharma ceases to be a PFIC in one or more subsequent taxable years. A Non-Electing U.S. Holder may terminate this deemed PFIC status by electing to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if such our ordinary shares were sold on the last day of the last taxable year for which Theravance Biopharma was a PFIC.

QEF Election

A U.S. holder that makes a QEF Election for the first taxable year in which its holding period of its ordinary shares begins, generally, will not be subject to the rules of Section 1291 of the Code discussed above with respect to our ordinary shares. However, a U.S. holder that makes a QEF Election will be subject to U.S. federal income tax on such U.S. holder's pro rata share of (a) the net capital gain of Theravance Biopharma, which will be taxed as long-term capital gain to such U.S. Holder, and (b) and the ordinary earnings of Theravance Biopharma, which will be taxed as ordinary income to such U.S. holder. Generally, "net capital gain" is the excess of (a) net long-term capital gain over (b) net short-term capital loss, and "ordinary earnings" are the excess of (a) "earnings and profits" over (b) net capital gain. A U.S. holder that makes a QEF Election will be subject to U.S. federal income tax on such amounts for each taxable year in which Theravance Biopharma is a PFIC, regardless of whether such amounts are actually distributed to such U.S. holder by Theravance Biopharma. However, a U.S. holder that makes a QEF Election may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge. If such U.S. holder is not a company, any such interest paid will be treated as "personal interest," which is not deductible.

A U.S. holder that makes a QEF Election generally (a) may receive a tax-free distribution from Theravance Biopharma to the extent that such distribution represents "earnings and profits" of Theravance Biopharma that were previously included in income by the U.S. holder because of such QEF Election and (b) will be required to adjust such U.S. holder's tax basis in our ordinary shares to reflect the amount included in income or allowed as a tax-free distribution because of such QEF Election. In addition, a U.S. holder that makes a QEF Election generally will recognize capital gain or loss on the sale or other taxable disposition of our ordinary shares.

The procedure for making a QEF Election, and the U.S. federal income tax consequences of making a QEF Election, will depend on whether such QEF Election is timely. A QEF Election will be treated as "timely" if such QEF Election is made for the first year in the U.S. holder's holding period for our ordinary shares in which Theravance Biopharma was a PFIC. A U.S. holder may make a timely QEF Election by filing the appropriate QEF Election documents at the time such U.S. Holder files a U.S. federal income tax return for such year.

A QEF Election will apply to the taxable year for which such QEF Election is made and to all subsequent taxable years, unless such QEF Election is invalidated or terminated or the IRS consents to revocation of such QEF Election. If a U.S. holder makes a QEF Election and, in a subsequent taxable

year, Theravance Biopharma ceases to be a PFIC, the QEF Election will remain in effect (although it will not be applicable) during those taxable years in which Theravance Biopharma is not a PFIC. Accordingly, if Theravance Biopharma ceases to be a PFIC in a particular year and becomes a PFIC again in another subsequent taxable year, the QEF Election will be effective and the U.S. holder will be subject to the QEF rules described above during any subsequent taxable year in which Theravance Biopharma qualifies as a PFIC.

Mark-to-Market Election

A U.S. holder may make a Mark-to-Market Election only if our ordinary shares are marketable stock. Our ordinary shares generally will be "marketable stock" if our ordinary shares are regularly traded on (a) a national securities exchange that is registered with the Securities and Exchange Commission, (b) the national market system established pursuant to section 11A of the Securities and Exchange Act of 1934, or (c) a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located, provided that (i) such foreign exchange has trading volume, listing, financial disclosure, and other requirements and the laws of the country in which such foreign exchange is located, together with the rules of such foreign exchange, ensure that such requirements are actually enforced and (ii) the rules of such foreign exchange ensure active trading of listed stocks. If such stock is traded on such a qualified exchange or other market, such stock generally will be "regularly traded" for any calendar year during which such stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter.

A U.S. holder that makes a Mark-to-Market Election with respect to our ordinary shares generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to our ordinary shares. However, if a U.S. holder does not make a Mark-to-Market Election beginning in the first taxable year of such U.S. holder's holding period for our ordinary shares or such U.S. holder has not made a timely QEF Election, the rules of Section 1291 of the Code discussed above will apply to certain dispositions of, and distributions on, our ordinary shares.

A U.S. holder that makes a Mark-to-Market Election will include in ordinary income, for each taxable year in which Theravance Biopharma is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of our ordinary shares, as of the close of such taxable year over (b) such U.S. holder's tax basis in such ordinary shares. A U.S. holder that makes a Mark-to-Market Election will be allowed a deduction in an amount equal to the excess, if any, of (i) such U.S. holder's adjusted tax basis in our ordinary shares, over (ii) the fair market value of such ordinary shares (but only to the extent of the net amount of previously included income a result of the Mark-to-Market Election for prior taxable years).

A U.S. holder that makes a Mark-to-Market Election generally also will adjust such U.S. holder's tax basis in our ordinary shares to reflect the amount included in gross income or allowed as a deduction because of such Mark-to-Market Election. In addition, upon a sale or other taxable disposition of our ordinary shares, a U.S. holder that makes a Mark-to-Market Election will recognize ordinary income or ordinary loss (not to exceed the excess, if any, of (a) the amount included in ordinary income because of such Mark-to-Market Election for prior taxable years over (b) the amount allowed as a deduction because of such Mark-to-Market Election for prior taxable years).

A Mark-to-Market Election applies to the taxable year in which such Mark-to-Market Election is made and to each subsequent taxable year, unless our ordinary shares cease to be "marketable stock" or the IRS consents to revocation of such election. Each U.S. holder should consult its own tax advisor regarding the availability of, and procedure for making, a Mark-to-Market Election.

Although a U.S. holder may be eligible to make a Mark-to-Market Election with respect to our ordinary shares, no such election may be made with respect to the stock of any Subsidiary PFIC that a U.S. holder is treated as owning, because such stock is not marketable. Hence, the Mark-to-Market

Election will not be effective to eliminate the interest charge described above with respect to deemed dispositions of Subsidiary PFIC stock or distributions from a Subsidiary PFIC.

Other PFIC Rules

Under Section 1291(f) of the Code, the IRS has issued proposed Treasury Regulations that, subject to certain exceptions, would cause a U.S. holder that had not made a timely QEF Election to recognize gain (but not loss) upon certain transfers of our ordinary shares that would otherwise be tax-deferred (e.g., gifts and exchanges pursuant to corporate reorganizations). However, the specific U.S. federal income tax consequences to a U.S. holder may vary based on the manner in which our ordinary shares are transferred.

Certain additional adverse rules may apply with respect to a U.S. holder for years in which Theravance Biopharma is a PFIC, regardless of whether such U.S. holder makes a QEF Election. For example under Section 1298(b)(6) of the Code, a U.S. holder that uses our ordinary shares as security for a loan will, except as may be provided in Treasury Regulations, be treated as having made a taxable disposition of such our ordinary shares. In addition, a U.S. holder who acquires our ordinary shares from a decedent will not receive a "step up" in tax basis of such ordinary shares to fair market value. Special rules also apply to the amount of foreign tax credit that a U.S. holder may claim on a distribution from a PFIC.

The PFIC rules are complex, and each U.S. holder should consult its own tax advisor regarding the PFIC rules and how the PFIC rules may affect the U.S. federal income tax consequences of the receipt, ownership, and disposition of our ordinary shares.

Market for Our Ordinary Shares; Trading of Our Ordinary Shares in Connection with the Spin-Off

There is currently no trading market for our ordinary shares. We will apply to have our ordinary shares listed on the Nasdaq Global Market under the symbol "TBPH". We expect that a limited market, commonly known as a "when-issued" trading market, for our ordinary shares will develop on or about , 2014, the record date of the distribution. The term "when-issued" means that our shares will trade even though Theravance has not yet issued and distributed the Theravance Biopharma shares. "When-issued" trading in our ordinary shares will end and "regular way" trading will begin either on the distribution date or the first trading date after the distribution date. "Regular way" trading with respect to our ordinary shares refers to trading after Theravance has issued and distributed Theravance Biopharma shares to Theravance's stockholders. Neither Theravance nor we will set the initial trading price of our ordinary shares; the public markets will establish our trading price.

We cannot predict the price at which our ordinary shares will trade either in the "when-issued" trading market or in the "regular way" trading market after the spin-off. In fact, the combined trading prices of our ordinary share, adjusted for the distribution ratio, and a share of Theravance common stock after the spin-off may not equal or exceed the trading price of a "regular way" traded share of Theravance common stock immediately prior to the spin-off. The price at which our ordinary shares trades is likely to fluctuate significantly, particularly until an orderly public market develops. Prices for our ordinary shares will be determined in the public markets and may be influenced by many factors, many of which are beyond our control. See "Risk Factors—Risks relating to Our Ordinary Shares."

We have appointed Computershare Shareowner Services to serve as transfer agent and registrar for our ordinary shares.

Our ordinary shares distributed to holders of Theravance common stock in connection with the spin-off will be transferable under the Securities Act, except for shares received by persons who may be deemed to be our affiliates. Persons who may be deemed to be our affiliates after the spin-off generally include individuals or entities that control, are controlled by or are under common control with us and may include certain of our officers, directors or principal shareholders. After we become a publicly

traded company, securities held by our affiliates will be subject to the resale restrictions under the Securities Act. Our affiliates will be permitted to sell our ordinary shares only pursuant to an effective registration statement or an exemption from the registration requirements of the Securities Act, such as the exemption afforded by Rule 144 under the Securities Act.

Trading of Theravance Common Stock After the Record Date and Prior to or on the Distribution Date

Beginning on the record date and through the distribution date, Theravance common stock will trade "regular way" with the symbol "THRX". On the "regular way" market, from the record date through the distribution date, shares of Theravance common stock will trade with an entitlement to our ordinary shares distributed in connection with the spin-off. After the distribution date, shares of Theravance common stock will trade without an entitlement to our ordinary shares distributed in connection with the spin-off. Therefore, if you own shares of Theravance common stock at 5:00 p.m. Eastern Time on the record date and sell those shares on the regular way market prior to or on the distribution date, you also will be selling your right to receive our ordinary shares that would have been distributed to you in connection with the spin-off. If you hold those shares of Theravance common stock held on the record date through the distribution date, then Theravance will distribute to you our ordinary shares with respect to your ownership of those shares of Theravance common stock, even if you sell the shares of Theravance common stock thereafter.

During the time period between the record date and the distribution date, we anticipate that Theravance common stock will also be available to trade on an "ex-distribution when-issued market" with the symbol "THRXV". On an "ex-distribution" market, shares of Theravance common stock would trade without an entitlement to our ordinary shares distributed in connection with the spin-off. The "ex-distribution when-issued market" will cease to exist following the distribution date.

Distribution Conditions and Termination

We expect that the distribution will be effective, and the spin-off complete, on the distribution date, June , 2014, provided that, among other things:

- the Securities and Exchange Commission, or SEC, shall have declared effective our registration statement on Form 10, of which this Information Statement is a part, under the Securities Exchange Act of 1934, as amended, or Exchange Act, and no stop order relating to the registration statement shall be in effect;
- all permits, registrations and consents required under the securities or blue sky laws of states or other political subdivisions of the United States or of other foreign jurisdictions in connection with the distribution shall have been received;
- all permits, registrations and consents required under the securities or blue sky laws of states or other political subdivisions of the United States or of other foreign jurisdictions in connection with the distribution shall have been received;
- the listing of our ordinary shares on the Nasdaq Global Market shall have been approved, subject to official notice of issuance;
- all material government and third party approvals and other consents necessary to consummate the distribution shall have been received;
- the transfers of the assets and liabilities contemplated by the Separation and Distribution Agreement shall be in effect; and
- no order, injunction or decree issued by any court of competent jurisdiction or other legal restraint or prohibition preventing consummation of the distribution or any of the transactions

related thereto, including those contemplated by the Separation and Distribution Agreement, shall be in effect.

The fulfillment of the foregoing conditions will not create any obligation on Theravance's part to effect the distribution, and the Theravance board of directors has reserved the right to amend, modify or abandon the distribution and the related transactions at any time prior to the distribution date. The Theravance board of directors may waive any of these conditions in its sole and absolute discretion.

Treatment of Outstanding Theravance Equity Awards in Connection with the Spin-Off

The following discussion describes the treatment of outstanding Theravance equity awards, including stock options, restricted stock awards ("RSAs") and restricted stock units ("RSUs"), in connection with the spin-off, which has been approved by Theravance's compensation committee.

For purposes of this section, "Theravance Biopharma Employees" refers to persons who are or will be officers, employees or non-employee directors of Theravance Biopharma or its subsidiaries at the time of the spin-off, and "Remaining Theravance Employees" refers to current or former employees and non-employee directors of Theravance who will not become Theravance Biopharma Employees at the time of the spin-off including any of the foregoing who will also serve as officers, employees and/or non-employee directors of Theravance Biopharma or its subsidiaries.

Stock Options. The exercise price and number of shares subject to each stock option to purchase Theravance common stock that is outstanding on the date of the spin-off (a "Theravance Option") will be adjusted using a formula designed to generally preserve the intrinsic value of the original stock option prior to the spin-off.

- *Theravance Biopharma Employees.*

  - *Vested Theravance Options.* Vested Theravance Options held by Theravance Biopharma Employees, other than any that are incentive stock options (or ISOs) under the Federal tax laws, have been amended, effective as of immediately prior to and contingent upon the spin-off, to remain outstanding and exercisable based on the Theravance Biopharma Employee's service to Theravance Biopharma and its subsidiaries and affiliates following the spin-off. All other terms and conditions of such options, including the maximum term of the option, will generally remain unchanged. No changes were made to vested ISOs. As a result, if a Theravance Biopharma Employee's service with Theravance will terminate on the date of the spin-off, Theravance Options held by such employee that are vested ISOs must be exercised within the applicable post-termination exercise period following the spin-off.

  - *Unvested Theravance Options.* Unvested Theravance Options held by Theravance Biopharma Employees other than non-employee directors have been amended, effective as of immediately prior to and contingent upon the spin-off, to provide that they will remain outstanding and continue to vest based on service to Theravance Biopharma and its subsidiaries and affiliates following the spin-off. Further, unvested Theravance Options held by Theravance Biopharma Employees other than non-employee directors have been amended, effective as of immediately following the spin-off, to provide that they will fully vest in the event the Theravance Biopharma Employee holding such option is subject to an involuntary termination in connection with or following a change in control of Theravance Biopharma. For Theravance Biopharma Employees who are non-employee directors, any pre-2014 Theravance Options that they hold have been amended, effective as of immediately prior to and contingent upon the spin-off, so that they remain outstanding and exercisable based on service to Theravance Biopharma and its subsidiaries and affiliates following the spin-off.

- *Remaining Theravance Employees.* Each outstanding Theravance Option that is held by a Remaining Theravance Employee will remain a Theravance Option, subject to its existing terms and conditions; provided that the Theravance Options have been amended, contingent upon the spin-off, as described above for Theravance Biopharma Employees in the event that a Remaining Theravance Employee becomes an employee of Theravance Biopharma after the spin-off.

RSAs and RSUs. The number of shares subject to each RSU covering shares of Theravance common stock outstanding on the date of the spin-off (a "Theravance RSU") will be adjusted using a formula designed to generally preserve the intrinsic value of the RSU prior to the spin-off. No adjustments will be made to the number of shares of Theravance restricted stock outstanding on the date of the spin-off ("Theravance RSAs") as the holders of Theravance RSAs will receive Theravance Biopharma ordinary shares in the spin-off. The Theravance Biopharma ordinary shares received by the holders of Theravance RSAs will be subject to the same terms and conditions, including vesting, as apply to the applicable Theravance RSAs.

- *Theravance Biopharma Employees.* Except as described below with respect to the Six-Year Performance RSAs, unvested Theravance RSAs and RSUs held by Theravance Biopharma Employees other than non-employee directors have been amended, effective as of immediately prior to and contingent upon the spin-off, to provide that they will remain outstanding and continue to vest based on service to Theravance Biopharma and its subsidiaries and affiliates following the spin-off. Further, unvested Theravance RSAs and RSUs held by Theravance Biopharma Employees other than non-employee directors have been amended, effective as of immediately following the spin-off, to provide that they will fully vest in the event the Theravance Biopharma Employee holding such Theravance RSA or RSU is subject to an involuntary termination in connection with or following a change in control of Theravance Biopharma. All other terms and conditions of such Theravance RSAs and RSUs will generally remain unchanged.

- *Remaining Theravance Employees.* Except as described below with respect to the Six-Year Performance RSAs, unvested Theravance RSAs and RSUs held by Remaining Theravance Employees will continue to be subject to their existing terms and conditions; provided that the Theravance RSAs and RSUs have been amended, contingent upon the spin-off, as described above for Theravance Biopharma Employees in the event that a Remaining Theravance Employee becomes an employee of Theravance Biopharma after the spin-off.

- *Six-Year Performance RSAs.* It is expected that the special long-term retention and incentive performance-contingent RSAs granted by Theravance in February 2011 to members of senior management (the "Six-Year Performance RSAs") will be modified as follows:

    - A portion of the Six-Year Performance RSAs subject to each award will be converted to time-based vesting, determined based on the increase from the base performance price assigned to such award (which, in all instances, was $24.73) compared to the value of Theravance common stock on a date or dates to be determined. Such portion of the Six-Year Performance RSAs will be eligible to vest on the one year anniversary of the spin-off, subject to the holder's continued service with Theravance Biopharma or Theravance, as applicable, following the spin-off; and

    - New performance goals will be established for the remaining portion of each award that relate to the entity employing the holder of the award following the spin-off.

Reason for Furnishing this Information Statement

This Information Statement is being furnished solely to provide information to stockholders of Theravance who will receive Theravance Biopharma ordinary shares in connection with our spin-off. It is not provided as an inducement or encouragement to buy or sell any of our securities. You should not assume that the information contained in this Information Statement is accurate as of any date other than the date set forth on the cover. Changes to the information contained in this Information Statement may occur after that date, and we undertake no obligation to update the information.

Dividend Policy

We do not currently anticipate paying any dividends for the foreseeable future. The declaration and payment of dividends are subject to the discretion of our board of directors. Any future determination to pay dividends will depend on our financial condition, earnings, capital requirements, legal requirements, regulatory constraints, contractual restrictions and other factors deemed relevant at the time by our board of directors.

Capitalization

The following table sets forth Theravance Biopharma's capitalization as of December 31, 2013 on a historical basis and on a pro forma basis to give effect to the pro forma adjustments included in our unaudited pro forma combined balance sheet. The pro forma adjustments are based upon available information and assumptions that management believes are reasonable. While such adjustments are subject to change based on the finalization of the terms of the spin-off and the transaction agreements, in management's opinion, the pro forma adjustments are not expected to materially differ from the final adjustments. In addition, such adjustments are estimates and may not prove to be accurate or indicative of future adjustments.

You should read this table together with "Historical Selected Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Unaudited Pro Forma Combined Financial Statement" and our historical combined financial statements and the notes thereto included elsewhere in this Information Statement.

(in thousands, except per share amounts)	December 31, 2013		
	Historical	Pro Forma (Unaudited)	
Cash and cash equivalents	$ —	$ 375,000	(1)
Parent company (deficit)/shareholders' equity:			
Ordinary shares, $0.00001 par value; none authorized, issued and outstanding; shares authorized pro forma; million shares issued and outstanding pro forma	$ —	$ —	(2)
Parent company deficit	(17,035)	—	
Additional paid-in capital	—	357,965	(3)
Total Parent company (deficit)/shareholders' equity	(17,035)	357,965	
Total capitalization	$ (17,035)	$ 357,965	

(1) Amount represents an assumed pro forma cash contribution by Theravance of $375 million, the midpoint in the range of $350 million to $400 million that is anticipated to be contributed, as of December 31, 2013. In addition, under the Separation and Distribution Agreement, Theravance will remain responsible for all operating expenses and related liabilities that were incurred prior to the spin-off.

(2) Represents the distribution of million shares of our ordinary shares to holders of Theravance common stock based on the number of shares of Theravance common stock outstanding at December 31, 2013, assuming distribution rate of one ordinary share of Theravance Biopharma, Inc. for every 3.5 shares of Theravance common stock.

(3) The pro forma adjustment to additional paid-in capital is equal to the amount of net assets recorded by Theravance Biopharma plus the reclassification of parent company deficit on the distribution date.

Our Business

Overview

Theravance Biopharma is a biopharmaceutical company with one approved product that was discovered and developed internally, a pipeline of internally discovered product candidates and strategic collaborations with pharmaceutical companies. We also have an economic interest in future payments that may be made by GSK pursuant to agreements with Theravance relating to certain drug programs, including UMEC/VI/FF and the MABA program, as monotherapy with GSK961081 ('081) and as a combination ('081/FF). We are focused on the discovery, development and commercialization of small molecule medicines across a number of therapeutic areas including bacterial infections, central nervous system ("CNS")/pain, respiratory disease, and gastrointestinal ("GI") motility dysfunction. By leveraging our proprietary insight of multivalency to drug discovery, we are pursuing a best-in-class strategy designed to discover superior medicines in areas of significant unmet medical need. The principal office of our Delaware wholly-owned subsidiary is located at 901 Gateway Boulevard, South San Francisco, California 94080. Theravance Biopharma was incorporated in the Cayman Islands in July 2013 under the name Theravance Biopharma, Inc. and will begin operations upon the spin-off through a wholly-owned subsidiary organized as a Delaware corporation.

Our strategy focuses on the discovery, development and commercialization of medicines with superior efficacy, convenience, tolerability and/or safety using our proprietary insight in chemistry, biology and multivalency, where applicable. Multivalency refers to the simultaneous attachment of a single molecule to multiple binding sites on one or more biological targets. When compared to monovalency, whereby a molecule attaches to only one binding site, multivalency can significantly increase a compound's potency, duration of action and/or selectivity. Multivalent compounds generally consist of several individual small molecules, at least one of which is biologically active when bound to its target, joined by linking components. In addition, we believe that we can enhance the probability of successfully developing and commercializing medicines by identifying at least two structurally different product candidates, whenever practicable, in each therapeutic program.

Our Programs

The table below summarizes the status of our approved product and our most advanced product candidates for internal development or co-development. The table also includes the status of the respiratory programs in which we have an economic interest that are being developed and commercialized by GSK pursuant to agreements with Theravance, which we refer to as the GSK-partnered respiratory programs. We have an economic interest in these programs through our non-voting interest in Theravance Respiratory Company LLC ("TRC"), a Delaware limited liability company controlled by Theravance. See "The Spin-Off—Formation of Theravance Respiratory Company LLC" and "Business-Economic Interests in GSK Respiratory Programs Partnered with Theravance."

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Programs

THERAPEUTIC AREA	STATUS				
	Phase 1	Phase 2	Phase 3	Filed	Approved
ECONOMIC INTERESTS IN GSK RESPIRATORY PROGRAMS PARTNERED WITH THERAVANCE					
UMEC/VI/FF					
GSK961081 (MABA)					
THERAVANCE BIOPHARMA PRODUCT AND DEVELOPMENT PROGRAMS					
BACTERIAL INFECTIONS					
VIBATIV®					
TD-1792					
TD-1607					
CNS/PAIN					
Axelopran (TD-1211)					
TD-9855: Fibromyalgia					
RESPIRATORY					
TD-4208 (LAMA)					
GI MOTILITY DYSFUNCTION					
Velusetrag (TD-5108)					
TD-8954					

Legend:

Demonstrated Proof-of-Concept

Proof-of-Concept demonstrated for each of the individual components of the programs

Pre Proof-of-Concept

Key: **CNS:** Central Nervous System; **FF:** Fluticasone Furoate; **GI:** Gastrointestinal; **LAMA:** Long-Acting Muscarinic Antagonist; **MABA:** Bifunctional Muscarinic Antagonist-Beta$_2$ Agonist; **UMEC:** Umeclidinium; **VI:** Vilanterol

In the table above:

Status indicates the most advanced stage of clinical development that has been completed or is in process.

Phase 1 indicates initial clinical safety testing in healthy volunteers, or studies directed toward understanding the mechanisms of action of the drug.

Phase 2 indicates further clinical safety testing and preliminary efficacy testing in a limited patient population.

Phase 3 indicates evaluation of clinical efficacy and safety within an expanded patient population.

Filed indicates that a marketing application has been submitted to a regulatory authority.

Approved indicates the drug has been approved for marketing in at least one jurisdiction.

We consider programs in which at least one compound has successfully completed a Phase 2a study showing efficacy and tolerability as having achieved Proof-of-Concept.

Program Highlights

Economic Interests in GSK Respiratory Programs Partnered with Theravance

Prior to the spin-off, Theravance will assign to TRC its strategic alliance agreement with GSK and all of its rights and obligations under its collaboration agreement with GSK other than with respect to RELVAR® ELLIPTA®/BREO® ELLIPTA®, ANORO™ ELLIPTA™ and vilanterol monotherapy. Our equity interest in TRC will entitle us an 85% economic interest in any future payments made by GSK under the strategic alliance agreement with GSK and under the portion of the collaboration agreement with GSK assigned to TRC. The drug programs assigned to TRC include UMEC/VI/FF and the MABA program, as monotherapy and in combination with other therapeutically active components, such as an inhaled corticosteroid (ICS), and any other product or combination of products that may be discovered and developed in the future under these GSK agreements. Our economic interest will not include any payments associated with RELVAR® ELLIPTA®/BREO® ELLIPTA®, ANORO™ ELLIPTA™ or vilanterol monotherapy. See "The Spin-Off—Formation of Theravance Respiratory Company LLC."

Theravance and GSK entered into amendments to their collaboration agreement and strategic alliance agreement that will become effective upon the effectiveness of the spin-off, provided that the spin-off is effected by June 30, 2014. These amendments provide that GSK's diligent efforts obligations regarding commercialization matters under both the collaboration agreement and strategic alliance agreement will change upon regulatory approval in either the U.S. or the European Union of UMEC/VI/FF or a MABA in combination with fluticasone furoate. Upon such regulatory approval, GSK's diligent efforts obligations as to commercialization matters under the GSK agreements will have the objective of focusing on the best interests of patients and maximizing the net value of the overall portfolio of products under the collaboration agreement and strategic alliance agreement. These amendments do not change GSK's diligent efforts obligations regarding development under the GSK agreements. However, since GSK's commercialization efforts following such regulatory approval will be guided by a portfolio approach across products in which we have an indirect interest through TRC and products in which we have no interests, GSK's commercialization efforts may have the effect of reducing the value of our interests in TRC.

UMEC/VI/FF

The UMEC/VI/FF program seeks to provide the activity of two bronchodilators (UMEC and VI) plus an inhaled corticosteroid (FF) in a single delivery device. In this program, the LABA and LAMA molecules that comprise GSK's ANORO™ ELLIPTA™ will be co-formulated in a single blister strip, and the inhaled corticosteroid, FF, will be administered from an adjacent blister strip—both of which would be administered together in GSK's ELLIPTA™ inhaler. The royalty rates applicable to worldwide net sales of UMEC/VI/FF under the collaboration agreement are upward-tiering from 6.5% to 10%.

Inhaled Bifunctional Muscarinic Antagonist-Beta$_2$ Agonist (MABA)

GSK961081 ('081) is an investigational, single molecule bifunctional bronchodilator discovered by Theravance with both muscarinic antagonist and beta$_2$ receptor agonist activities. '081 has completed a Phase 2b study, a Phase 1 study in combination with the inhaled corticosteroid, fluticasone propionate ("FP"), and a number of Phase 3-enabling non-clinical studies. '081 is now being progressed as a combination with FF delivered once-daily in the ELLIPTA™ inhaler which requires additional work on non-clinical studies, manufacturing and a Phase 1 bioequivalence study. As a result, it is unlikely that a Phase 3 study with '081 will commence in 2014. Preclinical Phase 3-enabling studies with the

combination '081/FF are ongoing to explore its potential as a once-daily medicine delivered in the ELLIPTA™ inhaler.

In 2005, GSK licensed Theravance's bifunctional muscarinic antagonist-beta$_2$ agonist (MABA) program under the strategic alliance agreement, which agreement will be assigned to TRC, and in October 2011, Theravance and GSK expanded the MABA program by adding six additional Theravance-discovered preclinical MABA compounds (the "Additional MABAs"). GSK is obligated to use diligent efforts to develop and commercialize at least one MABA within the MABA program, but may terminate progression of any or all Additional MABAs at any time and return them to TRC, at which point TRC may develop and commercialize such Additional MABAs alone or with a third party. Both GSK and Theravance have agreed not to conduct any MABA clinical studies outside of the strategic alliance agreement so long as GSK is in possession of the Additional MABAs. If a single-agent MABA medicine containing '081 is successfully developed and commercialized, TRC is entitled to receive royalties from GSK of between 10% and 20% of annual global net sales up to $3.5 billion, and 7.5% for all annual global net sales above $3.5 billion. If a MABA medicine containing '081 is commercialized only as a combination product, such as '081/FF, the royalty rate is 70% of the rate applicable to sales of the single-agent MABA medicine. For single-agent MABA medicines containing an Additional MABA, TRC is entitled to receive royalties from GSK of between 10% and 15% of annual global net sales up to $3.5 billion, and 10% for all annual global net sales above $3.5 billion. For combination products containing an Additional MABA, such as a MABA/ICS combination, the royalty rate is 50% of the rate applicable to sales of the single-agent MABA medicine. If a MABA medicine containing '081 is successfully developed and commercialized in multiple regions of the world, TRC could earn total contingent payments of up to $125.0 million for a single-agent medicine and up to $250.0 million for both a single-agent and a combination medicine. If a MABA medicine containing an Additional MABA is successfully developed and commercialized in multiple regions of the world, TRC could earn total contingent payments of up to $129.0 million.

Bacterial Infections Programs

VIBATIV® (telavancin)

VIBATIV® (telavancin) is a bactericidal, once-daily injectable antibiotic discovered by Theravance in a research program dedicated to finding new antibiotics for serious infections due to *Staphylococcus aureus* and other Gram-positive bacteria, including methicillin-resistant (MRSA) strains. VIBATIV® is approved in the U.S. and Canada for the treatment of adult patients with complicated skin and skin structure infections (cSSSI) caused by susceptible Gram-positive bacteria. VIBATIV® is also approved in the U.S. for the treatment of adult patients with hospital-acquired and ventilator-associated bacterial pneumonia (HABP/VABP) caused by susceptible isolates of *Staphylococcus aureus* when alternative treatments are not suitable.

In May 2012, Theravance entered into a Technology Transfer and Supply Agreement with Hospira Worldwide, Inc. ("Hospira") for VIBATIV® drug product supply. In June 2013, the U.S. Food and Drug Administration ("FDA") approved Hospira as a VIBATIV® drug product manufacturer. This agreement with Hospira will be assigned to us. On August 14, 2013 Theravance announced the reintroduction of VIBATIV® to the U.S. market with the commencement of shipments into the wholesaler channel. While Theravance has contracted a small sales force and is expanding its medical affairs presence, other commercialization alternatives for the U.S. market are being evaluated.

In September 2011, the European Commission granted marketing authorization for VIBATIV® for the treatment of adults with nosocomial pneumonia (NP), including ventilator-associated pneumonia, known or suspected to be caused by MRSA when other alternatives are not suitable. However, in May 2012, the European Commission suspended this marketing authorization because the previous single-source drug product supplier did not meet the current Good Manufacturing Practice ("cGMP") requirements for the manufacture of VIBATIV®. In March 2014, the European Commission lifted the

suspension. We anticipate that commercialization in the European Union will commence upon availability of product and satisfaction of all pre-launch requirements.

Commercialization Agreement with Clinigen. In March 2013, Theravance entered into a commercialization agreement with Clinigen Group plc ("Clinigen") to commercialize VIBATIV® for the treatment of nosocomial pneumonia, including ventilator-associated pneumonia, known or suspected to be caused by MRSA when other alternatives are not suitable. Under the agreement, Theravance granted Clinigen exclusive commercialization rights in the European Union and certain other European countries (including Switzerland and Norway). Theravance received a $5.0 million upfront payment in March 2013. This agreement with Clinigen will be assigned to us. After the spin-off, we will be eligible to receive tiered royalty payments on net sales of VIBATIV® ranging from 20% to 30% during the term of the agreement, and from a low double digit percentage to a mid-teen percentage if Clinigen exercises its post-term option. We will be responsible, either directly or through our vendors or contractors, for supplying at Clinigen's expense both API and finished drug product for Clinigen's commercialization activities. The agreement has a term of at least 15 years, with an option to extend exercisable by Clinigen. However, Clinigen may terminate the agreement at any time after it has initiated commercialization upon twelve months' advance notice.

Development and Commercialization Agreements with R-Pharm. In October 2012, Theravance entered into two separate development and commercialization agreements with R-Pharm CJSC ("R-Pharm"): one to develop and commercialize VIBATIV® and the other to develop and commercialize TD-1792, one of Theravance's investigational glycopeptide-cephalosporin heterodimer antibiotics for the treatment of Gram-positive infections. Under each agreement, Theravance granted R-Pharm exclusive development and commercialization rights in Russia, Ukraine, other member countries of the Commonwealth of Independent States, and Georgia for a period of 20 years after commercialization in the territory or, if later, until certain patents expire. Theravance received $1.1 million in upfront payments for each agreement. These agreements with R-Pharm will be assigned to us. Following the spin-off, we will be eligible to receive potential future contingent payments totaling up to $10.0 million for both agreements and royalties on net sales by R-Pharm of 15% from TD-1792 and 25% from VIBATIV®.

Commercialization Agreement with Hikma. In May 2013, Theravance entered into a commercialization agreement with Hikma Pharmaceuticals LLC ("Hikma") providing Hikma with the right to commercialize telavancin for the treatment of Gram-positive bacterial infections, including MRSA. Under the agreement, Theravance granted Hikma exclusive commercialization rights in the Middle East and North Africa ("MENA") region to register, and upon regulatory approval, market and distribute telavancin in 16 countries across MENA. Theravance received a $0.5 million upfront payment in June 2013. Also, Theravance is eligible to receive contingent payments of up to $0.5 million related to the successful commercialization of telavancin. This agreement with Hikma will be assigned to us. We will be responsible, either directly or through our vendors or contractors, for supplying drug product for Hikma's commercialization activities for 15 years after which such agreement will terminate unless renewed on an annual basis by mutual agreement of the parties.

Glycopeptide-Cephalosporin Heterodimer Program

Through our glycopeptide-cephalosporin heterodimer program we intend to discover and develop a multivalent antibiotic for serious Gram-positive bacterial infections.

TD-1792

TD-1792 is an investigational glycopeptide-cephalosporin heterodimer antibiotic for the treatment of Gram-positive infections. TD-1792 has successfully completed a Phase 2 proof-of concept study in complicated skin and skin structure infections and a human bronchoalveolar lavage study. Our partner, R-Pharm, currently intends to initiate Phase 2 studies in Russia for hospital-acquired pneumonia.

TD-1607

TD-1607 is our second investigational glycopeptide-cephalosporin heterodimer antibiotic for the treatment of Gram-positive infections. It is structurally distinct from TD-1792 but demonstrates a similar potent and rapidly bactericidal profile in vitro. In October 2013, we progressed TD-1607 into a Phase 1 randomized, double-blind placebo-controlled multiple ascending dose study to evaluate the safety, tolerability and pharmacokinetics of TD-1607 in healthy subjects. This study is expected to complete in 2014.

Central Nervous System/Pain Programs

Oral Peripheral Mu Opioid Receptor Antagonist—TD-1211

TD-1211 is an investigational once-daily, orally administered, peripherally selective, multivalent inhibitor of the mu opioid receptor designed with a goal of alleviating gastrointestinal side effects of opioid therapy without affecting analgesia. In July 2012, Theravance announced positive topline results from the Phase 2b Study 0084, the key study in the Phase 2b program evaluating TD-1211 as potential treatment for chronic, non-cancer pain patients with opioid-induced constipation. The Phase 2b program consisted of three studies (0074, 0076 and 0084) designed to evaluate doses and dosing regimens for Phase 3. We are currently evaluating our Phase 3 strategy due to potentially evolving FDA requirements for this class of drug.

Monoamine Reuptake Inhibitor—TD-9855

We are developing TD-9855, an investigational norepinephrine and serotonin reuptake inhibitor discovered by Theravance, for the treatment of chronic pain conditions. TD-9855 is currently being evaluated in an ongoing Phase 2 study in patients with fibromyalgia and the results of the study are anticipated to be reported the first half of 2014. Recently, TD-9855 did not meet the primary efficacy endpoints in the Phase 2 study in adult patients with Attention-Deficit/Hyperactivity Disorder.

Theravance Biopharma Respiratory Program

Long-Acting Muscarinic Antagonist (LAMA)—TD-4208

We are developing TD-4208, a once-daily inhaled nebulized muscarinic antagonist discovered by Theravance, for the treatment of a subset of COPD patients whom we believe are underserved by current hand-held products. We believe that such a medicine could serve as a foundation for several combination nebulized products as well as potential metered dose inhaler ("MDI") or dry powder inhaler ("DPI") products. In November 2011, Theravance announced positive topline results from a Phase 2a single-dose COPD study of TD-4208. In this study, TD-4208 met the primary endpoint by demonstrating a statistically significant mean change from baseline in peak forced expiratory volume in one second ("FEV1") compared to placebo, and was generally well tolerated. In September 2013, Theravance reported positive top-line data from a Phase 2b study to evaluate the bronchodilatory effect, pharmacokinetics, safety and tolerability of multiple doses of TD-4208. In this study, TD-4208 met the primary efficacy endpoint for all six doses studied and demonstrated a statistically significant change versus placebo from baseline in trough FEV1. All doses of TD-4208 were generally well tolerated in the study with rates of adverse events comparable to placebo.

We have entered into an extension agreement with GSK in which we have agreed to be subject to certain restrictive covenants similar to those applicable to Theravance under the collaboration and strategic alliance agreement with GSK. One of those covenants provides that for so long as a MABA product candidate remains in active development under the strategic alliance agreement with GSK, we will not, whether alone or with a third party, conduct a clinical study with respect to a MABA compound (or a product containing a MABA compound). Although exploring the combination of TD-4208 with a MABA may be clinically attractive, we have agreed not to pursue such a combination

product so long as a MABA product candidate remains in active development under the strategic alliance agreement with GSK, which product candidate we will have an economic interest in pursuant to our interest in TRC. Similarly, for so long as there is at least one collaboration product being developed or commercialized under the collaboration agreement in which we have an economic interest pursuant to our interest in TRC, we will not carry out clinical development with any LABA that is not a compound under the collaboration agreement, subject to limited exceptions. However, if we license TD-4208 to a third party that chooses to combine TD-4208 with a LABA compound, that third party would not be similarly restricted provided that we do not direct the third party's development or commercialization efforts or share any GSK confidential information.

Gastrointestinal (GI) Motility Dysfunction Programs

Velusetrag

Velusetrag is an oral, investigational medicine discovered by Theravance and developed for gastrointestinal motility disorders. It is a highly selective agonist with high intrinsic activity at the human 5-HT4 receptor. In October 2012, Theravance entered into a development and collaboration arrangement with Alfa Wassermann società per azioni (S.p.A.) ("Alfa Wassermann") for velusetrag, under which the parties agreed to collaborate in the execution of a two-part Phase 2 program to test the efficacy, safety and tolerability of velusetrag in the treatment of patients with gastroparesis (a medical condition consisting of a paresis (partial paralysis) of the stomach, resulting in food remaining in the stomach for a longer time than normal). In January 2013, Theravance and Alfa Wassermann announced the initiation of a Phase 2 proof-of-concept study to evaluate the efficacy and safety of velusetrag for the treatment of patients with diabetic or idiopathic gastroparesis. This agreement with Alfa Wassermann will be assigned to us and such agreement provides for a term of 15 years from first commercialization or, if later, until certain patents expire. Alfa Wassermann has an exclusive option to develop and commercialize velusetrag in the European Union, Russia, China, Mexico and certain other countries, while we retain full rights to velusetrag in the U.S., Canada, Japan and certain other countries. We will be entitled to receive funding for the Phase 2a study and a subsequent Phase 2b study. In April 2014, Theravance announced positive top-line results from a Phase 2 study that evaluated gastric emptying, safety and tolerability of multiple doses of velusetrag, and based on these results, Theravance and Alfa Wassermann have agreed to advance velusetrag into a Phase 2b study later this year. If Alfa Wassermann exercises its license option at the completion of the Phase 2 program, then we will be entitled to receive a $10.0 million option fee. If velusetrag is successfully developed and commercialized, we will be entitled to receive potential future contingent payments totaling up to $53.5 million, and royalties on net sales by Alfa Wassermann ranging from the low teens to 20%.

TD-8954

TD-8954, like velusetrag, is a highly selective agonist with high intrinsic activity at the human 5-HT4 receptor. We are investigating the development potential of TD-8954 for acute use in the hospital setting for patients who require rapid restoration of upper and lower GI motility. We believe that TD-8954 may help hospitalized patients with enteral feeding intolerance, or EFI, and potentially other GI disorders. We recently initiated a Phase 2a study to evaluate the safety, tolerability and pharmacodynamics of a single-dose of TD-8954 administered intravenously compared to metoclopramide in critically ill patients with EFI. This study is expected to read out at the end of 2014.

Preclinical Research Programs

We have a number of early-stage research programs in a wide range of therapeutic areas.

Our Approach

Our strategy focuses on the discovery, development and commercialization of medicines with superior efficacy, convenience, tolerability and/or safety using our proprietary insight in chemistry, biology and multivalency, where applicable. Multivalency refers to the simultaneous attachment of a single molecule to multiple binding sites on one or more biological targets. When compared to monovalency, whereby a molecule attaches to only one binding site, multivalency can significantly increase a compound's potency, duration of action and/or selectivity. Multivalent compounds generally consist of several individual small molecules, at least one of which is biologically active when bound to its target, joined by linking components.

Our approach is based on an integration of the following insights:

- many targets have multiple binding sites and/or exist in clusters with similar or different targets;
- biological targets with multiple binding sites and/or those that exist in clusters lend themselves to multivalent drug design;
- molecules that simultaneously attach to multiple binding sites can exhibit considerably greater potency, duration of action and/or selectivity than molecules that attach to only one binding site; and
- greater potency, duration of action and/or selectivity provides the basis for superior therapeutic effects, including enhanced convenience, tolerability and/or safety compared to conventional drugs.

Our Strategy

Our objective is to discover, develop and commercialize new medicines with superior efficacy, convenience, tolerability and/or safety using our proprietary insight in chemistry, biology and multivalency, where applicable. The key elements of our strategy are to:

Apply our expertise in chemistry, biology and multivalency to discover and develop superior medicines in areas of significant unmet medical need. We intend to continue to concentrate our efforts on discovering and developing product candidates where:

- existing drugs have levels of efficacy, convenience, tolerability and/or safety that are insufficient to meet an important medical need;
- we believe our expertise in chemistry, biology and multivalency can be applied to create superior product candidates that are more potent, longer acting and/or more selective than currently available medicines;
- there are established animal models that can be used to provide us with evidence as to whether our product candidates have the potential to provide superior therapeutic benefits relative to current medicines; and
- there is a relatively large commercial opportunity.

Identify two structurally different product candidates in each therapeutic program whenever practicable. We believe that we can increase the likelihood of successfully bringing superior medicines to market by identifying, whenever practicable, two product candidates for development in each program. Our second product candidates are typically in a different structural class from the first product candidate. Applying this strategy can reduce our dependence on any one product candidate and provide us with the potential opportunity to commercialize two compounds in a given area.

Partner with pharmaceutical companies. Our strategy is to seek collaborations with pharmaceutical companies to accelerate development and commercialization of our product candidates at the strategically appropriate time.

Leverage the extensive experience of our people. We have an experienced management team with many years of experience discovering, developing and commercializing new medicines with companies such as Amgen Inc., Bristol-Myers Squibb Company, Eli Lily and Company, Genentech, Gilead Sciences, GlaxoSmithKline, Merck and Theravance.

Improve, expand and protect our technical capabilities. We have created a substantial body of know-how and trade secrets in the application of our multivalent approach to drug discovery. We believe this is a significant asset that distinguishes us from our competitors. We expect to continue to make substantial investments in drug discovery using multivalency and other technologies to maintain what we believe are our competitive advantages.

Manufacturing

We have limited in-house active pharmaceutical ingredient ("API") production capabilities, and we rely primarily on a number of third parties, including contract manufacturing organizations and our collaborative partners, to produce our active pharmaceutical ingredient and drug product.

We believe that we have in-house expertise to manage a network of third party manufacturers. We believe that we will be able to continue to negotiate third-party manufacturing arrangements on commercially reasonable terms and that it will not be necessary for us to obtain internal manufacturing capacity in order to develop or commercialize our products. However, if we are unable to obtain contract manufacturing or obtain such manufacturing on commercially reasonable terms, or if manufacturing is interrupted at one of our suppliers, whether due to regulatory or other reasons, we may not be able to develop or commercialize our products as planned.

We have a single source of supply of telavancin API and another, separate single source of supply of VIBATIV® drug product. If, for any reason, either the single-source third party manufacturer of telavancin API or of VIBATIV® drug product is unable or unwilling to perform, or if its performance does not meet regulatory requirements, including maintaining cGMP compliance, we may not be able to locate alternative manufacturers, enter into acceptable agreements with them or obtain sufficient quantities of API or finished drug product in a timely manner. Any inability to acquire sufficient quantities of API or finished drug product in a timely manner from current or future sources would adversely affect the commercialization of VIBATIV® and our obligations to our partners and could cause the price of our securities to fall.

Government Regulation

The development and commercialization of VIBATIV® and our product candidates by us and our collaborative partners and our ongoing research are subject to extensive regulation by governmental authorities in the United States and other countries. Before marketing in the United States, any medicine must undergo rigorous preclinical studies and clinical studies and an extensive regulatory approval process implemented by the FDA under the Federal Food, Drug, and Cosmetic Act. Outside the United States, the ability to market a product depends upon receiving a marketing authorization from the appropriate regulatory authorities. The requirements governing the conduct of clinical studies, marketing authorization, pricing and reimbursement vary widely from country to country. In any country, however, the commercialization of medicines is permitted only if the appropriate regulatory authority is satisfied that we have presented adequate evidence of the safety, quality and efficacy of our medicines.

Before commencing clinical studies in humans in the United States, we must submit to the FDA an Investigational New Drug application that includes, among other things, the results of preclinical

studies. If the FDA accepts the Investigational New Drug submission, clinical studies are usually conducted in three phases and under FDA oversight. These phases generally include the following:

Phase 1. The product candidate is introduced into healthy human volunteers and is tested for safety, dose tolerance and pharmacokinetics.

Phase 2. The product candidate is introduced into a limited patient population to assess the efficacy of the drug in specific, targeted indications, assess dosage tolerance and optimal dosage, and identify possible adverse effects and safety risks.

Phase 3. If a compound is found to be potentially effective and to have an acceptable safety profile in Phase 2 evaluations, the clinical study will be expanded to further demonstrate clinical efficacy, optimal dosage and safety within an expanded patient population.

The results of product development, preclinical studies and clinical studies must be submitted to the FDA as part of a new drug application, or NDA. The NDA also must contain extensive manufacturing information. NDAs for new chemical entities are subject to performance goals defined in the Prescription Drug User Fee Act which suggests a goal for FDA action within six months of the 60-day filing date for applications that are granted priority review and ten months of the 60-day filing date for applications that receive standard review. For a product candidate no active ingredient of which has been previously approved by the FDA, the FDA must either refer the product candidate to an advisory committee for review or provide in the action letter on the application for the product candidate a summary of the reasons why the product candidate was not referred to an advisory committee prior to approval. In addition, under the 2009 Food and Drug Administration Amendments Act, the FDA has authority to require submission of a formal risk evaluation and management strategy to ensure safe use of the product. At the end of the review period, the FDA communicates an approval of the NDA or issues a complete response listing the application's deficiencies.

Once approved, the FDA may withdraw the product approval if compliance with pre- and post-marketing regulatory standards is not maintained or if safety or quality issues are identified after the product reaches the marketplace. In addition, the FDA may require post-marketing studies, referred to as Phase 4 studies, to monitor the effect of approved products, and may limit further marketing of the product based on the results of these post-marketing studies. The FDA has broad post-market regulatory and enforcement powers, including the ability to suspend or delay issuance of approvals, seize products, withdraw approvals, enjoin violations, and institute criminal prosecution.

If regulatory approval for a medicine is obtained, the clearance to market the product will be limited to those diseases and conditions for which the medicine is effective, as demonstrated through clinical studies and included in the medicine's labeling. Even if this regulatory approval is obtained, a marketed medicine, its manufacturer and its manufacturing facilities are subject to continual review and periodic inspections by the FDA. The FDA ensures the quality of approved medicines by carefully monitoring manufacturers' compliance with its cGMP regulations. The cGMP regulations for drugs contain minimum requirements for the methods, facilities, and controls used in manufacturing, processing, and packaging of a medicine. The regulations are intended to make sure that a medicine is safe for use, and that it has the ingredients and strength it claims to have. Discovery of previously unknown problems with a medicine, manufacturer or facility may result in restrictions on the medicine or manufacturer, including costly recalls or withdrawal of the medicine from the market.

We and our collaborative partners are also subject to various laws and regulations regarding laboratory practices, the experimental use of animals and the use and disposal of hazardous or potentially hazardous substances in connection with our research. In each of these areas, as above, the FDA and other regulatory authorities have broad regulatory and enforcement powers, including the ability to suspend or delay issuance of approvals, seize products, withdraw approvals, enjoin violations, and institute criminal prosecution, any one or more of which could have a material adverse effect upon our business, financial condition and results of operations.

Outside the United States our ability to market our products will also depend on receiving marketing authorizations from the appropriate regulatory authorities. Risks similar to those associated with FDA approval described above exist with the regulatory approval processes in other countries.

Patents and Proprietary Rights

We will be able to protect our technology from unauthorized use by third parties only to the extent that our technology is covered by valid and enforceable patents or is effectively maintained as trade secrets. Our success in the future will depend in part on obtaining patent protection for our product candidates. Accordingly, patents and other proprietary rights are essential elements of our business. Our policy is to seek in the United States and selected foreign countries patent protection for novel technologies and compositions of matter that are commercially important to the development of our business. For proprietary know-how that is not patentable, processes for which patents are difficult to enforce and any other elements of our drug discovery process that involve proprietary know-how and technology that is not covered by patent applications, we rely on trade secret protection and confidentiality agreements to protect our interests. We require all of our employees, consultants and advisors to enter into confidentiality agreements. Where it is necessary to share our proprietary information or data with outside parties, our policy is to make available only that information and data required to accomplish the desired purpose and only pursuant to a duty of confidentiality on the part of those parties.

As of December 31, 2013, Theravance owned 369 issued United States patents and 1,364 granted foreign patents, as well as additional pending United States patent applications and foreign patent applications. We anticipate that all or substantially all of the patents and patent applications related to our business will be assigned by Theravance to Theravance Biopharma or to its wholly-owned Cayman Islands subsidiary. The claims in these various patents and patent applications are directed to compositions of matter, including claims covering product candidates, lead compounds and key intermediates, pharmaceutical compositions, methods of use and processes for making our compounds along with methods of design, synthesis, selection and use relevant to multivalency in general and to our research and development programs in particular. In particular, we will be assigned ownership of the following U.S. patents which are listed in the FDA *Approved Drug Products with Therapeutic Equivalence Evaluations* (Orange Book) for telavancin: U.S. Patent No. 6,635,618 B2, expiring on September 11, 2023; U.S. Patent No. 6,858,584 B2, expiring on August 24, 2022; U.S. Patent No. 6,872,701 B2, expiring on June 5, 2021; U.S. Patent No. 7,008,923 B2, expiring on May 6, 2021; U.S. Patent No. 7,208,471 B2, expiring on May 1, 2021; U.S. Patent No. 7,351,691 B2, expiring on May 1, 2021; U.S. Patent No. 7,531,623 B2, expiring on January 1, 2027; U.S. Patent No. 7,544,364 B2, expiring on May 1, 2021; U.S. Patent No. 7,700,550 B2, expiring on May 1, 2021; U.S. Patent No. 8,101,575 B2, expiring on May 1, 2021; and U.S. Patent No. 8,158,580 B2, expiring on May 1, 2021.

United States issued patents and foreign patents generally expire 20 years after filing. The patent rights relating to VIBATIV® which will be assigned to us currently consist of United States patents that expire between 2019 and 2027, additional pending United States patent applications and counterpart patents and patent applications in a number of jurisdictions, including Europe. Nevertheless, issued patents can be challenged, narrowed, invalidated or circumvented, which could limit our ability to stop competitors from marketing similar products and threaten our ability to commercialize our product candidates. Our patent position, similar to other companies in our industry, is generally uncertain and involves complex legal and factual questions. To maintain our proprietary position we will need to obtain effective claims and enforce these claims once granted. It is possible that, before any of our products can be commercialized, any related patent may expire or remain in force only for a short period following commercialization, thereby reducing any advantage of the patent. Also, we do not know whether any of our patent applications will result in any issued patents or, if issued, whether the scope of the issued claims will be sufficient to protect our proprietary position.

Theravance entered into a License Agreement with Janssen Pharmaceutica ("Janssen") pursuant to which it licensed rights under certain patents owned by Janssen covering an excipient used in the formulation of telavancin. This license agreement will be assigned by Theravance to Theravance Biopharma. We believe that the general and financial terms of the agreement with Janssen are ordinary course terms. Pursuant to the terms of this license agreement, we will be obligated to pay royalties to Janssen based on any commercial sales of telavancin at percentage rates in the mid-single digits, and further will be obligated to make potential milestone payments to Janssen of up to $1 million. The license is terminable by us upon prior written notice to Janssen or upon an uncured breach or a liquidation event of one of the parties.

Competition

Our objective is to discover, develop and commercialize new medicines with superior efficacy, convenience, tolerability and/or safety using our proprietary insight in chemistry, biology and multivalency, where applicable. We expect that any medicines that we commercialize with our collaborative partners or on our own will compete with existing and future market-leading medicines.

Many of our potential competitors have substantially greater financial, technical and personnel resources than we have. In addition, many of these competitors have significantly greater commercial infrastructures than we have. Our ability to compete successfully will depend largely on our ability to leverage our experience in drug discovery and development to:

- discover and develop medicines that are superior to other products in the market;
- attract qualified scientific, product development and commercial personnel;
- obtain patent and/or other proprietary protection for our medicines and technologies;
- obtain required regulatory approvals; and
- successfully collaborate with pharmaceutical companies in the discovery, development and commercialization of new medicines.

VIBATIV® (telavancin). VIBATIV® competes with vancomycin, a generic drug that is manufactured by a variety of companies, as well as other drugs marketed to treat complicated skin and skin structure infections and hospital-acquired and ventilator-associated bacterial pneumonia caused by Gram-positive bacteria. Currently marketed products include but are not limited to Cubicin® (daptomycin) marketed by Cubist Pharmaceuticals, Zyvox® (linezolid) and Tygacil® (tigecycline) both marketed by Pfizer, and Teflaro® (ceftaroline) marketed by Forest Laboratories. To compete effectively with these medicines, and in particular with the relatively inexpensive generic option of vancomycin, we will need to demonstrate to physicians that, based on experience, clinical data, side-effect profiles and other factors, VIBATIV® is a suitable alternative to vancomycin and other existing or subsequently-developed anti-infective drugs in certain clinical situations.

In addition, as the principles of multivalent medicine design become more widely known and appreciated based on patent and scientific publications and regulatory filings, we expect the field to become highly competitive. Pharmaceutical companies, biotechnology companies and academic and research institutions may seek to develop product candidates based upon the principles underlying our multivalent technologies.

Employees

After giving effect to the spin-off, we expect our U.S. operating subsidiary to have approximately 270 employees, of which 200 are expected to be engaged primarily in research and development activities on behalf of our other subsidiaries and affiliates pursuant to intercompany service agreements. We anticipate that after the spin-off, our Chief Executive Officer will also continue to serve as chief executive officer of Theravance and some of our employees will provide services to Theravance and some employees of Theravance will provide services to us pursuant to agreements between our companies. None of our employees are expected to be represented by a labor union. We consider our employee relations to be good.

Historical Selected Financial Data

The tables below set forth selected historical financial data of Theravance Biopharma. This information has been derived from our (i) audited combined financial statements as of December 31, 2012 and 2013 and for the three years in the period ended December 31, 2013, which are included elsewhere in this Information Statement. The December 31, 2011 balance sheet data is derived from audited combined financial statements, which are not included in this Information Statement. During these periods, Theravance Biopharma was an integrated business of Theravance. The historical financial information may not be indicative of the results of operations or financial position that we would have obtained if we had been an independent company during the periods presented or of our future performance as an independent company. See "Risk Factors." Per share data has not been presented as no ordinary shares were outstanding during the periods presented and such information would not be meaningful.

The selected historical financial data should be read in conjunction with the combined financial statements and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations," included elsewhere in this Information Statement.

Combined Statements of Operations Data

	Year Ended December 31,		
(in thousands)	2011	2012	2013
Revenue	$ 14,854	$ 130,145	$ 226
Operating expenses:			
Research and development	98,850	113,995	120,579
Selling, general and administrative	25,339	25,725	35,931
Total operating expenses(1)	124,189	139,720	156,510
Net loss	$ (109,335)	$ (9,575)	$ (156,284)

(1) The following table discloses the allocation of stock- based compensation expense included in total operating expenses:

	Year Ended December 31,		
(in thousands)	2011	2012	2013
Research and development	$ 12,696	$ 13,192	$ 15,444
General and administrative	8,767	8,131	7,032
Total share-based compensation	$ 21,463	$ 21,323	$ 22,476

Combined Balance Sheet Data

	December 31,		
(in thousands)	2011	2012	2013
Cash and cash equivalents	$ —	$ —	$ —
Restricted cash	893	833	833
Working capital (deficit)	(33,565)	(11,837)	(22,747)
Total assets	13,821	20,962	25,177
Long-term liabilities(1)	118,664	5,280	5,359
Total parent company (deficit)	(140,724)	(6,990)	(17,035)

(1) Long-term liabilities include the long-term portion of deferred revenue as follows:

	December 31,		
(in thousands)	2011	2012	2013
Deferred revenue	$ 112,843	$ 206	$ 585

Management's Discussion and Analysis of Financial Condition and Results of Operations

This Information Statement includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements in this Information Statement, other than statements of historical facts, including statements regarding the spin-off, our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans, intentions, expectations and objectives could be forward-looking statements. The words "anticipates," "believes," "could," "designed," "estimates," "expects," "goal," "intends," "may," "plans," "projects," "pursuing," "will," "would" and similar expressions (including the negatives thereof) are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions, expectations or objectives disclosed in our forward-looking statements and the assumptions underlying our forward-looking statements may prove incorrect. Therefore, you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions, expectations and objectives disclosed in the forward-looking statements that we make. Factors that we believe could cause actual results or events to differ materially from our forward-looking statements include, but are not limited to, those discussed in "Risk Factors" above, "Management's Discussion and Analysis of Financial Condition and Results of Operations" below and elsewhere in this Information Statement. Our forward-looking statements in this Information Statement are based on current expectations and we do not assume any obligation to update any forward-looking statements.

Management Overview

We are a biopharmaceutical company with one approved product that was discovered and developed internally, a pipeline of internally discovered product candidates and strategic collaborations with pharmaceutical companies. We are focused on the discovery, development and commercialization of small molecule medicines across a number of therapeutic areas including bacterial infections, central nervous system ("CNS")/pain, respiratory disease, and gastrointestinal ("GI") motility dysfunction. By leveraging our proprietary insight of multivalency to drug discovery, we are pursuing a best-in-class strategy designed to discover superior medicines in areas of significant unmet medical need.

Our strategy focuses on the discovery, development and commercialization of medicines with superior efficacy, convenience, tolerability and/or safety using our proprietary insight in chemistry, biology and multivalency, where applicable. Multivalency refers to the simultaneous attachment of a single molecule to multiple binding sites on one or more biological targets. When compared to monovalency, whereby a molecule attaches to only one binding site, multivalency can significantly increase a compound's potency, duration of action and/or selectivity. Multivalent compounds generally consist of several individual small molecules, at least one of which is biologically active when bound to its target, joined by linking components. In addition, we believe we can enhance the probability of successfully developing and commercializing medicines by identifying at least two structurally different product candidates, whenever practicable, in each therapeutic program.

We believe that strategic collaborations and licensing activities also will help us succeed at implementing our research, development and commercialization strategy for our product and product candidates. Through such strategic collaborations or licensing activities, we believe that we can enhance our ability to develop and expand our pipeline as well as commercialize products once approved.

We have never operated as a separate, stand-alone entity. In addition, there have been a number of events over the past several years that have had a significant impact on our operations. As a result of these factors, our historical financial results are not likely to be indicative of our future financial performance.

Summary Financial Results

Our total revenue was $14.9 million in 2011, $130.1 million in 2012 and $226,000 in 2013. Revenue in 2012 reflects the recognition of deferred revenue of $125.8 million from Theravance's global collaboration arrangement with Astellas Pharma Inc. ("Astellas") for the development and commercialization of VIBATIV®. This recognition resulted from Astellas' January 6, 2012 termination of Theravance's agreement with them. Our total operating expenses increased from $124.2 million in 2011 to $139.7 million in 2012 to $156.5 million in 2013. Our research and development expenses increased from 2011 to 2012 and 2012 to 2013 primarily due to the advancement of our clinical development programs for opioid-induced constipation with TD-1211 and in our CNS/Pain MARIN program with TD-9855. Selling, general and administrative expenses also increased over this same period to support the growth of our research and development business and our strategic initiatives. We recognized net losses of $109.3 million in 2011, $9.6 million in 2012 and $156.3 million in 2013.

The Separation of Theravance Biopharma from Theravance

On April 25, 2013, Theravance announced its intention to separate its Drug Discovery and Development Business into an independent, publicly traded company through a spin-off of 100% of its shares to Theravance stockholders. Completion of the spin-off is expected in the second quarter of 2014, subject to certain conditions, including final approval from Theravance's board of directors to complete the spin-off. Following the distribution, Theravance's stockholders will own 100% of the equity in both companies. The separation will not require a vote by Theravance stockholders. The Drug Discovery and Development Business discussed herein represents the historical combined operating results and financial condition of Theravance Biopharma. Any references to "we," "us," "Theravance Biopharma" or the "Company" refer to the Drug Discovery and Development Business as operated as a part of Theravance prior to the spin-off.

Basis of Presentation

The combined financial statements have been prepared using Theravance's historical cost basis of the assets, liabilities, revenues, and expenses of the various activities that comprise the Drug Discovery and Development Business as a component of Theravance and reflect the results of operations, financial condition and cash flows of the Drug Discovery and Development Business as a component of Theravance. The statements of operations include expense allocations for general corporate overhead functions historically shared with Theravance, including finance, legal, human resources, information technology and other administrative functions, which include the costs of salaries, benefits and other related costs, as well as consulting and other professional services. Where appropriate, these allocations were made on a specific identification basis. Otherwise, the expenses related to services provided to the Drug Discovery and Development Business by Theravance were allocated to Theravance Biopharma based on the relative percentages, as compared to Theravance's other businesses, of headcount or square footage usage.

The costs historically allocated to us by Theravance for the services it has shared with us may not be indicative of the costs we will incur for these services following the spin-off. Certain anticipated incremental costs and other adjustments that give effect to the spin-off are not reflected in our historical combined financial statements.

Program Highlights

Economic Interests in GSK Respiratory Programs Partnered with Theravance

Prior to the spin-off, Theravance will assign to TRC its strategic alliance agreement with GSK and all of its rights and obligations under its collaboration agreement with GSK other than with respect to RELVAR® ELLIPTA®/BREO® ELLIPTA®, ANORO™ ELLIPTA™ and vilanterol monotherapy. Our equity interest in TRC will entitle us an 85% economic interest in any future payments made by GSK

under the strategic alliance agreement with GSK and under the portion of the collaboration agreement with GSK assigned to TRC. The drug programs assigned to TRC include UMEC/VI/FF and the MABA program, as monotherapy and in combination with other therapeutically active components, such as an inhaled corticosteroid (ICS), and any other product or combination of products that may be discovered and developed in the future under these GSK agreements. Our economic interest will not include any payments associated with RELVAR® ELLIPTA®/BREO® ELLIPTA®, ANORO™ ELLIPTA™ or vilanterol monotherapy. See "The Spin-Off—Formation of Theravance Respiratory Company LLC.

UMEC/VI/FF

The UMEC/VI/FF program seeks to provide the activity of two bronchodilators (UMEC and VI) plus an inhaled corticosteroid (FF) in a single delivery device. In this program, the LABA and LAMA molecules that comprise GSK's ANORO™ ELLIPTA™ will be co-formulated in a single blister strip, and the inhaled corticosteroid, FF, will be administered from an adjacent blister strip—both of which would be administered together in GSK's ELLIPTA™ inhaler. The royalty rates applicable to worldwide net sales of UMEC/VI/FF under the collaboration agreement are upward-tiering from 6.5% to 10%.

Inhaled Bifunctional Muscarinic Antagonist-Beta$_2$ Agonist (MABA)

GSK961081 ('081) is an investigational, single molecule bifunctional bronchodilator with both muscarinic antagonist and beta$_2$ receptor agonist activities. '081 has completed a Phase 2b study, a Phase 1 study in combination with the ICS, fluticasone propionate ("FP"), and a number of Phase 3 enabling non-clinical studies. '081 is now being progressed as a combination with FF delivered once-daily in the ELLIPTA™ inhaler which requires additional work on non-clinical studies, manufacturing and a Phase 1 bioequivalence study. As a result, it is unlikely that a Phase 3 study with '081 will commence in 2014. Preclinical Phase 3-enabling studies with the combination '081/FF are ongoing to explore its potential as a once-daily medicine delivered in the ELLIPTA™ inhaler.

In 2005, GSK licensed Theravance's bifunctional muscarinic antagonist-beta$_2$ agonist (MABA) program under the strategic alliance agreement, which agreement will be assigned to TRC, and in October 2011, Theravance and GSK expanded the MABA program by adding six additional Theravance-discovered preclinical MABA compounds (the "Additional MABAs"). GSK is obligated to use diligent efforts to develop and commercialize at least one MABA within the MABA program, but may terminate progression of any or all Additional MABAs at any time and return them to TRC, at which point TRC may develop and commercialize such Additional MABAs alone or with a third party. Both GSK and Theravance have agreed not to conduct any MABA clinical studies outside of the strategic alliance agreement so long as GSK is in possession of the Additional MABAs. If a single-agent MABA medicine containing '081 is successfully developed and commercialized, TRC is entitled to receive royalties from GSK of between 10% and 20% of annual global net sales up to $3.5 billion, and 7.5% for all annual global net sales above $3.5 billion. If a MABA medicine containing '081 is commercialized only as a combination product, such as '081/FF, the royalty rate is 70% of the rate applicable to sales of the single-agent MABA medicine. For single-agent MABA medicines containing an Additional MABA, TRC is entitled to receive royalties from GSK of between 10% and 15% of annual global net sales up to $3.5 billion, and 10% for all annual global net sales above $3.5 billion. For combination products containing an Additional MABA, such as a MABA/ICS combination, the royalty rate is 50% of the rate applicable to sales of the single-agent MABA medicine. If a MABA medicine containing '081 is successfully developed and commercialized in multiple regions of the world, TRC could earn total contingent payments of up to $125.0 million for a single-agent medicine and up to $250.0 million for both a single-agent and a combination medicine. If a MABA medicine containing an Additional MABA is successfully developed and commercialized in multiple regions of the world, TRC could earn total contingent payments of up to $129.0 million.

Bacterial Infections Programs

VIBATIV® (telavancin)

VIBATIV® (telavancin) is a bactericidal, once-daily injectable antibiotic discovered by Theravance in a research program dedicated to finding new antibiotics for serious infections due to *Staphylococcus aureus* and other Gram-positive bacteria, including methicillin-resistant (MRSA) strains. VIBATIV® is approved in the U.S. and Canada for the treatment of adult patients with complicated skin and skin structure infections (cSSSI) caused by susceptible Gram-positive bacteria. VIBATIV® is also approved in the U.S. for the treatment of adult patients with hospital-acquired and ventilator-associated bacterial pneumonia (HABP/VABP) caused by susceptible isolates of *Staphylococcus aureus* when alternative treatments are not suitable.

In May 2012, Theravance entered into a Technology Transfer and Supply Agreement with Hospira Worldwide, Inc. ("Hospira") for VIBATIV® drug product supply. In June 2013, the U.S. Food and Drug Administration ("FDA") approved Hospira as a VIBATIV® drug product manufacturer. This agreement with Hospira will be assigned to us. On August 14, 2013 Theravance announced the reintroduction of VIBATIV® to the U.S. market with the commencement of shipments into the wholesaler channel. While Theravance has contracted a small sales force and is expanding its medical affairs presence, other commercialization alternatives for the U.S. market are being evaluated.

In September 2011, the European Commission granted marketing authorization for VIBATIV® for the treatment of adults with nosocomial pneumonia (NP), including ventilator-associated pneumonia, known or suspected to be caused by MRSA when other alternatives are not suitable. However, in May 2012, the European Commission suspended this marketing authorization because the previous single source drug product supplier did not meet the current Good Manufacturing Practice ("cGMP") requirements for the manufacture of VIBATIV®. In March 2014, the European Commission lifted the suspension. We anticipate that commercialization in the European Union will commence upon availability of product and satisfaction of all pre-launch requirements.

Central Nervous System/Pain Programs

Oral Peripheral Mu Opioid Receptor Antagonist—TD-1211

TD-1211 is an investigational once-daily, orally administered, peripherally selective, multivalent inhibitor of the mu opioid receptor designed with a goal of alleviating gastrointestinal side effects of opioid therapy without affecting analgesia. In July 2012, Theravance announced positive topline results from the Phase 2b Study 0084, the key study in the Phase 2b program evaluating TD-1211 as potential treatment for chronic, non-cancer pain patients with opioid-induced constipation. The Phase 2b program consisted of three studies (0074, 0076 and 0084) designed to evaluate doses and dosing regimens for Phase 3. We are currently evaluating our Phase 3 strategy due to potentially evolving FDA requirements for this class of drug.

Monoamine Reuptake Inhibitor—TD-9855

We are developing TD-9855, an investigational norepinephrine and serotonin reuptake inhibitor discovered by Theravance, for the treatment of chronic pain conditions. TD-9855 is currently being evaluated in an ongoing Phase 2 study in patients with fibromyalgia and the results of the study are anticipated to be reported the first half of 2014. Recently, TD-9855 did not meet the primary efficacy endpoints in the Phase 2 study in adult patients with Attention-Deficit/Hyperactivity Disorder.

Theravance Biopharma Respiratory Program

Long-Acting Muscarinic Antagonist (LAMA)—TD-4208

We are developing TD-4208, a once-daily inhaled nebulized muscarinic antagonist discovered by Theravance, for the treatment of a subset of COPD patients whom we believe are underserved by

current hand-held products. We believe that such a medicine could serve as a foundation for several combination nebulized products as well as potential metered dose inhaler ("MDI") or dry powder inhaler ("DPI") products. In November 2011, Theravance announced positive topline results from a Phase 2a single-dose COPD study of TD-4208. In this study, TD-4208 met the primary endpoint by demonstrating a statistically significant mean change from baseline in peak forced expiratory volume in one second ("FEV1") compared to placebo, and was generally well tolerated. In September 2013, Theravance reported positive top-line data from a Phase 2b study to evaluate the bronchodilatory effect, pharmacokinetics, safety and tolerability of multiple doses of TD-4208. In this study, TD-4208 met the primary efficacy endpoint for all six doses studied and demonstrated a statistically significant change versus placebo from baseline in trough FEV1. All doses of TD-4208 were generally well tolerated in the study with rates of adverse events comparable to placebo.

We have entered into an extension agreement with GSK in which we have agreed to be subject to certain restrictive covenants similar to those applicable to Theravance under the collaboration and strategic alliance agreement with GSK. One of those covenants provides that for so long as a MABA product candidate remains in active development under the strategic alliance agreement with GSK, we will not, whether alone or with a third party, conduct a clinical study with respect to a MABA compound (or a product containing a MABA compound). Although exploring the combination of TD-4208 with a MABA may be clinically attractive, we have agreed not to pursue such a combination product so long as a MABA product candidate remains in active development under the strategic alliance agreement with GSK, which product candidate we will have an economic interest in pursuant to our interest in TRC. Similarly, for so long as there is at least one collaboration product being developed or commercialized under the collaboration agreement in which we have an economic interest pursuant to our interest in TRC, we will not carry out clinical development with any LABA that is not a compound under the collaboration agreement, subject to limited exceptions. However, if we license TD-4208 to a third party that chooses to combine TD-4208 with a LABA compound, that third party would not be similarly restricted provided that we do not direct the third party's development or commercialization efforts or share any GSK confidential information.

GI Motility Dysfunction Program

Velusetrag

Velusetrag is an oral, investigational medicine discovered by Theravance and developed for gastrointestinal motility disorders. It is a highly selective agonist with high intrinsic activity at the human 5-HT4 receptor. In October 2012, Theravance entered into a development and collaboration arrangement with Alfa Wassermann societ`a per azioni (S.p.A.) ("Alfa Wassermann") for velusetrag, under which the parties agreed to collaborate in the execution of a two-part Phase 2 program to test the efficacy, safety and tolerability of velusetrag in the treatment of patients with gastroparesis (a medical condition consisting of a paresis (partial paralysis) of the stomach, resulting in food remaining in the stomach for a longer time than normal). In January 2013, Theravance and Alfa Wassermann announced the initiation of a Phase 2 proof-of-concept study to evaluate the efficacy and safety of velusetrag for the treatment of patients with diabetic or idiopathic gastroparesis. This agreement with Alfa Wassermann will be assigned to us and such agreement provides for a term of 15 years from first commercialization or, if later, until certain patents expire. Alfa Wassermann has an exclusive option to develop and commercialize velusetrag in the European Union, Russia, China, Mexico and certain other countries, while we retain full rights to velusetrag in the U.S., Canada, Japan and certain other countries. We will be entitled to receive funding for the Phase 2a study and a subsequent Phase 2b study In April 2014, Theravance announced positive top-line results from a Phase 2 study that evaluated gastric emptying, safety and tolerability of multiple doses of velusetrag, and based on these results, Theravance and Alfa Wassermann have agreed to advance velusetrag into a Phase 2b study later this year. If Alfa Wassermann exercises its license option at the completion of the Phase 2 program, then we will be entitled to receive a $10.0 million option fee. If velusetrag is successfully

developed and commercialized, we will be entitled to receive potential future contingent payments totaling up to $53.5 million, and royalties on net sales by Alfa Wassermann ranging from the low teens to 20%.

TD-8954

TD-8954, like velusetrag, is a highly selective agonist with high intrinsic activity at the human 5-HT4 receptor. We are investigating the development potential of TD-8954 for acute use in the hospital setting for patients who require rapid restoration of upper and lower GI motility. We believe that TD-8954 may help hospitalized patients with enteral feeding intolerance, or EFI, and potentially other GI disorders. We recently initiated a Phase 2a study to evaluate the safety, tolerability and pharmacodynamics of a single-dose of TD-8954 administered intravenously compared to metoclopramide in critically ill patients with EFI. This study is expected to read out at the end of 2014.

Other Collaborative Arrangements

During the last three years, we have entered into several other collaborative arrangements, which have been accounted for in accordance with our accounting policies related to collaborative arrangements and revenue recognition. Refer to Notes 2 and 3, "Summary of Significant Accounting Policies" and "Collaborative Arrangements," to the combined financial statements appearing in this Information Statement on Form 10 for additional information.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our combined financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenue generated and expenses incurred during the reporting periods. Our estimates are based on Theravance's historical experiences and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

We are an emerging growth company. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We may avail ourselves of this exemption from new or revised accounting standards and, therefore, we may not be subject to the same new or revised accounting standards as other public companies that are not "emerging growth companies."

We believe that the following accounting policies relating to revenue recognition, accrued research and development expenses, the fair value of share-based compensation awards, and inventories require us to make significant estimates, assumptions and judgments.

Revenue Recognition

Revenue is recognized when the four basic criteria of revenue recognition are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the fee is fixed or determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the nature of the fee charged for products or services delivered and the collectability of those fees. Where the revenue recognition criteria are not

met, we defer the recognition of revenue by recording deferred revenue until such time that all criteria are met.

Product Revenues: We sell VIBATIV® in the U.S. through a limited number of distributors, and title and risk of loss transfer upon receipt by these distributors. Healthcare providers order VIBATIV® through these distributors. For all product shipped in 2013, we are deferring the recognition of revenue until the product is sold through to healthcare providers, the end customers, due to the inherent uncertainties in estimating normal channel inventory at the distributors, and during which period we also provided extended payment terms and expanded return rights that allow distributors to return the product. As of December 31, 2013, we had deferred revenue of $0.9 million related to VIBATIV® shipments and recorded this amount as a current liability in the combined balance sheet.

Product sales are recorded net of estimated government-mandated rebates and chargebacks, distribution fees, estimated product returns and other deductions. We reflect such reductions in revenue as either an allowance to the related account receivable from the distributor, or as an accrued liability, depending on the nature of the sales deduction. Sales deductions are based on management's estimates that consider payer mix in target markets, industry benchmarks and experience to date. We monitor inventory levels in the distribution channel, as well as sales of VIBATIV® by distributors to healthcare providers, using product-specific data provided by the distributors. Product return allowances are based on amounts owed or to be claimed on related sales. These estimates take into consideration the terms of our agreements with customers, historical product returns of VIBATIV® experienced by Astellas, rebates or discounts taken, estimated levels of inventory in the distribution channel, the shelf life of the product, and specific known market events, such as competitive pricing and new product introductions. We update our estimates and assumptions each quarter and if actual future results vary from our estimates, we may adjust these estimates, which could have an effect on product sales and earnings in the period of adjustment.

Sales Discounts: We offer cash discounts to our customers, generally 2% of the sales price, as an incentive for prompt payment. We expect our customers to comply with the prompt payment terms to earn the cash discount. We account for cash discounts by reducing accounts receivable by the full amount and recognizing the discount as a reduction of revenue in the same period the related revenue is recognized.

Chargebacks and Government Rebates: For VIBATIV® sales in the U.S., we estimate reductions to product sales for qualifying federal and state government programs including discounted pricing offered to Public Health Service ("PHS") as well as government-managed Medicaid programs. Our reduction for PHS is based on actual chargebacks that distributors have claimed for reduced pricing offered to such health care providers. Our accrual for Medicaid is based upon statutorily-defined discounts, estimated payer mix, expected sales to qualified healthcare providers, and our expectation about future utilization. The Medicaid accrual and government rebates that are invoiced directly to us are recorded in other accrued liabilities on the combined balance sheet. For qualified programs that can purchase our products through distributors at a lower contractual government price, the distributors charge back to us the difference between their acquisition cost and the lower contractual government price, which we record as an allowance against accounts receivable.

Distribution Fees and Product Returns: We have written contracts with our distributors that include terms for distribution-related fees. We record distribution-related fees based on a percentage of the product sales price. We offer our distributors a right to return product purchased directly us, which is principally based upon the product's expiration date. Additionally, we have granted more expansive return rights to our distributors following our product launch of VIBATIV®. We will generally accept returns for expired product during the six months prior to and twelve months after the product expiration date on product that had been sold to the distributors. Product returned is generally not resalable given the nature of our products and method of administration. We have developed estimates

for VIBATIV® product returns based upon historical VIBATIV® sales from our former collaborative partner, Astellas. We record distribution fees and product returns as an allowance against accounts receivable.

Allowance for Doubtful Accounts: We maintain a policy to record allowances for potentially doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. As of December 31, there was no allowance for doubtful accounts.

Concentration of Credit Risk: Financial instruments which potentially subject us to concentrations of credit risk include accounts receivable. At December 31, 2013, 99% of our accounts receivable balance represents amounts due to us from two distributors, AmerisourceBergen Drug Corporation and McKesson Corporation. Despite the significant concentration of distributors, the demand for VIBATIV® is driven primarily by patient therapy requirements and we are not dependent upon any individual distributor with respect to VIBATIV® sales.

Royalties: We recognize royalty revenue on licensee net sales of our products in the period in which the royalties are earned and reported to us and collectability is reasonably assured.

Collaborative Arrangements and Multiple Element Arrangements: We generate revenue from collaboration and license agreements for the development and commercialization of our product candidates. Collaboration and license agreements may include non-refundable upfront payments, partial or complete reimbursement of research and development costs, supply arrangement, contingent payments based on the occurrence of specified events under our collaborative arrangements, license fees and royalties on sales of product candidates if they are successfully approved and commercialized. Our performance obligations under the collaborations may include the transfer of intellectual property rights in the form of licenses, obligations to provide research and development services and related materials, supply of API and/or drug product, and obligations to participate on certain development and/or commercialization committees with the collaborative partners. We make judgments that affect the periods over which we recognize revenue. We periodically review our estimated periods of performance based on the progress under each arrangement and account for the impact of any changes in estimated periods of performance on a prospective basis.

On January 1, 2011, we adopted an accounting standards update that amends the guidance on accounting for new or materially modified multiple-element arrangements that we enter into subsequent to January 1, 2011. This guidance removed the requirement for objective and reliable evidence of fair value of the undelivered items in order to consider a deliverable a separate unit of accounting. It also changed the allocation method such that the relative-selling-price method must be used to allocate arrangement consideration to all the units of accounting in an arrangement. This guidance established the following hierarchy that must be used in estimating selling price under the relative-selling-price method: (1) vendor-specific objective evidence of fair value of the deliverable, if it exists, (2) third-party evidence of selling price, if vendor-specific objective evidence is not available or (3) vendor's best estimate of selling price ("BESP") if neither vendor-specific nor third-party evidence is available.

We may determine that the selling price for the deliverables within collaboration and license arrangements should be determined using BESP. The process for determining BESP involves significant judgment on our part and includes consideration of multiple factors such as estimated direct expenses and other costs, and available data. We have determined BESP for license units of accounting based on market conditions, similar arrangements entered into by third parties and entity-specific factors such as the terms of previous collaborative agreements, our pricing practices and pricing objectives, the likelihood that clinical trials will be successful, the likelihood that regulatory approval will be received and that the products will become commercialized. We have also determined BESP for services-related deliverables based on the nature of the services to be performed and estimates of the associated effort as well as estimated market rates for similar services.

For each unit of accounting identified within an arrangement, we determine the period over which the performance obligation occurs. Revenue is then recognized using either a proportional performance or straight-line method. We recognize revenue using the proportional performance method when the level of effort to complete our performance obligations under an arrangement can be reasonably estimated. Direct labor hours or full time equivalents are typically used as the measurement of performance. Any changes in the remaining estimated performance obligation periods under these collaborative arrangements will not have a significant impact on the results of operations, except for a change in estimated performance period resulting from the termination of a collaborative arrangement, which would result in immediate recognition of the related deferred revenue.

For multiple element arrangements entered into prior to January 1, 2011, Theravance determined whether the elements had stand-alone value and whether there was objective and reliable evidence of fair value. When the delivered element did not have stand-alone value or there was insufficient evidence of fair value for the undelivered element(s), Theravance recognized the consideration for the combined unit of accounting ratably over the estimated period of performance, which was the same manner in which the revenue was recognized for the final deliverable.

The former collaboration arrangement with Astellas was entered into prior to January 1, 2011. The deliverables under this collaboration agreement did not meet the criteria required to be accounted for as separate accounting units for the purposes of revenue recognition. As a result, revenue from non-refundable, upfront fees and development contingent payments was recognized ratably over the term of our performance period under the agreement. These upfront or contingent payments received, pending recognition as revenue, were recorded as deferred revenue and amortized over the estimated performance period. This collaboration agreement was terminated on January 6, 2012. The termination resulted in the recognition of deferred revenue of $125.8 million in 2012.

On January 1, 2011, we also adopted an accounting standards update that provides guidance on revenue recognition using the milestone method. Payments that are contingent upon achievement of a substantive milestone are recognized in their entirety in the period in which the milestone is achieved. Milestones are defined as events that can be achieved based only on our performance and as to which, at the inception of the arrangement, there is substantive uncertainty about whether the milestone will be achieved. Events that are contingent only on the passage of time or only on third-party performance are not considered milestones subject to this guidance. Further, the amounts received must relate solely to prior performance, be reasonable relative to all of the deliverables and payment terms in the agreement and commensurate with our performance to achieve the milestone after commencement of the agreement. Total contingent payments that may become payable to us under our collaborative agreements were up to $66.5 million at December 31, 2013 and are considered non-substantive.

Amounts related to research and development funding is recognized as the related services or activities are performed, in accordance with the contract terms. Payments may be made to us based on the number of full-time equivalent researchers assigned to the collaborative project and the related research and development expenses incurred. Accordingly, reimbursement of research and development expenses pursuant to the cost-sharing provisions of our agreements with Merck, Alfa Wassermann and R-Pharm are recognized as a reduction of research and development expenses. In 2013, we recorded a reduction in our research and development expenses of $6.5 million for reimbursement of research and development expenses related to these collaborative arrangements.

Accrued Research and Development Expenses

As part of the process of preparing financial statements, we are required to estimate and accrue expenses, the largest of which are research and development expenses. This process involves the following:

- communicating with our applicable personnel to identify services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of actual cost;
- estimating and accruing expenses in our financial statements as of each balance sheet date based on facts and circumstances known to us at the time; and
- periodically confirming the accuracy of our estimates with selected service providers and making adjustments, if necessary.

Examples of estimated research and development expenses that we accrue include:

- fees paid to CROs in connection with preclinical and toxicology studies and clinical studies;
- fees paid to investigative sites in connection with clinical studies;
- fees paid to CMOs in connection with the production of product and clinical study materials; and
- professional service fees for consulting and related services.

We base our expense accruals related to clinical studies on our estimates of the services received and efforts expended pursuant to contracts with multiple research institutions and clinical research organizations that conduct and manage clinical studies on our behalf. The financial terms of these agreements vary from contract to contract and may result in uneven payment flows. Payments under some of these contracts depend on factors, such as the successful enrollment of patients and the completion of clinical study milestones. Our service providers invoice us monthly in arrears for services performed. In accruing service fees, we estimate the time period over which services will be performed and the level of effort to be expended in each period. If we do not identify costs that we have begun to incur or if we underestimate or overestimate the level of services performed or the costs of these services, our actual expenses could differ from our estimates.

To date, we have not experienced significant changes in our estimates of accrued research and development expenses after a reporting period. However, due to the nature of estimates, we cannot assure you that we will not make changes to our estimates in the future as we become aware of additional information about the status or conduct of our clinical studies and other research activities.

Fair Value of Share-Based Compensation Awards

We have not issued any Theravance Biopharma share-based awards to our employees, nor do we plan on granting equity awards prior to or in conjunction with the spin-off. However, we plan to grant equity awards after the spin-off transaction. Any such awards will be accounted for pursuant to Financial Accounting Standards Board Accounting Standard Codification 718, "Stock-based Compensation" and valued using the Black-Scholes-Merton valuation model. In addition, our employees have in the past received Theravance stock-based compensation awards.

Theravance equity awards were made to our employees while they were employees of Theravance and Theravance used the Black-Scholes-Merton option pricing model to estimate the fair value of options at the date of grant. The Black-Scholes-Merton option valuation model requires the use of assumptions, including the expected term of the award and the expected stock price volatility. Theravance used the "simplified" method as described in Staff Accounting Bulletin No. 107, "Share-

Based Payment", for the expected option term because the usage of Theravance's historical option exercise data is limited due to post-IPO exercise restrictions. Beginning April 1, 2011, Theravance used its historical volatility to estimate expected stock price volatility. Prior to April 1, 2011, Theravance used its peer company price volatility to estimate expected stock price volatility due to its limited historical common stock price volatility since its initial public offering in 2004. The estimated fair value of the option is expensed on a straight-line basis over the expected term of the grant.

Theravance estimated the fair value of restricted stock units ("RSUs") and restricted stock awards ("RSAs") based on the fair market values of the underlying Theravance stock on the dates of grant. The estimated fair value of time-based RSUs and RSAs is expensed on a straight-line basis over the expected term of the grant. The estimated fair value of performance-contingent RSUs and RSAs is expensed using an accelerated method over the requisite service period based on management's best estimate as to whether it is probable that the shares awarded are expected to vest. Theravance assesses the probability of the performance indicators being met on a continuous basis.

Share-based compensation expense was calculated based on awards ultimately expected to vest and was reduced for estimated forfeitures at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differed from those estimates. The estimated annual forfeiture rates for stock options, RSUs and RSAs are based on Theravance's historical forfeiture experience.

In 2011, Theravance granted 1,290,000 special long term retention and incentive performance contingent RSAs to senior management. The awards have dual triggers of vesting based upon the achievement of certain performance conditions over a six year timeframe from 2011 through December 31, 2016 and require continued employment. The maximum potential expense associated with this program, net of forfeitures, is $28.2 million related to share-based compensation expense, which would be recognized in increments based on achievement of the performance conditions.

As of March 31, 2014, we determined that the achievement of the requisite performance conditions for vesting of the first tranche of these awards was probable and, as a result, a total of $7.0 million of stock-based compensation expense will be recognized in 2014 related to this award.

Theravance Biopharma does not expect to recognize in the near future any tax benefit related to employee share-based compensation expense as a result of the full valuation allowance on its deferred tax assets including deferred tax assets related to its net operating loss carry forwards.

For more information, refer to Note 5, "Share-Based Compensation," to the combined financial statements appearing in this Form 10.

Inventories

Inventories are stated at the lower of cost or market value. Raw materials include VIBATIV® API and other raw materials of $5.1 million, work-in-process of $0.4 million and finished goods of $4.9 million at December 31, 2013. Work-in-process and finished goods include third party manufacturing costs and labor and indirect costs we incur in the production process. Included in inventories are raw materials and wok-in-process that may be used as clinical products, which are charged to research and development expense when consumed. If information becomes available that suggests the inventories may not be realizable, we may be required to expense a portion or all of the previously capitalized inventories.

Results of Operations

Revenues

We recognized revenue from the amortization of upfront license fees and contingent payments related to our Merck collaboration, which was terminated in December 2013, and the telavancin

collaboration arrangement with Astellas, which was terminated in January 2012. In addition, we recognized revenue related to our Astellas telavancin collaboration from royalties from net sales of VIBATIV® and from the impact of VIBATIV® inventory transfers or dispositions.

	Year Ended December 31,			Change			
				2012		2013	
(in thousands, except percentages)	2011	2012	2013	$	%	$	%
Collaborative arrangements:							
Astellas collaboration arrangement	$ 14,854	$ 125,788	$ —	$ 110,934	747%	$ (125,788)	(100)%
Merck collaboration arrangement	—	4,357	226	4,358	*	(4,132)	(95)%
Total Revenue	$ 14,854	$ 130,145	$ 226	$ 115,292	776%	$ (129,920)	(100)%

* Calculation not meaningful.

Revenue increased 776% to $130.1 million in 2012 compared to 2011 and decreased to $266,000 in 2013 primarily due to accelerated recognition of deferred revenue of $125.8 million from our global collaboration arrangement with Astellas for the development and commercialization of VIBATIV® in 2012. This accelerated recognition was the result of the termination of the Astellas agreement in January 2012. Also, total revenue in 2012 included the recognition of the amount of the upfront payment allocated to licensing of $4.4 million received under the collaborative arrangement with Merck. This collaboration arrangement with Merck was terminated in December 2013.

A portion of our upfront fees and certain contingent payments received from our collaborative arrangements have been deferred and are being amortized ratably into revenue or research and development expense over the estimated performance period. Future revenue will include the ongoing amortization of upfront and contingent payments earned. We periodically review and, if necessary, revise the estimated periods of our performance pursuant to these contracts.

Merck

Under the Research Collaboration and License Agreement, the significant deliverables were determined to be the license, committee participation and research services.

It was determined that the license represents a separate unit of accounting as the license, which includes rights to our underlying technologies for its therapeutic candidates, has standalone value because the rights conveyed permit Merck to perform all efforts necessary to use our technologies to bring a therapeutic candidate through development and, upon regulatory approval, commercialization. We based the best estimate of selling price on potential future cash flows under the arrangement over the estimated development period. It was determined that the committee participation represents a separate unit of accounting as Merck could negotiate for and/or acquire these services from other third parties and we based the best estimate of selling price on the nature and timing of the services to be performed. It was determined that the research services represent a separate unit of accounting and based the best estimate of selling price on the nature and timing of the services to be performed.

The $5.0 million upfront payment received in November 2012 was allocated to three units of accounting based on the relative selling price method as follows: $4.4 million to the license, $0.4 million to the research services and $0.2 million to the committee participation. We recognized revenue of $4.4 million from the license in 2012 as the technical transfer activities were completed and the associated unit of accounting was delivered. The amount of the upfront payment allocated to the committee participation was deferred and is being recognized as revenue over the estimated performance period. The amount of the upfront payment allocated to the research services was deferred and is being recognized as a reduction of research and development ("R&D") expense as the

underlying services are performed, as the nature of the research services is more appropriately characterized as R&D expense, consistent with the research reimbursements being received.

In September 2013, Merck provided Theravance notice of its termination of the Research Collaboration and License Agreement. The termination was effective in December 2013. Due to the termination, Theravance revised the estimated performance period. As such, Theravance recognized the remaining deferred revenue of $226,000 into revenue in the second half of 2013, and we are no longer eligible to receive any further contingent payments from Merck.

Former Collaboration Arrangement with Astellas

In November 2005, Theravance entered into a global collaboration arrangement with Astellas for the license, development and commercialization of VIBATIV®. Under this agreement, Astellas paid Theravance non-refundable cash payments totaling $191.0 million. Astellas had the right to terminate the agreement if a VIBATIV® new drug application was not approved by the FDA within two years of submission, or if VIBATIV® was not approved by the FDA for both complicated skin and skin structure infections and hospital-acquired pneumonia by December 31, 2008. Both of these conditions giving rise to Astellas' termination rights existed in January 2012 when Astellas exercised its right to terminate the agreement. The rights previously granted to Astellas ceased upon termination of the agreement and Astellas stopped all promotional sales efforts. Pursuant to the terms of the agreement, Astellas is entitled to a ten-year, 2% royalty on future net sales of VIBATIV®. As such, Theravance recognized into revenue $125.8 million of deferred revenue related to Astellas in the first quarter of 2012, and we are no longer eligible to receive any further contingent payments from Astellas.

Costs and Expenses

Research and Development Expenses

Our R&D expenses consist primarily of employee-related costs, external costs, and various allocable expenses. We budget total R&D expenses on an internal department level basis, we do not have program level reporting capabilities. We manage and report our R&D activities across the following four cost categories:

1) Employee-related costs, which include salaries, wages and benefits;

2) Share-based compensation, which includes expenses associated with our equity incentive plans;

3) External costs, which include clinical trial related expenses, other contract research fees, consulting fees, and contract manufacturing fees, and

4) Facilities and other, which include laboratory and office supplies, depreciation and other allocated expenses, which include general and administrative support functions, insurance and general supplies.

The following table summarizes our research and development expenses incurred during the periods presented:

(in thousands, except percentages)	Year Ended December 31, 2011	2012	2013	Change 2012 $	2012 %	2013 $	2013 %
Employee-related cost	$ 34,437	$ 36,391	$ 36,917	$ 1,954	6%	$ 526	1%
Share-based compensation	12,696	13,192	15,444	496	4%	2,252	17%
External costs	30,439	42,980	45,926	12,541	41%	2,946	7%
Facilities and other expenses	21,278	21,432	22,292	154	1%	860	4%
Total research and development expenses	$ 98,850	$ 113,995	$ 120,579	$ 15,145	15%	$ 6,584	6%

R&D expenses increased 6% to $120.6 million in 2013 compared to $114.0 million in 2012 primarily due to higher external costs of $2.9 million and an increase of $2.3 million in share-based compensation expense. The key Phase 2 clinical trials we were conducting in 2013 were our Phase 2 clinical studies in our MARIN program with TD-9855 and a Phase 2b study in our LAMA program with TD-4208. In the comparable period in 2012 our key Phase 2 clinical trials primarily consisted of our Phase 2b program in our opioid-induced constipation program with TD-1211 and one Phase 2 study in our MARIN program with TD-9855.

R&D expenses increased 15% to $114.0 million in 2012 compared to $98.9 in 2011. This increase was primarily due to an increase in external costs of $12.5 million, and to higher employee-related costs of $2.0 million related to increases in compensation and an increase in the number of employees. Substantially all of the increase in external costs was related to our clinical trial activities and regulatory consulting fees related to preparation activities for the VIBATIV® advisory committee. The key Phase 2 clinical trials we were conducting in 2012 were our Phase 2b program in our opioid-induced constipation program with TD-1211 and a Phase 2 study in our MARIN program with TD-9855. In 2011, our key Phase 2 clinical trials primarily consisted of initiating our Phase 2b program with TD-1211 and our Phase 2 study in our LAMA program with TD-4208.

Under certain of our collaborative arrangements we received partial reimbursement of external costs and employee-related costs, which have been reflected as a reduction of R&D expenses of $0.4 million, $0.9 million and $6.5 million in 2011, 2012 and 2013.

We have not provided program costs in detail because we do not track, and have not tracked, all of the individual components (specifically the internal cost components) of our research and development expenses on a program basis. We do not have the systems and processes in place to accurately capture these costs on a program basis.

We currently do not have reliable estimates of total costs for a particular drug candidate to reach the market. Our product candidates are subject to a lengthy and uncertain regulatory process that may involve unanticipated additional clinical trials and may not result in receipt of the necessary regulatory approvals. Failure to receive the necessary regulatory approvals would prevent us from commercializing the product candidates affected. In addition, clinical trials of our potential products may fail to demonstrate safety and efficacy, which could prevent or significantly delay regulatory approval.

The length of time that a development program is in a given phase varies substantially according to factors relating to the development program, such as the type and intended use of the potential product, the clinical trial design, and the ability to enroll patients. For partnered programs, advancement from one phase to the next and the related costs to do so is also dependent upon certain factors that are controlled by our partners. According to industry statistics, it generally takes 10 to 15 years to research, develop and bring to market a new prescription medicine in the United States. In light of the steps and complexities involved, the successful development of our potential products is

highly uncertain. Actual timelines and costs to develop and commercialize a product are subject to enormous variability and are very difficult to predict. In addition, various statutes and regulations also govern or influence the manufacturing, safety reporting, labeling, storage, record keeping and marketing of each product.

Selling, General and Administrative Expenses

Selling, general and administrative expenses generally consist of costs of personnel, professional services, consulting and other expenses related to our administrative and commercial functions, and an allocation of facility and overhead costs.

	Year Ended December 31,			Change 2012		Change 2013	
(in thousands, except percentages)	2011	2012	2013	$	%	$	%
Selling, general and administrative	$ 25,339	$ 25,725	$ 35,931	$ 386	2%	$ 10,207	40%

Selling, general and administration expenses increased 40% to $35.9 million in 2013 from $25.7 million in 2012. The increase was primarily due to an increase in external legal and accounting fees in connection with our separation strategy, and selling costs resulting from our reintroduction of VIBATIV® into the U.S. wholesaler channel in August 2013 and employee-related expenses. Total external expenses related to the proposed Company separation were $5.5 million in 2013.

Selling, general and administration expenses increased 2% to $25.7 million in 2012 from $25.3 million in 2011. An increase in consulting services costs, as well as higher facility-related costs, were partially offset by a decrease in employee-related expenses that was driven by lower share-based compensation expense.

Share-based compensation expense included in selling, general and administrative expenses was $8.8 million, $8.1 million and $7.0 million in 2011, 2012 and 2013.

Liquidity and Capital Resources

At the closing of the spin-off, Theravance will provide Theravance Biopharma, from its cash reserves on hand, cash and cash equivalents of between $350 million and $400 million. We expect this initial cash will fund Theravance Biopharma's operations through significant potential corporate milestones for approximately the next two to three years after the completion of the spin-off, based on current operating plans and financial forecasts. Prior to the spin-off, the Drug Discovery and Development Business of Theravance is being funded entirely by Theravance.

We expect to continue to incur net losses over the next several years as we reintroduce VIBATIV® to the U.S. market and continue our drug discovery and development activities and incur significant preclinical and clinical development and commercialization costs. On August 14, 2013, Theravance announced the reintroduction of VIBATIV® to the U.S. market with the commencement of shipments into the wholesaler channel. We currently believe that the costs associated with reintroduction of VIBATIV® to the U.S. market in 2013, principally associated with creating an independent sales and marketing organization with appropriate technical expertise, supporting infrastructure and distribution capabilities, expanding our medical affairs presence, manufacturing and third party vendor logistics and consultant support, will be approximately $5 million. We are continuing to evaluate other commercialization alternatives for the U.S. market. We expect to incur substantial expenses as we continue our drug discovery and development efforts, particularly to the extent we advance our product candidates into and through clinical studies, which are very expensive. For example, TD-9855 in our MARIN program is in an ongoing Phase 2 study for fibromyalgia and in September 2013 Theravance reported positive top-line data from a Phase 2b study in COPD with TD-4208, our LAMA compound, and in April 2014 Theravance initiated a larger Phase 2b study in COPD with TD-4208. Also, in July

2012, Theravance announced positive results from the key study in our Phase 2b program with TD-1211 in our Peripheral Mu Opioid Receptor Antagonist program for opioid-induced constipation. Also, numerous clinical studies in our early-stage development programs are ongoing. Though we are seeking to partner these programs, we may choose to progress one or more of these programs into later-stage clinical studies by ourselves, which could increase our anticipated operating expenses substantially. Furthermore, if we cannot identify a suitable commercialization partner for VIBATIV® in the U.S., we will not be able to leverage a commercialization partner's capabilities and infrastructure and we will incur all of the costs and expenses associated with our reintroduction of VIBATIV® in the U.S., including the creation of an independent sales and marketing organization with appropriate technical expertise, supporting infrastructure and distribution capabilities, expansion of medical affairs presence, manufacturing and third party vendor logistics, consultant support and post-marketing studies.

In 2011, Theravance granted special long-term retention and incentive cash bonus awards to certain employees. The awards have dual triggers of vesting based upon the achievement of certain performance conditions over a six-year timeframe from 2011 through December 31, 2016 and continued employment. As of March 31, 2014, we determined that the achievement of the requisite performance conditions for the first tranche of these awards was probable and, as a result, a total of $9.5 million of cash bonus expense will be recognized in 2014 related to this award.

If our current operating plans or financial forecasts change, we may require additional funding sooner in the form of public or private equity offerings, debt financings or additional collaborations and licensing arrangements. Furthermore, if in our view favorable financing opportunities arise, we may seek additional funding at any time. However, future financing may not be available in amounts or on terms acceptable to us, if at all. This could leave us without adequate financial resources to fund our operations as presently conducted.

Cash Flows

	Year Ended December 31,		
(in thousands)	**2011**	**2012**	**2013**
Net cash used in operating activities	$ (83,428)	$ (119,107)	$ (120,959)
Net cash used in investing activities	$ (3,052)	$ (2,430)	$ (2,634)
Net cash provided by financing activities	$ 86,480	$ 121,537	$ 123,593

Cash Flows from Operating Activities

Cash used in operating activities is primarily driven by net loss, excluding the effect of non-cash charges or differences in the timing of cash flows and earnings recognition.

Net cash used in operating activities in 2013 was $121.0 million, which was primarily due to:

- $131.7 million used in operating expenses, after adjusting for non-cash related items of $24.8 million consisting primarily of stock-based compensation expense of $22.5 million and depreciation and amortization expenses of $2.7 million;
- $6.5 million received in upfront fees from collaboration agreements with Clinigen, R-Pharm and Hikma;
- $3.1 million used to increase inventories; and
- $6.3 million increase in accrued liabilities due to a $4.2 million increase in accrued personnel related expenses, accrued clinical and development expense, and other accrued liabilities primarily due to increase in clinical studies in various programs, and an increase in external legal and accounting fees. The $2.1 million increase in accounts payable was primarily due to the timing of payments.

Net cash used in operating activities in 2012 was $119.1 million, which was primarily due to:

- $115.7 million used in operating expenses, after adjusting for non-cash related items of $24.0 million consisting primarily of share-based compensation expense of $21.3 million and depreciation and amortization expenses of $3.3 million, partially offset by a reduction of rent expense of $0.7 million;
- $4.8 million used to increase work-in-process inventory;
- $4.4 million received from the Merck collaboration arrangement recognized as license fee revenue; and
- $3.2 million used to reduce accrued liabilities due to $1.7 million decrease in accrued personnel related expenses and other accrued liabilities and $1.5 million decrease in accounts payable primarily due to timing of payment.

Net cash used in operating activities in 2011 was $83.4 million, which was primarily due to:

- $96.4 million used in operating expenses, after adjusting for non-cash related items of $27.8 million consisting primarily of share-based compensation expense of $21.5 million, depreciation and amortization expenses of $3.8 million and rent expense of $2.4 million;
- $8.7 million used to increase accrued liabilities due to $5.4 million increase in accrued personnel related expenses and other accrued liabilities primarily due to increase in clinical studies completed towards the end of the year and $3.3 million increase in accounts payable primarily due to increase in clinical and development activities; and
- $3.9 million received from our former collaboration arrangement with Astellas, $2.7 million in royalty payments received from sales of VIBATIV® and $1.2 million in proceeds from VIBATIV® delivered to Astellas.

Cash Flows from Investing Activities

Net cash used in investing activities in 2013 was $2.6 million, which was primarily due to purchases of property and equipment of $2.7 million, partially offset by payments received on notes receivable of $0.1 million.

Net cash used in investing activities in 2012 was $2.4 million, which was primarily due to purchases of property and equipment of $2.6 million. Net cash used in investing activities in 2011 was $3.1 million, which was primarily due to purchases of property and equipment of $3.6 million, partially offset by payments received on notes payable of $0.7 million.

Cash Flows from Financing Activities

Net cash provided by financing activities in 2013 of $123.6 million, 2012 of $121.5 million and $86.5 million in 2011 was primarily due to transfers from Theravance.

Off-Balance Sheet Arrangements

We lease various real properties under an operating lease that generally requires us to pay taxes, insurance, maintenance, and minimum lease payments. This lease has options to renew.

We have not entered into any off-balance sheet financial arrangements and have not established any structured finance or special purpose entities. We have not guaranteed any debts or commitments of other entities or entered into any options on non-financial assets.

Commitments and Contingencies

The Company indemnifies its officers and directors for certain events or occurrences, subject to certain limits. The Company may be subject to contingencies that may arise from matters such as product liability claims, legal proceedings, shareholder suits and tax matters, as such, the Company is unable to estimate the potential exposure related to these indemnification agreements. The Company has not recognized any liabilities relating to these agreements as of December 31, 2013.

In 2011, Theravance granted special long-term retention and incentive RSAs to members of senior management and special long-term retention and incentive cash bonus awards to certain employees. The awards have dual triggers of vesting based upon the achievement of certain performance conditions over a six-year time frame from 2011 through December 31, 2016 and continued employment. The maximum potential expense associated with this program is $28.2 million related to share-based compensation expense, net of forfeitures, and $38.2 million related to cash bonus expense, which would be recognized in increments based on achievement of the performance conditions. As of March 31, 2014, it was determined that the achievement of the requisite performance conditions was probable and, as a result, a total of $7.0 million of stock-based compensation expense and $9.5 million of cash bonus expense will be recognized in 2014 related to this award.

Contractual Obligations and Commercial Commitments

In the table below, we set forth Theravance's enforceable and legally binding obligations and future commitments, as well as obligations related to all contracts that we are likely to assume and continue, regardless of the fact that they were cancelable as of December 31, 2013. Some of the figures that we include in this table are based on management's estimate and assumptions about these obligations, including their duration, the possibility of renewal, anticipated actions by third parties, and other factors. Because these estimates and assumptions are necessarily subjective, the obligations we will actually pay in future periods may vary from those reflected in the table.

(in thousands)	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Facility operating leases(1)	$ 38,251	$ 4,859	$ 11,713	$ 12,426	$ 9,253
Purchase obligations	8,188	7,402	786	—	—
Total	$ 46,439	$ 12,261	$ 12,499	$ 12,426	$ 9,253

(1) As security for performance of certain obligations under the operating leases for our headquarters, Theravance issued a letter of credit in the aggregate of approximately $0.8 million, collateralized by an equal amount of restricted cash.

Interest Rate Risk

We expect to invest the cash and cash equivalents contributed to us by Theravance consistent with Theravance's current investment policies. Therefore, we expect to maintain a non-trading investment portfolio of investment grade, highly liquid debt securities, which are designed to limit the amount of credit exposure to any one issue, issuer or type of instrument. We do not plan to use derivative financial instruments for speculative or trading purposes. We expect to carry our investments in debt securities at fair value, estimated as the amount at which an asset or liability could be bought or sold in a current transaction between willing parties. We expect to diversify our credit risk and invest in debt securities with high credit quality. We will continue to monitor our credit risks and evaluate the potential need for impairment charges related to credit risks in future periods.

Our Relationship with Theravance, Inc. after the Spin-Off

General

Immediately prior to the spin-off, we will be a wholly owned subsidiary of Theravance. After the spin-off, Theravance will not have any ownership interest in our ordinary shares, and we will be an independent, publicly traded company.

We will enter into agreements with Theravance prior to and concurrently with the spin-off to govern the terms of the spin-off and to define our ongoing relationship following the spin-off, allocating responsibility for obligations arising before and after the spin-off, including obligations with respect to liabilities relating to Theravance's business and to Theravance Biopharma's business and obligations with respect to our employees, certain transition services and taxes. We will enter into these agreements with Theravance while we are still a wholly owned subsidiary of Theravance, and certain terms of these agreements are not necessarily the same as could have been negotiated between independent parties.

The following descriptions are summaries of the terms of the agreements. Any of these agreements that are material will be filed as exhibits to the registration statement into which this Information Statement is incorporated and the summaries of such agreements are qualified in their entirety by reference to the full text of such agreements. We encourage you to read, in their entirety, each of the material agreements when they become available. The terms of these agreements have not yet been finalized; changes, some of which may be material, may be made prior to the spin-off.

Separation and Distribution Agreement

The Separation and Distribution Agreement will set forth our agreements with Theravance regarding the principal transactions necessary to separate us from Theravance. It will also set forth other agreements that govern certain aspects of our relationship with Theravance after the completion of the separation. Concurrently with our separation from Theravance, we will enter into the Separation and Distribution Agreement with Theravance.

Transfer of Assets and Assumption of Liabilities. The Separation and Distribution Agreement will identify assets to be transferred, liabilities to be assumed and contracts to be assigned to us as part of the separation of Theravance into two independent companies, and will describe when and how these transfers, assumptions and assignments will occur. In particular, the Separation and Distribution Agreement will provide that, subject to the terms and conditions contained in the Separation and Distribution Agreement:

- Theravance will assign to us all of the assets and liabilities of Theravance related to the Drug Discovery and Development Business, including:
  - VIBATIV® (telavancin), a bactericidal, once-daily injectable antibiotic discovered by Theravance;
  - Theravance's small-molecule product candidate pipeline currently focused on bacterial infections, CNS/pain, respiratory disease, and GI motility dysfunction;
  - A portion of the equity interests in Theravance Respiratory Company LLC which will entitle us to receive 85% of the economic interest in any future payments made by GSK under the GSK agreements relating to in UMEC/VI/FF and the MABA program, as monotherapy and in combination with other therapeutically active components, such as an inhaled corticosteroid (ICS), and any other product or combination of products that may be discovered and developed in the future under the GSK agreements (other than RELVAR®/ELLIPTA®, BREO®/ELLIPTA®, ANORO™ ELLIPTA™ and VI monotherapy); and
  - Cash and cash equivalents of between $350 million and $400 million in the aggregate.

- Theravance will retain all of the assets and liabilities of the Royalty Business, including all rights under the collaboration agreement with GSK related to the following drug programs:

  - RELVAR® ELLIPTA®/ BREO® ELLIPTA®;
  - ANORO™ ELLIPTA™; and
  - Vilanterol monotherapy.

Except as may be expressly set forth in the Separation and Distribution Agreement or any ancillary agreement, all assets will be transferred to us on an "as is," "where is" basis and so long as Theravance is in compliance with the terms of the Separation and Distribution Agreement relating to the transfer, we will bear the economic and legal risks that any conveyance will prove to be insufficient to vest in us good title, free and clear of any security interest, that any necessary consents or government approvals are not obtained and that any requirements of laws or judgments are not complied with.

Information in this Information Statement with respect to the assets and liabilities of the parties following the separation is presented based on the allocation of such assets and liabilities pursuant to the Separation and Distribution Agreement, unless the context otherwise requires.

Further Assurances. To the extent that any transfers contemplated by the Separation and Distribution Agreement have not been consummated on or prior to the date of the separation, the parties will agree to cooperate to affect such transfers as promptly as practicable following the date of the separation. In addition, each of the parties will agree to cooperate with each other and use reasonable best efforts to take or to cause to be taken all actions, and to do, or to cause to be done, all things reasonably necessary under applicable law or contractual obligations to consummate and make effective the transactions contemplated by the Separation and Distribution Agreement and the ancillary agreements.

The Distribution. The Separation and Distribution Agreement will also govern the rights and obligations of the parties regarding the proposed distribution. Prior to the distribution, we will distribute to Theravance as a stock dividend the number of our ordinary shares distributable in the distribution. Theravance will cause the distribution agent to distribute to Theravance stockholders that hold shares of Theravance common stock as of the applicable record date all the issued and outstanding shares of our ordinary shares. Theravance will have the sole and absolute discretion to determine the terms of, and whether to proceed with, the distribution.

Releases and Indemnification. Except as otherwise provided in the Separation and Distribution Agreement or any ancillary agreement, each party will release and forever discharge the other party from all liabilities existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the separation. The releases will not extend to obligations or liabilities under any agreements between the parties that remain in effect following the separation pursuant to the Separation and Distribution Agreement or any ancillary agreement.

Legal Matters. Except as otherwise set forth in the Separation and Distribution Agreement, we will assume the liability for, and control of, all pending and threatened legal matters related to our business or assumed liabilities and we will indemnify Theravance for any liability arising out of or resulting from such assumed legal matters. Each party to a claim will agree to cooperate in defending any claims against the other party for events that took place prior to, on or after the date of separation. Theravance will retain liability for pending and threatened legal matters related to the Royalty Business.

Insurance. The Separation and Distribution Agreement will provide for the rights of the parties to report claims under existing insurance policies for occurrences prior to the separation and set forth

procedures for the administration of insured claims. In addition, the Separation and Distribution Agreement will allocate among the parties the right to insurance policy proceeds based on reported claims and the obligations to incur deductibles under certain insurance policies.

Other Matters. Other matters governed by the Separation and Distribution Agreement include, among others, access to financial and other records and information, legal privilege, confidentiality and resolution of disputes between the parties relating to the Separation and Distribution Agreement and the ancillary agreements and the agreements and transactions contemplated thereby.

Term and Termination. The Separation and Distribution Agreement may be terminated by Theravance at any time prior to the spin-off in its sole discretion. After the spin-off, all covenants, representations and warranties will survive indefinitely.

Transition Services Agreement

Concurrently with our separation from Theravance, we will enter into a Transition Services Agreement with Theravance pursuant to which Theravance and Theravance Biopharma will provide each other with a variety of administrative services for a period of time following the spin-off. Among the principal services we will provide to Theravance are:

- record-keeping support;
- finance, tax and accounting support to assist Theravance in a secondary capacity to Theravance personnel through financial and administrative support for audits and inquiries related to Theravance Biopharma's historical combined financial statements;
- legal support;
- information technology support;
- human resources support; and
- facilities support to the extent Theravance occupies space at current South San Francisco, California facilities.

Among the principal services Theravance will provide to us are access to certain historical information and financial systems and the supporting documentation and other services to be determined.

Theravance and Theravance Biopharma will agree to make each service available to the other for periods of time following the date the spin-off is completed as are provided in the Transition Services Agreement.

The performance of the services under the Transition Services Agreement will commence at the spin-off and expire on the earlier of (i) the expiration date applicable to each such service or (ii) the second anniversary of the date of the Transition Services Agreement. The obligations under the Transition Services Agreement with respect to each service may be terminated prior to the applicable expiration date in accordance with the terms of each such service or upon mutual written agreement of the parties.

Employee Matters Agreement

Concurrently with our separation from Theravance, we will enter into an Employee Matters Agreement, which will govern the employee benefit obligations of Theravance and us as they relate to current and former employees. The Employee Matters Agreement allocates liabilities and responsibilities relating to employee benefit matters, including 401(k) plan matters that are subject to ERISA in connection with the separation, as well as other employee benefit programs.

The Employee Matters Agreement will also provide the mechanics for the adjustment on the distribution date of equity awards (including stock options, restricted stock, and restricted stock units) granted under Theravance's equity compensation programs. See "The Spin-Off—Treatment of Outstanding Theravance Equity Awards in Connection with the Spin-Off" above.

All covenants under the Employee Matters Agreement will survive the spin-off indefinitely.

Tax Matters Agreement

Concurrently with our separation from Theravance, we will enter into a Tax Matters Agreement that generally will govern Theravance's and our respective rights, responsibilities and obligations after the separation with respect to taxes. Under the Tax Matters Agreement, all tax liabilities (including tax refunds and credits) (1) attributable to Theravance's Drug Discovery and Development Business for any and all periods or portions thereof ending prior to or on, the distribution date, (2) resulting or arising from the contribution of Theravance's Drug Discovery and Development Business to us, the distribution of our ordinary shares and the other separation transactions and (3) otherwise attributable to Theravance, will be borne solely by Theravance. As a result, we generally expect to be liable only for tax liabilities attributable to, or incurred with respect to, the biotechnology business after the distribution date.

TRC Limited Liability Company Agreement

Prior to our separation from Theravance, we and Theravance will enter into the Theravance Respiratory Company LLC Limited Liability Company Agreement that will govern the operation of TRC. See "The Spin-Off—Formation of Theravance Respiratory Company LLC."

Actual and Potential Conflicts of Interest

After the spin-off, Rick E Winningham will serve as our Chairman and Chief Executive Officer and will hold the same positions for Theravance. In addition, following the spin-off, certain of our directors and executive officers will own shares of Theravance's common stock, and the individual holdings may be significant for some of these individuals compared to their total assets. This service to both companies and ownership of Theravance common stock may create, or may create the appearance of, conflicts of interest when these directors and officers are faced with decisions that could have different implications for Theravance and us. See "Risk Factors—Risks Relating to the Spin-Off and "Compensation of Named Executive Officers." We plan to implement policies and procedures to identify and address such actual and potential conflicts of interest.

Unaudited Pro Forma Combined Financial Statement

The unaudited pro forma financial information discussed and presented below has been prepared from Theravance Biopharma's historical audited combined balance sheet as of December 31, 2013. The pro forma adjustments and notes to the pro forma financial information give effect to the legal formation and capitalization of Theravance Biopharma and the contribution of the assets and liabilities of Theravance Biopharma by Theravance as described below. The unaudited pro forma financial statement should be read together with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Theravance Biopharma's historical combined financial statements and notes related to those financial statements included elsewhere in the Information Statement.

The unaudited pro forma combined balance sheet as of December 31, 2013 has been prepared as if the spin-off had occurred on December 31, 2013. The pro forma adjustments are based on the best information available and assumptions that management believes are reasonable given the information available. While such adjustments are subject to change based upon the finalization of the terms of the separation and the underlying separation agreements, in management's opinion, the pro forma adjustments are not expected to materially differ from the final adjustments. The historical combined balance sheet is derived from our audited combined balance sheet as of December 31, 2013, which is included elsewhere in this Information Statement.

The historical combined statements of operations of Theravance Biopharma include allocations of expenses from Theravance which reasonably approximate the costs that would have been incurred as an autonomous entity. Further, the contractual agreements directly attributable to the spin-off are not expected to have a material impact on our results of operations. Due to regulations governing the preparation of pro forma financial statements, the pro forma financial statement do not reflect certain estimated incremental expenses associated with being an independent, public company because they are projected amounts based on judgmental estimates and are not factually supportable. The estimated incremental expenses associated with being an independent, public company include costs for information technology and costs associated with corporate administrative services such as tax, treasury, audit, risk management, legal, stockholder relations and human resources. The Company also anticipates a portion of the Theravance performance-contingent RSAs that will be held by employees of Theravance Biopharma after the spin-off will convert to a time-based vesting award. The terms of the modification have yet to be determined or approved by the Theravance board of directors. In addition, the modification will be dependent upon the value of the Theravance stock on a date or dates to be determined. That fair market value input is unknown and cannot be estimated. If the Company uses the fair market value of Theravance's common stock as of the beginning of the period, January 1, 2013, then there would be no expense associated with the modification as the fair market value of the stock on January 1, 2013 is below the currently contemplated price upon which a modification will take place. As such, the Company cannot make a reasonable determination of the expense associated with these modifications. As such, pro forma adjustments to revenues or expenses in the statements of operations are not presented.

The unaudited pro forma financial statement is for illustrative and information purposes only and is not intended to represent, or be indicative of, what Theravance Biopharma's financial position would have been had the spin-off occurred on the date indicated.

A significant amount of charges to effect the separation that are not ongoing in nature have been and will continue to be incurred by Theravance, such as financial, legal, tax, accounting and other advisory fees and regulatory fees. Theravance Biopharma may also incur costs in connection with the separation such as, among other things, facility and information technology system reconfiguration costs. The total amount of such separation charges to be incurred by Theravance Biopharma is not estimable at this time.

Theravance Biopharma, Inc.
(the Drug Discovery and Development Business of Theravance, Inc.)

Unaudited Pro Forma Combined Balance Sheet
(In thousands)

	December 31, 2013		
	Historical	Pro Forma Adjustment	Pro Forma
ASSETS			
Current assets:			
Cash and cash equivalents	$ —	$ 375,000(1)	$ 375,000
Accounts receivable, net	199		199
Receivables from collaborative arrangements	934		934
Notes receivable, current	140		140
Inventories	10,406		10,406
Prepaid and other current assets	2,427		2,427
Total current assets	14,106	375,000	389,106
Restricted cash	833		833
Property and equipment, net	10,238		10,238
TOTAL ASSETS	$ 25,177	$ 375,000	$ 400,177
LIABILITIES AND PARENT COMPANY EQUITY (DEFICIT)			
Current liabilities:			
Accounts payable	$ 6,940	$ —	$ 6,940
Accrued personnel-related expenses	9,870		9,870
Accrued clinical and development expenses	9,714		9,714
Other accrued liabilities	2,122		2,122
Deferred revenue, current	8,207		8,207
Total current liabilities	36,853		36,853
Deferred rent	4,774		4,774
Deferred revenue, non-current	585		585
Total liabilities	42,212		42,212
Commitments and contingencies			
Parent company deficit	(17,035)	17,035(1)	—
Stockholders' equity (deficit):			
Common stock	—	—(2)	—
Additional paid in capital	—	357,965(1)(2)	357,965
Total parent company stockholders' (deficit) / stockholders' equity	(17,035)	375,000	357,965
TOTAL LIABILITIES AND PARENT COMPANY DEFICIT / STOCKHOLDERS' EQUITY PRO FORMA	$ 25,177	$ 375,000	$ 400,177

Pro Forma Adjustments:

(1) Cash and cash equivalents pro forma include an assumed cash capital contribution by Theravance, Inc. of $375 million, the midpoint in the range of $350 million to $400 million that is anticipated to be contributed.

(2) Amount represents the pro forma capitalization of Theravance Biopharma, including the assumed issuance of . Theravance Biopharma ordinary shares at $0.00001 par value, which is based on the number of outstanding shares of Theravance's common stock as of December 31, 2013 and assuming a distribution rate of one ordinary share of Theravance Biopharma, Inc. for every 3.5 shares of Theravance common stock outstanding. The pro forma adjustment to additional paid-in capital is equal to the amount of net assets recorded by Theravance Biopharma plus the reclassification of parent company equity on the spin-off date.

Management

The following table sets forth information as of March 31, 2014 regarding individuals who will serve as our executive officers and as officers of Theravance Biopharma US, Inc. after the spin-off, including their positions.

Name	Age	Expected Position
Executive Officers		
Rick E Winningham	54	Chief Executive Officer and Chairman of the Board
Frank Pasqualone	58	Senior Vice President, Operations
Jeffrey D. Jonker	41	Senior Vice President Business Development
Brett K. Haumann	44	Vice President, Clinical Development and Operations
Renee D. Gala	42	Vice President, Finance
Officers of Theravance Biopharma US, Inc.		
Steven L. Barriere	66	Vice President, Clinical and Medical Affairs of Theravance Biopharma US, Inc.
Daniel M. Canafax	61	Vice President, Clinical Development
Rebecca L. Coleman	61	Vice President, Regulatory Affairs and Quality
Michael W. Conner	60	Vice President, Safety Assessment/Toxicology
Oranee T. Daniels	49	Vice President, Clinical Pharmacology and Experimental Medicine
Jeffrey T. Finer	48	Vice President, Molecular and Cellular Biology
Jeffrey A. Hagenah	57	Vice President & Chief Patent Counsel
Sharath S. Hegde	50	Vice President, Pharmacology
Alan Hopkins	62	Vice President of Biometrics
Daniel G. Marquess	45	Vice President, Medicinal Chemistry
Edmund J. Moran	52	Vice President, R&D Program Leader
Carlos A. Parra	61	Vice President, Quality
Heather M. Shane	41	Vice President and Assistant General Counsel

Rick E Winningham joined Theravance as Chief Executive Officer and a member of the Theravance board of directors in October 2001. From 1997 to 2001 he served as President, Bristol-Myers Squibb Oncology/Immunology/Oncology Therapeutics Network (OTN) and also as President of Global Marketing from 2000 to 2001. In addition to operating responsibility for U.S. Oncology/Immunology/OTN at Bristol-Myers Squibb, Mr. Winningham also had full responsibility for Global Marketing in the Cardiovascular, Infectious Disease, Immunology, Oncology/ Metabolics and GU/GI/Neuroscience therapeutic areas. Mr. Winningham held various management positions with Bristol-Myers Squibb and its predecessor, Bristol-Myers, since 1986. Mr. Winningham is a member of the board of directors of Jazz Pharmaceuticals and the California Healthcare Institute. Mr. Winningham holds an M.B.A. from Texas Christian University and a B.S. degree from Southern Illinois University.

Frank Pasqualone joined Theravance as Senior Vice President, Operations in January 2014. From 1986 to 2012, Mr. Pasqualone was at Bristol-Myers Squibb, where he served as President of Intercontinental Region: Latin America, Middle East and Africa from 2010 to 2012, President of Southern Europe from 2009 to 2010, Senior Vice President and General Manager Iberia and Middle East and Africa from 2008 to 2009, and in various other senior management positions in the U.S. and globally. Since leaving Bristol-Myers Squibb and prior to joining Theravance, Mr. Pasqualone was self-employed as a part-time consultant. Mr. Pasqualone holds an M.B.A. from University of Dayton and a B.S. in Marketing from Bowling Green State University in Ohio.

Jeffrey D. Jonker joined Theravance as Senior Vice President, Corporate and Business Development, in October 2013. Prior to joining Theravance, Mr. Jonker served as Chief Business Officer of Satori Pharmaceuticals from April 2010 to April 2013. Previously, he held senior business development and corporate strategy positions with Gloucester Pharmaceuticals November 2009 to March 2010) and Genentech, Inc. (March 2003 to November 2009). Prior to Genentech, Mr. Jonker was an attorney in the Technology Transactions Group of Wilson, Sonsini, Goodrich & Rosati, representing clients in the biotech, life sciences and high tech industries (November 1998 to March 2003). Mr. Jonker holds a J.D. from Columbia University School of Law, an M.Litt. from the University of St. Andrews and a B.A. from Claremont McKenna College.

Brett K. Haumann, M.D., M.B.A., joined Theravance as Vice President, Clinical Development, in October 2013 and became Vice President, Clinical Development and Operations in March 2014. Prior to joining Theravance, Dr. Haumann served as Chief Medical Officer at Circassia Limited. Previously, Dr. Haumann held senior positions at GlaxoSmithKline, including Medicines Development Leader and Vice President Clinical Development. Dr. Haumann has more than 15 years of experience in the discovery and development of pulmonary and allergy medicines. Dr. Haumann completed his M.D. at the University of Witwatersrand Medical School, South Africa and holds an M.B.A. from Open University, United Kingdom.

Renee D. Gala joined Theravance in June 2006, initially as Director of Financial Planning and Analysis and then as Senior Director of Finance and Procurement in July 2008. Ms. Gala was promoted to Vice President of Finance in January 2013. From 2001 to 2006, Ms. Gala worked at Eli Lilly and Company, where she held positions of increasing responsibility in global treasury, pharmaceutical sales, and corporate strategy/business development. Prior to joining Eli Lilly, she spent seven years in the energy industry in the United States and internationally in positions focused on corporate finance, project finance, and mergers and acquisitions. Ms. Gala earned a B.S. in Mathematics from Vanderbilt University and an M.B.A. from Columbia Business School.

Steven L. Barriere, Pharm.D., joined Theravance in 2002 as Senior Director, Clinical Research and was promoted to Vice President, Clinical and Medical Affairs in April 2008. Prior to joining Theravance, Dr. Barriere worked in anti-infective development programs at several biopharmaceutical companies. Prior to joining the pharmaceutical industry, Dr. Barriere held academic positions at University of California, San Francisco and University of California, Los Angeles. He is a Fellow of the Infectious Diseases Society of America and the American College of Clinical Pharmacy. Dr. Barriere obtained his Pharm.D. degree from the University of California, San Francisco, and currently holds an academic title at the University of California, San Francisco, where he is a Clinical Professor.

Daniel M. Canafax, Pharm.D., joined Theravance in 2011 as Vice President, Clinical Development. Dr. Canafax recently served as Vice President, Clinical Development at XenoPort, Inc. in 2010 and previously from 2002 to 2007. Dr. Canafax served as Vice President and Chief Development Officer at Aryx Therapeutics, Inc. from 2007 to 2010. Prior to these positions, he worked in clinical research in other companies including MedImmune, Inc. and Elan Pharmaceuticals, Inc. Early in his career, Dr. Canafax was a Professor at the University of Minnesota. Dr. Canafax obtained his Pharm.D. degree from the University of Kentucky and he holds a B.S. degree in Pharmacy from Washington State University.

Rebecca L. Coleman, Pharm.D., joined Theravance in 2002, initially as Director and then as Senior Director of Regulatory Affairs in February 2005. Dr. Coleman was promoted to Vice President, Regulatory Affairs and Quality in October 2008. From 1997 to 2002, she worked in the Clinical Research and Regulatory Affairs departments at Gilead Sciences, Inc., most recently as Director. Prior to her time at Gilead, Dr. Coleman spent 13 years as Pharmacist at the University of California, San Francisco. Dr. Coleman obtained her Pharm.D. degree from the University of the Pacific and currently

holds an academic title at the School of Pharmacy, University of California, San Francisco, where she is an Associate Clinical Professor.

Michael W. Conner, D.V.M., joined Theravance in 1999 as Senior Director of Safety Assessment and Toxicology and was promoted to Vice President, Safety Assessment/Toxicology in February 2001. Prior to joining Theravance, Dr. Conner worked for ten years at Merck Research Laboratories, most recently serving as a Director of Compound Management within the Department of Safety Assessment. Dr. Conner earned a D.V.M. from the University of Georgia, a B.S. degree in Biology from the Massachusetts Institute of Technology, and completed postdoctoral fellowships at Harvard and MIT prior to serving on the faculty of Boston University School of Medicine.

Oranee T. Daniels, M.D., joined Theravance as Vice President, Clinical Pharmacology, in January 2009. In January 2011, she became Vice President, Clinical Pharmacology and Experimental Medicine. Prior to joining Theravance, Dr. Daniels worked in the Early Development-Clinical Pharmacology at Amgen Inc. since 2004, most recently as Executive Director. From 2001-2004, she was a clinical pharmacologist at Eli Lilly and Company. Early in her career, Dr. Daniels was Assistant Professor in Chulalongkorn University, Bangkok, Thailand and Research Associate of Life Sciences in Stanford University. She obtained her M.D. and completed her residency training in Internal Medicine at Chulalongkorn University. Dr. Daniels holds a M.Sc. degree in Cardiovascular Pharmacology from McMaster University. She completed her Clinical Pharmacology fellowship at Stanford University and is board certified in clinical pharmacology.

Jeffrey T. Finer, M.D., Ph.D., joined Theravance in 2011 as Vice President, Molecular and Cellular Biology. Prior to joining Theravance, Dr. Finer served as Vice President, Discovery at Five Prime Therapeutics, Inc. since 2007. From 1998 to 2007, Dr. Finer worked in various positions with increasing responsibility at Cytokinetics, Inc., most recently as Director, Drug Discovery Technologies. Dr. Finer obtained his M.D. and Ph.D. in Biochemistry from Stanford University School of Medicine and he holds B.S. degrees in Chemistry and Biology from Massachusetts Institute of Technology. He completed residency training in Internal Medicine at Stanford and in Ophthalmology at Massachusetts Eye & Ear Infirmary and Harvard Medical School.

Jeffrey A. Hagenah, Ph.D., joined Theravance in April 2000 as Senior Patent Counsel and was named Chief Patent Counsel in April 2003. He was promoted to Vice President and Chief Patent Counsel in January 2007. Prior to joining Theravance, Dr. Hagenah was an attorney at Burns, Doane, Swecker & Mathis, L.L.P. From 1984 to 1993, he held a variety of positions at Chevron Corporation in the Law Department and in Chevron Chemical Company. Dr. Hagenah holds a J.D. from Boalt Hall at the University of California, Berkeley; a Ph.D. in Chemistry from the University of California, Los Angeles; and a B.S. in Chemistry "With Great Distinction" from California State University, Long Beach.

Sharath S. Hegde, Ph.D., joined Theravance in September 1999 and has held various positions in the Pharmacology team before being promoted to Vice President in June 2007. Prior to joining Theravance, Dr. Hegde spent nine years at Syntex Corporation, later acquired by Roche Holdings Ltd. Dr. Hegde obtained his Ph.D. in Pharmacology from the University of Houston and obtained his B.Pharm/M.Pharm degree in Pharmacy/Pharmacology from the University of Bombay.

Alan Hopkins, Ph.D., joined Theravance in 2005 as Senior Director of Biometrics and was promoted to Vice President of Biometrics in January 2010. Prior to joining Theravance, Dr. Hopkins held the following positions: President and Founder of PharmaStat LLC, Vice President of Clinical and Regulatory Sciences for Acumen Sciences, and Senior Director of Medical Affairs at Genentech, Inc. At Genentech, he was responsible for Biostatistics, Data Management and Clinical Information Technology. Dr. Hopkins received his Ph.D. in Biostatistics from the University of California, Berkeley, and obtained both an M.S. in Biostatistics and an A.B. in Quantitative Psychology from the University of California, Los Angeles.

Daniel G. Marquess, D.Phil., joined Theravance in 1998 and held various positions in the Medicinal Chemistry Department before being promoted to Vice President, Medicinal Chemistry in June 2007. Prior to joining Theravance, Dr. Marquess worked in the Medicinal Chemistry Department at GlaxoSmithKline, Stevenage UK from 1994-1998. Dr. Marquess was a NATO post-doctoral Fellow at Stanford University. He earned his D.Phil. in Organic Chemistry at the University of Oxford. He holds a B.Sc. in Chemistry from Queen's University of Belfast, N. Ireland.

Edmund J. Moran, Ph.D., joined the Research team at Theravance in February 1998 and was promoted to Director, Research in June 2000. In February 2001, he was promoted to Senior Director, Research and in January of 2003 he was further promoted to Vice President, Research. He is currently responsible for two major research and development programs. Prior to Theravance, Dr. Moran founded the Medicinal Chemistry Department at Ontogen Corporation in 1993 and was its first employee. From 1992 to 1993 he was an NIH postdoctoral Fellow in the laboratories of Professor Peter G. Schultz at the University of California, Berkeley. Dr. Moran obtained his Ph.D. in Organic Chemistry from the University of California, Los Angeles. He holds a B.S. degree in Chemistry from the University of Connecticut.

Carlos A. Parra joined Theravance as Vice President, Quality in July 2009. Prior to joining Theravance, Mr. Parra served as a Vice President of Quality at Alexza Pharmaceuticals. From 2002-2008, he worked at Telik, Inc., a biopharmaceutical company, most recently as the Vice President, Operations and Quality. Mr. Parra previously was a Principal Partner at West Coast Associates, a consulting firm to the pharmaceutical, biopharmaceutical, and device industries, from 1996 to 2002. Prior to that, he worked in various quality management capacities at other companies including Somatogen, Inc., Syntex Research, Genentech, Abbott Laboratories, and American Hospital Supply. Mr. Parra holds a B.S. in Microbiology from University of Texas, El Paso.

Heather M. Shane joined Theravance as Senior Director and Assistant General Counsel in September 2005 and was promoted to Vice President & Assistant General Counsel in February 2011. Prior to joining Theravance, she was a corporate attorney at Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP where she focused on private financings, fund formations, mergers & acquisitions and public offerings. Ms. Shane graduated from the University of California at Santa Barbara with a B.A. in English Literature and obtained her J.D. from New York University School of Law.

Employment Arrangements

We have entered into employment offer letters with each of our named executive officers in connection with their start of employment with us. None of these employment offer letters provides for a specific term of employment, each officer is an "at-will" employee and each officer's employment may be terminated by either party at any time.

Board of Directors

Members of the Board of Directors

Our board of directors is currently comprised of seven members, each of whom is expected to continue to serve as a director at the time of the spin-off. The following table sets forth information as of March 31, 2014 regarding these individuals:

Name	Age
Henrietta H. Fore	65
Robert V. Gunderson, Jr.	62
Burton G. Malkiel Ph.D.	81
Peter S. Ringrose Ph.D.	68
George M. Whitesides Ph.D.	74
Rick E Winningham	54
William D. Young	69

In addition, we intend to increase the size of our board to ten members immediately after the spin-off and intend to appoint the following three persons as new directors effective immediately after the spin-off. Each of the following persons has agreed to serve. Their ages as of March 31, 2014 are shown below:

Name	Age
Michael G. Atieh	60
Eran Broshy	55
Dean J. Mitchell	58

Henrietta H. Fore has served as a director since October 2013. Ms. Fore has also served as a director of Theravance since October 2010, but is expected to resign as a director of Theravance prior to the spin-off. Ms. Fore has served as the Chairman of the Board and Chief Executive Officer of Holsman International, an investment and management company, since 2009. From 2007 to 2009, Ms. Fore served as the Administrator of the U.S. Agency for International Development (USAID), and Director of United States Foreign Assistance, holding the equivalent rank as Deputy Secretary of State. In this position she was responsible for managing U.S. foreign assistance to countries recovering from disaster, trying to escape poverty, and engaging in democratic reforms. She also served on the Boards of the Overseas Private Investment Corporation, and the Millennium Challenge Corporation during this period. From 2005 to 2007, Ms. Fore served as Under Secretary of State for Management, the Chief Operating Officer for the Department of State, where she was responsible for the people, resources, facilities, technology and security of the Department and was the Secretary's principal advisor on management issues. Ms. Fore is a Trustee of the Center for Strategic and International Studies, the Aspen Institute, the Asia Society, and the Center for Global Development. She serves on the Boards of Exxon Mobil Corporation, Diagnostics for All, and the Committee Encouraging Corporate Philanthropy, the Initiative for Global Development, and the Middle East Investment Initiative. She is co-Chair of Women Corporate Directors. Ms. Fore has a Bachelor of Arts degree in History from Wellesley College and a Master of Science degree in Public Administration from the University of Northern Colorado. Ms. Fore's senior management experience at high levels within the U.S. government and her current experience as a chief executive officer and chairman of an investment and management company contributed to our conclusion that she should serve as a director.

Robert V. Gunderson, Jr. has served as a director since October 2013. Mr. Gunderson has also served as a director of Theravance since September 1999, but is expected to resign as a director of Theravance prior to the spin-off. He is a founding partner of the law firm of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, where he has practiced since 1995. Mr. Gunderson

currently serves as a director of a number of private companies. Mr. Gunderson holds a J.D. from the University of Chicago, where he was Executive Editor of The University of Chicago Law Review. Mr. Gunderson also received an M.B.A. in Finance from The Wharton School, University of Pennsylvania and an M.A. from Stanford University. Mr. Gunderson's demonstrated leadership in his field, his understanding of our industry and his knowledge of financial and financing matters contributed to our conclusion that he should serve as a director.

Burton G. Malkiel, Ph.D., has served as a director since October 2013. Dr. Malkiel has also served as a director of Theravance since July 2007, but is expected to resign as a director of Theravance prior to the spin-off. Dr. Malkiel, the Chemical Bank Chairman's Professor of Economics at Princeton University, is the author of *A Random Walk Down Wall Street*. He is also the author of over 125 articles and is the author or co-author of nine other books. From 1981 to 1988 he was dean of the Yale University School of Management and also served as the William S. Beinecke Professor of Management Studies. He is a past appointee to the President's Council of Economic Advisors. In addition, Dr. Malkiel currently serves on the board of directors of several corporations including The Vanguard Group Ltd. and Genmab. He also serves on several investment management boards including the Investment Committees for the American Philosophical Association and Alpha Shares, LLC. He is a past president of the American Finance Association and the International Atlantic Economic Association. He holds a B.A. and MBA degree from Harvard University and a Ph.D. degree from Princeton University. Dr. Malkiel's demonstrated leadership in his field, his knowledge of financial and financing matters, and his ability to serve as a financial expert on our Audit Committee contributed to our conclusion that he should serve as a director.

Peter S. Ringrose, Ph.D., has served as a director since October 2013. Dr. Ringrose has also served as a director of Theravance since April 2010, but is expected to resign as a director of Theravance prior to the spin-off. Dr. Ringrose was Chief Scientific Officer and President of Bristol Myers Squibb Pharmaceutical Research Institute from 1997-2002 and Senior Vice-President for Worldwide Drug Discovery at Pfizer Inc from 1982-1996. Since 2002 Dr. Ringrose has served as chair of the Biotechnology and Biological Sciences Research Council UK (2003-2009) and was a non-executive director of Cambridge Antibody Technology until its acquisition by Astra Zeneca in 2006 and non-executive director of Astex Therapeutics Ltd. until its acquisition by SuperGen in 2011. He is currently a non-executive director of Rigel Pharmaceuticals Inc. and Biotica Technology Ltd. Dr. Ringrose is a council member of the UK Foundation for Science and Technology and was a member the UK Government's Technology Strategy Board until 2009. Dr. Ringrose received a BSc, MA and PhD from the University of Cambridge. His significant scientific leadership experience in the pharmaceutical industry contributed to our conclusion that Dr. Ringrose should serve as a director.

George M. Whitesides, Ph.D., has served as a director since October 2013. Dr. Whitesides has also served as a director of Theravance since its inception in 1996, but is expected to resign as a director of Theravance prior to the spin-off. He has been Woodford L. and Ann A. Flowers University Professor at Harvard University since 2004. From 1986 until 2004, Dr. Whitesides was Mallinckrodt Professor of Chemistry at Harvard University. From 1982 until 1991 he was a member of the Department of Chemistry at Harvard University and Chairman of the Department of Chemistry from 1986 until 1989. He was a faculty member of the Massachusetts Institute of Technology from 1964 until 1982. Dr. Whitesides was a 1998 recipient of the National Medal of Science. He is a member of the editorial boards of 14 scientific journals. He is also a member of the board of directors of Surface Logix, Inc., Nano-Terra Inc., Arsenal Biomedical, Inc. and 480 Biomedical, Inc. In addition, in the past five years, Dr. Whiteside has served on the board of directors of Rohm and Haas Company. Dr. Whitesides holds a Ph.D. in Chemistry from the California Institute of Technology and a B.A. from Harvard University. Dr. Whiteside's demonstrated leadership in his field, his knowledge of scientific matters affecting our business and his understanding of our industry contributed to our conclusion that he should serve as a director.

Rick E Winningham has served as a director since July 2013. Mr. Winningham has also served as a director of Theravance since October 2001 and is expected to continue to serve as a director of Theravance following the spin-off. From 1997 to 2001 he served as President, Bristol-Myers Squibb Oncology/Immunology/Oncology Therapeutics Network (OTN) and also as President of Global Marketing from 2000 to 2001. In addition to operating responsibility for U.S. Oncology/Immunology/OTN at Bristol-Myers Squibb, Mr. Winningham also had full responsibility for Global Marketing in the Cardiovascular, Infectious Disease, Immunology, Oncology/ Metabolics and GU/GI/Neuroscience therapeutic areas. Mr. Winningham held various management positions with Bristol-Myers Squibb and its predecessor, Bristol-Myers, since 1986. Mr. Winningham is a member of the board of directors of Jazz Pharmaceuticals, Inc. and the California Healthcare Institute. Mr. Winningham holds an M.B.A. from Texas Christian University and a B.S. degree from Southern Illinois University. We believe that it is appropriate and desirable for our Chief Executive Officer to serve on our board of directors. Mr. Winningham's demonstrated leadership in his field, his prior senior management experience in our industry and his experience as our Chief Executive Officer contributed to our conclusion that he should serve as a director.

William D. Young has served as a director since October 2013 and has served as our lead independent director since April 2014. Mr. Young has also served as a director of Theravance since April 2001, but is expected to resign as a director of Theravance prior to the spin-off. He is currently a Venture Partner at Clarus Ventures and Executive Chairman of NanoString Technologies, a Clarus portfolio company. Mr. Young served from 1999 until 2009 as Chairman of the board of directors and Chief Executive Officer of Monogram Biosciences, Inc. From 1980 to 1999 Mr. Young was employed at Genentech, Inc., most recently as Chief Operating Officer, where he was responsible for all Product Development, Manufacturing and Commercial functions. Prior to joining Genentech, Mr. Young worked at Eli Lilly and Company for fourteen years and held various positions in production and process engineering, antibiotic process development and production management. He is Chairman of the board of directors of Biogen Idec, Inc. and a member of the board of directors of BioMarin, Inc. Mr. Young received his M.B.A. from Indiana University and his B.S. in Chemical Engineering from Purdue University, and an honorary Doctorate of Engineering from Purdue University. Mr. Young was elected to The National Academy of Engineering in 1993 for his contributions to biotechnology. Mr. Young's demonstrated leadership in his field, his understanding of our industry and his senior management experience in several companies in our industry contributed to our conclusion that he should serve as a director.

Michael G. Atieh is expected to become a director at the time of the spin-off. Mr. Atieh was Executive Chairman of Eyetech Inc., a privately held specialty pharmaceutical company, from February 2009 until the company was acquired by Valeant Pharmaceuticals in February 2012. Previously, he was Executive Vice President and Chief Financial Officer of OSI Pharmaceuticals, a public biotechnology company, from 2005 until 2009. From 2001 to 2004 Mr. Atieh held the positions of Chief Financial Officer and Group President, Global Accounts Business Unit at Cegedim Dendrite, Inc., a public company specializing in developing and marketing databases and software for the healthcare field. Mr. Atieh spent the majority of his career with Merck & Co., Inc., a public pharmaceutical company, where he held various senior level positions over a 20 year period including Vice President—U.S. Human Health, Senior Vice President—Merck Medco Managed Care, Vice President—Public Affairs, Vice President—Government Relations, and Treasurer. Mr. Atieh currently serves on the board of directors of ACE Limited, a publicly traded global insurance company, where he chairs the Audit Committee and is a member of the Executive Committee. Mr. Atieh previously chaired the Audit Committee of OSI Pharmaceuticals from 2003 to 2005. Mr. Atieh holds a B.A. from Upsala College and became a qualified CPA in 1977. Mr. Atieh's demonstrated leadership in the biomedical field, his knowledge of financial and financing matters, his current and prior Board experience and his ability to serve as a financial expert on our Audit Committee contributed to our conclusion that he should serve as a director.

Eran Broshy is expected to become a director at the time of the spin-off. Mr. Broshy has served as an operating partner with Linden Capital Partners, a private equity firm, since March 2013 and as an executive advisor with Court Square Capital, also a private equity firm, since March 2013. From June 2009 to December 2012, Mr. Broshy was a senior advisor to Providence Equity Partners, where he supported the private equity firm's healthcare information investment efforts. Mr. Broshy previously served for over a decade as the Chief Executive Officer (until 2008) and chairman of the board of directors (until 2010) of inVentiv Health, Inc., a privately held company (and until August 2010 a Nasdaq listed company) that delivers a broad range of clinical and commercialization services to pharmaceutical and life sciences companies globally. Prior to joining inVentiv, Mr. Broshy was a management consultant with The Boston Consulting Group for 14 years, including as the partner responsible for BCG's healthcare practice across the Americas for a number of years. He also served as President and Chief Executive Officer of Coelacanth Corporation, a privately held biotechnology company, from 1998 to 1999. He currently serves on the board of directors of Magellan Health Services, Inc., a public specialty health care management company, and within the previous five years Mr. Broshy has also served on the board of directors of two other public companies: inVentiv Health, Inc. and Neurogen Corporation, a biotechnology company. He also serves on the Simon Wiesenthal Center's New York Executive Board, and on the Massachusetts Institute of Technology's Visiting Committee for Brain and Cognitive Sciences, the Visiting Committee for Health Sciences & Technology, and the Dean of Science Advisory Council. Mr. Broshy holds an M.B.A. from Harvard University, an M.S. in civil engineering from Stanford University, and a B.S. in civil engineering from the Massachusetts Institute of Technology. Mr. Broshy's demonstrated leadership in the healthcare industry in general and the managed healthcare industry in particular contributed to our conclusion that he should serve as a director.

Dean J. Mitchell is expected to become a director at the time of the spin-off. Mr. Mitchell has served as Executive Chairman of the Board of Covis Pharma Holdings, a specialty pharmaceutical company, since August 2013, and on the Board of ImmunoGen Inc., a public oncology company, since 2012. Prior to that, Mr. Mitchell served as President and Chief Executive Officer of Lux Biosciences, Inc., a biotechnology company focusing on the treatment of ophthalmic diseases, from July 2010 to August 2013. Prior to Lux Biosciences, he served as President and Chief Executive Officer of both Alpharma, Inc., a publicly traded specialty pharmaceutical company, from 2006 until its acquisition by King Pharmaceuticals, Inc. in 2008, and Guilford Pharmaceuticals, Inc., a publicly traded pharmaceutical company focused in oncology and acute care, from 2004 until its acquisition by MGI Pharma Inc. in 2005. From 2001 to 2004 he served in various senior executive capacities in the worldwide medicines group of Bristol-Myers Squibb Company, a pharmaceutical company. Prior to the Bristol-Myers Squibb Company, he spent 14 years at GlaxoSmithKline plc, in assignments of increasing responsibility spanning sales, marketing, general management, commercial strategy and clinical development and product strategy. In addition to serving on the Covis Pharma Holdings board, Mr. Mitchell is also a current director of Intrexon, Inc., a biotechnology company, and, within the past five years, he also served as a director of each of Ista Pharmaceuticals, Inc., a specialty pharmaceutical company, Lux Biosciences, Inc. and Talecris Biotherapeutics Holdings Corp., a biopharmaceutical company and producer and marketer of plasma-derived protein therapies. Mr. Mitchell holds an M.B.A. from City University London and a B.Sc. in biology from Coventry University. We believe that Mr. Mitchell's qualifications to serve as our director include his management experience in the pharmaceutical and biotherapeutics industries, in particular as it relates to later-stage drug development and commercialization, and his experience as a President, Chief Executive Officer and board member of multiple biotechnology companies.

We expect to have a classified board of directors at the time of the spin-off consisting of three classes of directors, each serving staggered three-year terms. Our directors will be divided among classes as follows:

- Class I directors, whose initial term will expire at the annual general meeting of shareholders to be held in 2015, will consist of Michael G. Atieh, Henrietta H. Fore, and Burton G. Malkiel;
- Class II directors, whose initial term will expire at the annual general meeting of shareholders to be held in 2016, will consist of Eran Broshy, Robert V. Gunderson, Jr., and Rick E Winningham; and
- Class III directors, whose initial term will expire at the annual general meeting of shareholders to be held in 2017, will consist of Dean J. Mitchell, Peter S. Ringrose, George M. Whitesides, and William D. Young.

Independence of Directors

We expect a majority of the members of our board of directors will qualify as independent directors as defined in Rule 5605 of the Nasdaq Marketplace rules for listed companies.

Each expected member of each of our Compensation, Nominating and Governance and Audit Committees is also expected to qualify as an independent director under Nasdaq's Marketplace rules for listed companies.

Board Committees

Our board of directors has established the following five standing committees: Audit Committee, Compensation Committee, Nominating/Corporate Governance Committee, Science and Technology Advisory Committee and Equity Awards Committee.

The Audit Committee of the board of directors will oversee our accounting practices, systems of internal controls and financial reporting processes. For this purpose, the functions of our Audit Committee will include:

- Approving the engagement of the independent auditors;
- Determining whether to retain or terminate the existing independent auditors or to appoint and engage new independent auditors;
- Reviewing and approving all audit and permissible non-audit services provided by the independent auditors;
- Conferring with management and the independent auditors regarding the effectiveness of internal controls, financial reporting processes and disclosure controls;
- Consulting with management and the independent auditors regarding our policies governing financial risk management;
- Reviewing and discussing reports from the independent auditors on critical accounting policies;
- Establishing procedures, as required under applicable law, for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- Reviewing the financial statements to be included in our Annual Report on Form 10-K;
- Discussing with management and the independent auditors the results of the annual audit and the results of quarterly reviews and any significant changes in our accounting principles; and

- Reviewing and approving related-person transactions in accordance with our policies and procedures with respect to related-person transactions and applicable Nasdaq rules.

Compensation Committee

The Compensation Committee of the board of directors will review and approve the overall compensation strategy and policies for the Company. The functions of the Compensation Committee will include:

- Reviewing and approving corporate performance goals and objectives relevant to the compensation of our executive officers and other senior management;
- Reviewing and approving the compensation and other terms of employment of our principal executive officer and other executive officers;
- Approving the individual bonus programs in effect for the principal executive officer, other executive officers and key employees for each fiscal year;
- Recommending to the board of directors the compensation of the directors;
- Recommending to the board of directors the adoption or amendment of equity and cash incentive plans and approving the adoption of and amendments to these plans;
- Granting share options and other equity awards; and
- Administering our equity incentive plans and similar programs.

We expect that the Compensation Committee will retain an independent compensation consultant to advise on various matters related to compensation of officers and directors and general compensation programs and matters, including in connection with planning for the spin-off. We expect that the Compensation Committee will continue the engagement of an independent compensation consultant to advise on these matters for us after the spin-off.

Our Compensation Committee would generally engage independent compensation consultants to provide:

- Assistance in selecting a peer group of companies for executive compensation comparison purposes;
- Comparative market data on officer and board director compensation practices and programs of peer companies and competitors;
- Guidance on industry best practices and emerging trends and developments in officer and board director compensation;
- Preparation of tally sheets for each officer; and
- Advice on determining the total compensation of each of our officers and the material elements of total compensation, including (1) annual base salaries, (2) target cash bonus amounts, (3) share option awards and (4) restricted share awards.

We expect that any independent compensation consultant will serve at the pleasure of the Compensation Committee rather than our management and its fees will be approved by the Compensation Committee. The Compensation Committee will assess the independence of compensation consultants pursuant to SEC rules and to confirm that no conflict of interest exists that would prevent compensation consultants from independently representing the Compensation Committee. The Compensation Committee, in consultation with its compensation consultants, reviews and approves the overall strategy for compensating members of the board of directors. Specifically, the

Compensation Committee reviews the compensation of the directors and recommends to the board of directors any changes to the compensation of the directors.

Nominating/Corporate Governance Committee

The Nominating/Corporate Governance Committee of the board of directors is responsible for:

- Identifying, reviewing and evaluating candidates to serve as directors of the Company (consistent with criteria to be approved by the board of directors);
- Reviewing and evaluating incumbent directors;
- Recommending to the board of directors for selection candidates for election to the board of directors, making recommendations to the board of directors regarding the membership of the committees of the board of directors; and
- Assessing the performance of the board of directors and advising the board of directors on corporate governance principles.

The Nominating/Corporate Governance Committee will work to ensure that candidates for director have certain minimum qualifications, including being able to read and understand basic financial statements and having the highest personal integrity and ethics. The committee will also consider such factors as having relevant expertise upon which to be able to offer advice and guidance to management, sufficient time to devote to our affairs, demonstrated excellence in his or her field, the ability to exercise sound business judgment and the commitment to rigorously represent the long-term interests of our shareholders. However, the Nominating/Corporate Governance Committee will retain the right to modify these qualifications from time to time.

Candidates for director nominees will be reviewed in the context of the current composition of our board of directors, our operating requirements and the long-term interests of our shareholders. While we will not have a formal policy on diversity, our Nominating/Corporate Governance Committee will consider diversity of experience as one of the factors it considers in conducting its assessment of director nominees, along with such other factors as it deems appropriate given the then current needs of the board of directors and the Company, to maintain a balance of knowledge, experience and capability. In the case of incumbent directors, our Nominating/Corporate Governance Committee will review such directors' overall service during their term, including the number of meetings attended, level of participation, quality of performance, and any other relationships and transactions that might impair such directors' independence. In the case of new director candidates, the committee will also determine whether the nominee must be independent for Nasdaq purposes, which determination is based upon applicable Nasdaq listing standards, applicable SEC rules and regulations and the advice of counsel, if necessary.

The committee will use its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. The committee will conduct appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the board of directors. The committee will meet to discuss and consider such candidates' qualifications and then select a nominee for recommendation to the board of directors by majority vote.

The Nominating/Corporate Governance Committee will consider director candidates recommended by shareholders and evaluate them using the same criteria as candidates identified by the board of directors or the Nominating/Corporate Governance Committee for consideration. If a shareholder of the Company wishes to recommend a director candidate for consideration by the Nominating/Corporate Governance Committee, the shareholder recommendation should be delivered to the Secretary of the Company in writing at the principal executive offices of the Company, and must

include information regarding the candidate and the shareholder making the recommendation as required by a to be established communications policy.

Science and Technology Advisory Committee

The Science and Technology Advisory Committee of the board of directors will review and discuss scientific and technological matters affecting the Company. The Science and Technology Advisory Committee will also identify scientific and technological matters that may affect Theravance Biopharma in the future, and will develop strategies to address these issues in our research plans.

Equity Awards Committee

The primary purpose of the Equity Awards Committee, of which Rick E Winningham and Peter Ringrose are the members, will be to approve and grant options and other equity grants to employees who are employed at or below the vice president level. Grants to senior vice presidents and above will be made by our Compensation Committee.

Compensation of Non-Employee Directors

The following is a description of the standard compensation arrangements under which our non-employee directors will be compensated for their service as directors, including as members of the various committees of our board of directors.

Cash Compensation

Each member of our board of directors who is not an employee will be paid an annual retainer of $50,000 as well as $1,000 for each Board and committee meeting attended ($500 for scheduled in-person meetings that a Board member attends by video or telephone conference). In addition, the chairperson of the Audit Committee will be paid a $20,000 annual retainer, the chairperson of the Compensation Committee will be paid a $13,000 annual retainer, and the chairpersons of the Nominating/Corporate Governance Committee and the Science and Technology Advisory Committee will each be paid a $10,000 annual retainer. The lead independent director will also be paid a $25,000 annual retainer. The members of our Board will be eligible for reimbursement for their expenses incurred in attending Board meetings in accordance with company policy.

Equity Compensation

Each of our non-employee directors will also be compensated with periodic automatic grants of equity awards under a program implemented under our 2013 Equity Incentive Plan. These grants will be non-discretionary, and only non-employee directors of the Company will be eligible to receive these automatic grants. Under the program, each individual who first becomes a non-employee director will, on the date such individual joins the Board, automatically be granted a one-time nonstatutory share option grant covering 12,000 ordinary shares. These initial option grants will vest monthly over the director's first two years of service.

In addition, on the date of joining the board of directors, a new non-employee director will also receive the standard annual equity award (if joining on the date of our annual meeting of shareholders) or pro-rated annual equity award (if joining on any other date), as described below. The pro-ration will be based upon the number of months of service the new board member will provide during the 12-month period ending on the one-year anniversary of the most recent annual meeting of shareholders. Annually, upon his or her re-election to the Board at the annual meeting of shareholders, each non-employee director automatically will be granted a nonstatutory share option covering 12,000 ordinary shares. This standard annual option grant will vest monthly over the twelve month period of service following the date of grant. In addition, all automatic equity awards will vest in full if the Company is subject to a change in control or the board member dies while in service. Each share option granted pursuant to the automatic grant program will have an exercise price equal to the fair market value of our ordinary shares on the date of grant, a term of up to ten years and will remain exercisable for three years following termination of a director's service other than for cause. In addition to the automatic share options described above, directors will also be eligible to receive other equity awards under our 2013 Equity Incentive Plan.

Each non-employee director serving as a member of our board of directors at the time of the spin-off will receive the both initial option grant described above as well as the standard annual option grant described above, with such awards made following the occurrence of the spin-off; provided, however, that such initial option grants will vest monthly over the director's first three years of service, instead of two years of service.

In addition, as described in "The Spin-Off—Treatment of Outstanding Theravance Equity Awards in Connection with the Spin-Off" above, Theravance stock options held by Theravance non-employee directors who transfer to our board of directors that were granted prior to 2014 have been amended to

provide that they will remain outstanding and exercisable based on service on our board of directors following the spin-off.

2013 Director Compensation Table

The following table sets forth the 2013 compensation awarded to, earned by, or paid to each non-employee director of Theravance who will be one of our non-employee directors following the spin-off. The amounts and forms of compensation in the table below reflect compensation from Theravance and are not necessarily reflective of the compensation our non-employee directors may receive following the spin-off.

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)(3)	Option Awards ($)(2)(4)	Total ($)
(a)	(b)	(c)	(d)	(h)
Henrietta H. Fore	66,500	183,240	94,267	344,007
Robert V. Gunderson, Jr.	66,000	183,240	94,267	343,507
Burton G. Malkiel, Ph.D.	100,000	183,240	94,267	377,507
Peter S. Ringrose, Ph.D.	74,000	183,240	94,267	351,507
George M. Whitesides, Ph.D.	72,000	183,240	94,267	349,507
William D. Young	88,000	183,240	94,267	365,507

(1) Includes the annual retainer paid by Theravance to each director, the annual retainers paid by Theravance to the chairperson of each committee and to the lead independent director, as well as fees for attendance at Theravance's board of director and committee meetings.

(2) The amounts in these columns represent the aggregate grant date fair value of stock awards and option awards granted to the director by Theravance during 2013 computed in accordance with FASB ASC Topic 718. See Note 10 of the notes to Theravance's consolidated financial statements in Theravance's Annual Report on Form 10-K filed on March 3, 2014 for a discussion of all assumptions made by Theravance in determining the grant date fair value of its equity awards.

(3) As of December 31, 2013, the above-listed directors held outstanding restricted stock units under which the following number of shares of Theravance's common stock were issuable: Ms. Fore (27,000); Mr. Gunderson (24,000); Dr. Malkiel (24,000); Dr. Ringrose (30,000); Dr. Whitesides (24,000); and Mr. Young (24,000).

(4) As of December 31, 2013, the above-listed directors held outstanding options to purchase the following number of shares of Theravance's Common Stock: Ms. Fore (27,000); Mr. Gunderson (96,612); Dr. Malkiel (60,000); Dr. Ringrose (18,000); Dr. Whitesides (96,612); and Mr. Young (96,612).

Compensation of Named Executive Officers

2013 Summary Compensation Table

The following table sets forth all of the compensation awarded to, earned by, or paid to the persons who will to be our "principal executive officer" and our two other highest paid executive officers based on the compensation they received from Theravance (our "named executive officers") for fiscal years 2013 and 2012. The amounts and forms of compensation set forth in the table below reflect compensation from Theravance and are not necessarily indicative of the compensation the officers may receive following the spin-off.

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)(2)	Stock Awards ($)(3)	Option Awards ($)(4)	Non-Equity Incentive Plan Compensation ($)(5)	All Other Compensation ($)(6)	Total ($)
Rick E Winningham Chief Executive Officer	2013	857,940	129,004	244,420		516,016	500	1,747,880
	2012	833,280	35,112	199,210		450,888	500	1,518,990
Jeffrey D. Jonker Senior Vice President, Corporate and Business Development	2013	80,966	750	544,500	3,073,245	74,250		3,773,711
Brett K. Haumann Vice President, Clinical Development and Operations	2013	66,000(7)	5,023(7)	757,200	1,609,343	45,209(7)		2,482,775

(1) Includes amounts deferred pursuant to Theravance's 401(k) plan.

(2) The amounts in this column reflect cash bonuses awarded under Theravance's annual cash bonus plan at the discretion of Theravance (and for Messrs. Winningham and Jonker, at the discretion of the Theravance Compensation Committee).

(3) The amounts in this column represent the aggregate grant date fair value of stock awards granted by Theravance to the officer in the applicable fiscal year computed in accordance with FASB ASC Topic 718. See Note 10 of the notes to Theravance's consolidated financial statements in Theravance's Annual Report on Form 10-K filed on March 3, 2014 for a discussion of all assumptions made by Theravance in determining the grant date fair values of its equity awards. Mr. Winningham was granted RSAs by Theravance in February 2013, the vesting of 50% of which was tied to the achievement of one of three possible performance goals. The grant date fair value of the performance-contingent portion of Mr. Winningham's RSAs assuming that one of the milestones was achieved is $244,420. In accordance with SEC rules, the grant date fair value of any award subject to a performance condition is based on the probable outcome of the performance conditions. At the time Mr. Winningham's RSAs were granted, it was not probable that any of the performance milestones would be achieved and therefore no amount attributable to the performance-contingent portion of his award is included in the "stock awards" column. One of the performance goals applicable to Mr. Winningham's award has since been achieved. Mr. Jonker and Dr. Haumann were each granted RSAs by Theravance in connection with their commencement of employment with Theravance.

(4) The amounts in this column represent the aggregate grant date fair value of options to purchase shares of Theravance's common stock that were granted by Theravance to each of Mr. Jonker and Dr. Haumann in connection with their commencement of employment with Theravance, computed in accordance FASB ASC Topic 718. See Note 10 of the notes to Theravance's consolidated financial statements in Theravance's Annual Report on Form 10-K filed on March 3, 2014 for a discussion of all assumptions made by Theravance in determining the grant date fair values of its equity awards.

(5) The amounts in this column reflect cash bonus awards earned by the named executive officers under Theravance's 2012 and 2013 annual cash bonus plans, which were paid in the first quarter of the following year.

(6) Reflects a $500 401(k) matching contribution by Theravance in each of 2012 and 2013. The 401(k) matching contributions were provided to all Theravance employees who participated in the Plan.

(7) Dr. Haumann's compensation has been converted to U.S. dollars from pounds sterling using the applicable exchange rate on the date that each item of compensation was paid (including, for Dr. Haumann's salary, on each payroll date).

Narrative Disclosure to Summary Compensation Table

Named Executive Officer Compensation Following the Spin-Off

Following the spin-off, the compensation paid to our named executive officers will consist of the same elements that were provided to our named executive officers by Theravance prior to the spin-off, namely base salary, annual cash incentive compensation, equity incentive compensation and post-termination protection.

Base salary. The initial base salaries for Mr. Jonker and Dr. Haumann will be the same as their current Theravance base salaries, which are as follows: Mr. Jonker, $375,000; and Dr. Haumann, £245,000. Mr. Winningham's initial base salary will be $177,166, which reflects his part-time employment with us.

Annual Cash Incentive Compensation. Currently our named executive officers are eligible for annual cash incentives pursuant to Theravance's company-wide bonus program. Our named executive officers will continue to be eligible for annual cash incentives pursuant to our company-wide bonus program. The target bonus percentages (of an officer's annualized base salary for the year) for our named executive officers will remain the same as those set by Theravance's Compensation Committee for fiscal 2014, which are as follows: Mr. Winningham, 60%; Mr. Jonker 50%; and Dr. Haumann, 40%.

Equity Incentive Compensation. We anticipate that our employees, including our named executive officers, will be initial equity awards for Theravance Biopharma ordinary shares pursuant to our equity incentive plan following the spin-off and will thereafter be considered for annual replenishment equity awards. As described above in "The Spin-Off—Treatment of Outstanding Theravance Equity Awards in Connection with the Spin-Off," our employees will also continue to vest in their outstanding Theravance equity awards based on service to us following the spin-off.

Post-Termination Protection. Currently our named executive officers participate in Theravance's change in control severance plan, as described below in "Change in Control Severance Plan." We have adopted a similar change in control plan that our named executive officers, other than Mr. Winningham (due to his part-time employment with us), will be eligible to participate in, as described below in "Change in Control Severance Plan."

Theravance Biopharma Employment Arrangements

We have entered into employment offer letters with each of our named executive officers that set forth the officer's initial base salary, target bonus opportunity and provide that the officer's employment will be "at will" and may be terminated by either party at any time. With the exception of Mr. Winningham, none of our named executive officers is currently eligible for any severance benefits pursuant to their employment offer letters.

Mr. Winningham's offer letter provides that if his employment is terminated by Theravance Biopharma without cause, and provided he does not resume and/or return to full-time employment or service with Theravance in connection with such termination of employment, he will receive a lump-sum severance payment of 24 months' salary plus two times his current target bonus provided he signs a general release of claims. 'Cause' means Mr. Winningham's (i) unauthorized use or disclosure of the confidential information or trade secrets of Theravance Biopharma, which use causes material harm to Theravance Biopharma, (ii) conviction of a felony under the laws of the United States or any state thereof, (iii) gross negligence, or (iv) repeated failure to perform lawful assigned duties for thirty days after receiving written notification from our board of directors.

Outstanding Theravance Equity Awards at 2013 Fiscal Year-End

The following table sets forth information regarding each unexercised option to purchase shares of Theravance's common stock, all restricted common stock of Theravance and all restricted stock units for shares of Theravance's common stock held by each of our named executive officers as of December 31, 2013. The treatment of outstanding Theravance equity awards in connection with the spin-off is described in greater detail in the section titled "The Spin-Off —Treatment of Outstanding Theravance Equity Awards in Connection with the Spin-Off" above. All equity awards granted under Theravance's equity plans will fully vest in the event of a change in control of Theravance unless the awards are assumed by the successor corporation or replaced with comparable awards. For additional information regarding other vesting acceleration provisions applicable to the outstanding Theravance equity awards held by our named executive officers, please see the section titled "Change in Control Severance Plan" below.

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(2)
(a)	(b)	(c)	(e)	(f)	(g)	(h)	(i)	(j)
Rick E Winningham	69,355(3)	—	29.65	2/7/2016	—	—	—	—
	69,355(4)	—	34.00	2/13/2017	—	—	—	—
	—	—	—	—	6,875(5)	245,094	—	—
	—	—	—	—	99,000(6)	3,529,350	82,500(7)	2,941,125
	—	—	—	—	12,374(8)	441,133	—	—
	—	—	—	—	22,000(9)	784,300	—	—
Jeffrey D. Jonker		150,000(10)	$ 36.30	10/21/2023	—	—	—	—
	—	—	—	—	15,000(11)	534,750	—	—
Brett K. Haumann	—	75,000(12)	$ 37.86	12/1/2023	—	—	—	—
	—	—	—	—	20,000(13)	713,000	—	—

(1) Computed in accordance with SEC rules as the number of unvested RSUs or RSAs, as applicable, multiplied by the closing market price of Theravance's common stock at the end of the 2013 fiscal year, which was $35.65 on December 31, 2013 (the last business day of the 2013 fiscal year). The actual value (if any) to be realized by the officer depends on whether the shares vest and the future performance of Theravance's common stock.

(2) Computed in accordance with SEC rules as the number of unvested RSAs multiplied by the closing market price of Theravance's common stock at the end of the 2013 fiscal year, which was $35.65 on December 31, 2013. The actual value (if any) to be realized by the officer depends on whether the performance milestones related thereto are achieved, whether the shares vest following achievement of the performance milestones, and the future performance of Theravance's common stock.

(3) Mr. Winningham received a grant of an option to purchase shares of Theravance common stock under Theravance's 2004 Incentive Plan on February 8, 2006. This option vested over a four-year period from the date of grant and became fully vested on February 8, 2010.

(4) Mr. Winningham received a grant of an option to purchase shares of Theravance common stock under Theravance's 2004 Incentive Plan on February 14, 2007. This option vested over a four-year period from the date of grant and became fully vested on February 14, 2011.

(5) Mr. Winningham received RSUs under Theravance's 2004 Incentive Plan on February 10, 2010. The RSUs vest in equal quarterly installments over approximately four years from the date of grant, provided Mr. Winningham remains in continuous service with Theravance through each vesting date. Includes 17,188 RSUs that were subject to achievement of performance goals by December 31, 2011 that have already been achieved.

(6) Mr. Winningham received RSAs under Theravance's 2004 Incentive Plan on February 11, 2011. 20% of the RSAs vested on February 20, 2012, and the remaining 80% of the RSAs vest in equal quarterly installments over the next four years, provided Mr. Winningham remains in continuous service with Theravance through each vesting date.

(7) Mr. Winningham received performance-contingent RSAs under Theravance's 2004 Incentive Plan on February 11, 2011, which we refer to herein as the Six-Year Performance RSAs. The vesting of these RSAs is contingent upon the achievement of performance milestones by December 31, 2016 as well as continued employment with Theravance, as described in detail in the "Equity Incentive Compensation" section of the Theravance proxy statement filed with the SEC on April 16, 2012. In accordance with SEC rules, the number of shares in column (i) and the value of those shares in column (j) reflects threshold performance assuming milestones that add up to ten points are achieved.

(8) Mr. Winningham received RSAs under Theravance's 2004 Incentive Plan on February 15, 2012. The first 25% of the RSAs vested on February 20, 2013, and the remaining 75% of the RSAs vest in equal quarterly installments over three years thereafter, provided Mr. Winningham remains in continuous service with Theravance through each vesting date. Includes 11,000 RSAs that were subject to achievement of a performance goal by December 31, 2013 that has already been achieved.

(9) Mr. Winningham received RSAs under Theravance's 2012 Incentive Plan on February 7, 2013. The first 25% of the RSAs vested on February 20, 2014, and the remaining 75% of the RSAs vest in equal quarterly installments over three years thereafter, provided Mr. Winningham remains in continuous service with Theravance through each vesting date. Includes 11,000 RSAs that were subject to the achievement of a performance goal by December 31, 2014 that has already been achieved.

(10) Mr. Jonker received a grant of an option to purchase shares of Theravance common stock under Theravance's 2012 Incentive Plan on October 22, 2013 in connection with the commencement of his employment with Theravance. This option vests over a four-year period from the vesting commencement date of November 1, 2013, with 25% of the option shares vesting upon completion of one year of continuous service to Theravance following the vesting commencement date, and 1/48th of the option shares vesting upon the completion of each month of continuous service to Theravance thereafter.

(11) Mr. Jonker received RSAs under Theravance's 2012 Incentive Plan on October 22, 2013 in connection with the commencement of his employment with Theravance. 25% of the RSAs will vest on November 20th of each of 2015, 2016, 2017 and 2018, provided Mr. Jonker remains in continuous service with Theravance through each vesting date.

(12) Dr. Haumann received a grant of an option to purchase shares of Theravance common stock under Theravance's 2012 Incentive Plan on December 2, 2013 in connection with the commencement of his employment with Theravance. This option vests over a four-year period from the vesting commencement date of November 1, 2013, with 25% of the option shares vesting upon completion of one year of continuous service to Theravance following the vesting commencement date, and 1/48th of the option shares vesting upon the completion of each month of continuous service to Theravance thereafter.

Change in Control Severance Plan

Currently, our named executive officers participate in Theravance's change in control severance plan, which provides for the following benefits if a named executive officer is subject to an involuntary termination within 3 months prior to or 24 months after a change in control of Theravance, provided the officer signs a release of claims:

- In the case of Theravance's Vice Presidents (including Dr. Haumann), a lump sum payment equal to 100% of the officer's annual base salary and target bonus.
- In the case of Theravance's Senior Vice Presidents (including Mr. Jonker), a lump sum payment equal to 150% of the officer's annual base salary and target bonus.
- In the case of Theravance's Chief Executive Officer, Mr. Winningham, a lump sum payment equal to 200% of his annual base salary and target bonus.
- A pro-rata portion of the named executive officer's target bonus based on the number of full months of employment completed in the year of termination.
- Continuation of the officer's health and welfare benefits for the shorter of twelve months (in the case of Theravance's Vice Presidents), 18 months (in the case of Theravance's Senior Vice Presidents) or 24 months (in the case of Theravance's Chief Executive Officer) or the expiration of the officer's continuation coverage under COBRA.
- Full vesting of any unvested stock options, RSAs and RSUs held by the officer; provided, however, that the Six-Year Performance RSAs held by Mr. Winningham for which the performance milestones have not been achieved as of the date vesting would occur under Theravance's change in control severance plan would be subject to reduced vesting acceleration if the per share value to be received by a holder of Theravance common stock is less than $49.46.
- In the case of named executive officers eligible to participate in the change in control severance plan prior to December 16, 2009, a tax gross-up payment in the event an independent accounting firm selected by Theravance determines that the named executive officer would be subject to excise taxes under Section 4999 of the Code as a result of payments under the change in control severance plan or otherwise.

Following the spin-off, Mr. Winningham, who will also remain an officer of Theravance, will continue to be eligible to participate in the Theravance change in control severance plan; however, neither Mr. Jonker nor Dr. Haumann will be eligible to continue to participate in such plan. As a result, we have adopted a similar severance plan, effective as of immediately following the spin-off, that will provide substantially similar benefits as the Theravance plan in the event we undergo a change in control after the spin-off. As a part-time employee of Theravance Biopharma, Mr. Winningham will not be eligible to participate in our change in control severance plan.

In addition, as described in "The Spin-Off—Treatment of Outstanding Theravance Equity Awards in Connection with the Spin-Off" above, outstanding Theravance equity awards held by Theravance Biopharma employees, including our named executive officers, have been amended, effective as of immediately prior to and contingent upon the spin-off, so that they will fully vest in the event the Theravance Biopharma employee (who is not also an employee of Theravance) is subject to an involuntary termination in connection with or following a change in control of Theravance Biopharma.

A "change in control" for purposes of Theravance's change in control severance plan includes:

- The consummation of a merger or consolidation if persons who were not Theravance's stockholders prior to the merger or consolidation own 50% or more of the voting securities of the surviving company and its parent.

- A sale, transfer or other disposition of all or substantially all of Theravance's assets.

- A change in the composition of Theravance's board of directors as a result of which fewer than 50% of the incumbent directors either were directors on the date 24 months prior to the change in control (the "Original Directors") or were appointed or nominated for election to the board of directors by a majority of the Original Directors or directors whose appointment or nomination was approved by at least 50% of the Original Directors.

- A transaction as a result of which any person becomes the beneficial owner of 50% or more of Theravance's outstanding voting securities.

A transaction shall not constitute a change in control of Theravance if its sole purpose is to change the state of Theravance's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held Theravance's securities immediately before such transaction. In addition, except with respect to a GSK Change In Control (defined below), the following purchases of Theravance stock by GSK will not constitute a change in control:

- The exercise by GSK of any of its rights under the Amended and Restated Governance Agreement, dated as of June 4, 2004, as amended, among Theravance, GSK, GlaxoSmithKline LLC and Glaxo Group Limited (the "Governance Agreement") to representation on Theravance's board of directors (and its committees).

- Any acquisition by GSK of securities of Theravance (whether by merger, tender offer, private or market purchases or otherwise) not prohibited by the Governance Agreement.

A "GSK Change In Control" means the acquisition by GSK, in compliance with the provisions of the Governance Agreement, of 100% of Theravance's outstanding voting stock.

A "change in control" for purposes of our change in control severance plan includes:

- The consummation of a merger or consolidation if persons who were not our shareholders prior to the merger or consolidation own 50% or more of the voting securities of the surviving company and its parent.

- A sale, transfer or other disposition of all or substantially all of our assets.

- A change in the composition of our board of directors as a result of which fewer than 50% of the incumbent directors either were directors on the date twelve months prior to the change in control (the "Original Directors") or were appointed or nominated for election to the board of directors by a majority of the Original Directors or directors whose appointment or nomination was approved by at least 50% of the Original Directors.

- A transaction as a result of which any person becomes the beneficial owner of 50% or more of our outstanding voting securities.

A transaction shall not constitute a change in control of Theravance Biopharma if its sole purpose is to change our country or state of incorporation, as applicable, or to create a holding company that will be owned in substantially the same proportions by the persons who held our securities immediately before such transaction. In addition, a transaction shall not constitute a change in control of Theravance Biopharma unless it also constitutes a "change in control event" under Treasury Regulation 1.409A-3(a)(5).

An "involuntary termination" for purposes of both the Theravance change in control severance plan and our change in control severance plan means a termination of an officer's employment for reasons other than misconduct, or an officer's resignation following (1) a material diminution in the officer's authority, duties or responsibilities, (2) a material reduction in the officer's base compensation, (3) a material change in the officer's work location or (4) a material breach of the officer's employment agreement by Theravance or us, as applicable. In order to qualify as an involuntary termination, the officer must give written notice to Theravance or us, as applicable, within 90 days after the initial existence of one of the conditions described above and Theravance such condition must not have been cured within 30 days thereafter.

"Misconduct" for purposes of both the Theravance change in control severance plan and our change in control severance plan means an officer's (1) commission of any material act of fraud, embezzlement or dishonesty, (2) material unauthorized use or disclosure of confidential information or trade secrets or (3) other material intentional misconduct adversely affecting the business or affairs of Theravance or us, as applicable.

Retirement Benefits

Our U.S. employees, including our named executive officers other than Mr. Haumann, will be eligible to participate in a 401(k) tax-deferred savings plan that permits contributions by salary deduction pursuant to Section 401(k) of the Code.

Equity Plans

In October 2013, our board of directors adopted our 2013 Equity Incentive Plan, that will allow us to grant equity incentive awards to our employees, non-employee directors and consultants, including our named executive officers, following the spin-off. Our board of directors also adopted our 2013 Employee Share Purchase Plan in October 2013. Both our 2013 Equity Incentive Plan and our 2013 Employee Share Purchase Plan have been approved by Theravance, as our sole shareholder.

2013 Equity Incentive Plan

The 2013 Equity Incentive Plan (our "Equity Plan") became effective upon its adoption by our board of directors in October 2013; however, no grants will be made under the Equity Plan prior to the effective date of the information statement of which this summary is a part.

Share Reserve. We have reserved 5,428,571 ordinary shares for issuance under the Equity Plan. As of January 1st of each year, commencing on January 1, 2015 and ending on January 1, 2023, the

aggregate number of ordinary shares that may be issued under the Equity Plan will automatically be increased by a number equal to the least of:

- 5% of the total number of our ordinary shares outstanding on December 31 of the prior year,
- 3,428,571 ordinary shares, or
- a number of ordinary shares determined by our board of directors.

In general, to the extent that awards under the Equity Plan are forfeited, terminate or are settled in cash for any reason without the issuance of ordinary shares, those shares will again become available issuance under the Equity Plan, as will restricted shares and ordinary shares issued upon the exercise of options that are repurchased by us. In addition, the number of ordinary shares that we may issue under the Equity Plan will not be reduced by the number of ordinary shares subject to any awards we grant in substitution or assumption of any outstanding awards that were previously issued by a corporation acquired by us, provided that ordinary shares subject to any award that is assumed or substituted by us will not again become available for grant to the extent the assumed or substituted award is later forfeited, expired or settled in cash. Further, to the extent permitted by the applicable NASDAQ Marketplace rules, if we acquire or combine with a company that has shares available under one or more pre-existing plans, then those shares will generally be available for awards under the Equity Plan, provided that the awards are made in compliance with the terms of the applicable pre-existing plan and those awards are only made to those individuals who were not employed by or providing service to us immediately prior to the acquisition or combination.

Administration. The compensation committee of our board of directors, which is comprised of two or more independent members of our board of directors, administers the Equity Plan. The committee has the complete discretion to make all decisions relating to the Equity Plan and outstanding awards, including repricing outstanding options and modifying outstanding awards. The equity awards committee of our board of directors, will also have the authority to make and modify option and other equity award grants to employees who are employed at or below the vice president level.

Eligibility. Employees (including officers), non-employee directors and consultants who render services to the Company or its affiliates (whether now existing or subsequently established) are eligible to receive awards under the Equity Plan.

Types of Awards. The Equity Plan provides for the grant of options to purchase ordinary shares (including both incentive stock options described in Section 422 of the Code and options not described in Sections 422 or 423 of the Code), restricted share awards, share unit awards and share appreciation rights (collectively, "share awards"), as well as performance cash awards.

Options and Share Appreciation Rights. The per share exercise price of options granted under the Equity Plan may not be less than 100% of the fair market value of an ordinary share on the date the option is granted. The exercise price of options granted under the Equity Plan may be paid in cash or, with the administrator's consent:

- with ordinary shares that the optionee already owns;
- by an immediate sale of the option shares through a broker approved by us;
- by a margin loan;
- by a net exercise procedure;
- with a full-recourse promissory note, if permitted by applicable law; or
- by any other form consistent with applicable laws, regulations and rules.

An optionee who exercises a share appreciation right receives the increase in value of an ordinary share over the exercise price. The exercise price for share appreciation rights may not be less than 100% of the fair market value of a ordinary share on the date the share appreciation right is granted. Share appreciation rights may be granted in tandem with, or independent of, option grants under the Equity Plan. Amounts paid with respect to share appreciation rights may be made in cash, in ordinary shares, or any combination thereof.

Options and share appreciation rights vest as determined by the administrator at the time of grant. In general, we grant options that vest over a four-year period following the date of grant. Options and share appreciation rights expire at the time determined by the administrator, up to a maximum of ten years. They generally expire earlier if the participant's service terminates prior to the expiration of the original term. No participant may receive options and share appreciation rights under the Equity Plan covering more than 1,142,857 ordinary shares (in the aggregate) in any fiscal year, except that a new employee may receive options and/or share appreciation rights covering up to an additional 1,142,857 ordinary shares (in the aggregate) in the fiscal year in which his or her employment starts. Additionally, no non-employee director may receive options and share appreciation rights covering more than 228,571 ordinary shares (in the aggregate) in any fiscal year.

Restricted Shares and Share Units. Restricted shares may be granted under the Equity Plan in consideration for (a) cash, (b) property, (c) past or future services rendered to us or our affiliates, (d) full-recourse promissory notes or (e) any other form of legal consideration approved by the administrator. Share units may be granted under the Equity Plan for no consideration. In general, these awards will be subject to vesting. Vesting may be tied to length of service, attainment of performance goals, or a combination of both, as determined by the administrator. No participant may receive restricted shares and share units that are intended to comply with the performance-based exception under Section 162(m) of the Code covering more than 1,142,857 ordinary shares (in the aggregate) in any fiscal year, except that a new employee may receive restricted shares and/or share units that are intended to comply with the performance-based exception under Section 162(m) of the Code covering up to an additional 1,142,857 ordinary shares (in the aggregate) in the fiscal year in which his or her employment starts. This annual limit is in addition to any options and share appreciation rights the participant may receive during a fiscal year. Additionally, no non-employee director may receive restricted shares and share units covering more than 228,571 ordinary shares (in the aggregate) in any fiscal year. Settlement of vested share units may be made in cash, ordinary shares or any combination thereof.

Performance Cash Awards. Performance cash awards may be granted under the Equity Plan based on the attainment of performance goals over a specified performance period and may be intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Code. No participant may be paid more than $5 million in cash in any fiscal year pursuant to a performance cash award that is intended to comply with the performance-based exception under Section 162(m) of the Code.

Performance Goals. If the administrator grants any participant a performance cash award or an award of restricted shares or share units with performance-based vesting and such award is intended to qualify as performance-based compensation under Section 162(m) of the Code, the administrator may use any one or more of the following performance goals: share price; net sales; revenue; revenue growth or product revenue growth; operating income (before or after taxes); pre- or after-tax income or loss (before or after allocation of corporate overhead and bonus); earnings or loss per share; net income or loss (before or after taxes); return on equity; total shareholder return; return on assets or net assets; appreciation in and/or maintenance of the price of the ordinary shares or any other publicly-traded securities of the Company; market share; gross profits; net profits; earnings or losses (including earnings or losses before taxes, before interest and taxes, or before interest, taxes, depreciation and

amortization); economic value-added models or equivalent metrics; comparisons with various stock market indices; reductions in costs; cash flow or cash flow per share (before or after dividends); return on capital (including return on total capital or return on invested capital); cash flow return on investment; improvement in or attainment of expense levels or working capital levels, including cash, inventory and accounts receivable; operating margin; gross margin; year-end cash; cash margin; debt reduction; shareholders equity; operating efficiencies; market share; customer satisfaction; customer growth; employee satisfaction; drug discovery or development milestones; regulatory achievements (including submitting or filing applications or other documents with regulatory authorities, successfully executing an advisory committee meeting or similar proceeding, or receiving approval of any such applications or other documents and passing pre-approval inspections (whether of the Company or the Company's third-party manufacturer) and validation of manufacturing processes (whether the Company's or the Company's third-party manufacturer); initiation or completion of pre-clinical studies; clinical achievements (including initiating clinical studies; initiating enrollment, completing enrollment or enrolling particular numbers of subjects in clinical studies; completing phases of a clinical study (including the treatment phase); or announcing or presenting preliminary or final data from clinical studies; in each case, whether on particular timelines or generally); strategic partnerships, research joint ventures, licenses, collaborations or comparable transactions (including in-licensing and out-licensing of intellectual property; establishing relationships with commercial entities with respect to the marketing, distribution and sale of the Company's products or development candidates (including with group purchasing organizations, distributors and other vendors)); supply chain achievements (including establishing relationships with manufacturers or suppliers of component materials and manufacturers of the Company's products or development candidates); co-development, co-marketing, profit sharing, joint venture or other similar arrangements; financial ratios, including those measuring liquidity, activity, profitability or leverage; cost of capital or assets under management; financing and other capital raising transactions (including sales of the Company's equity or debt securities; factoring transactions; royalty monetizations, sales or licenses of the Company's assets, including its intellectual property, whether in a particular jurisdiction or territory or globally; or through partnering transactions); implementation, completion or attainment of measurable objectives with respect to research (including pre-clinical achievements, nominating a development candidate or initiating a new full discovery program), development, manufacturing (including initiating formulation or device development work or finalizing API or drug product processes), commercialization, development candidates, products or projects, safety, production volume levels, acquisitions and divestitures; factoring transactions; and recruiting and maintaining personnel.

In the areas of development, regulatory progress and commercialization, the achievements described above performed by a third party with which the Company has a licensing or collaborative agreement (a "Partner"), or relating to an asset in which the Company has an economic interest, shall apply to the Company. For example, if a Partner accomplishes development milestones, regulatory achievements, commercialization or sales targets with an asset within a program that is a subject of the licensing or collaboration agreement between the Company and the Partner, then such Partner's accomplishments shall constitute achievements of the Company. Similarly, if an asset in which the Company has an economic interest, which asset is controlled by a third party, achieves development milestones, regulatory achievements, commercialization or sales targets, then such third party's accomplishments with such asset shall constitute achievements of the Company. Such performance goals also may be based solely by reference to the Company's performance or the performance of a subsidiary, division, business segment or business unit of the Company, or based upon the relative performance of other companies or upon comparisons of any of the indicators of performance relative to other companies.

Changes in Capital Structure. In the event there is a stock split, a dividend payable in ordinary shares, or a combination or consolidation of the outstanding ordinary shares (by reclassification or otherwise) into a lesser number of ordinary shares, adjustments will automatically be made to (a) the

number and kind of shares reserved for issuance under the Equity Plan, including the limit on incentive stock options and the number of shares that will be automatically added to the share reserve at the beginning of each year between 2015 and 2023, (b) the maximum number of options, share appreciation rights, performance-based restricted share awards and performance-based share units that can be granted to any participant in a fiscal year, and (c) the number and kind of shares and exercise prices, if applicable, of all outstanding share awards. In the event of an extraordinary dividend, a recapitalization, a spin-off or similar occurrence, the administrator shall, in its sole discretion, make one or more of the foregoing adjustments as it deems appropriate.

Corporate Transactions. In the event that we are a party to a merger, consolidation, or a change in control transaction, all outstanding share awards will be governed by the terms of the definitive transaction agreement (or, in the event the transaction does not entail a definitive agreement to which we are a party, in a manner determined by the administrator). Such treatment may include any of the following actions with respect to each outstanding share award:

- the continuation, assumption, or substitution of a share award by the surviving entity or its parent;
- full acceleration of the vesting of a share award followed by its termination prior to the closing of the transaction after an opportunity to exercise, if applicable, the share award;
- the cancellation of a share award in exchange for a payment equal to the excess, if any, of (a) the value that the holder of an ordinary share receives in the transaction over (b) if applicable, the exercise price otherwise payable in connection with the share award; provided that such payment may be subject to the participant's continued service on a basis no less favorable than the schedule under which the share award would have originally vested; or
- the assignment of any reacquisition or repurchase rights held by us in respect of an award of restricted shares to the surviving entity or its parent (with proportionate adjustments made to the price per share to be paid upon exercise of such rights).

Unless the administrator provides otherwise in an award agreement, in the event of a change in control, each outstanding share award under the Equity Plan will, immediately prior to the effective date of the change in control, become fully vested and exercisable for all of the ordinary shares at the time subject to such share award. However, an outstanding share award will not accelerate vesting if, and to the extent such share award is, in connection with the change in control, either assumed by the successor corporation (or parent) or replaced with a comparable award from the successor corporation (or its parent). The administrator also has the discretion to accelerate the vesting of outstanding share awards whether or not upon a change in control, which acceleration may or may not be conditioned upon the subsequent termination of the participant's service within a specified period following the transaction.

For this purpose, a change in control transaction includes:

- any merger or consolidation of the Company where persons who were not shareholders of the Company prior to such merger or consolidation own 50% or more of the total voting power of the surviving entity or its parent;
- the sale, transfer or other disposition of all or substantially all of our assets;
- a change in the composition of our board of directors as a result of which fewer than 50% of the incumbent directors either were directors on the date twelve months prior to the change in control (the "Original Directors") or were appointed or nominated for election to the board of directors by a majority of the Original Directors or directors whose appointment or nomination was approved by at least 50% of the Original Directors; or

- any person acquiring beneficial ownership of at least 50% of our total voting power.

Amendments or Termination. Our board of directors may amend or terminate the Equity Plan at any time and for any reason and no awards will be made under the Equity Plan after it is terminated. If not terminated earlier by our board of directors, the Equity Plan will automatically terminate on the 10th anniversary of the date our board of directors adopted the Equity Plan. If our board of directors amends the plan, it does not need to ask for shareholder approval of the amendment unless applicable law so requires.

2013 Employee Share Purchase Plan

The 2013 Employee Share Purchase Plan (our "Purchase Plan") will become effective on the effective date of the information statement of which this summary is a part. The Purchase Plan is intended to qualify under Section 423 of the Code.

Share Reserve. We have reserved 857,142 of our ordinary shares for issuance under the Purchase Plan. As of January 1st of each year, commencing with January 1, 2015 and ending on (and including) January 1, 2033, the aggregate number of ordinary shares available under the Purchase Plan will automatically be increased by a number equal to the least of:

- 1% of the total number of our ordinary shares outstanding on December 31 of the prior year,
- 571,428 ordinary shares, or
- a number of ordinary shares determined by our board of directors.

The number of shares reserved under the Purchase Plan will be automatically adjusted in the event of a share split, dividend (whether in the form of cash or shares), recapitalization or similar change in the corporate structure of the Company affecting the shares and effected without receipt or payment of consideration by the Company.

Administration. The compensation committee of our board of directors (or, if it so elects, our board of directors) will administer the Purchase Plan.

Eligibility. All of our employees are eligible to participate if we employ them for more than five months per year. Eligible employees may begin participating in the Purchase Plan at the start of any offering period.

Offering Periods. Each offering period will be for the duration established by the compensation committee, not to exceed 27 months (or such other period as may be imposed under applicable tax law). Unless the compensation committee determines otherwise, two overlapping offering periods will begin each calendar year on May 16 and November 16, each lasting 24 months. However, the first offering period will start on a date determined by the compensation committee. In addition, the compensation committee, in its discretion, may decide to offer additional offering periods commencing at times and for the durations it so determines.

Purchase Periods. Unless the compensation committee determines otherwise, the Purchase Plan will have two purchase periods that commence each calendar year on May 16 and November 16, each lasting six months and ending on the earliest of November 15 and May 15, respectively.

Amount of Contributions. Our Purchase Plan permits each eligible employee to purchase our ordinary shares through payroll deductions. Each employee's payroll deductions may not exceed 15% of the employee's cash compensation. Unless the compensation committee determines otherwise, purchases of our ordinary shares will occur on May 15 and November 15 of each year and each participant may purchase up to a maximum of 4,000 of our ordinary shares on any purchase date. In general, the value of our ordinary shares that may be purchased by a participant during any calendar

year may not exceed $25,000. Participants may withdraw their contributions at any time before shares are purchased.

Purchase Price. The price of each of our ordinary shares purchased under our Purchase Plan will be 85% of the lower of:

- the fair market value of one of our ordinary shares on the first day of the applicable offering period, or
- the fair market value of one of our ordinary shares on the purchase date.

Other Provisions. Employees may end their participation in the Purchase Plan at any time. Participation will end automatically upon termination of their employment with us. If a change in control occurs and the acquirer does not continue or assume the Purchase Plan, then immediately prior to the change in control any offering period then in effect shall terminate and shares will be purchased with the payroll deductions accumulated to date by participating employees. The compensation committee may amend, suspend or terminate the Purchase Plan at any time. If we increase the number of ordinary shares reserved for issuance under the Purchase Plan, except for the automatic increases described above, then we must seek the approval of our shareholders. The Purchase Plan will terminate automatically 20 years after its adoption by our board of directors, unless it is extended by our board of directors and such extension is approved by our shareholders within twelve months thereafter.

Security Ownership of Certain Beneficial Owners and Management

As of the date of this Information Statement, all of our outstanding ordinary shares are owned by Theravance. In connection with the spin-off, Theravance will distribute to its stockholders all of our outstanding ordinary shares and will immediately thereafter own none of our ordinary shares. The following table provides information with respect to the expected beneficial ownership of our ordinary shares immediately upon the spin-off by (1) each of our shareholders who we believe would be a beneficial owner of more than 5% of our outstanding ordinary shares based on currently available information, (2) each member of our board of directors, (3) each named executive officer and (4) all of our executive officers and directors as a group. We based the share amounts on each person's ownership of Theravance common stock as of March 31, 2014 and Theravance RSUs that will settle within 60 days of March 31, 2014, unless we indicate some other basis for the share amounts, and assuming a distribution ratio of one of our ordinary shares for every 3.5 shares of Theravance common stock. To the extent our directors and officers own Theravance common stock at the time of the separation, they will participate in the distribution on the same terms as other holders of Theravance common stock; however since Theravance options or RSUs are not converted to options or RSUs of Theravance Biopharma in connection with the spin-off, the options and RSUs for Theravance common stock held by our directors and officers will not affect their beneficial ownership of our ordinary shares at the time of the spin-off unless such options and RSUs are exercised or settled prior to the record date for the spin-off. Except as otherwise noted in the footnotes below, each person or entity identified below has sole voting and investment power with respect to such securities. As used in this Information Statement, "beneficial ownership" means that a person has, or may have within 60 days, the sole or shared power to vote or direct the voting of a security and/or the sole or shared investment power with respect to a security (i.e., the power to dispose or direct the disposition of a security). Since the spin-off will occur more than 60 days following March 31, 2014, the information provided below does not include any options that may be granted by Theravance Biopharma following the spin-off. Also, the information below does not give effect to tax withholding on the dividend of our shares that is expected to occur with regard to GlaxoSmithKline plc as a non-U.S. holder of Theravance stock or to the potential purchase by GSK from us of such number of withheld shares pursuant to its rights under the

master agreement between GSK, Theravance and us. Unless otherwise specified, the address of each named individual in the table below is the address of Theravance Biopharma.

Name of Beneficial Owner or Identity of Group	Shares Beneficially Owned	Percent of Outstanding
GlaxoSmithKline plc(1) 980 Great West Road Brentford Middlesex TW8 9GS United Kingdom	8,645,229	26.9%
The Baupost Group, L.L.C.(2) 10 St. James Avenue, Suite 1700 Boston, Massachusetts 02116	5,755,514	17.9%
FMR LLC(3) 82 Devonshire Street Boston, MA 02109	3,443,962	10.7%
Iridian Asset Management(4) 276 Post Road West Westport, CT 06880	2,566,207	8.0%
Rick E Winningham	285,932	*
Jeffrey D. Jonker	4,285	*
Brett K. Haumann	5,714	*
Henrietta H. Fore	—	*
Robert V. Gunderson, Jr.	20,535	*
Burton G. Malkiel Ph.D.	4,571	*
Peter S. Ringrose Ph.D.	3,428	*
George M. Whitesides Ph.D.	215,055	*
William D. Young	9,751	*
All directors and executive officers as a group (11 persons)	567,340	1.8%

* Less than 1%

(1) Based on a Form 4 filed with the Securities and Exchange Commission on February 13, 2014. Shares are held of record by Glaxo Group Limited, a limited liability company organized under the laws of England and Wales and a wholly owned subsidiary of GlaxoSmithKline plc, an English public limited company.

(2) Based on a Schedule 13G/A filed with the Securities and Exchange Commission on February 13, 2014. The Baupost Group, L.L.C. ("Baupost") is a registered investment adviser. SAK Corporation is the Manager of Baupost. Seth A. Klarman, as the sole director and sole officer of SAK Corporation and a controlling person of Baupost, may be deemed to have beneficial ownership under Section 13(d) of the securities beneficially owned by Baupost.

(3) The various individuals, funds and entities that are deemed to be the beneficial owners of these shares, and the individuals, funds and entities having sole and shared voting power over these shares, are set forth in the Schedule 13G/A filed on February 14, 2013 and on which the information reported herein is based.

(4) Based on a Schedule 13G/A filed with the Securities and Exchange Commission on February 4, 2014. Iridian Asset Management ('Iridian') has direct beneficial ownership of the shares of Common Stock in the accounts for which it serves as the investment adviser under its investment management agreements. Various individuals may be deemed to possess beneficial ownership of the shares of Common Stock beneficially owned by Iridian by virtue of their indirect controlling ownership of Iridian, and having the power to vote and direct the disposition of shares of Common Stock and disclaim beneficial ownership of such securities.

Description of Share Capital

General

In July 2013, we were incorporated as an exempted limited liability company under the laws of the Cayman Islands. As such, our affairs will be governed by our amended and restated memorandum and articles of association to be effective following the spin-off, which we refer to as our amended and restated memorandum and articles of association, and the Companies Law, 2013 Revision, as amended (the "Companies Law"), and the common law of the Cayman Islands. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares. A Cayman Islands exempted company:

- is a company that conducts its business mainly outside of the Cayman Islands;
- is exempted from certain requirements of the Companies Law, including a filing of an annual return of its shareholders with the Registrar of Companies or the Immigration Board;
- does not have to make its register of shareholders open to inspection; and
- may obtain an undertaking against the imposition of any future taxation.

As of the date of this Information Statement, we are authorized to issue 200,000,000 ordinary shares, par value $0.00001 per share, and 230,000 preferred shares, par value $0.00001 per share. As of March 31, 2014 there was one ordinary share outstanding, held of record by one shareholder, no preferred shares outstanding and no outstanding equity awards for our ordinary shares.

The following description summarizes the most important terms of our share capital. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description, you should refer to our amended and restated memorandum and articles of association, a copy of which has been filed as an exhibit to our registration statement on Form 10, and the applicable provisions of the Companies Law.

Meetings of Shareholders

Subject to our regulatory requirements, an annual general meeting and any extraordinary general meeting shall be called by not less than ten days' nor more than 60 days' notice. Notice of every general meeting will be given to all of our shareholders, our directors and our principal external auditors. Extraordinary general meetings may be called only by the chairman of our board of directors or a majority of our board of directors, and may not be called by any other person.

Alternatively, subject to applicable regulatory requirements, a meeting will be deemed to have been duly called if it is so agreed (i) in the case of a meeting called as an annual general meeting, by all of our shareholders (or their proxies) entitled to attend and vote at the meeting, or (ii) in the case of an extraordinary meeting, by a majority in number of our shareholders (or their proxies) having a right to attend and vote at the meeting, being a majority together holding not less than 95% of the voting shares.

At any general meeting, shareholders entitled to vote and present in person or by proxy that represent not less than a majority of our issued and outstanding voting shares will constitute a quorum. No business may be transacted at any general meeting unless a quorum is present at the commencement of business.

A corporation being a shareholder shall be deemed for the purpose of our amended and restated memorandum and articles of association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting or at any relevant general meeting of any class of our shareholders. Such duly authorized representative shall be entitled to

exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual shareholder.

The quorum for a separate general meeting of the holders of a separate class of shares is described in "Modification of Rights" below.

Voting Rights Attaching to the Shares

Subject to any special rights or restrictions as to voting then attached to any shares, at any general meeting every shareholder who is present in person or by proxy (or, in the case of a shareholder being a corporation, by its duly authorized representative) shall have one vote per ordinary share. The holders of preferred shares shall have limited voting rights as set out in our amended and restated memorandum and articles of association.

No shareholder shall be entitled to vote or be deemed to be part of a quorum, in respect of any share, unless such shareholder is registered as our shareholder at the applicable record date for that meeting and all calls or installments due by such shareholder to us, if any, have been paid.

If a clearing house or depository (or its nominee(s)) is our shareholder, it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting or at any meeting of any class of shareholders, provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision is entitled to exercise the same powers on behalf of the recognized clearing house or depositary (or its nominee(s)) as if such person was the registered holder of our shares held by that clearing house or depositary (or its nominee(s)), including the right to vote individually on a show of hands.

While there is nothing under the laws of the Cayman Islands that specifically prohibits or restricts the creation of cumulative voting rights for the election of our directors, unlike the requirement under Delaware law that cumulative voting for the election of directors is permitted only if expressly authorized in the certificate of incorporation, it is not a concept that is accepted as a common practice in the Cayman Islands, and we have made no provisions in our amended and restated memorandum and articles of association to allow cumulative voting for such elections.

Protection of Minority Shareholders

The Grand Court of the Cayman Islands may, on the application of shareholders holding not less than one fifth of our shares in issue, appoint an inspector to examine our affairs and report thereon in a manner as the Grand Court shall direct.

Any shareholder may petition the Grand Court of the Cayman Islands which may make a winding up order, if the court is of the opinion that it is just and equitable that we should be wound up.

Claims against us by our shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by our amended and restated memorandum and articles of association.

Our Cayman Islands counsel, Maples and Calder, is not aware of any reported class action having been brought in a Cayman Islands court. Derivative actions have been brought in the Cayman Islands courts, and the Cayman Islands courts have confirmed the availability for such actions. In most cases, the company will be the proper plaintiff in any claim based on a breach of duty owed to it, and a claim against (for example) the company's officers or directors usually may not be brought by a shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority and be

applied by a court in the Cayman Islands, exceptions to the foregoing principle apply in circumstances in which:

- a company is acting, or proposing to act, illegally or beyond the scope of its authority;
- the act complained of, although not beyond the scope of the authority, could be effected if duly authorized by more than the number of votes which have actually been obtained; or
- those who control the company are perpetrating a "fraud on the minority."

A shareholder may have a direct right of action against the company where the individual rights of that shareholder have been infringed or are about to be infringed.

Pre-emption Rights

There are no pre-emption rights applicable to the issue of new shares under either Cayman Islands law or our amended and restated memorandum and articles of association.

Liquidation Rights

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation applicable to any class or classes of shares (i) if we are wound up and the assets available for distribution among our shareholders are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu among our shareholders in proportion to the amount paid up at the commencement of the winding up on the shares held by them, respectively, and (ii) if we are wound up and the assets available for distribution among our shareholders as such are insufficient to repay the whole of the paid-up capital, those assets shall be distributed so that, as nearly as may be, the losses shall be borne by our shareholders in proportion to the capital paid up at the commencement of the winding up on the shares held by them, respectively.

If we are wound up, the liquidator may with the sanction of an ordinary resolution and any other sanction required by the Companies Law, divide among our shareholders in specie or kind the whole or any part of our assets (whether they shall consist of assets of the same kind or not) and may, for such purpose, set such value as the liquidator deems fair upon any assets to be divided and may determine how such division shall be carried out as between the shareholders or different classes of shareholders. The liquidator may also, with the sanction of an ordinary resolution, vest any part of these assets in trustees upon such trusts for the benefit of our shareholders as the liquidator shall think fit, but so that no shareholder will be compelled to accept any assets, shares or other securities upon which there is a liability.

Modification of Rights

Except with respect to share capital (as described below), alterations to our amended and restated memorandum and articles of association may only be made by special resolution of no less than two-thirds of votes cast at a meeting of our shareholders at which a quorum is present.

Subject to the Companies Law and our amended and restated memorandum and articles of association, all or any of the special rights attached to shares of any class (unless otherwise provided for by the terms of issue of the shares of that class) may be varied, modified or abrogated with the sanction of a resolution passed by a majority of not less than two-thirds of the votes cast passed at a separate meeting of the holders of the shares of that class at which a quorum is present. The provisions of our amended and restated memorandum and articles of association relating to general meetings shall apply similarly to every such separate general meeting, but so that the quorum for the purposes of any such separate general meeting or at its adjourned meeting shall be a person or persons together

holding (or represented by proxy) not less than a majority in nominal value of the issued shares of that class, every holder of shares of the class shall be entitled on a poll to one vote for every such share held by such holder and that any holder of shares of that class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares with the same rights and privileges.

Alteration of Capital

We may from time to time by ordinary resolution:

- increase our capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of larger amount than our existing shares;
- cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of our share capital by the amount of the shares so cancelled, subject to the provisions of the Companies Law;
- subdivide our shares or any of them into shares of a smaller amount than is fixed by our amended and restated memorandum and articles of association, subject to the Companies Law, and so that the resolution whereby any share is subdivided may determine that, as between the holders of the share resulting from such subdivision, one or more of the shares may have any such preference or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with, the others as we have power to attach to unissued or new shares; and
- divide shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares, attach to the shares respectively as preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination in general meeting may be determined by our directors.

We may, by special resolution, subject to any confirmation or consent required by the Companies Law, reduce our share capital or any capital redemption reserve in any manner authorized by law.

Transfer of Shares

Subject to any applicable restrictions set forth in our amended and restated memorandum and articles of association, any of our shareholders may transfer all or a portion of their shares by an instrument of transfer in the usual or common form or in a form prescribed by the Nasdaq Global Market or in any other form which our directors may approve.

Our directors may, in their absolute discretion, decline to register any transfer of shares, subject to any applicable requirements imposed from time to time by the U.S. Securities and Exchange Commission, the Nasdaq Global Market or any recognized stock exchange on which our securities are listed. If our directors refuse to register a transfer, they shall, within two months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may be suspended and the register closed at such times and for such periods as our directors may from time to time determine.

Share Repurchase

We are empowered by the Companies Law and our amended and restated memorandum and articles of association to purchase our own shares, subject to certain restrictions. Our directors may only exercise this power on our behalf, subject to the Companies Law, our amended and restated memorandum and articles of association and to any applicable requirements imposed from time to time by the U.S. Securities and Exchange Commission, the Nasdaq Global Market or any recognized stock exchange on which our securities are listed.

Dividends

Subject to the Companies Law, we may declare dividends in any currency to be paid to our shareholders but no dividend shall be declared in excess of the amount recommended by our directors. Dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits that our directors determine is no longer needed. Our board of directors may also declare and pay dividends out of the share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Governance Agreement

Our Governance Agreement contains agreements relating to future acquisitions or dispositions and voting of our securities by GSK, and exempts GSK from triggering our Rights Agreement until December 31, 2017 (as further described under "Rights Agreement" below), among other matters. Except as otherwise noted below, the provisions of the Governance Agreement described below will terminate at the earliest of (i) when GSK beneficially owns 100% of our outstanding voting shares, (ii) the effective time of a change in control of us and (iii) December 31, 2017.

Voting Arrangements

GSK has agreed to vote the voting shares held by them (at their election) either (i) in accordance with the recommendation of our independent directors or (ii) in proportion to the votes cast by the other holders of our voting shares; however, GSK can vote as it chooses on any matter involving:

- any proposal to issue equity securities to one or more parties (other than in a public offering) that would result in that party or parties owning or having the right to acquire 20% or more of the aggregate voting power of all of our equity securities; or
- a change in control of us.

In addition, for so long as GSK owns 50.1% or more of our voting share, it can also vote as it chooses on any matter involving:

- an acquisition by us of any business or assets that would constitute a substantial portion of our business or our assets; or
- the sale, lease, license, transfer or otherwise disposal of all or a substantial portion of our business or our assets (other than a sale, lease, license or transfer of assets in the ordinary course of the Company's business).

If a person or group acquires 20% or more of our voting shares, GSK may vote its voting shares without any restrictions. GSK has granted an irrevocable proxy coupled with an interest in all voting shares owned by them to our Board of Directors. This proxy will enable the proxyholder to vote or otherwise act with respect to all of the voting shares of GSK in the manner required by the Governance Agreement.

Limitations and Exceptions to Rights to Acquire Our Securities

Limitation on Acquisition of Our Equity Securities

Except as expressly permitted by the Governance Agreement or as agreed to by us in writing following approval by a majority of our independent directors, GSK may not, directly or indirectly:

- acquire any of our equity securities;
- make or participate in any solicitation of proxies to vote from any holders of our equity securities;
- form or participate in a group with any person not bound by the terms of the Governance Agreement (other than GSK's affiliates) with respect to any of our voting shares;
- acquire any of our assets or rights to purchase any of our assets except for assets offered for sale by us;
- enter into any arrangement or understanding with others to do any of the actions listed immediately above; or
- act in concert with others to offer to us or any of our shareholders any business combination, restructuring, recapitalization or similar transaction involving us or otherwise seek in concert with others to control, change or influence the management, Board of Directors or our policies or nominate any person as a director who is not nominated by the then incumbent directors, or propose any matter to be voted upon by our shareholders.

Permitted Purchases of Our Equity Securities from Us

GSK may acquire our equity securities from us in the following circumstances:

- if we issue equity securities to a third party (other than equity awards issued as compensation to our directors, officers, employees or consultants), GSK may purchase all or a portion of the number of equity securities that would bring their percentage ownership of our voting shares to the same level that it was at immediately prior to the issuance of equity securities to the third party at the same price at which the equity securities were sold to the third party;
- the purchase, on a quarterly basis, of equity securities comparable to those that are issued as compensation to our directors, officers, employees or consultants during the preceding quarter pursuant to option exercises, settlement of restricted stock unit awards and vesting of restricted stock, at the fair market value at the time of GSK's notification to us of its intention to purchase such equity securities that would bring their percentage ownership of our voting shares to the same level that it was at immediately prior to such issuances or vesting;
- the acquisition of additional equity securities issued in connection with a share split or recapitalization; and
- the purchase of equity securities for a pension plan or benefit plan for the benefit of GSK's employees.

Permitted Purchases of Equity Securities from Our Shareholders

GSK may acquire our equity securities from our shareholders in the following circumstances:

- the acquisition of securities of another biotechnology or pharmaceutical company that owns our equity securities (provided that those shares will be subject to the provisions of the Governance Agreement); or

- the making of an offer to acquire equity securities if (i) a person or group (other than GSK) acquires 20% or more of our voting shares or (ii) our Board of Directors formally takes certain actions to facilitate a change in control of us (other than with GSK), subject to the following conditions:

  - that the offer be an offer for 100% of our voting shares;
  - that the offer include no condition as to financing; and
  - that the offer includes a condition that the holders of a majority of the voting shares not owned by GSK accept the offer by tendering their shares or voting their shares in favor of the offer.

The term "change in control" is referred to as (i) any transaction or series of related transactions (including mergers, consolidations and other forms of business consolidations) after which our continuing shareholders hold less than 50% of the outstanding voting securities of either us or the entity that survives the transaction (or the parent of the surviving entity) or (ii) subject to certain exceptions, the sale, lease, license, transfer or other disposal of all or substantially all of our business or assets other than to our majority owned and controlled subsidiaries.

The term "equity securities" is referred to as (i) any of our voting shares, (ii) our securities convertible into or exchangeable for voting shares, and (iii) options, rights and warrants issued by us to acquire voting shares.

Limitation on Disposition of Our Equity Securities

Prior to the date that is six months after the date of the Governance Agreement, GSK is only permitted to dispose of our voting shares (i) to any of its affiliates who agree to be bound by the terms and conditions of the Governance Agreement or (ii) in connection with a change in control of us that is approved by a majority of our directors. Also, pursuant to the Registration Rights Agreement, GSK agreed to be locked up for up to 90 days following our first underwritten public offering of our shares provided that such offering closes on or before the one-year anniversary of the spin-off.

Registration Rights Agreement

The ordinary shares to be issued to GSK in the spin-off and following the spin-off will be entitled to the rights set forth in the Registration Rights Agreement by and between the Company and GSK, dated March 3, 2014 (the "Registration Rights Agreement"). The rights under the Registration Rights Agreement will expire on December 31, 2024, or if GSK or its permitted assigns each hold one and a half percent or less of our then outstanding ordinary shares, if each such holder can sell its shares in a single transaction pursuant to Rule 144 under the Securities Act.

Demand Registration Rights

At any time following six months after the spin-off, under the Registration Rights Agreement, GSK and its permitted assigns have the right to require that we register their ordinary shares, provided such demand comes from holders of at least 50% of the aggregate shares held by GSK and its permitted assigns and such registration relates to ordinary shares having an anticipated aggregate offering price of $10 million. We are only obligated to effect one registration in response to these demand registration rights (subject to certain exceptions). We may postpone the filing of a registration statement for up to 90 days once in any 12-month period if our Board of Directors determines in good faith that the filing would be seriously detrimental to our shareholders or us. The underwriters of any underwritten offering have the right to limit the number of shares to be included in a registration statement filed in response to the exercise of these demand registration rights. We must pay all

expenses, except for underwriters' discounts and commissions, incurred in connection with these demand registration rights.

Piggyback Registration Rights

If we register any securities for public sale, under the Registration Rights Agreement GSK has the right to include its shares in the registration, subject to specified exceptions. The underwriters of any underwritten offering have the right to limit the number of shares registered by GSK and its permitted assigns (but to no less than 25% of the shares to be registered in such registration) due to marketing reasons. We must pay all expenses, except for underwriters' discounts and commissions, incurred in connection with these piggyback registration rights.

F-3 Registration Rights

While we are eligible to file a registration statement on Form F-3, under the Registration Rights Agreement GSK and its permitted assigns can request that we register their shares, provided that such registration request is made by holders of not less than 10% in aggregate of GSK's and its permitted assigns shares and the total price of the ordinary shares offered to the public is at least $10 million. GSK and its permitted assigns may only require us to file two Form F-3 registration statements in any 12-month period. We may postpone the filing of a Form F-3 registration statement for up to 90 days once in any 12-month period if our Board of Directors determines in good faith that the filing would be seriously detrimental to our shareholders or us. We must pay all expenses, except for underwriters' discounts and commissions, incurred in connection with these F-3 registration rights.

Rights Agreement

Under our rights agreement, each ordinary share has associated with it one preferred share purchase right. Each of these rights entitles its holder to purchase, at a price of $225.00 for each, one one-thousandth of a share of Series A junior participating preferred share, (each subject to adjustment) under circumstances provided for in the rights agreement. The purpose of our rights agreement is to:

- give our board of directors the opportunity to negotiate with any persons seeking to obtain control of us;
- deter acquisitions of voting control of us without assurance of fair and equal treatment of all of our shareholders; and
- prevent a person from acquiring in the market a sufficient amount of voting power over us to be in a position to block an action sought to be taken by our shareholders.

The exercise of the rights under our rights agreement would cause substantial dilution to a person attempting to acquire us on terms not approved by our board of directors, and therefore would significantly increase the price that such person would have to pay to complete the acquisition. Our rights agreement may deter a potential acquisition or tender offer. Until a "distribution date" occurs, the rights will:

- not be exercisable;
- be represented in the same book-entry form or by the same certificate that represents the shares with which the rights are associated; and
- trade together with those shares.

The rights will expire at the close of business on May , 2024, unless earlier redeemed or exchanged by us. Following a "distribution date," the rights would become exercisable and we would

issue separate certificates representing the rights, which would trade separately from the shares of our common stock. A "distribution date" would occur upon the earlier of:

- ten business days after a public announcement that the person has become an "acquiring person;" or

A holder of rights will not, as such, have any rights as a shareholder, including the right to vote or receive dividends.

Under our rights agreement, a person becomes an "acquiring person" if the person, alone or together with a group, acquires beneficial ownership of 19% or more of the outstanding shares of our common stock. GSK is not an "acquiring person" because we have, pursuant to our governance agreement with GSK, exempted GSK from the application of our rights agreement. In addition, an "acquiring person" shall not include us, any of our subsidiaries, or any of our employee benefit plans or any person or entity acting pursuant to such employee benefit plans. Our rights agreement also contains provisions designed to prevent the inadvertent triggering of the rights by institutional or certain other shareholders.

If any person becomes an acquiring person, each holder of a right, other than the acquiring person, will be entitled to purchase, at the purchase price, a number of our ordinary shares having a market value of two times the purchase price. If, following a public announcement that a person has become an acquiring person:

- we merge or enter into any similar business combination transaction and we are not the surviving corporation; or
- 50% or more of our assets, cash flow or earning power is sold or transferred,

each holder of a right, other than the acquiring person, will be entitled to purchase a number of ordinary shares of the surviving entity having a market value of two times the purchase price.

After a person becomes an acquiring person, but prior to such person acquiring 50% of our outstanding ordinary shares, our board of directors may exchange each right, other than rights owned by the acquiring person, for

- one ordinary share;
- one one-thousandth of a share of our Series A junior preferred share; or
- a fractional share of another series of preferred share having equivalent value.

At any time until a person has become an acquiring person, our board of directors may redeem all of the rights at a redemption price of $0.01 per right. On the redemption date, the rights will expire and the only entitlement of the holders of rights will be to receive the redemption price.

For so long as the rights are redeemable, our board of directors may amend any provisions in the rights agreement without shareholder consent. After the rights are no longer redeemable, our board of directors may only amend the rights agreement without shareholder consent if such amendment would not change the amendment provisions, adversely affect the interests of the holders of rights, or cause the rights to again become redeemable. Despite the foregoing, at no time may the redemption price of the rights be amended or changed.

The adoption of the rights agreement and the distribution of the rights should not be taxable to our shareholders or us. Our shareholders may recognize taxable income when the rights become exercisable in accordance with the rights agreement.

Differences in Corporate Law

The Companies Law is modeled after similar laws in the United Kingdom but does not follow recent changes in United Kingdom laws. In addition, the Companies Law differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

Mergers and Similar Arrangements

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies.

For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (b) a "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by a special resolution of the shareholders of each constituent company and such other authorization, if any, as may be specified in such constituent company's articles of association. The plan must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and published in the Cayman Islands Gazette.

Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement in question is approved by a majority in number representing 75% in value of each class of shareholders and creditors with whom the arrangement is to be made that are present and voting either in person or by proxy at a meeting, or meetings convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder would have the right to express to the court the view that the transaction should not be approved, the court can be expected to approve the arrangement if it satisfies itself that:

- we are not proposing to act illegally or ultra vires and the statutory provisions as to majority vote have been complied with;
- the shareholders have been fairly represented at the meeting in question;
- the arrangement is such as a businessman would reasonably approve; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law or that would amount to a "fraud on the minority."

When a takeover offer is made and accepted by holders of at least 90% of the shares within four months, the offeror may, within a two-month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection may be made to the Grand Court of the Cayman Islands but is unlikely to succeed unless there is evidence of fraud, bad faith or collusion.

If the arrangement and reconstruction are thus approved, any dissenting shareholders would have no rights comparable to appraisal rights, which might otherwise ordinarily be available to dissenting shareholders of U.S. corporations and allow such dissenting shareholders to receive payment in cash for the judicially determined value of their shares.

Shareholders' Suits

We are not aware of any reported class action or derivative action having been brought in a Cayman Islands court. However, a class action suit could nonetheless be brought in a U.S. court pursuant to an alleged violation of U.S. securities laws and regulations. Our Cayman Islands counsel, Maples and Calder, is not aware of any reported class action having been brought in a Cayman Islands court. Derivative actions have been brought in the Cayman Islands courts, and the Cayman Islands courts have confirmed the availability for such actions. In most cases, the company will be the proper plaintiff in any claim based on a breach of duty owed to it, and a claim against (for example) the company's officers or directors usually may not be brought by a shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority and be applied by a court in the Cayman Islands, exceptions to the foregoing principle apply in circumstances in which:

- a company is acting, or proposing to act, illegally or beyond the scope of its authority;
- the act complained of, although not beyond the scope of the authority, could be effected if duly authorized by more than the number of votes which have actually been obtained; or
- those who control the company are perpetrating a "fraud on the minority."

A shareholder may have a direct right of action against the company where the individual rights of that shareholder have been infringed or are about to be infringed.

Corporate Governance

Cayman Islands laws do not restrict transactions with directors, requiring only that directors exercise a duty of care and owe fiduciary duties to the companies for which they serve. Under our amended and restated memorandum and articles of association, subject to any separate requirement for audit committee approval under the applicable rules of the Nasdaq Global Market or unless disqualified by the chairman of the relevant board meeting, so long as a director discloses the nature of his interest in any contract or arrangement which he is interested in, such a director may vote in respect of any contract or proposed contract or arrangement in which such director is interested and may be counted in the quorum at such meeting.

Board of Directors

We are managed by our board of directors. Our amended and restated memorandum and articles of association will provide that the number of our directors will be fixed from time to time by our board of directors but may not consist of less than three or more than 15 directors. Each director holds office until the expiration of his or her term in accordance with the terms of our amended and restated memorandum and articles of association, until his or her successor has been duly elected and qualified or until his or her death, resignation or removal. Our directors may only be removed for cause by our board of directors. Any vacancies on our board of directors or additions to the existing board of directors can only be filled by the affirmative vote of a simple majority of the remaining directors, although this may be less than a quorum. Any director so appointed by the board of directors shall hold office only for the remaining term of the class of director which he or she replaces and shall then be eligible for re-election. Our directors are not required to hold any of our shares to be qualified to serve on our board of directors.

Meetings of our board of directors may be convened at any time deemed necessary by our secretary on request of the chairman of our board of directors, our chief executive officer, if not the chairman of our board of directors, or a majority of our board of directors. Advance notice of a meeting is not required if each director entitled to attend consents to the holding of such meeting.

Issuance of Additional Ordinary Shares or Preferred Shares

Our amended and restated memorandum and articles of association authorize our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent available, authorized but unissued shares. The issuance of additional ordinary shares may, subject to applicable law, be used as an anti-takeover device without further action on the part of our shareholders. Such issuance may dilute the voting power of existing holders of ordinary shares.

Our board of directors may authorize by resolution or resolutions from time to time the issuance of one or more classes or series of preferred shares and to fix the designations, powers, preferences and relative, participating, optional and other rights, if any, and the qualifications, limitations and restrictions thereof, if any, including, without limitation, the number of shares constituting each such class or series, dividend rights, conversion rights, redemption privileges, voting powers, full or limited or no voting powers, and liquidation preferences, and to increase or decrease the size of any such class or series (but not below the number of shares of any class or series of preferred shares then outstanding) to the extent permitted by applicable law. The resolution or resolutions providing for the establishment of any class or series of preferred shares may, to the extent permitted by applicable law, provide that such class or series shall be superior to, rank equally with or be junior to the preferred shares of any other class or series. Additionally, the issuance of preference shares may have the effect of decreasing the market price of the ordinary shares and may adversely affect the voting and other rights of the holders of ordinary shares.

Our board of directors may issue series of preferred shares without action by our shareholders to the extent authorized but unissued. Accordingly, the issuance of preferred shares may adversely affect the enjoyment of the rights of the holders of our ordinary shares. In addition, the issuance of preferred shares may be used as an anti-takeover device without further action on the part of our shareholders, subject to applicable law. Issuance of preferred shares may dilute the voting power of holders of ordinary shares.

No Dissenters' Rights

Shareholders of Theravance Biopharma are not entitled to appraisal or dissenters' rights with respect to the spin-off under Cayman Islands law or our amended and restated memorandum and articles of association.

Indemnification of Directors and Officers

Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of directors and officers, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. The registrant's amended and restated memorandum and articles of association provide for indemnification of directors and officers for actions, costs, charges, losses, damages and actual expenses incurred in their capacities as such, except that such indemnification does not extend to any matter in respect of any actual fraud or willful default that may attach to any of them.

We expect to enter into indemnification agreements with our directors and officers providing for indemnification to the fullest extent permitted by Cayman Islands law and, in certain respects, the

indemnification agreements may provide greater protection than that specifically provided for by Cayman Islands law. The indemnification agreements will not provide indemnification for, among other things, conduct which is found to be knowingly fraudulent or deliberately dishonest, or for willful misconduct. We also intend to obtain policies that insure our directors and officers against certain liabilities they may incur in their capacity as directors and officers. Under these policies, the insurer, on our behalf, may pay amounts for which we have granted indemnification to the directors or officers.

Related Person Transactions

Following Theravance's distribution of our ordinary shares to Theravance's stockholders, we will have a continuing relationship with Theravance as a result of the agreements we are entering into in connection with the distribution, including the Separation and Distribution Agreement, the Transition Services Agreement, the Employee Matters Agreement, and the Tax Matters Agreement. For a detailed discussion of each of these agreements, please see "Our Relationship with Theravance, Inc. after the Spin-Off."

Procedures for Approval of Related Person Transactions

The Audit Committee will establish procedures for the review, approval or ratification of related party transactions. We expect that pursuant to these procedures, the Audit Committee will review and approve (i) all related party transactions when and if required to do so by applicable rules and regulations, (ii) all transactions between us and any of our executive officers, directors, director nominees, directors emeritus or any of their immediate family members and (iii) all transactions between us and any security holder who is known by us to own of record or beneficially more than 5% of any class of our voting securities, other than transactions that (a) have an aggregate dollar amount or value of less than $120,000 (either individually or in combination with a series of related transactions) and (b) are made in the ordinary course of business of our company and such related party. See "Board of Directors—Board Committees—Review and Approval of Transactions with Related Persons."

Distribution of Information Statement

We will pay the costs of distributing this Information Statement. The distribution will be made by mail.

Where to Obtain More Information

We have filed with the SEC a registration statement on Form 10 under the Exchange Act the ordinary shares being issued to you in the distribution of our ordinary shares. This Information Statement, filed as an exhibit to the registration statement and incorporated therein by reference, omits certain information contained in the registration statement and the other exhibits and schedules thereto, to which reference is hereby made. Statements contained herein concerning the provisions of any documents filed as exhibits to the registration statement are not necessarily complete, and are qualified by reference to the copy of such document. The registration statement, including exhibits and schedules filed therewith, may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of such materials may be obtained at prescribed rates by writing to the SEC. The SEC also maintains a website (www.sec.gov) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC.

We are not currently subject to the informational requirements of the Exchange Act. Following the distribution, we will be subject to such informational requirements, and in accordance therewith, we will file reports, proxy and Information Statements and other information with the SEC. Such reports, proxy

and Information Statements and other information can be inspected and copied at the address set forth above. We intend to furnish our shareholders with annual reports containing financial statements audited by our independent accountants and quarterly reports for the first three quarters of each fiscal year containing unaudited summary financial information.

We will maintain an Internet site at , which we expect to be operational on or before the date that the Form 10 is declared effective. Our website and the information contained on that site, or connected to that site, are not incorporated into this Information Statement or the registration statement on Form 10.

INDEX TO COMBINED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholder
Theravance Biopharma, Inc.

We have audited the accompanying combined balance sheets of Theravance Biopharma, Inc. (the "Company") (the Drug Discovery and Development Business of Theravance, Inc.) as of December 31, 2012 and 2013, and the combined statements of operations and comprehensive loss, changes in parent company deficit, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of the Company at December 31, 2012 and 2013, and the combined results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Redwood City, California
April 8, 2014

THERAVANCE BIOPHARMA, INC.
(the Drug Discovery and Development Business of Theravance, Inc.)

COMBINED BALANCE SHEETS

(In thousands)

	December 31, 2012	December 31, 2013
ASSETS		
Current assets:		
Accounts receivable, net of allowances of $0 and $89 at December 31, 2012 and 2013, respectively	$ —	$ 199
Receivables from collaborative arrangements	941	934
Notes receivable, current	100	140
Inventories	7,514	10,406
Prepaid and other current assets	2,280	2,427
Total current assets	10,835	14,106
Restricted cash	833	833
Property and equipment, net	9,154	10,238
Notes receivable, non-current	140	—
TOTAL ASSETS	$ 20,962	$ 25,177
LIABILITIES AND PARENT COMPANY DEFICIT		
Current liabilities:		
Accounts payable	$ 5,225	$ 6,940
Accrued personnel-related expenses	7,974	9,870
Accrued clinical and development expenses	6,550	9,714
Other accrued liabilities	1,804	2,122
Deferred revenue, current	1,119	8,207
Total current liabilities	22,672	36,853
Deferred rent	5,074	4,774
Deferred revenue, non-current	206	585
Total liabilities	27,952	42,212
Commitments and contingencies (Notes 3, 5 and 7)		
Parent company deficit	(6,990)	(17,035)
TOTAL LIABILITIES AND PARENT COMPANY DEFICIT	$ 20,962	$ 25,177

See accompanying notes to combined financial statements.

THERAVANCE BIOPHARMA INC.
(the Drug Discovery and Development Business of Theravance, Inc.)

COMBINED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(In thousands)

	Year Ended December 31,		
	2011	2012	2013
Revenue	$ 14,854	$ 130,145	$ 226
Operating expenses:			
Research and development	98,850	113,995	120,579
Selling, general and administrative	25,339	25,725	35,931
Total operating expenses	124,189	139,720	156,510
Net and comprehensive loss	$ (109,335)	$ (9,575)	$ (156,284)

See accompanying notes to combined financial statements.

THERAVANCE BIOPHARMA, INC.
(the Drug Discovery and Development Business of Theravance, Inc.)

COMBINED STATEMENTS OF CHANGES IN PARENT COMPANY DEFICIT

(In thousands)

	Changes in Parent Company Deficit
Balance as of December 31, 2010	$ (139,538)
Net loss	(109,335)
Parent allocation—stock-based compensation	21,463
Transfers from parent company	86,686
Balance as of December 31, 2011	(140,724)
Net loss	(9,575)
Parent allocation—stock-based compensation	21,703
Transfers from parent company	121,606
Balance as of December 31, 2012	(6,990)
Net loss	(156,284)
Parent allocation—stock-based compensation	22,646
Transfers from parent company	123,593
Balance as of December 31, 2013	$ (17,035)

See accompanying notes to combined financial statements.

THERAVANCE BIOPHARMA, INC.
(the Drug Discovery and Development Business of Theravance, Inc.)

COMBINED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended December 31,		
	2011	2012	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (109,335)	$ (9,575)	$ (156,284)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	3,844	3,251	2,653
Stock-based compensation	21,463	21,323	22,476
Loss on disposal of equipment	—	196	20
Forgiveness of notes receivable	16	—	—
Changes in operating assets and liabilities:			
Accounts receivable	—	—	(199)
Receivables from collaborative arrangements	1,303	(617)	7
Inventories	1,709	(4,822)	(3,101)
Prepaid and other current assets	(548)	(388)	19
Accounts payable	3,312	(1,532)	2,113
Accrued personnel-related expenses, accrued clinical and development expenses, and other accrued liabilities	5,355	(1,702)	4,170
Deferred rent	2,429	(747)	(300)
Deferred revenue	(12,976)	(124,494)	7,467
Net cash used in operating activities	(83,428)	(119,107)	(120,959)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	(3,627)	(2,590)	(2,734)
Release of restricted cash	—	60	—
Issuance of notes receivable	(140)	(140)	—
Payments received on notes receivable	715	240	100
Net cash used in investing activities	(3,052)	(2,430)	(2,634)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments on note payable and capital leases	(206)	(69)	—
Transfers from parent company	86,686	121,606	123,593
Net cash provided by financing activities	86,480	121,537	123,593
CHANGE IN CASH AND CASH EQUIVALENTS	—	—	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	—	—	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ —	$ —	$ —

See accompanying notes to combined financial statements.

THERAVANCE BIOPHARMA, INC.
(the Drug Discovery and Development Business of Theravance, Inc.)

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Description of Operations

In April 2013, Theravance, Inc. ("Theravance") announced its intent to spin off its drug discovery and development business which is focused on discovery, development and commercialization of small-molecule medicines in areas of significant unmet medical need ("Drug Discovery and Development Business") from its development and commercial responsibilities under the 2002 collaboration agreement and the 2004 strategic alliance agreement, each with Glaxo Group Limited, (which we refer to, together with its affiliates, as "GSK") and associated potential royalty revenues from RELVAR® ELLIPTA®/BREO® ELLIPTA™ (fluticasone furoate/vilanterol: FF/VI), ANORO™ ELLIPTA™ (umeclidinium bromide/vilanterol: UMEC/VI) and vilanterol monotherapy.

If the spin-off is completed, the result will be two independent, publicly traded companies with different business models enabling investors to align their investment philosophies with the strategic opportunities and financial objectives of the two independent companies: the drug discovery and development business and the royalty business. To effect the spin-off, Theravance plans to distribute as a dividend to its stockholders, one ordinary share of Theravance Biopharma, Inc. ("Theravance Biopharma" or "we", "us", "our", and "Company") for every 3.5 shares of Theravance common stock outstanding on the record date for the dividend.

In connection with and prior to the spin-off, Theravance incorporated Theravance Biopharma in July 2013 as a Cayman Islands exempted company for the purpose of transferring to Theravance Biopharma the Drug Discovery and Development Business and completing the spin-off. Theravance Biopharma has formed two or more wholly-owned Cayman Islands subsidiaries to hold most of the assets received from Theravance and a wholly-owned Delaware subsidiary that will employ most of the Theravance employees that become employees of the Drug Discovery and Development Business.

Prior to the spin-off, the Drug Discovery and Development Business was not organized in a separate legal entity and a direct ownership relationship did not exist among all the components comprising the Drug Discovery and Development Business. Theravance's investment in the Drug Discovery and Development Business is shown in lieu of stockholders' equity in the combined financial statements.

Theravance Biopharma is a biopharmaceutical company with a pipeline of internally discovered product candidates, strategic collaborations with pharmaceutical companies and an approved product. The Company is focused on the discovery, development and commercialization of small molecule medicines across a number of therapeutic areas including bacterial infections, central nervous system ("CNS")/pain, respiratory disease, and gastrointestinal ("GI") motility dysfunction. We also have an economic interest in future payments that may be made by GSK under prior Theravance agreements relating to certain drug programs, including UMEC/VI/FF and the MABA program, as monotherapy with GSK961081 ('081) and as a combination ('081/FF).

In connection with the spin-off, the Theravance board of directors is expected to approve a series of agreements, including a separation and distribution agreement, transition services agreement, employee matters agreement, and tax matters agreement between Theravance Biopharma and Theravance which will provide for the transfer of certain assets and liabilities relating to the businesses previously conducted by Theravance to Theravance Biopharma and its wholly-owned subsidiaries and will establish contractual arrangements between Theravance and Theravance Biopharma and its wholly-owned subsidiaries. Theravance will continue to own the royalty patents and the related business ("Royalty Business").

THERAVANCE BIOPHARMA, INC.
(the Drug Discovery and Development Business of Theravance, Inc.)

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

1. Description of Operations (Continued)

Formation of Theravance Respiratory Company LLC

Prior to the spin-off, Theravance will form Theravance Respiratory Company LLC ("TRC"), a Delaware limited liability company, and assign to TRC its strategic alliance agreement with GSK and all of its rights and obligations under its collaboration agreement with GSK other than with respect to RELVAR® ELLIPTA®/BREO® ELLIPTA™, ANORO™ ELLIPTA™ and vilanterol monotherapy.

The Company's equity interest in TRC will entitle it to an 85% economic interest in any future payments made by GSK under the strategic alliance agreement with GSK and under the portion of the collaboration agreement with GSK assigned to TRC. The drug programs assigned to TRC include UMEC/VI/FF and the MABA program, as monotherapy and in combination with other therapeutically active components, such as an inhaled corticosteroid (ICS), and any other product or combination of products that may be discovered and developed in the future under these GSK agreements. The Company's economic interest will not include any payments associated with RELVAR® ELLIPTA®/BREO® ELLIPTA™, ANORO™ ELLIPTA™ and vilanterol monotherapy.

Basis of Presentation

The accompanying combined financial statements have been prepared using Theravance's historical cost basis of the assets and liabilities of the various activities that comprise the Drug Discovery and Development Business of Theravance and reflect the combined results of operations, financial condition and cash flows of Theravance Biopharma as a wholly-owned subsidiary of Theravance in conformity with U.S. generally accepted accounting principles ("GAAP"). The various assets, liabilities, revenues and expenses associated with Theravance have been allocated to the historical combined financial statements of Theravance Biopharma in a manner expected to be consistent with the separation and distribution agreement. Changes in parent company deficit represent Theravance's net investment in Theravance Biopharma, after giving effect to Theravance Biopharma's net loss, parent company expense allocations, and net cash transfers to and from Theravance.

For purposes of preparing combined financial statements, the Drug Discovery and Development Business was derived from Theravance's historical consolidated financial statements, allocations of revenues, research and development expenses, and non-operating income and expenses to Theravance Biopharma were made on a specific identification basis. For purposes of allocating general and administrative expenses from Theravance's historical consolidated financial statements, costs directly related to the Drug Discovery and Development Business were allocated to Theravance Biopharma on a specific identification basis or based on the substance of the underlying effort. Theravance Biopharma's general and administrative expenses also include allocations of Theravance's general corporate overhead expenses, including finance, legal, human resources, information technology and other administrative functions. These allocations of general corporate overhead expenses were primarily based on the substance of the underlying effort or an estimated number of full-time employees that worked with the Drug Discovery and Development Business. The combined balance sheets of Theravance Biopharma include assets and liabilities that were allocated to Theravance Biopharma principally on a specific identification basis.

Management believes that the combined statements of operations and comprehensive loss include a reasonable allocation of costs incurred by Theravance which benefited Theravance Biopharma. However, such expenses may not be indicative of the actual level of expense that would have been

THERAVANCE BIOPHARMA, INC.
(the Drug Discovery and Development Business of Theravance, Inc.)

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

1. Description of Operations (Continued)

incurred by Theravance Biopharma if it had operated as an independent, publicly traded company or of the costs expected to be incurred in the future. As such, the financial information herein may not necessarily reflect the financial position, results of operations, and cash flows of Theravance Biopharma in the future or what it would have been had Theravance Biopharma been an independent, publicly traded company during the periods presented.

As Theravance Biopharma was not a separate legal entity until July 2013, no separate cash accounts for the Drug Discovery and Development Business were historically maintained and, therefore, Theravance is presumed to have funded Theravance Biopharma's operating, investing and financing activities as necessary. For purposes of the historical combined financial statements, funding of Theravance Biopharma's expenditures is reflected in the combined financial statements as a component of parent company deficit. In connection with the asset transfer and spin-off discussed above, Theravance will provide Theravance Biopharma cash and cash equivalents of between $350 million and $400 million. In addition, under the terms of the separation and distribution agreement between Theravance and Theravance Biopharma, Theravance is responsible for all operating expenses and related liabilities that were incurred prior to the spin-off. However, for ease of administration and in connection with the assignment of certain rights and obligations from Theravance to Theravance Biopharma under the separation and distribution agreement, Theravance Biopharma will assume the obligation to pay for certain of the current liabilities upon the spin-off. Theravance and Theravance Biopharma will determine the amount of such current liabilities in accordance with the separation and distribution agreement within 30 business days after the date of the spin-off, and Theravance will deliver to Theravance Biopharma a payment to reimburse Theravance Biopharma for assuming the obligation to pay such liabilities.

The Company describes the Theravance Biopharma business transferred to it by Theravance in connection with the spin-off as though it was the Company's business for all historical periods described. However, Theravance Biopharma is a newly-formed entity that has not conducted any operations prior to the spin-off and some of the actions necessary to transfer assets and liabilities of Theravance to the Company have not yet occurred, but will occur before the effectiveness of the spin-off. References in combined financial statements to the historical assets, liabilities, products, business or activities of the Company's business are intended to refer to the historical assets, liabilities, products, business or activities of Theravance Biopharma as those were conducted as part of Theravance prior to the spin-off.

Use of Management's Estimates

The preparation of combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the combined financial statements and accompanying notes. Actual results could differ materially from those estimates. On an ongoing basis, management evaluates its significant accounting policies and estimates. Management based its estimates on historical experience and other relevant assumptions that management believes to be reasonable under the circumstances. These estimates also form the basis for making judgments about the carrying values of assets and liabilities when these values are not readily apparent from other sources.

THERAVANCE BIOPHARMA, INC.
(the Drug Discovery and Development Business of Theravance, Inc.)

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies

Segment Reporting

The Company has determined that it operates in a single segment which is the discovery (research), development and commercialization of human therapeutics. Revenues are generated primarily from the Company's collaboration agreements with Astellas Pharma Inc. ("Astellas") (through January 2012), located in Japan, and Merck (which agreement terminated in December 2013) located in the United States. All long-lived assets, which were comprised of property and equipment, are maintained in the United States.

Restricted Cash

Under certain lease agreements and letters of credit, the Company has pledged cash as collateral. Restricted cash related to such agreements was $0.8 million as of December 31, 2012 and 2013.

Accounts Receivable

Trade accounts receivable are recorded net of allowances for wholesaler chargebacks related to government rebate programs, cash discounts for prompt payment and sales returns. Estimates for wholesaler chargebacks for government rebates, cash discounts and sales returns are based on contractual terms, historical trends and the Company's expectations regarding the utilization rates for these programs. When appropriate, the Company records an allowance for doubtful accounts based upon its assessment of collectability. For the year ended December 31, 2013, the Company did not have any write-offs of accounts receivable. The Company performs ongoing credit evaluations of its customers and generally does not require collateral.

Concentration of Credit and Other Risks

Accounts receivable at December 31, 2013, represent amounts due to the Company from distributors. The following table summarizes accounts receivable, net at December 31, 2013 by distributor:

Distributor	Accounts Receivable (In thousands)	Percentage of Total Accounts Receivable Balance
McKesson Corporation	$ 132	66%
AmerisourceBergen Drug Corporation	66	33
Others	1	1
Total	$ 199	100%

The Company depends on a single-source supplier of the active pharmaceutical ingredient (API) in VIBATIV® and one supplier to provide fill-finish services related to the manufacturing of VIBATIV®. If any of the Company's suppliers were to limit or terminate production or otherwise fail to meet the quality or delivery requirements needed to supply VIBATIV® at levels to meet market demand, the Company could experience a loss of revenue, which could materially and adversely impact its results of operations.

THERAVANCE BIOPHARMA, INC.
(the Drug Discovery and Development Business of Theravance, Inc.)

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

Financial instruments include restricted cash, accounts receivable, accounts payable, and accrued liabilities. The carrying value of these instruments approximates their estimated fair value due to the relatively short-term nature of these instruments.

Notes Receivable

The Company provided loans to certain employees to assist them primarily with the purchase of a primary residence, which collateralize the resulting loans. There was no interest receivable related to the loans as of December 31, 2012 and 2013. As of December 31, 2013, there remains one outstanding loan with a maturity date of May 2014.

Inventories

Inventories consist of raw materials, work-in-process and finished goods related to the production of VIBATIV® (telavancin). Raw materials include the VIBATIV® API and other raw materials. Work-in-process and finished goods include third party manufacturing costs and labor and indirect costs the Company incurred in the production process. Included in inventories are raw materials and work-in-process that may be used as clinical products, which are charged to research and development expense when consumed. In addition, under certain commercialization agreements, the Company may sell VIBATIV® packaged in unlabeled vials that are recorded in work-in-process.

Inventories are stated at the lower of cost or market value. The Company determines the cost of inventory using the average-cost method for validation batches. The Company analyzes its inventory levels quarterly and writes down any inventory that is expected to become obsolete, that has a cost basis in excess of its expected net realizable value or for inventory quantities in excess of expected requirements.

Inventories are summarized as follows:

	December 31,	
(in thousands)	2012	2013
Raw materials	$ 5,668	$ 5,138
Work-in-process	1,846	360
Finished goods	—	4,908
Total inventories	$ 7,514	$ 10,406

Property and Equipment

Property, equipment and leasehold improvements are stated at cost and depreciated using the straight-line method as follows:

Leasehold improvements	Shorter of remaining lease terms or useful life
Equipment, furniture and fixtures	5 - 7 years
Software and computer equipment	3 years

THERAVANCE BIOPHARMA, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Capitalized Software

The Company capitalizes certain costs related to direct material and service costs for software obtained for internal use. Capitalized software costs are depreciated over three years.

Impairment of Long-Lived Assets

Long-lived assets include property and equipment. The carrying value of long-lived assets is reviewed for impairment whenever events or changes in circumstances indicate that the asset may not be recoverable. An impairment loss is recognized when the total of estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount.

Bonus Accruals

Theravance has short-term bonus programs for eligible Theravance Biopharma employees. Bonuses are determined based on various criteria, including the achievement of corporate, departmental and individual goals. Bonus accruals are estimated based on various factors, including target bonus percentages per level of employee and probability of achieving the goals upon which bonuses are based.

In 2011, Theravance granted special long-term retention and incentive cash bonus awards to certain employees. The awards have dual triggers of vesting based upon the achievement of certain performance conditions over a six-year timeframe from 2011 through December 31, 2016 and continued employment. As of December 31, 2013, Theravance's management determined that the achievement of the requisite performance conditions was not probable and, as a result, no compensation expense has been recognized.

Deferred Rent

Deferred rent consists of the difference between cash payments and the recognition of rent expense on a straight-line basis for the buildings the Company occupies. Rent expense is being recognized ratably over the life of the leases. Because the Company's facility operating leases provide for rent increases over the terms of the leases, average annual rent expense during the first 1.5 years of the leases exceeded the Company's actual cash rent payments. Also included in deferred rent are lease incentives of $2.6 million as of December 31, 2013, which is being recognized ratably over the life of the leases.

Revenue Recognition

Revenue is recognized when the four basic criteria of revenue recognition are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the fee is fixed or determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the nature of the fee charged for products or services delivered and the collectability of those fees. Where the revenue recognition criteria are not met, the Company defers the recognition of revenue by recording deferred revenue until such time that all criteria are met.

THERAVANCE BIOPHARMA, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Collaborative Arrangements and Multiple-Element Arrangements

Revenue from nonrefundable, up-front license or technology access payments under license and collaborative arrangements that are not dependent on any future performance by the Company is recognized when such amounts are earned. If the Company has continuing obligations to perform under the arrangement, such fees are recognized over the estimated period of continuing performance obligation.

The Company accounts for multiple element arrangements, such as license and development agreements in which a customer may purchase several deliverables, in accordance with Financial Accounting Standards Board ("FASB") Subtopic ASC 605-25, "Multiple Element Arrangements". For new or materially amended multiple element arrangements, the Company identified the deliverables at the inception of the arrangement and each deliverable within a multiple deliverable revenue arrangement is accounted for as a separate unit of accounting if both of the following criteria are met: (1) the delivered item or items have value to the customer on a standalone basis and (2) for an arrangement that includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item(s) is considered probable and substantially in our control. The Company allocates revenue to each non-contingent element based on the relative selling price of each element. When applying the relative selling price method, the Company determines the selling price for each deliverable using vendor-specific objective evidence (VSOE) of selling price, if it exists, or third-party evidence (TPE) of selling price, if it exists. If neither VSOE nor TPE of selling price exist for a deliverable, the Company uses the best estimated selling price for that deliverable. Revenue allocated to each element is then recognized based on when the basic four revenue recognition criteria are met for each element.

For multiple-element arrangements entered into prior to January 1, 2011, the Company's management determined the deliverables under its collaborative arrangements which did not meet the criteria to be considered separate accounting units for the purposes of revenue recognition. As a result, the Company recognized revenue from non-refundable, upfront fees and development contingent payments ratably over the term of its performance under the agreements. These upfront or contingent payments received, pending recognition as revenue, are recorded as deferred revenue and are classified as a short-term or long-term liability on the Company's combined balance sheets and amortized over the estimated period of performance. The Company periodically reviews the estimated performance periods of its contracts based on the progress of its programs.

Where a portion of non-refundable upfront fees or other payments received are allocated to continuing performance obligations under the terms of a collaborative arrangement, they are recorded as deferred revenue and recognized as revenue or as an accrued liability and recognized as a reduction of research and development expenses ratably over the term of its estimated performance period under the agreement. The Company's management determines the estimated performance periods, and they are periodically reviewed based on the progress of the related program. The effect of any change made to an estimated performance period and, therefore revenue recognized, would occur on a prospective basis in the period that the change was made.

Under certain collaborative arrangements, the Company has been reimbursed for a portion of its research and development expenses. These reimbursements have been reflected as a reduction of research and development expense in the Company's combined statements of operations, as the

THERAVANCE BIOPHARMA, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Company does not consider performing research and development services to be a part of its ongoing and central operations. Therefore, the reimbursement of research and developmental services and any amounts allocated to the Company's research and development services are recorded as a reduction of research and development expense.

Amounts deferred under a collaborative arrangement in which the performance obligations are terminated will result in an immediate recognition of any remaining deferred revenue and accrued liability in the period that termination occurred, provided that all performance obligations have been satisfied.

The Company accounts for contingent payments in accordance with FASB Subtopic ASC 605-28 "Revenue Recognition—Milestone Method". The Company recognizes revenue from milestone payments when (i) the milestone event is substantive and its achievability was not reasonably assured at the inception of the agreement and (ii) the Company does not have ongoing performance obligations related to the achievement of the milestone. Milestone payments are considered substantive if all of the following conditions are met: the milestone payment (a) is commensurate with either the Company's performance to achieve the milestone or the enhancement of the value of the delivered item or items as a result of a specific outcome resulting from the Company's performance to achieve the milestone, (b) relates solely to past performance, and (c) is reasonable relative to all of the deliverables and payment terms (including other potential milestone consideration) within the arrangement. See Note 3, "Collaborative Arrangements," for analysis of each milestone event deemed to be substantive or non-substantive.

In accordance with FASB Subtopic ASC 808-10, "Collaborative Arrangements," and pursuant to the Company's agreement with Astellas, the Company recognized as revenue the net impact of transactions with Astellas related to VIBATIV® inventories including revenue specifically attributable to any sales, and cost of inventories either transferred or expensed as unrealizable.

Product Revenues

The Company sells VIBATIV® in the U.S. through a limited number of distributors, and title and risk of loss transfer upon receipt by these distributors. Healthcare providers order VIBATIV® through these distributors. For all product shipped in 2013, the Company deferred the recognition of revenue until the product is sold through to healthcare providers, the end customers, due to the inherent uncertainties in estimating normal channel inventory at the distributors, and during which period the Company also provided extended payment terms and expanded return rights that allow distributors to return the product. As of December 31, 2013, the Company had deferred revenue of $0.9 million related to VIBATIV® shipments included in current liabilities in the combined balance sheet.

THERAVANCE BIOPHARMA, INC.
(the Drug Discovery and Development Business of Theravance, Inc.)

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Product sales are recorded net of estimated government-mandated rebates and chargebacks, distribution fees, estimated product returns and other deductions. The Company reflects such reductions in revenue as either an allowance to the related account receivable from the distributor, or as an accrued liability, depending on the nature of the sales deduction. Sales deductions are based on management's estimates that consider payer mix in target markets, industry benchmarks and experience to date. The Company monitors inventory levels in the distribution channel, as well as sales of VIBATIV® by distributors to healthcare providers, using product-specific data provided by the distributors. Product return allowances are based on amounts owed or to be claimed on related sales. These estimates take into consideration the terms of the Company's agreements with customers, historical product returns of VIBATIV® experienced by Astellas, rebates or discounts taken, estimated levels of inventory in the distribution channel, the shelf life of the product, and specific known market events, such as competitive pricing and new product introductions. The Company updates its estimates and assumptions each quarter and if actual future results vary from the Company's estimates, the Company may adjust these estimates, which could have an effect on product sales and earnings in the period of adjustment.

Sales Discounts: The Company offers cash discounts to its customers, generally 2% of the sales price, as an incentive for prompt payment. The Company expects its customers to comply with the prompt payment terms to earn the cash discount. The Company accounts for cash discounts by reducing accounts receivable by the full amount and recognizes the discount as a reduction of revenue in the same period the related revenue is recognized.

Chargebacks and Government Rebates: For VIBATIV® sales in the U.S., the Company estimates reductions to product sales for qualifying federal and state government programs including discounted pricing offered to Public Health Service (PHS) as well as government-managed Medicaid programs. The Company's reduction for PHS is based on actual chargebacks that distributors have claimed for reduced pricing offered to such health care providers. The Company's accrual for Medicaid is based upon statutorily-defined discounts, estimated payer mix, expected sales to qualified healthcare providers, and the Company's expectation about future utilization. The Medicaid accrual and government rebates that are invoiced directly to the Company are recorded in other accrued liabilities on the combined balance sheet. For qualified programs that can purchase the Company's products through distributors at a lower contractual government price, the distributors charge back to the Company the difference between their acquisition cost and the lower contractual government price, which the Company records as an allowance against accounts receivable.

Distribution Fees and Product Returns: The Company has written contracts with its distributors that include terms for distribution-related fees. The Company records distribution-related fees based on a percentage of the product sales price. The Company offers its distributors a right to return product purchased directly from the Company, which is principally based upon the product's expiration date. Additionally, the Company has granted more expansive return rights to its distributors following its product launch of VIBATIV®. The Company will generally accept returns for expired product during the six months prior to and twelve months after the product expiration date on product that had been sold to the Company's distributors. Product returned is generally not resalable given the nature of the Company's products and method of administration. The Company has developed estimates for VIBATIV® product returns based upon historical VIBATIV® sales from the Company's former

THERAVANCE BIOPHARMA, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

collaborative partner, Astellas. The Company records distribution fees and product returns as an allowance against accounts receivable.

Accounts Receivable Allowances: The Company records allowances against accounts receivable for sales returns, cash discounts and government chargebacks. The following table presents the changes in the accounts receivable allowances balance:

	Year Ended December 31,		
	2011	2012	2013
	(In thousands)		
Accounts receivable allowances, beginning balance	$ —	$ —	$ —
Charged to provision for allowances	—	—	89
Deductions	—	—	—
Accounts receivable allowances, ending balance	$ —	$ —	$ 89

Allowance for Doubtful Accounts: The Company maintains a policy to record allowances for potentially doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. As of December 31, 2013, there was no allowance for doubtful accounts.

Royalties: The Company recognizes royalty revenue on licensee net sales of its products in the period in which the royalties are earned and reported to the Company and collectability is reasonably assured.

Research and Development Costs

Research and development costs are expensed in the period that services are rendered or goods are received. Research and development costs consist of salaries and benefits, laboratory supplies and facility costs, as well as fees paid to third parties that conduct certain research and development activities on behalf of the Company, net of certain external research and development costs reimbursed under the Company's collaborative arrangements.

Preclinical Study and Clinical Study Expenses

A substantial portion of the Company's preclinical studies and all of its clinical studies have been performed by third-party contract research organizations ("CRO"). Some CROs bill monthly for services performed, while others bill based upon milestones achieved. The Company reviews the activities performed under the significant contracts each quarter. For preclinical studies, the significant factors used in estimating accruals include the percentage of work completed to date and contract milestones achieved. For clinical study expenses, the significant factors used in estimating accruals include the number of patients enrolled and percentage of work completed to date. Vendor confirmations are obtained for contracts with longer duration when necessary to validate the Company's estimate of expenses. The Company's estimates are highly dependent upon the timeliness and accuracy of the data provided by its CROs regarding the status of each program and total program spending and adjustments are made when deemed necessary.

THERAVANCE BIOPHARMA, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Advertising Expenses

Advertising costs, including promotional expenses, are expensed as incurred and were not material for any period presented.

Fair Value of Stock-Based Compensation Awards

As of December 31, 2013, the Company has not issued any Theravance Biopharma stock-based awards to its employees. However, the Company's employees have in the past received Theravance stock-based compensation awards.

The following disclosures pertain to stock-based compensation that has been allocated to Theravance Biopharma related to Theravance stock-based equity awards.

Theravance equity awards were made to the Company's employees while they were employees of Theravance and Theravance used the Black-Scholes-Merton option pricing model to estimate the fair value of options granted under its equity incentive plans and rights to acquire stock granted under its employee stock purchase plan (ESPP). The Black-Scholes-Merton option valuation model requires the use of assumptions, including the expected term of the award and the expected stock price volatility. Theravance used the "simplified" method as described in Staff Accounting Bulletin No. 107, "Share-Based Payment", for the expected option term because the usage of Theravance's historical option exercise data was limited due to post-IPO exercise restrictions. Beginning April 1, 2011, Theravance used its historical volatility to estimate expected stock price volatility. Prior to April 1, 2011, Theravance used its peer company price volatility to estimate expected stock price volatility due to its limited historical common stock price volatility since its initial public offering in 2004.

Theravance estimated the fair value of Restricted Stock Units ("RSUs") and Restricted Stock Awards ("RSAs") based on the fair market values of the underlying Theravance stock on the dates of grant.

Stock-based compensation expense was calculated based on awards ultimately expected to vest and was reduced for estimated forfeitures at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differed from those estimates. Theravance estimated annual forfeiture rates for stock options, RSUs and RSAs based on its historical forfeiture experience.

The estimated fair value of RSUs and RSAs is expensed on a straight-line basis over the expected term of the grant and the estimated fair value of performance-contingent RSUs and RSAs is expensed using an accelerated method over the term of the award once Theravance determines that it is probable that those performance milestones will be achieved. Compensation expense for RSUs and RSAs that contain performance conditions is based on the grant date fair value of the award. Compensation expense is recorded over the requisite service period based on management's best estimate as to whether it is probable that the shares awarded are expected to vest. The Company assesses the probability of the performance indicators being met on a continuous basis.

The Company has not recognized, and does not expect to recognize in the near future, any tax benefit related to employee stock-based compensation expense as a result of the full valuation allowance on its deferred tax assets including deferred tax assets related to its net operating loss carry forwards.

THERAVANCE BIOPHARMA, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Income Taxes

The Company accounts for income on a separate tax return basis although Theravance Biopharma's operations have historically been included in the tax returns filed by Theravance of which Theravance Biopharma is a part of. In the future, as a stand-alone entity, Theravance Biopharma will file tax returns on its own behalf and its deferred taxes and effective income tax rate may differ from those in the historical periods indicated herein.

Related Party

Robert V. Gunderson, Jr. is a director of Theravance. Theravance has engaged Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, of which Mr. Gunderson is a partner, as its primary legal counsel. Fees incurred in the ordinary course of business related to Theravance Biopharma matters were $0.1 million in 2011, $0.4 million in 2012 and $1.4 million in 2013.

3. Collaborative Arrangements

Revenue from Collaborative Arrangements

The Company has recognized revenue from its collaborative arrangements as follows:

	Year Ended December 31,		
(In thousands)	2011	2012	2013
Astellas	$ 14,854	$ 125,788	$ —
Merck	—	4,357	226
Total revenue	$ 14,854	$ 130,145	$ 226

Reimbursement of Research and Development (R&D) Costs

Under the Merck, Alfa Wasserman, Astellas and R-Pharm collaboration arrangements, the Company is entitled to reimbursement of certain R&D costs. The Company's policy is to account for the reimbursement payments by its collaboration partners as reductions to R&D expense.

The following table summarizes the reductions to R&D expenses related to the reimbursement payments:

	Year Ended December 31,		
(In thousands)	2011	2012	2013
Merck	$ —	$ 756	$ 4,937
Alfa Wassermann	—	185	1,500
Astellas	390	—	—
R-Pharm	—	—	86
Total reduction to R&D expense	$ 390	$ 941	$ 6,523

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NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

3. Collaborative Arrangements (Continued)

Merck

Research Collaboration and License Agreement

In October 2012, Theravance entered into a research collaboration and license agreement (the "Research Collaboration and License Agreement") with Merck, known as MSD outside the United States and Canada, to discover, develop and commercialize novel small molecule therapeutics directed towards a target being investigated for the treatment of hypertension and heart failure. Under the agreement, Theravance granted Merck a worldwide, exclusive license to Theravance's therapeutic candidates. Theravance received a $5.0 million upfront payment in November 2012. Also, Theravance received funding for research and was eligible for potential future contingent payments totaling up to $148.0 million for the first indication and royalties on worldwide annual net sales of any products derived from the collaboration. The initial research term was twelve months, with optional extensions by mutual agreement. Merck had the right to terminate the agreement at any time, and provided Theravance with notice of termination in September 2013. The agreement was terminated in December 2013.

Under the Research Collaboration and License Agreement, the significant deliverables were determined to be the license, research services and committee participation. Theravance determined that the license represents a separate unit of accounting because the license has standalone value. The license, which includes rights to Theravance's underlying technologies for its therapeutic candidates, permitted Merck to perform all efforts necessary to use Theravance's technologies to bring a therapeutic candidate through development and upon regulatory approval, commercialization. Theravance based the best estimate of selling price on potential future cash flows under the arrangement over the estimated development period. Theravance determined that the research services represent a separate unit of accounting and based the best estimate of selling price on the nature and timing of the services to be performed. Theravance determined that the committee participation represents a separate unit of accounting as Merck could negotiate for and/or acquire these services from other third parties and Theravance based the best estimate of selling price on the nature and timing of the services to be performed.

The $5.0 million upfront payment received by Theravance in November 2012 was allocated to the three units of accounting based on the relative selling price method as follows: $4.4 million to the license, $0.4 million to the research services and $0.2 million to the committee participation. Theravance recognized revenue of $4.4 million from the license in 2012 as the technical transfer activities were complete and the associated unit of accounting was deemed delivered. The amount of the upfront payment allocated to the research services was deferred and is being recognized as a reduction of research and development expense as the underlying services are performed, since the nature of the research services is more appropriately characterized as research and development expense consistent with the research reimbursements being received. The amount of the upfront payment allocated to the committee participation was deferred and recognized as revenue over the estimated performance period.

Due to the notice of termination, the Company revised the estimated performance period resulting in an increase in revenue of $206,000 in 2013. Revenue recognized from Merck under the collaboration agreement was $226,000 in 2013.

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NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

3. Collaborative Arrangements (Continued)

Clinigen Group

Commercialization Agreement

In March 2013, Theravance entered into a commercialization agreement (the "Clinigen Commercialization Agreement") with Clinigen Group plc ("Clinigen") to commercialize VIBATIV® for the treatment of hospital acquired nosocomial pneumonia, including ventilator-associated pneumonia, known or suspected to be caused by methicillin resistant *Staphylococcus aureus* (MRSA) when other alternatives are not suitable. Under the agreement, Theravance granted Clinigen exclusive commercialization rights in the European Union and certain other European countries (including Switzerland and Norway). Theravance received a $5.0 million upfront payment in March 2013. After the spin-off, the Company will be eligible to receive tiered royalty payments on net sales of VIBATIV®, ranging from 20% to 30%. The Company is responsible, either directly or through its vendors or contractors, for supplying at Clinigen's expense both API and finished drug product for Clinigen's commercialization activities. The agreement has a term of at least 15 years, with an option to extend exercisable by Clinigen. However, Clinigen may terminate the agreement at any time after it has initiated commercialization upon twelve months' advance notice.

Under the Clinigen Commercialization Agreement, the significant deliverables were determined to be the license, committee participation and manufacturing supply. Theravance determined that the license represents a separate unit of accounting as the license, which includes rights to Theravance's underlying technologies for VIBATIV®, has standalone value because the rights conveyed permit Clinigen to perform all efforts necessary to use Theravance's technologies to bring the compound through commercialization and based the best estimate of selling price for the license on potential future cash flows under the arrangement over the estimated commercialization period. Theravance determined that the committee participation represents a separate unit of accounting as Clinigen could negotiate for and/or acquire these services from other third parties, and it based the best estimate of selling price on the nature and timing of the services to be performed. Theravance based the best estimate of selling price for the manufacturing supply on a fully burdened cost to purchase and transfer the underlying API and finished goods from Theravance's third party contract manufacturer.

The $5.0 million upfront payment received by Theravance in 2013 was allocated to two units of accounting based on the relative selling price method as follows: $4.9 million to the license and $0.1 million to the committee participation. The amount allocated to the license was deferred and will be recognized as revenue upon completion of technical transfer for the underlying license. The amount of the upfront payment allocated to the committee participation was deferred and will be recognized as revenue over the estimated performance period. Amounts received under a future separate supply agreement for API and finished goods, which will be manufactured by the Company's third party contract manufacturers, will be recognized as revenue to the extent of future API and finished goods inventory sales.

R-Pharm CJSC

Development and Commercialization Agreements

In October 2012, Theravance entered into two development and commercialization agreements with R-Pharm CJSC ("R-Pharm"): one to develop and commercialize VIBATIV® (the "VIBATIV®

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NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

3. Collaborative Arrangements (Continued)

Development and Commercialization Agreement") and the other to develop and commercialize TD-1792 (the "TD-1792 Development and Commercialization Agreement"), one of Theravance's investigational glycopeptide-cephalosporin heterodimer antibiotics for the treatment of Gram-positive infections. Under each agreement, Theravance granted R-Pharm exclusive development and commercialization rights in Russia, Ukraine, other member countries of the Commonwealth of Independent States, and Georgia. Theravance received $1.1 million in upfront payments for each agreement. Following the spin-off, the Company will be eligible to receive potential future contingent payments totaling up to $10.0 million for both agreements and royalties on net sales by R-Pharm of 15% from TD-1792 and 25% from VIBATIV®. The contingent payments are not deemed substantive milestones due to the fact that the achievement of the event underlying the payment predominantly relates to R-Pharm's performance of future development and commercialization activities.

TD-1792

Under the TD-1792 Development and Commercialization Agreement, the significant deliverables were determined to be the license, committee participation and a contingent obligation to supply R-Pharm with API compound at R-Pharm's expense, either directly or through Theravance's contract manufacturer. Theravance determined that the license represents a separate unit of accounting as the license, which includes rights to Theravance's underlying technologies for TD-1792, has standalone value because the rights conveyed permit R-Pharm to perform all efforts necessary to use Theravance's technologies to bring the compounds through development and, upon regulatory approval, commercialization. Also, Theravance determined that the committee participation represents a separate unit of accounting as R-Pharm could negotiate for and/or acquire these services from other third parties and Theravance based the best estimate of selling price on the nature and timing of the services to be performed. In March 2013, Theravance entered into a supply agreement for TD-1792 API compound under which Theravance will sell its existing API compound to R-Pharm. Upon execution of this supply agreement, Theravance determined that the supply agreement represents a separate unit of accounting under the development and commercialization arrangement and based the best estimate of selling price for the supply agreement on Theravance's fully burdened cost to manufacture the underlying API.

The $1.1 million upfront payment for the TD-1792 agreement received by Theravance was allocated to two units of accounting based on the relative selling price method as follows: $0.9 million to the license and $0.1 million to the committee participation. The amount allocated to the license was deferred and will be recognized as revenue upon completion of technical transfer for the underlying license. The amount allocated to committee participation was deferred and will be recognized as revenue over the estimated performance period. Amounts to be received under the supply agreement described above will be recognized as revenue to the extent R-Pharm purchases API compound from Theravance and upon completion of technical transfer.

VIBATIV®

Under the VIBATIV® Development and Commercialization Agreement, the significant deliverables were determined to be the license, committee participation and a contingent obligation to supply R-Pharm with API compound at R-Pharm's expense, subject to entering into a future supply agreement. Theravance determined that the license represents a separate unit of accounting as the

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NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

3. Collaborative Arrangements (Continued)

license, which includes rights to Theravance's underlying technologies for VIBATIV®, has standalone value because the rights conveyed permit R-Pharm to perform all efforts necessary to use Theravance's technologies to bring the compounds through development and, upon regulatory approval, commercialization and Theravance based the best estimate of selling price for the license based on potential future cash flows under the arrangement over the estimated performance period. Theravance determined that the committee participation represents a separate unit of accounting as R-Pharm could negotiate for and/or acquire these services from other third parties and Theravance based the best estimate of selling price on the nature and timing of the services to be performed.

The $1.1 million upfront payment received by Theravance for the VIBATIV® agreement was allocated to two units of accounting based on the relative selling price method as follows: $1.0 million to the license and $33,000 to the committee participation. The amount allocated to the license was deferred and will be recognized as revenue upon completion of technical transfer. The amount allocated to committee participation was deferred and will be recognized as revenue over the estimated performance period.

Hikma Pharmaceuticals LLC

Commercialization Agreement

In May 2013, Theravance entered into a commercialization agreement with Hikma Pharmaceuticals LLC (Hikma) providing Hikma with the right to commercialize telavancin for the treatment of Gram-positive bacterial infections, including MRSA (the "Hikma Commercialization Agreement"). Under the agreement, Theravance granted Hikma exclusive commercialization rights in the Middle East and North Africa (MENA) region to register, and upon regulatory approval, market and distribute telavancin in 16 countries across MENA. Theravance received a $0.5 million upfront payment in June 2013. Also, Theravance is eligible to receive contingent payments of up to $0.5 million related to the successful commercialization of telavancin. Theravance is responsible, either directly or through its vendors or contractors, for supplying drug product for Hikma's commercialization activities for 15 years.

Under the Hikma Commercialization Agreement, the significant deliverables were determined to be the license and manufacturing supply. Theravance determined that the license and manufacturing supply together represent a single unit of accounting. The license, which includes rights to Theravance's underlying technologies for telavancin, does not have standalone value because the rights conveyed do not permit Hikma to perform all efforts necessary to use Theravance's technologies to bring the compound through commercialization. Theravance deferred the upfront payment and will recognize revenue over the term of the manufacturing supply period, which is 15 years, on a straight-line basis. Future contingent payments will be deferred and recognized over the remaining term of the agreement on a straight-line basis. Revenue will be recognized from the sale of drug product upon delivery to Hikma.

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NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

3. Collaborative Arrangements (Continued)

Alfa Wassermann

Development and Collaboration Arrangement

In October 2012, Theravance entered into a development and collaboration arrangement with Alfa Wassermann società per azioni (S.p.A.) ("Alfa Wassermann") for velusetrag under which the parties agreed to collaborate in the execution of a two-part Phase 2 program to test the efficacy, safety and tolerability of velusetrag in the treatment of patients with gastroparesis (a medical condition consisting of a paresis (partial paralysis) of the stomach, resulting in food remaining in the stomach for a longer time than normal). Alfa Wassermann has an exclusive option to develop and commercialize velusetrag in the European Union, Russia, China, Mexico and certain other countries, while the Company will retain full rights to velusetrag in the United States, Canada, Japan and certain other countries. The Company is entitled to receive funding for the Phase 2a study and a subsequent Phase 2b study if the parties agree to proceed. If Alfa Wassermann exercises its license option at the completion of the Phase 2 program, then the Company is entitled to receive a $10.0 million option fee. If velusetrag is successfully developed and commercialized, the Company is entitled to receive potential future contingent payments totaling up to $53.5 million, and royalties on net sales by Alfa Wassermann ranging from the low teens to 20%.

Former Collaboration Arrangement with Astellas

License, Development and Commercialization Agreement

In November 2005, Theravance entered into a global collaboration arrangement with Astellas for the license, development and commercialization of VIBATIV®. Under this agreement, Astellas paid Theravance non-refundable cash payments totaling $191.0 million. In January 2012, Astellas exercised its right to terminate the collaboration agreement. The rights previously granted to Astellas ceased upon termination of the agreement and Astellas stopped all promotional sales efforts. Pursuant to the terms of the agreement, Astellas is entitled to a ten-year, 2% royalty on future net sales of VIBATIV®. As such, the Company recognized into revenue $125.8 million of deferred revenue related to Astellas in the first quarter of 2012, and the Company is no longer eligible to receive any further milestone payments from Astellas.

Net revenue recognized under this collaboration agreement was as follows (in thousands):

	Year Ended December 31,		
	2011	2012	2013
Recognition of deferred revenue	$ —	$ 125,819	$ —
Amortization of deferred revenue	12,975	—	—
Royalties from net sales of VIBATIV®	2,422	—	—
Proceeds from VIBATIV® delivered to Astellas	1,171	—	—
Cost of VIBATIV® delivered to Astellas	(1,177)	—	—
Cost of unrealizable VIBATIV® inventories	(537)	—	—
Astellas-labeled product sales allowance	—	(31)	—
Total net revenue	$ 14,854	$ 125,788	$ —

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NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

4. Property and Equipment

Property and equipment consists of the following (in thousands):

	December 31,	
	2012	2013
Computer equipment	$ 3,027	$ 3,084
Software	5,073	5,391
Furniture and fixtures	3,829	3,890
Laboratory equipment	29,229	31,910
Leasehold improvements	17,416	17,769
Property and equipment, gross	58,574	62,044
Less: accumulated depreciation and amortization	(49,420)	(51,806)
Property and equipment, net	$ 9,154	$ 10,238

Depreciation expense was $3.8 million, $3.3 million and $2.7 million for the years ended December 31, 2011, 2012 and 2013, respectively. The change in accumulated depreciation is net of asset retirements. In 2012, the Company recognized a write-off of $0.2 million related to assets that could no longer be used in operations.

5. Share-Based Compensation

As of December 31, 2013, Theravance Biopharma has not issued any share-based awards to its employees. However, our employees have in the past received Theravance share-based compensation awards, and therefore, the following disclosures pertain to share-based compensation that has been allocated to Theravance Biopharma related to Theravance stock-based equity awards. Accordingly, the amounts presented are not necessarily indicative of future performance and do not necessarily reflect the results that Theravance Biopharma would have experienced as an independent, publicly-traded company for the periods presented.

Equity Incentive Plans

In May 2012, Theravance adopted the 2012 Equity Incentive Plan ("2012 Plan"). The number of shares of Theravance's common stock available for issuance under the 2012 Plan is equal to 6,500,000 shares plus up to 12,667,411 additional shares that may be added to the 2012 Plan in connection with the forfeiture, repurchase, cash settlement or termination of awards outstanding under the 2004 Equity Incentive Plan ("2004 Plan"), the 2008 New Employee Equity Incentive Plan, the 1997 Stock Plan and the Long-Term Stock Option Plan (collectively, the "Prior Plans") as of December 31, 2011. While a maximum of 12,667,411 shares could be added to the 2012 Plan from the Prior Plans, this assumes that all the awards outstanding on December 31, 2011 will be forfeited, repurchased, cash settled or terminated. Therefore, the actual number that may be added to the 2012 Plan share reserve will likely be lower. No additional awards have been or will be made after May 15, 2012 under the 2004 Plan. Stock options and stock appreciation rights ("SARs") will reduce the 2012 Plan reserve by one share for every share granted, and stock awards other than options and SARs granted will reduce the 2012 Plan share reserve by 1.45 shares for every share granted. The 2012 Plan share reserve was also reduced by the number of stock awards granted under the 2004 Plan on or after January 1, 2012, using

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NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

5. Share-Based Compensation (Continued)

the same ratios described. As of December 31, 2013, total shares remaining available for issuance under the 2012 Plan were 3,152,390.

The 2012 Plan provides for the grant of incentive stock options, nonstatutory stock options, restricted stock awards, stock unit awards and SARs to employees, non-employee directors and consultants of Theravance. Stock options may be granted with an exercise price not less than the fair market value of the common stock on the grant date. Stock options granted to employees generally have a maximum term of 10 years and vest over a four year period from the date of grant; 25% vest at the end of one year, and 75% vest monthly over the remaining three years. Theravance may grant options with different vesting terms from time to time. Unless an employee's termination of service is due to disability or death, upon termination of service, any unexercised vested options will be forfeited at the end of three months or the expiration of the option, whichever is earlier.

Employee Stock Purchase Plan

Under the 2004 Employee Stock Purchase Plan ("ESPP"), Theravance's non-officer employees may purchase common stock through payroll deductions at a price equal to 85% of the lower of the fair market value of the stock at the beginning of the offering period or at the end of each applicable purchase period. The ESPP provides for consecutive and overlapping offering periods of 24 months in duration, with each offering period composed of four consecutive six-month purchase periods. The purchase periods end on either May 15th or November 15th. ESPP contributions are limited to a maximum of 15% of an employee's eligible compensation.

Theravance's ESPP plan also includes a feature that provides for a new offering period to begin when the fair market value of the Theravance's common stock on any purchase date during an offering period falls below the fair market value of Theravance's common stock on the first day of such offering period. This feature is called a reset. Theravance had resets for new twenty-four month offering periods starting on May 16, 2008, November 16, 2008, May 16, 2010, November 16, 2011, May 16, 2012 and November 16, 2012. Theravance applied modification accounting to determine the incremental fair value associated with the ESPP resets and recognized the related incremental stock-based compensation expense.

As of December 31, 2013, a total of 2,025,000 shares of common stock were approved and authorized for issuance under the ESPP, and 284,139 shares were available for further issuance. Through December 31, 2013, Theravance had issued 1,740,861 shares under the ESPP at an average price of $11.29 per share. As a result of Theravance's announcement that its Board of Directors had approved plans to separate the Company's businesses into two independent publicly traded companies, all monies remaining after the purchase on November 15, 2013 were refunded to employees. It was also determined that ESPP shares relating to purchase periods ending after November 15, 2013 were not probable of vesting. Therefore, $0.7 million of compensation expense relating to purchase periods ending after November 15, 2013 was reversed in the fourth quarter of 2013, and any remaining unamortized compensation expense relating to these purchase periods will not be recognized. ESPP was suspended after the November 15, 2013 purchase period.

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NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

5. Share-Based Compensation (Continued)

Performance-Contingent Restricted Stock Awards

Over the past three years, the Compensation Committee of Theravance's Board of Directors (the "Compensation Committee") has approved grants of performance-contingent RSAs to senior management and a non-executive officer. Generally, these awards have dual triggers of vesting based upon the achievement of certain performance goals by a pre-specified date, as well as a requirement for continued employment. When the performance goals are deemed achieved for these types of awards, time-based vesting and, as a result, recognition of stock-based compensation expense commence.

Included in these performance-contingent RSAs is the grant of 1,290,000 special long-term retention and incentive performance-contingent RSAs to senior management approved by the Compensation Committee in 2011. The awards have dual triggers of vesting based upon the achievement of certain performance conditions over a six-year timeframe from 2011 through December 31, 2016 and continued employment. The maximum potential expense associated with this program is $28.2 million related to stock-based compensation expense, which would be recognized in increments based on achievement of the performance conditions. As of December 31, 2013, Theravance determined that the achievement of the requisite performance conditions was not probable and, as a result, no compensation expense has been recognized. If sufficient performance conditions are achieved prior to the spin-off, which is expected in the second quarter of 2014, then the Company would recognize up to $6.7 million in stock-based compensation expense associated with these RSAs.

Performance-Contingent Restricted Stock Units

In 2010, the Compensation Committee of Theravance's board of directors approved the grant of 210,000 performance-contingent RSUs to senior management. These awards have dual triggers of vesting based upon the successful achievement of certain corporate operating milestones during 2010 and 2011, as well as a requirement for continued employment through early 2014. In the first quarter of 2011 both performance milestones were deemed achieved, and time-based vesting commenced with respect to all of the performance-contingent RSU shares. As a result, compensation expense was $1.3 million, $0.3 million and $63,000, for the years ended December 31, 2011, 2012 and 2013, and the remaining unrecognized expense will be recognized over the remaining vesting period through early-2014 using the graded vesting expense attribution method.

Director Compensation Program

Non-employee directors of Theravance receive compensation for services provided as a director. Each member of Theravance's board of directors who is not an employee receives an annual retainer as well as a fee for each board and committee meeting attended. Commencing on April 27, 2011, chairpersons of the various committees of the board of directors, the Audit Committee, the Compensation Committee, Nominating/Corporate Governance Committee and the Science and Technology Advisory Committee receives a fixed retainer. The lead independent director also receives a fixed retainer.

Each of Theravance's independent directors receives periodic automatic grants of equity awards under a program implemented under the 2012 Plan. These grants are non-discretionary. Only independent directors of Theravance or affiliates of such directors are eligible to receive automatic

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NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

5. Share-Based Compensation (Continued)

grants under the 2012 Plan. Under the program, as amended in July 2010, each individual who first becomes an independent director will, on the date such individual joins the board of directors, automatically be granted (i) a one-time grant of RSUs covering 6,000 shares of Theravance's common stock and (ii) a one-time nonstatutory stock option grant covering 6,000 shares of Theravance's common stock.

These initial equity grants vest monthly over the director's first two years of service. In addition, on the date of joining the board of directors, the new director will also receive the standard annual equity awards (if joining on the date of Theravance's Annual Meeting of Stockholders) or pro-rated annual equity awards (if joining on any other date). The pro-ration is based upon the number of months of service the new board member will provide during the 12-month period ending on the one-year anniversary of the most recent annual meeting of stockholders. Annually, upon his or her re-election to the board of directors at the Annual Meeting of Stockholders, each independent director is automatically granted both an RSU covering 6,000 shares of Theravance's common stock and a nonstatutory stock option covering 6,000 shares of Theravance's common stock. These standard annual equity awards vest monthly over the twelve month period of service following the date of grant. In addition, all automatic equity awards vest in full if Theravance is subject to a change in control or the board member dies while in service.

Stock-Based Compensation Expense

The allocation of stock-based compensation expense included in the combined statements of operations and comprehensive loss was as follows (in thousands):

	Year Ended December 31,		
(in thousands)	2011	2012	2013
Research and development	$ 12,696	$ 13,192	$ 15,444
Selling, general and administrative	8,767	8,131	7,032
Total stock-based compensation	$ 21,463	$ 21,323	$ 22,476

Total stock-based compensation expense capitalized to inventory was $0, $0.4 million and $0.2 million for the years ended December 31, 2011, 2012 and 2013, respectively.

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NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

5. Share-Based Compensation (Continued)

Valuation Assumptions

The range of weighted-average assumptions Theravance used to estimate the fair value of stock options granted was as follows:

	Year Ended December 31,		
	2011	2012	2013
Employee Stock Options:			
Risk-free interest rate	1.10 - 2.57%	0.74% - 1.17%	0.76% - 2.02%
Expected life (in years)	5 - 6	5 - 6	5 - 6
Expected volatility	49% - 55%	55% - 60%	58% - 60%
Dividend yield	—	—	—
Weighted-average estimated fair value of stock options granted	$11.11	$11.50	$19.96

The range of weighted-average assumptions Theravance used to estimate the fair value of employee stock purchase plan issuances was as follows:

	Year Ended December 31,		
	2011	2012	2013
Employee Stock Purchase Plan Issuances:			
Risk-free interest rate	0.05% - 0.54%	0.14% - 0.29%	0.09% - 0.26%
Expected life (in years)	0.5 - 2.0	0.5 - 2.0	0.5 - 2.0
Expected volatility	48% - 59%	51% - 64%	56% - 61%
Dividend yield	—	—	—
Weighted-average estimated fair value of ESPP issuances	$9.46	$8.07	$16.44

6. Income Taxes

Theravance Biopharma accounts for income taxes on a separate tax return basis although Theravance Biopharma's operations have historically been included in the tax returns filed by Theravance. Due to ongoing operating losses and the inability to recognize any income tax benefit, there is no provision for income taxes for any periods presented.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

These deferred tax assets are hypothetical amounts that would have existed if Theravance Biopharma had operated as a separate company. The actual deferred tax assets after the separation is

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NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

6. Income Taxes (Continued)

completed will not equal these amounts. The significant, hypothetical deferred tax assets and liabilities for Theravance Biopharma are as follows (in thousands):

	December 31, 2012	December 31, 2013
Deferred tax assets:		
Net operating loss carryforwards	$ 85,319	$ 140,851
Deferred revenues	520	3,016
Capitalized research and development expenditures	9,729	202
Research and development tax credit carryforwards	4,768	11,019
Fixed assets and acquired intangible assets	4,702	3,820
Deferred compensation	22,916	18,837
Accruals	5,046	4,944
Gross deferred tax assets	133,000	182,689
Valuation allowance	(133,000)	(182,689)
Net deferred tax assets	$ —	$ —

The differences between the U.S. Federal statutory income tax rate to Theravance Biopharma's effective tax are as follows (in thousands):

	Year ended December 31,		
	2011	2012	2013
U.S. federal statutory income tax rate	34.00%	34.00%	34.00%
State income taxes, net of federal benefit	—	(0.04)	—
Stock-based compensation	(0.33)	(2.63)	0.31
Non-deductible executive compensation	(0.74)	(10.09)	(0.06)
Federal research credits	1.64	—	2.87
Meals & entertainment	(0.12)	(0.60)	(0.04)
Change in valuation allowance	(34.53)	(20.68)	(35.89)
Other	0.08	0.04	(1.19)
Effective tax rate	(0.00)%	(0.00)%	(0.00)%

Due to Theravance Biopharma's lack of earnings history, the net deferred tax assets have been fully offset by a valuation allowance. The valuation allowance increased by $3.6 million from 2011 to 2012 and $49.7 million from 2012 to 2013.

Federal and state net operating loss, research and other credit carryforwards for Theravance Biopharma have been determined assuming the business began on January 1, 2011. None of Theravance's net operating loss and credit carry forwards will be transferred to Theravance Biopharma upon the separation as Theravance Biopharma will be a new company with no net operating loss or credit carry-forwards.

If Theravance Biopharma had operated as a separate entity, it would have had federal and state net operating loss carry forwards of $458 million and $198 million, respectively, and Federal and

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NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

6. Income Taxes (Continued)

California research and other tax credit carry forwards of $12.9 million and $14.8 million, respectively, as of December 31, 2013.

Theravance Biopharma federal net operating loss carryforwards will expire from 2031 through 2033, federal research and development tax credit carryforwards will expire in 2031. Theravance Biopharma state net operating loss carryforwards will begin expiring in the years 2031 through 2033 and state research tax credits of approximately will not expire.

In addition, the net operating loss deferred tax asset balances for Theravance Biopharma as of December 31, 2012 and December 31, 2013 do not include excess tax benefits from stock option exercises.

Uncertain Tax Positions

Theravance Biopharma's policy is to recognize interest and/or penalties related to uncertain tax positions in income tax expense. As of December 31, 2012 and 2013, Theravance Biopharma had no accrued interest or penalties due to having net operating losses available to offset any tax adjustment.

A reconciliation of total unrecognized tax benefits is as follows (in thousands):

Balance as of December 31, 2011	$ 4,043
Increases related to 2012 tax positions	2,598
Balance as of December 31, 2012	6,641
Increases related to 2013 tax positions	7,552
Balance as of December 31, 2013	$ 14,193

If Theravance Biopharma eventually is able to recognize these uncertain tax benefits, most of the $14.2 million would reduce the effective tax rate, except for excess tax benefits related to stock based payments. Theravance Biopharma currently has a full valuation allowance against its deferred tax assets which would impact the timing of the effective tax rate benefit should any of these uncertain positions be favorably settled in the future. Theravance Biopharma does not believe it is reasonably possible that its unrecognized tax benefits will significantly change within the next 12 months.

7. Commitments and Contingencies

Operating Leases and Subleases

Theravance leases approximately 150,000 square feet of office and laboratory space in two buildings in South San Francisco, California, under two non-cancelable operating leases that expire in May 2020. Theravance may extend the terms of these leases for two additional five-year periods each.

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NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

7. Commitments and Contingencies (Continued)

Future minimum lease payments under these leases, exclusive of executory costs, as of December 31, 2013, were as follows (in thousands):

Years Ending December 31:	Future Minimum Lease Payments
2014	$ 4,859
2015	5,770
2016	5,943
2017	6,121
2018	6,305
Thereafter	9,253
Total future minimum lease payments	$ 38,251

Expenses and income associated with operating leases were as follows (in thousands):

	Year Ended December 31,		
	2011	2012	2013
Rent expense	$ 6,400	$ 5,469	$ 5,763
Sublease income	(637)	(160)	—

Purchase Obligations

As of December 31, 2013, Theravance had outstanding purchase obligations on commercially reasonable terms, primarily for services under contract research, development and clinical and commercial supply agreements totaling $0.8 million.

Special Long-Term Retention and Incentive Equity Awards Program

In 2011, Theravance granted special long-term retention and incentive cash bonus awards to certain employees. The awards have dual triggers of vesting based upon the achievement of certain performance conditions over a six-year timeframe from 2011 through December 31, 2016 and continued employment. The maximum potential cash bonus expense associated with this program is $38.2 million, which would be recognized in increments based on the probable achievement of the performance conditions. As of December 31, 2013, Theravance's management determined that the achievement of the requisite performance conditions was not probable and, as a result, no bonus expense has been recognized. If sufficient performance conditions are achieved prior to the spin-off, which is expected in the second quarter of 2014, then Theravance would recognize up to $9.5 million of cash bonus expense in the period Theravance determined that the achievement of the requisite performance conditions was probable.

Guarantees and Indemnifications

The Company indemnifies its officers and directors for certain events or occurrences, subject to certain limits. The Company believes the fair value of these indemnification agreements is minimal. Accordingly, the Company has not recognized any liabilities relating to these agreements as of December 31, 2013.