

Verona Pharma plc

Annual General Meeting

22 May 2009

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Verona Pharma...

- Formed in September 2006
- Raised >£4 million (private and institutional)
- Three established projects & a continued search for new projects
 - RPL554
 - Novel Anti-Inflammatory Polysaccharides (NAIPs)
 - Cough Project
 - Other Ventures

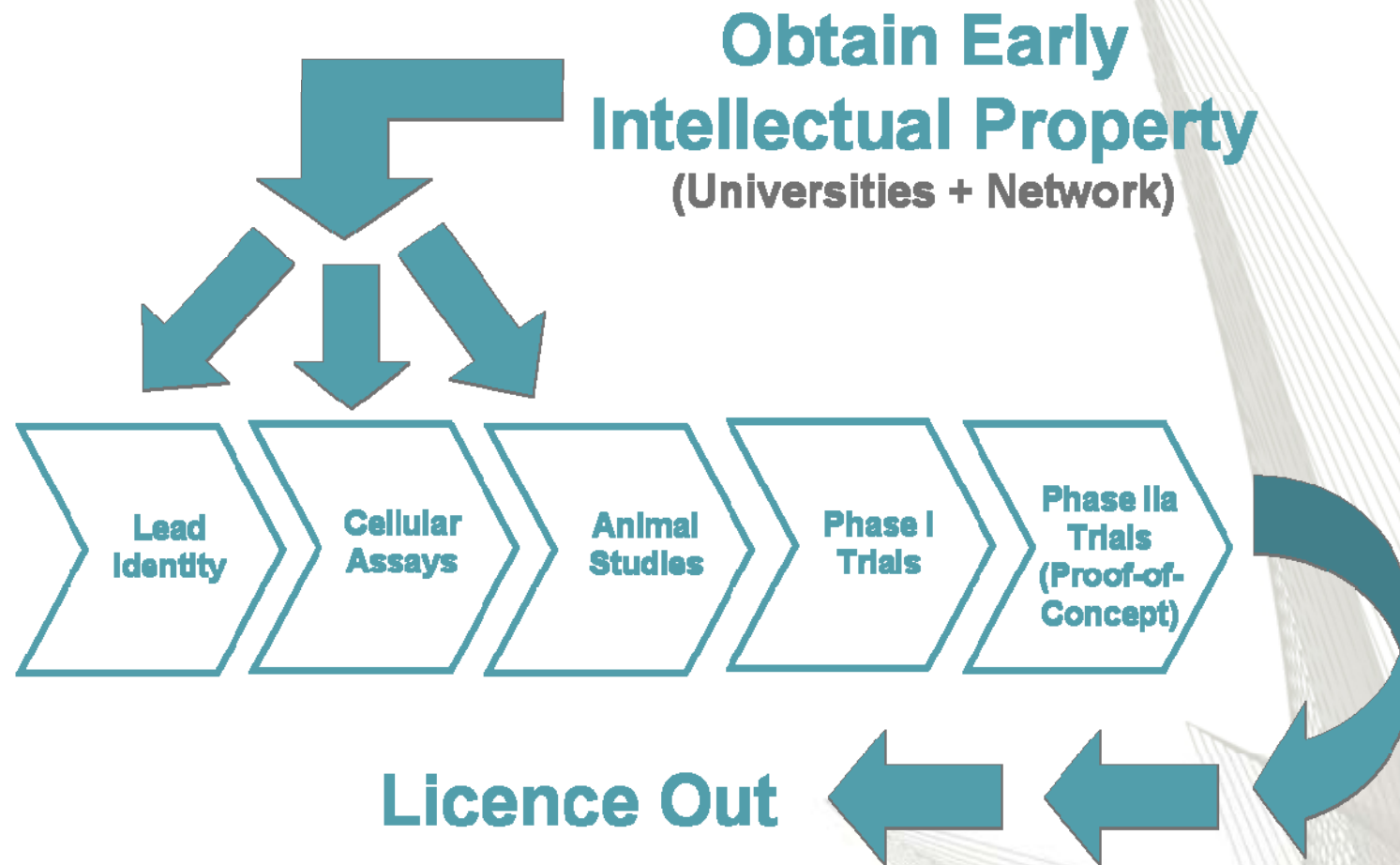
Verona Pharma...

- A respiratory disease company focussed on drugs for:
 - Rhinitis (hay fever)
 - Asthma
 - Chronic Obstructive Pulmonary Disease (COPD)
 - Cough
- Share common features of:
 - Tissue hyper-excitability (secretion) driven by inflammation
- Chronic diseases with large markets & inadequately met medical needs

Verona Pharma...

- Experience & skill-sets in management and Board with deep knowledge of the science
- Access to global network of accessing IP and services
- Track record, e.g., **Cardiome Pharma Corp.**
 - Current market capitalization of about USD\$263 Million
 - Cardiome matured out of an early history of 6 projects of which 3 Went to Phase IIa
 - 1 Licensed to UCB Group
 - 1 Partnered for Further Investment
 - 1 Currently under review by the US FDA
- High success rate relative to peer groups

Verona Pharma's Approach



“If a project is to fail, it must fail quickly, fail cheaply, the best science possible, and with the goal of quickly and efficiently obtaining clinical proof-of-concept. Limited investment in infrastructure and managerial effort focussed on meeting assigned milestones for each project. More than one project is essential.”

Respiratory Disease: Background

- In the major markets of the US, Japan and Western Europe:
 - Approximately 64 million people were affected with **allergic rhinitis** in 2006*
 - **Asthma** was estimated to occur in 7.5% of the population, or about 45 million people in 2007*
 - An estimated 29 million were suffering from **COPD** in 2006*
- Various drug treatments are available, but often with unwanted side effects and/or limited effectiveness

Financial Examples:

Allergic Rhinitis Global Market:	USD \$10 Billion, 2006*
Asthma & COPD Global Market:	USD \$28 Billion, 2007*
Respiratory Global Market:	USD \$52 Billion, 2007*

* Fraser-Moodie, I. Business Insights. Innovations and Pipelines for Respiratory Disorders. London: Business Insights Limited; 2008.

Lead Compound - RPL554

- Novel long-acting bronchodilator with anti-inflammatory actions
- Co-inventor - Sir David Jack, former Research Director of Glaxo who also invented:
 - Salmeterol (Serevent[®] - USD \$519 million, 2007*)
 - Fluticasone (Flixotide[®], Flovent[®], Flonase[®], Veramyst[®] - USD \$1.3 billion, 2007*)
 - Salbutamol / Albuterol (Ventolin[®], Proventil[®], ProAir[®], Accumben[®] - USD \$442 million, 2007*)
 - Salmeterol-Fluticasone Combination (Seretide[®], Advair[®] - USD \$7.1 billion, 2007*)
 - Also beclamethasone (QVAR[®]), ranitidine (Zantac[®]), ondansetron (Zofran[®]), and sumatriptan (Imitrex[®], Imigran[®])

Lead Compound - RPL554

- A mixed inhibitor of types 3 & 4 phosphodiesterase enzymes:
 - Type 3: in inflammatory cells & bronchial smooth muscle
 - Type 4: predominant enzyme in inflammatory cells
- Topically (lung) administered - minimises systemic side effects
- Potentially long-acting, i.e., once-a-day use
- Only inhaled mixed PDE 3/4 inhibitor under development
- PDE4 Inhibitor (e.g., oral roflumilast is the first example of this drug class that is currently under review for market approval

Progress on RPL554 Project

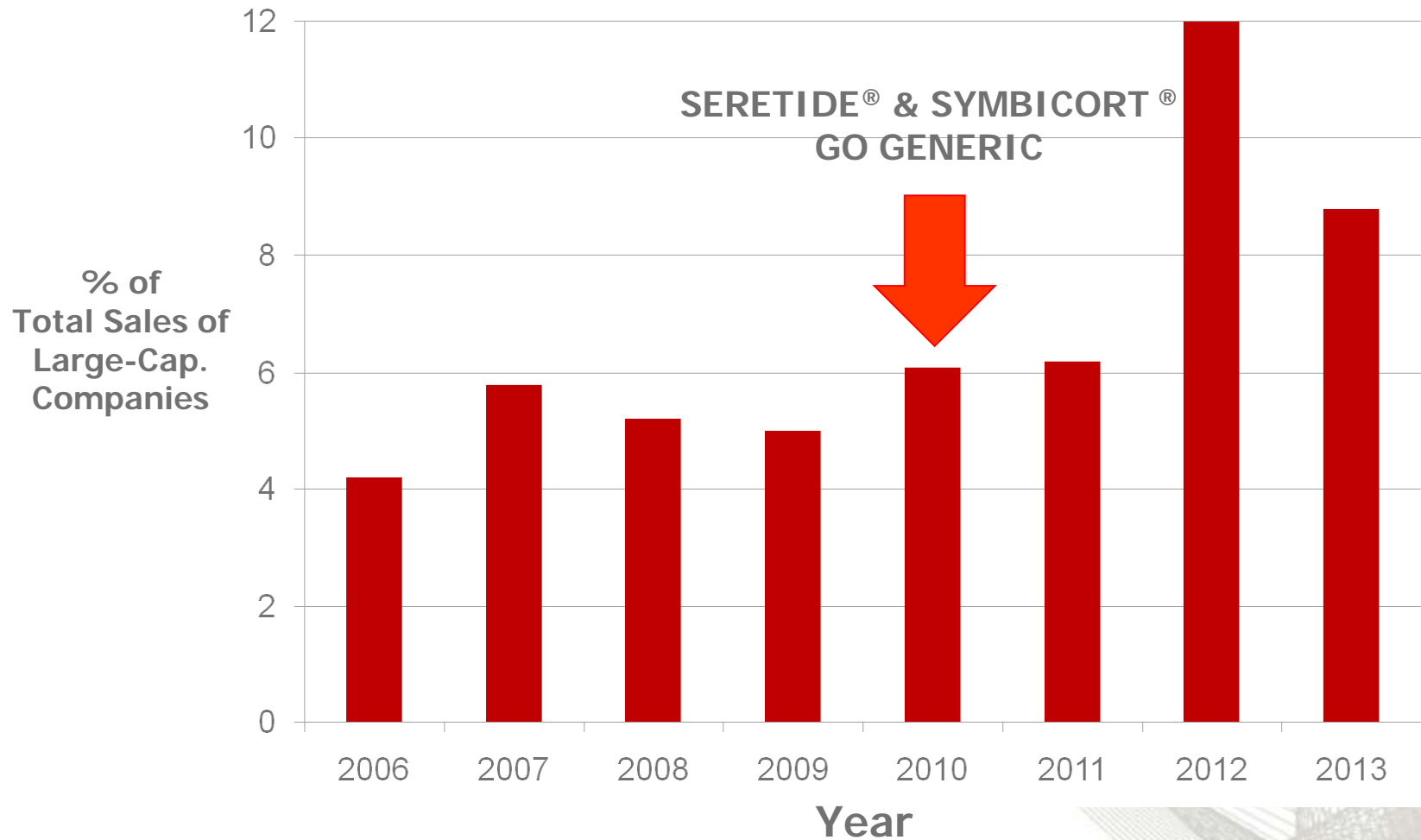
Current Status	Stage 1 and 2 completed; ethics approval obtained for Stage 3
16 Feb. 2009	First healthy subject in Stage 1a of clinical trial administered study drug
29 Jan. 2009	Dutch regulatory approval obtained to conduct a clinical trial of its new anti-asthma drug RPL554
09 Sep. 2008	Centre for Human Drug Research in The Netherlands contracted to investigate drug in healthy subjects, asthmatics and rhinitics
27 May 2008	Scientific Advisory Meeting with the Agence Française de Sécurité Sanitaire des Produits de Santé (Afssaps) (France)
11 Mar. 2008	Scientific Advisory Meeting with the Medical Products Agency (MPA) of Sweden
26 Feb. 2008	Regulatory (Toxicity) Studies near completion
12 Feb. 2008	Scientific Advice Meeting with the UK's Medicines and Healthcare products Regulatory Agency (MHRA)
04 Oct. 2007	Launch of RPL554 Regulatory (toxicity) Studies

Licensing Prospects for RPL554

Big Pharma Desperate

Patent Expiries:

Sales at Risk from Generic Competition

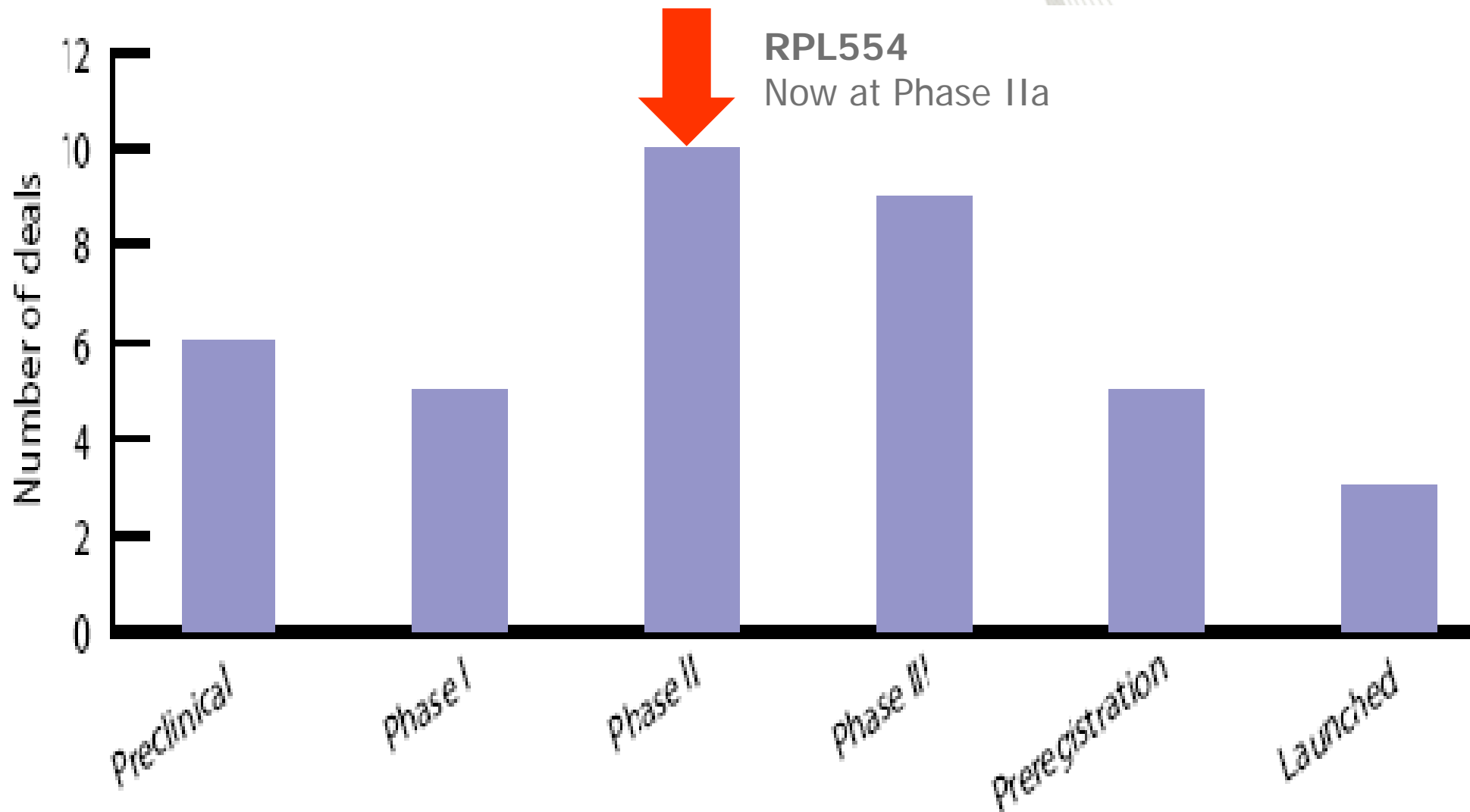


'Groups Face Up to Worst Crisis in Decades'

From *Financial Times*, 8 May 2008.

Licensing Prospects for RPL554

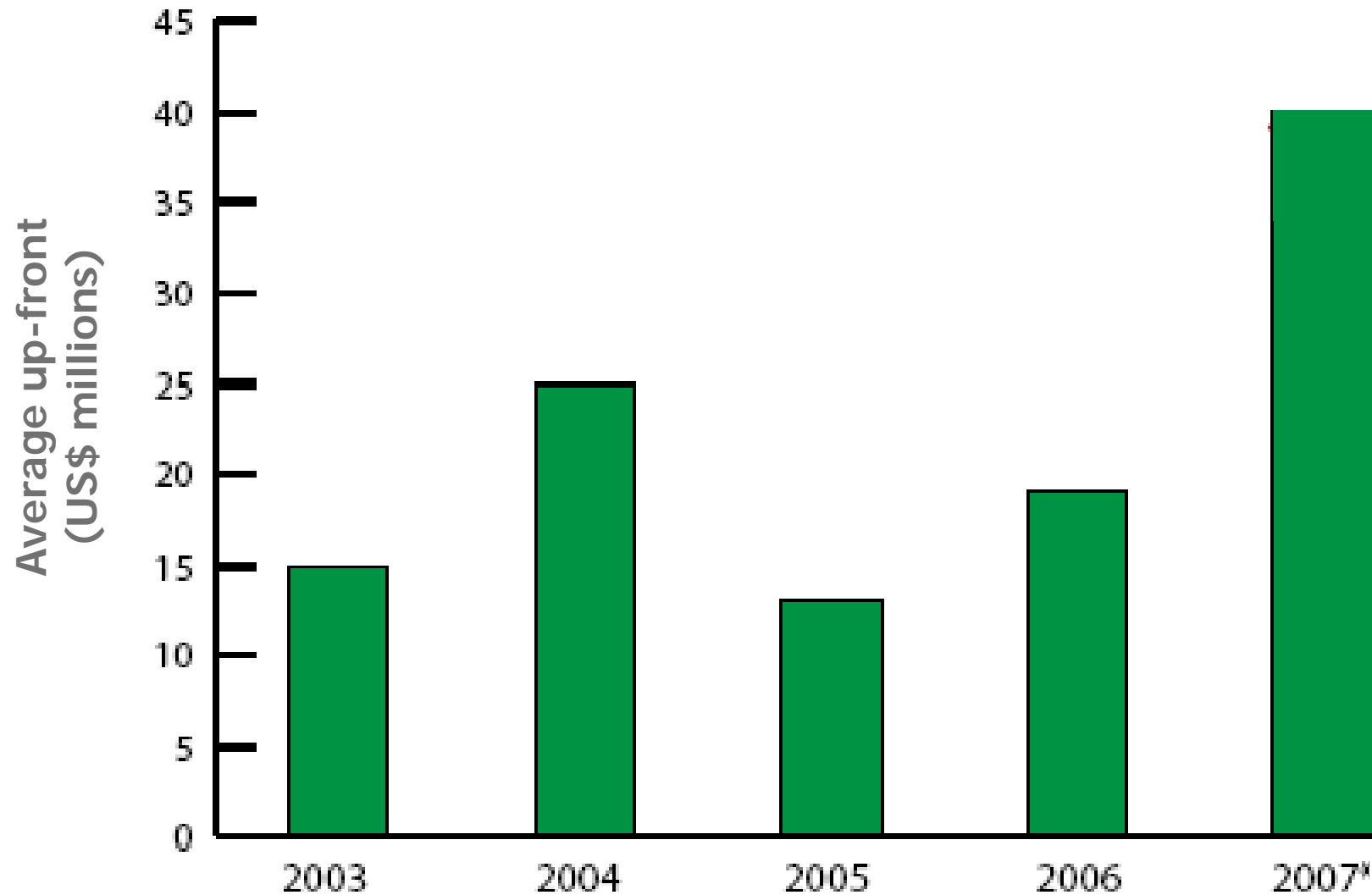
More than 50% of Deals Before Phase II



Modified From: Wood Mackenzie's Licensing View

Licensing Prospects for RPL554

Increasing Size of Upfront Payments



* 10 Months Only

Licensing Prospects for RPL554

Past Indicators

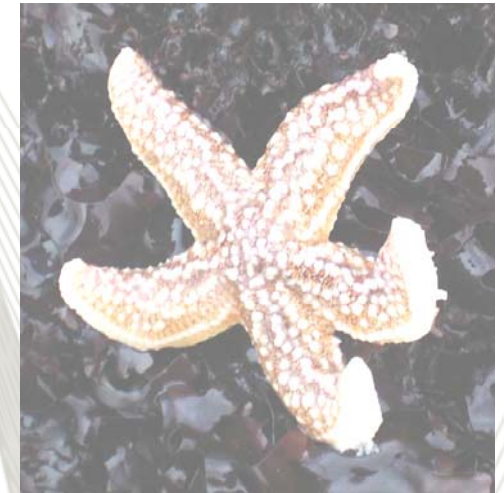
- Size of recent licensing deals in the respiratory field:
 - Out-licensing of PDE4 inhibitor by Glenmark to Forest in 2004 entering Phase I for COPD and asthma
 - Forest obtained rights to North America only and will pay Glenmark milestone payments plus a mid-teen royalty
 - Out-licensing of Muscarinic Antagonist-Beta2 Agonist (MABA) by Theravance to GSK in March 2005 entering Phase I for COPD and asthma
 - GSK will pay milestone payments totalling US\$252 million plus a royalty
 - Out-licensing of Long-Acting Muscarinic Antagonist (LAMA) by Arakis/Vectura JV to Novartis in April 2005 in Phase II for COPD
 - Novartis will pay milestone payments totalling US\$375 million plus a royalty
 - Initial upfront payment was US\$30 million

Progress on the Cough Project

- Identified potential compounds from an extensive database having potential anti-tussive activity; currently being tested *in vivo*
- Identification of previous cough compound, RSD931 for possible evaluation in cough patients in Q4, 2009
- Identifying suitable clinical trial sites

Novel Anti-Inflammatory Polysaccharides (NAIPs), “Starfish Project”

- NAIPs idea based on improving the chemistry and one of the pharmacological actions of heparin:
 - Heparin is a polysaccharide discovered in 1927 as anticoagulant
 - Heparin has been shown to have anti-inflammatory actions in range of human disease but its anti-coagulant actions limit its use
- Similar compounds have clinical potential as a new class of anti-inflammatory drugs e.g.
 - Pentosan polysulphate use for cystitis
 - Cosmo Pharmaceuticals - oral heparin for colitis
 - O-desulphated heparin under development for COPD
- Licensed access to novel polysaccharides from echinoderms (e.g. starfish) that have:
 - anti-inflammatory actions, BUT lack anticoagulant actions



Progress on the NAIPs Programme

Current Status

- Completion of preliminary *in vitro* screens of NAIPs compounds
- Selection and testing of possible leads in *in vivo* screens
- In process of filing 3 new patents

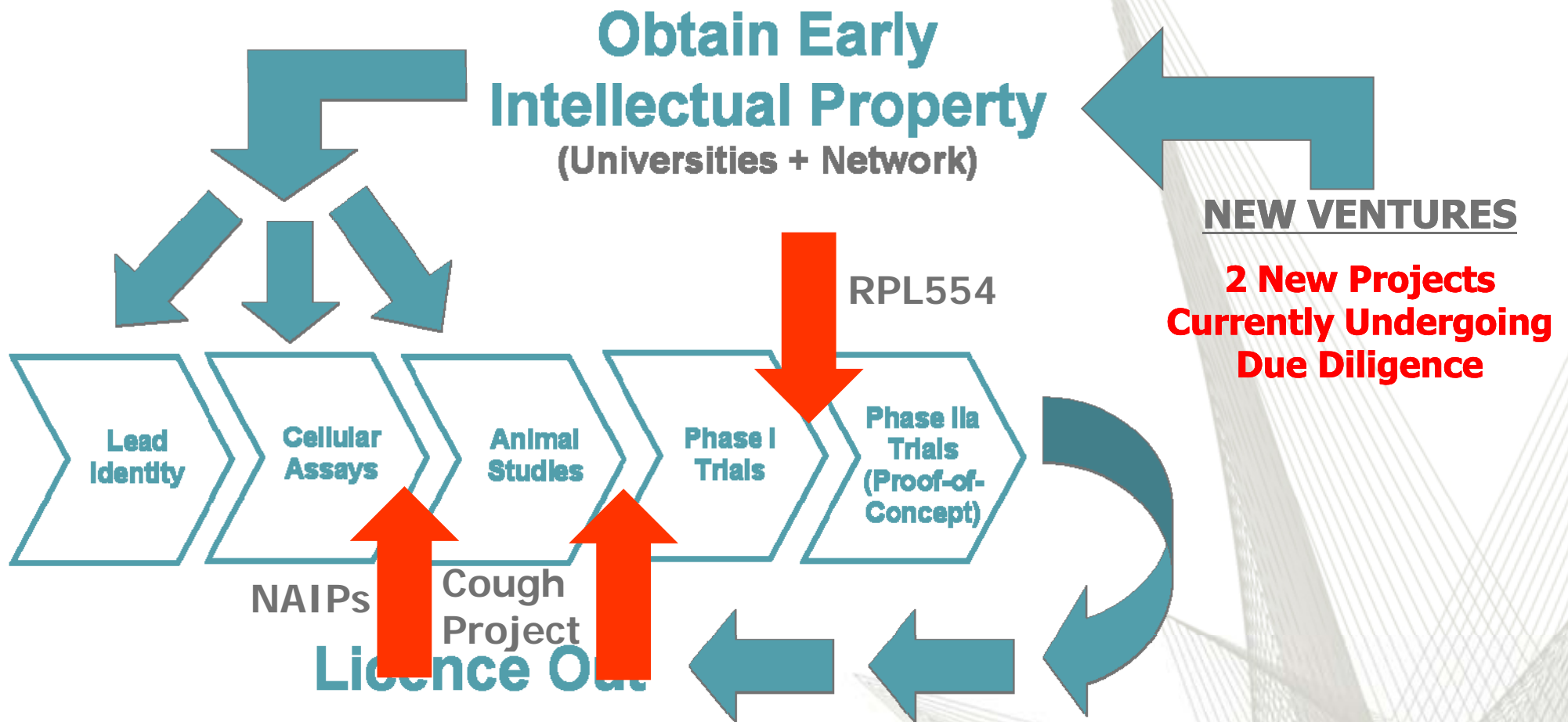
June 2008

Negotiated collaborative and service agreements with GlycoMar Ltd. to broaden relationship

Feb. 2008

Identified seven potential lead compounds through collaboration with GlycoMar Ltd. and Glycores 2000 SpA

The Virtual Strategy of Verona Pharma



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Cash & Share Position (As of 21 May 2009)

Cash Reserves:	£1.8 million
Cash Life:	Minimum of 12 months*
Basic Issued Ordinary Shares:	215 million shares
Fully Diluted Ordinary Shares:	232 million shares
Mgt. Shareholding:	27.9 million (13%)
Market Cap.: (based on 5.25 pence)	£11.9 million

* As of 21 May 2009, assuming no acquisition of new intellectual properties and based on current cost experience and level of operations.