

Verona Pharma plc

ANNUAL GENERAL MEETING **2011**

Clive Page, Chairman
Michael Walker, CEO

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www.veronapharma.com

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Verona Pharma...

- *A drug discovery company* focussed on:
 - Asthma
 - Chronic Obstructive Pulmonary Disease (COPD)
 - Rhinitis (hay fever)
 - Cough
- *Above diseases* have common features of:
 - Tissue hyper-excitability (contraction and secretion) driven by inflammatory mechanisms
 - Common, chronic diseases - large markets plus a need for new drugs

Board of Directors

Clive Page, *Chairman*

Recognised international authority on lung diseases and inflammation. Co-inventor of NAIPs technology

Michael Walker, *Chief Executive Officer*

Founder and former Chairman of what became Cardiome Corp (TSX & NASDAQ: c.US\$300m market cap.) Expert in pharmacology, drug discovery and biotech

Claire Poll, *Corporate Director*

Legal & corporate executive. Previously Corporate Development Director Inmarsat Ventures plc (LSE: c. £2.5b market cap)

Trevor Jones, *Non-Executive Director*

Former Director General, Association of the British Pharmaceutical Industry. Successfully led development of numerous drug treatments

Patrick Humphrey, *Non-Executive Director*

Former Director of GlaxoSmithKline's Division of Pharmacology. Instrumental in the discovery of numerous respiratory and CNS drugs on the market

Stuart Bottomley, *Non-Executive Director*

Financier & former leading fund manager

Verona Pharma's Pipeline

■ RPL554

Inhaled novel mixed phosphodiesterase (PDE) 3 and 4 inhibitor - invented by Sir David Jack, the "father of inhaled drugs for asthma" as a bronchodilator and anti-inflammatory drug in the lungs for asthma and chronic obstructive pulmonary disease (and rhinitis). Proceeding through Phase I/II clinical trials

■ VRP700

Inhaled anti-tussive drug for intractable and severe cough in a Phase IIa clinical trial

■ NAIPs

Novel anti-inflammatory polysaccharide compounds in exploratory experimental research phase

- *Continually searching for new projects*

Company Highlights 2010/2011

- Completed a further Phase I/IIa trial with two highest possible doses of nebulized RPL554 in asthma subjects at Centre for Human Drug Research, Leiden, The Netherlands (CHDR).
- Pilot clinical trial of RPL554 in COPD patients at the Policlinic Tor Vergata, Rome, Italy
- Begun PILOTPoP2 clinical trial at CHDR for assessing the sustainability of bronchodilator action with repeated dosing for several days
- Demonstrated formulation of RPL554 in conventional inhalers
- Ongoing meetings with potential licensees for RPL554 Worldwide
- Trial of inhaled VRP700 in patients with chronic intractable cough at the University of Florence, Italy
- Potential new projects continually being sought, reviewed and tested

Going forward with RPL554

So far for RPL554 we have:

Completed or have ongoing various clinical proof-of-concept and safety studies that demonstrated RPL554 is:

- Safe in a >65 subject sample of male volunteers, mildly asthmatic and rhinitic patients in separate studies
- Effective in exhibiting therapeutic benefits in terms of marked and sustained bronchodilation and bronchoprotection plus a suggestion of anti-inflammatory actions

Going forward we need:

- Unambiguous clinical proof of anti-inflammatory actions relevant to both asthma and COPD

In the meantime licensing efforts continue

Status of Licensing Market for RPL554

Much of Pharma is being restructured by:

- Mergers and Acquisitions
- Reducing R&D expenditure
- Down-sizing generally
- Incorporating generics into their portfolios

However:

- Pharma is still acquiring projects, especially de-risked ones
- De-risked by: acquiring later stage (Phase IIb) projects; collaborative development with licensing; reducing up-front payments but increasing clinical milestone payments
- Therefore VRP continues to add value to RPL554 with further phase 2b studies

Recent Respiratory Drug Licensing

- 2011 - Gilead Sciences Inc./MicroDose Therapeutx Inc. experimental respiratory syncytial virus treatment, MDT-637
- 2011 – Almirall/Kyorin Pharmaceutical acclidinium bromide in Japan for COPD. Deal value €38m
- 2010 – Orexo and Janssen Pharmaceutica NV worldwide licenses for Orexo's OX-CLI and OX-ESI for asthma, COPD and other inflammatory diseases. Deal value \$564m plus royalties
- 2008 - Sepracor and Arrow for levalbuterol/ipratropium inhalation solution product. Deal value \$70m plus single-digit royalties
- 2008 – GSK/Amira Pharmaceuticals for 5-FLAP (5-Lipoxygenase Activating Protein) inhibitors for the treatment of respiratory & cardiovascular disease. Deal value up to \$425m plus tiered royalty payments
- 2010 - Johnson & Johnson acquired RespiVert, inhaled RV-568 and RV-1088 (narrow spectrum kinase inhibitors for asthma, COPD & cystic fibrosis). Deal value £9.5m for a 13.4% stake in Respivert

VRP700 - Cough Project

- Currently conducting a randomized crossover trial of VRP700 in Florence in patients with severe chronic cough
- Trial is a contingency trial where patients are inducted into the trial and tested until an overall positive or negative outcome is attained
- If the trial is positive VRP700 will be developed further for hospital use
- Results will be used to drive a chemical and biological search for even better compounds that can be fully protected

Outlook for Next 12 Months

- Continuing push to license RPL554 and *complete key studies*, particularly to further demonstrate its anti-inflammatory activity
 - Generally strengthen licensing package for RPL554
- Complete repeat daily dose study with RPL554
- Complete pilot study with RPL554 in COPD patients
- Complete VRP700 Cough study
- Continue to search and assess new IP

Cash & Share Position (As of 3rd June 2011)

Cash Reserves:	~£1.2million
Basic Issued Ordinary Shares:	240 million shares
Fully Diluted Ordinary Shares:	257 million shares
Mgt. Shareholding:	28.5 million (11.9%)
Market Cap.: (based on 8 pence)	£19.2 million

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