

## VERONA PHARMA PLC

### ('Verona Pharma' or the 'Company')

Verona Pharma, the AIM-quoted company developing new therapeutic drugs for the treatment of respiratory diseases, today announces its Interim Results for the six months to 30 June 2008.

#### OPERATIONAL HIGHLIGHTS

<b>8 January 2008</b>	Raised £2,319,333, before expenses, by way of placing of 57,983,325 new ordinary shares in the Company at 4 pence per share.
<b>19 May 2008</b>	RPL554 passed pivotal safety and toxicology tests establishing it can be given to humans in clinical trials.  Progressed document preparation and negotiations with clinical trial site to conduct a combined Phase 1 / 2a trial of RPL554.
<b>18 June 2008</b>	Signed a new collaboration agreement with GlycoMar Limited to advance work on its Novel Anti-Inflammatory Polysaccharides programme towards identifying a suitable candidate for clinical proof of concept studies in humans.
<b>Financial</b>	Loss after tax of £0.64 million or 0.31 pence per ordinary share.  Cash and cash equivalents at 30 June 2008 of £3.17 million.

**Professor Clive Page, Chairman of the Company, said:** "The first six months of this year was very busy for the Company as we approached commencing clinical studies with our lead project, RPL554. As of the date of this report, we have signed a contract with CHDR (Centre for Human Drug Research) at Leiden, The Netherlands, to carry out a Phase I/IIa clinical trial. We continue to identify projects of interest but, recognising the resource limitations of the Company, we exercise great care before bringing in any further projects into our portfolio. Operating with a tightly-run, cost-efficient staff base, we feel that we are progressing well."

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## **CHAIRMAN AND CEO'S JOINT STATEMENT**

The first six months of this year was very busy for the Company as we approached commencing clinical studies with our lead project, RPL554. As of the date of this report, we have signed a contract with CHDR (Centre for Human Drug Research) at Leiden, The Netherlands, to carry out a Phase I/IIa clinical trial. The documentation for the trial is complete, and the process for submitting the proposal, and its accompanying documentation to the appropriate regulatory authorities, is almost complete. Following a complete review by the appropriate personnel at CHDR, the proposal will be submitted to the Ethics Committee at the University of Leiden and the competent authority at The Hague. The first subject is expected to receive the first dose by the end of 2008, with a final report in the second quarter of 2009.

This Phase I/IIa clinical trial is designed to answer as many questions as possible regarding the actions of RPL554 in addition to ascertaining its safety. Thus, in addition to determining its safety in normal and asthmatic subjects, we wish to ascertain whether it provides protection against a bronchoconstrictor and whether it directly produces bronchodilation in a group of asthmatic patients. As a final objective we wish to determine whether the drug reduces the number of inflammatory cells produced in the nose of allergic rhinitic patients challenged with the allergen to which they are sensitive.

To accomplish the above, we have designed a clinical trial with three stages. The first is to test initial doses of the drug in a standard safety study in normal subjects. This will be followed by an ascending dose adaptive trial in asthmatics designed to provide safety information in asthmatics and to determine a dose that is apparently effective in improving airway function in these subjects. Once such a dose is determined this dose will then be formally evaluated in asthmatic and rhinitic patients at a single dose level.

Such a trial should demonstrate the safety of RPL554, and whether it provides (at a safe dose) therapeutic effects in asthmatic and rhinitic patients thereby paving the way for the further clinical development of RPL554. If the trial is successful, Verona Pharma will have achieved a notable landmark in its maturation as a drug discovery and development company.

The high attrition rate in the drug discovery process has always been clearly recognised by the Company and hence it has a strategy of having more than one project underway at all times whilst considering other project opportunities as they may arise. This requires very careful project management and appropriate

proportioning of the Company's time and resources. Nevertheless, we have been able to ensure continuous progress with our second project, NAIPS.

NAIPS is short for 'Novel Anti-Inflammatory Polysaccharides' and involves searching for novel sources of different types of polysaccharides with anti-inflammatory actions that have none of the anti-coagulant activity found in related molecules such as heparin. To date, we have been successful in identifying a number of compounds, using cellular and related *in vitro* assays that are potential candidates for anti-inflammatory actions in whole animals. Indeed some of these compounds have been shown to have anti-inflammatory actions in whole animals, *in vivo*. This is a very encouraging step forward with the project and so we will soon be starting the process of examining our database in order to make educated hypotheses regarding the possibility of totally synthetic analogues of the active compounds. These would be more suitable and have greater potential for use as an anti-inflammatory drug, at first in lungs and then possibly elsewhere.

Our final project is in the area of intractable cough where, with the aid of a large database of technical and experimental information, we have been able to determine a potential route to a new inhaled drug for the treatment of cough. We are currently synthesising and testing suitable candidate chemical compounds in order to proceed further with this project.

In addition to all of the above we have been actively seeking out and vetting a variety of new drug projects that fit into our research focus, namely inflammation-related diseases of the respiratory tract such as asthma and rhinitis. We continue to identify projects of interest but, recognising the resource limitations of the Company, we exercise great care before bringing in any further projects into our portfolio. Operating with a tightly-run, cost-efficient staff base, we feel that we are progressing well.

Professor Clive P. Page  
**Chairman**

Professor Michael J. A. Walker  
**Chief Executive Officer**

**GROUP INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2008**

	6 months ended 30 June	6 months ended 30 June	Year ended 31 December 2007
Notes	2008 (unaudited) £	2007 (unaudited) £	(audited) £
Revenue	-	-	-
Cost of sales	-	-	-
<b>Gross profit/(loss)</b>	-	-	-
Research and development	(424,113)	(289,006)	(755,789)
Administration expenses	(290,966)	(220,475)	(558,318)
<b>Operating loss</b>	(715,079)	(509,481)	(1,314,107)
Finance revenue	77,153	51,843	96,844
<b>Loss before taxation</b>	(637,926)	(457,638)	(1,217,263)
Taxation	-	-	-
<b>Loss for the period</b>	(637,926)	(457,638)	(1,217,263)
Loss per ordinary share – basic and diluted	2 0.31p	0.32p	0.84p

**GROUP BALANCE SHEET  
AS AT 30 JUNE 2008**

	As at 30 June 2008 (unaudited) £	As at 30 June 2007 (unaudited) £	As at 31 December 2007 (audited) £
<b>ASSETS</b>			
<b>Non current assets</b>			
Tangible assets	17,736	14,148	16,058
Intangible assets	71,453	66,582	66,626
Goodwill	1,469,112	1,469,112	1,469,112
	<u>1,558,301</u>	<u>1,549,842</u>	<u>1,551,796</u>
<b>Current assets</b>			
Trade and other receivables	93,115	105,138	241,575
Short-term investment	-	-	-
Cash and cash equivalents	3,166,163	1,855,000	1,252,063
	<u>3,259,278</u>	<u>1,960,138</u>	<u>1,493,638</u>
<b>Total assets</b>	<u>4,817,579</u>	<u>3,509,980</u>	<u>3,045,434</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves attributable to</b>			
<b>Equity holders</b>			
Called up share capital	207,218	144,275	146,775
Option reserve	405,313	298,056	405,313
Share premium account	6,347,024	4,038,256	4,135,756
Retained losses	(2,437,613)	(1,040,062)	(1,799,687)
<b>Total equity</b>	<u>4,521,942</u>	<u>3,440,525</u>	<u>2,888,157</u>
<b>Current liabilities</b>			
Trade and other payables	295,637	69,455	157,277
<b>Total liabilities</b>	<u>295,637</u>	<u>69,455</u>	<u>157,277</u>
<b>Total equity and liabilities</b>	<u>4,817,579</u>	<u>3,509,980</u>	<u>3,045,434</u>

**GROUP CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2008**

	6 months ended 30 June 2008 (unaudited) £	6 months ended 30 June 2007 (unaudited) £	Year ended 31 December 2007 (audited) £
<b>Net cash (outflows) from operating activities</b>	(407,856)	(554,868)	(1,204,740)
<b>Cash flows from investing activities</b>			
Interest received	65,622	54,802	110,758
Sale of short-term investment	-	1,300,000	1,300,000
Purchase of tangible assets	(6,684)	-	(5,291)
Purchase of intangible assets	(8,693)	(8,183)	(11,913)
<b>Net cash inflow from investing activities</b>		1,346,619	1,393,554
	50,245		
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	-
	2,368,533		
Issue costs	(96,822)	-	-
<b>Net cash inflow from financing activities</b>	2,271,711	-	-
<b>Net increase in cash and cash equivalents</b>	1,914,100	791,751	188,814
Cash and cash equivalents at the beginning of the period	1,252,063	1,063,249	1,063,249
<b>Cash and cash equivalents at the end of the period</b>	3,166,163	1,855,000	1,252,063
<b>Reconciliation of operating loss to net cash outflow from operating activities</b>			
Operating loss	(715,079)	(509,481)	(1,314,107)
Cost of issuing share options	-	-	107,257
Decrease /(increase) in trade and other receivables	159,991	(55,414)	(102,806)
Increase in trade and other payables	138,360	3,526	91,348
Amortisation of tangible assets	5,006	3,213	6,595
Amortisation of intangible assets	3,866	3,288	6,973
<b>Net cash outflow from operating activities</b>	(407,856)	(554,868)	(1,204,740)

**GROUP STATEMENT OF CHANGES IN NET EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2008**

	Share capital £	Share premium £	Option reserve £	Retained earnings £	Total £
<b>Balance at 1 January 2008</b>	146,775	4,135,756	405,313	(1,799,687	2,888,157
				)	
Issue of shares	60,443	2,308,090	-	-	2,368,533
Issue costs	-	(96,822)	-	-	(96,822)
Net loss for the period	-	-	-	(637,926)	(637,926)
<b>Balance at 30 June 2008 (unaudited)</b>	<b>207,218</b>	<b>6,347,024</b>	<b>405,313</b>	<b>(2,437,613</b>	<b>4,521,942</b>
				)	
<b>Balance at 1 January 2007</b>	144,275	4,038,256	298,056	(582,424)	3,898,163
Net loss for the period	-	-	-	(457,638)	(457,638)
<b>Balance at 30 June 2007 (unaudited)</b>	<b>144,275</b>	<b>4,038,256</b>	<b>298,056</b>	<b>(1,040,062</b>	<b>3,440,525</b>
				)	
<b>Balance at 1 January 2007</b>	144,275	4,038,256	298,056	(582,424)	3,898,163
Issue of shares	2,500	97,500	-	-	100,000
Issue costs	-	-	-	-	-
Share option charge	-	-	107,257	-	107,257
Net loss for the period	-	-	-	(1,217,263	(1,217,263
				)	)
<b>Balance at 31 December 2007 (audited)</b>	<b>146,775</b>	<b>4,135,756</b>	<b>405,313</b>	<b>(1,799,687</b>	<b>2,888,157</b>
				)	

**NOTES TO THE UNAUDITED FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2008**

**1. Publication of non-statutory accounts**

- i) The interim financial information for the six months ended 30 June 2008 is unaudited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. It was approved by the board of directors on 22 September 2008. The figures for the year ended 31 December 2007 have been extracted from the statutory accounts which have been reported on by the Company's auditor.
- ii) Accounting policies

The interim financial statements for the six months ended 30 June 2008 includes the results of Verona Pharma plc and its wholly-owned subsidiary Rhinopharma Limited. The unaudited results for the period have been prepared on the basis of accounting policies adopted in the audited accounts

for the year ended 31 December 2007.

- iii) The directors do not recommend the payment of a dividend (period to 30 June 2007 - £Nil, year ended 31 December 2007 - £Nil).
- iv) A copy of this report will be sent to shareholders and copies of the interim report are available on the company's website [www.veronapharma.com](http://www.veronapharma.com)

## **2. Earnings per share**

- i) Basic loss per share of (0.31p) (30 June 2007: loss of 0.32p, 31 December 2007: loss of 0.84p) for the Group is calculated by dividing the loss for the period by the weighted average number of ordinary shares in issue of 203,140,230 (30 June 2007: 144,275,000, 31 December 2007: 144,405,137).
- ii) Diluted loss per share has not been presented since the Company's stock options are anti-dilutive.

## **3. Subsequent events**

The Company issued, in aggregate, 8,940,000 new ordinary shares of 0.1p each in the Company in connection with the exercise of 7,940,000 options at 2p each and 1,000,000 options at 2.5p each. These shares were admitted to trading on AIM and dealing commenced on 11 July 2008.

## **4. Comparatives**

The comparatives include audited figures for the year ended 31 December 2007 and unaudited figures for the six months ended 30 June 2007.