



A leader in inhaled pharmaceuticals



Preliminary Results for the Year Ended 31 March 2010

7 June 2010

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Agenda



- ✔ Financials
- ✔ Development update
- ✔ VR315 development
- ✔ Value drivers
- ✔ Q&A

Building a self-sustaining business on short and medium-term revenues



- ❑ **Build on existing royalty streams with additional revenues from established deals**
 - ❑ **Milestones > \$85m over 3 years**
- ❑ **3 product approvals in significant markets within 3 years**
 - ❑ **NVA237, QVA149, VR315 royalties**
- ❑ **Execute further partnership deals**
- ❑ **Cost-effective promotion of respiratory products minimising financial exposure**
- ❑ **Build and grow value in Vectura pipeline**
- ❑ **Develop products with partnering potential**
- ❑ **Continued focus on maintaining a cost-effective, self-sustaining business**

Targeting sustainable cash generation and pipeline growth



Financial

- ✔ Sustaining a strong cash position
- ✔ Maintaining revenues and R&D investment
- ✔ Strong royalty streams

High value late-stage pipeline

- ✔ NVA237 Phase III
- ✔ QVA149 Phase III
- ✔ VR315

Partnering opportunities

- ✔ VR315 US & RoW
- ✔ VR496 EU & US
- ✔ VR040
- ✔ VR632 US & RoW

R&D Investment

- ✔ Maintaining a high value pipeline
- ✔ Diversifying risk
- ✔ Local support of US activities



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Financial update

Anne Hyland

Performance summary 2009/10



	FY 2009/10 £m	FY 2008/09 £m	Increase
Revenues	40.1	31.2	+29%
Gross profit	36.6	27.3	+34%
R&D investment	36.4	32.3	+13%
Loss after tax	(10.2)	(16.7)	
Cash	64.1	74.0	

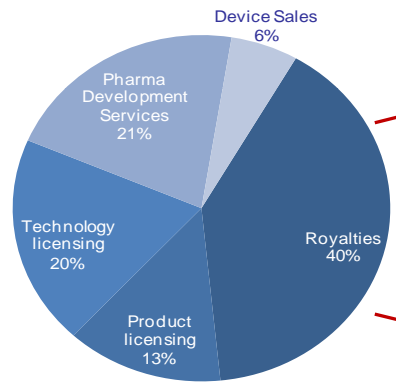
Highlights

- ✓ Revenue growth in excess of 20% for 6th year running
- ✓ Loss after tax fallen for 2nd consecutive year

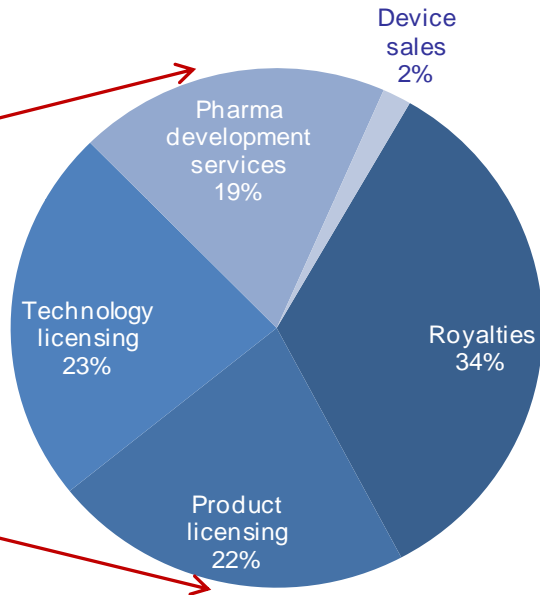
Revenues 2009/10



2008/09
£31.2m



2009/10
£40.1m



Revenues 2009/10



	FY 2009/10 £m	FY 2008/09 £m	Increase/ (Decrease)	Comments
Royalties	13.6	12.5	+9%	£9.8m - ADVATE®
Technology licensing	9.4	6.1	+54%	£7.3m - BI
Product licensing	8.8	4.2	+110%	£6.8m – VR315 milestones
Pharmaceutical development services	7.6	6.6	+15%	
Device sales	0.7	1.8	(61%)	
Total Revenues	40.1	31.2	+29%	

Comments

- ✓ ADVATE® sales growth and exchange driving royalty increase
- ✓ Licensing milestones in 2010/11 will include recognition of £6.2m re VR315US & £5.1m re QVA149

Statement of comprehensive income 2009/10

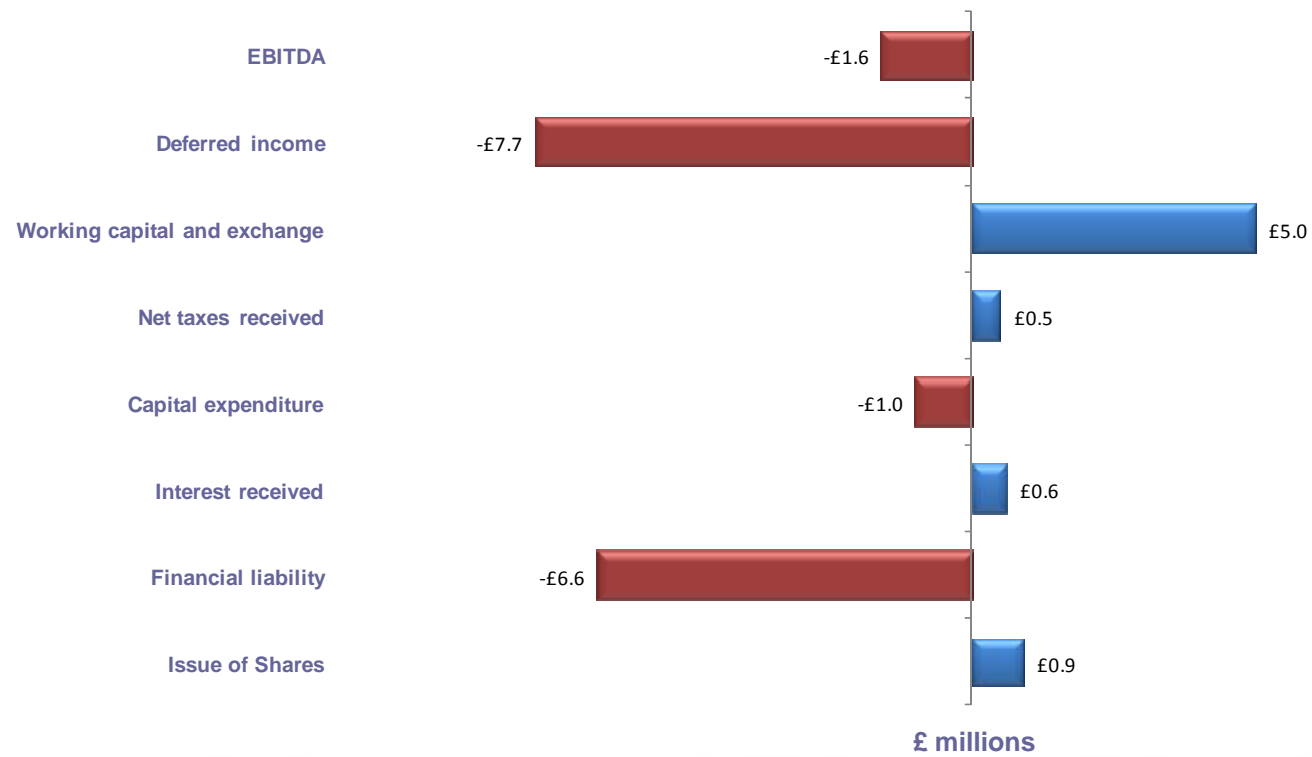


	2009/10 £m	2008/09 £m	Increase/ (Decrease)	Comments
Revenue	40.1	31.2	+29%	
Gross profit	36.6	27.3	+34%	
Gross profit margin	91%	88%	+3%	
R&D costs	(34.8)	(30.7)	+13%	
Administrative costs	(3.4)	(3.2)		
EBITDA	(1.6)	(6.6)	-76%	
Amortisation/depreciation	(12.2)	(11.8)		
Share of loss of associate	-	(0.6)		Associate sold Feb 09
Share based-compensation	(1.5)	(1.9)		Share price related
Operating loss	(15.3)	(20.9)	-27%	
Investment income	0.6	3.6		Interest rates declined
Finance gains/(losses)	0.9	(2.3)		
Pre-tax loss	(13.8)	(19.6)	-30%	

Highlights

- ✔ Revenues grow at faster rate than R&D investment
- ✔ Loss per share decreases 38% to 3.2p (2008/09: 5.2p)

Cash flow – full year 2009/10



Cash flow highlights 2009/10



	2009/10 £m	2008/09 £m	Comments
EBITDA	(1.6)	(6.6)	
Deferred income	(7.7)	(3.3)	Milestone release
Working capital	4.1	4.5	
Exchange gains	0.9	1.8	
Net taxes received	0.5	2.9	
Operating cash outflow	(3.8)	(0.7)	
Investing activities			
– Net capital expenditure	(1.0)	(1.6)	
– Interest received	0.6	3.6	
Cash (outflow)/inflow before financing	(4.2)	1.3	
Financing activities			
– Financial liability	(6.6)	(6.3)	
– Issue of shares	0.9	0.2	
Decrease in cash	(9.9)	(4.8)	

Highlights

- Final £6.6m financial liability paid in 2009/10
- £3.1m tax received in May 2010

Financial guidance – full year 2010/11



Revenue

- Milestones received in Q2 2010 include £6.2m VR315 US (15 months revenue recognition) and QVA149 £5.1m (21 months revenue recognition)
- Royalties expected to remain in line with 09/10 depending on exchange rates with decrease in Extraneal® being compensated by continued growth in ADVATE®

R&D Investment

- Ca 10% increase on 2009/10 mainly due to spend on generic programmes

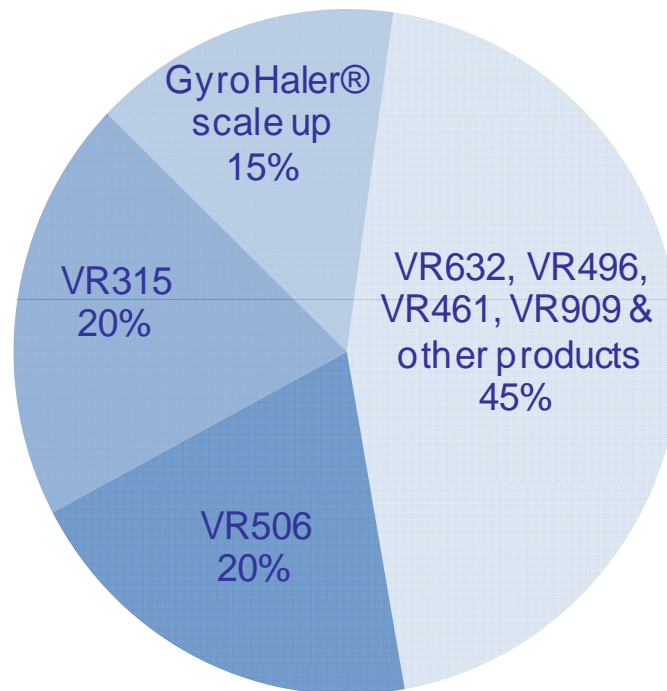
Administration

- In line with 09/10 excluding amortisation and share based compensation and any exceptional items

Cash flows

- FY10/11 net cash burn expected to be ca £10m depending on working capital
- Net cash burn may decrease depending on new milestones or other one off receipts
- No drawdown on Sandoz loan facility during 2010/11 and no debt expected as at 31 March 2011

Expected proportion of R&D spend in 2010/11



Major financial milestones



NVA237 & QVA149

- Ca \$70m milestones to be received on filing and approval milestones for both products in US & EU

VR315 EU

- €7.5m prior to product launches in major EU territories

VR632 EU

- Up to €9m prior to product launches in major EU territories



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Development review

Chris Blackwell

Product pipeline



Respiratory

Product	Indication	Pre-clinical	Phase I	Phase II	Phase III	Partner
NVA237	COPD	[Progress bar]				Novartis
QVA149	COPD	[Progress bar]				Novartis

Generic/505(b)(2)

Product	Indication	Pre-clinical	Registration studies	Partner
VR315 EU	Asthma/COPD	[Progress bar]		Sandoz
VR315 us	Asthma/COPD	[Progress bar]		
VR632 EU	Asthma/COPD	[Progress bar]		Sandoz
VR632 us	Asthma/COPD	[Progress bar]		
VR506	Asthma	[Progress bar]		

Specialty

Product	Indication	Pre-clinical	Phase I	Phase II	Phase III	Partner
VR496	Cystic fibrosis	[Progress bar]				
VR040	Parkinson's disease	[Progress bar]				
VR909	Lung transplant rejection	[Progress bar]				
VR461	Anti-fungal	[Progress bar]				

Diversifying risk and cost



Branded respiratory products

- ✓ High value
- ✓ Specialist development presents high barriers to competitors
- ✓ Partnering to mitigate risk and cost
- ✓ Significant market
- ✓ Known entities
- ✓ Favourable pricing environment
- ✓ Specialty sales and marketing opportunities for Vectura
- ✓ Co-development/promotion options to mitigate risk and cost

Generic/505(b)(2) respiratory products

Specialty products

- ✓ Significant niche lung pathology markets
- ✓ Exploiting the advantages of inhalation
- ✓ Limited competitor environment
- ✓ Specialty sales and marketing opportunities for Vectura
- ✓ Co-development/marketing option

Revenues, technologies and IP

- ✓ Ca £14m royalty revenues from established products (eg ADVATE®) in 2009/10
- ✓ Value from technology licensing and strong IP



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Partnered pipeline

Chris Blackwell



Once-daily, long-acting, rapid onset muscarinic antagonist

**Phase III initiated June
2009**

- ✔ \$7.5m milestone received

ATS in May 2010

- ✔ Post-hoc analysis of Phase II data
- ✔ Sustained 24-hour bronchodilation
- ✔ Similar efficacy and duration of action to Spiriva®
- ✔ Indications of a more rapid onset of action

NDA submission

- ✔ 2011 projected by Novartis



Once-daily LAMA/LABA (NVA237/indacaterol) combination

Phase III initiated April 2010

Exceptional Phase II data (ERS 2009)

Indacaterol (Onbrez[®] Breezhaler[®])

NDA submission

- \$7.5m milestone received
- 300µg/50µg (QAB149/NVA237)
- 226mL Day 7 trough FEV₁ improvement over placebo
- 123mL and 117mL Day 7 trough FEV₁ improvements over indacaterol 300µg and 600µg respectively
- Once-daily profile confirmed
- Approved in Europe December 2009 – launched in Germany, Ireland and Denmark
- Novartis on track to file additional data to support US submission in 2H 2010
- 2012 projected by Novartis



Significant revenue streams short-term and beyond

Milestones

- ✔ >\$70m available by the time of launches
- ✔ \$85m from commercialisation milestones

Royalties

- ✔ Vectura to receive 50% share total royalties

Market potential

- ✔ Consensus suggests >\$2.5bn global market at peak



An inhaled combination asthma/COPD therapy

Sandoz

- ✓ A generic product delivered with Vectura's GyroHaler®
- ✓ Licensed to Sandoz Europe in March 2006

Terms of the deal

- ✓ €2.5m in milestones and development funding
- ✓ Potential mid-teens royalties on sales
- ✓ Margin on the commercial manufacture and supply of GyroHaler®

Status & European market

- ✓ Approaching commercialisation
- ✓ Reference product (originator) has sales ~\$2.5bn



VR315 RoW (non-US/EU) rights



Provide new partnering opportunity

Key markets

- ✔ Japan (ca \$300m and growing)
- ✔ Canada (ca \$150m)

Licensing interest

- ✔ Current





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Generic/branded generic (505(b)(2)) respiratory pipeline

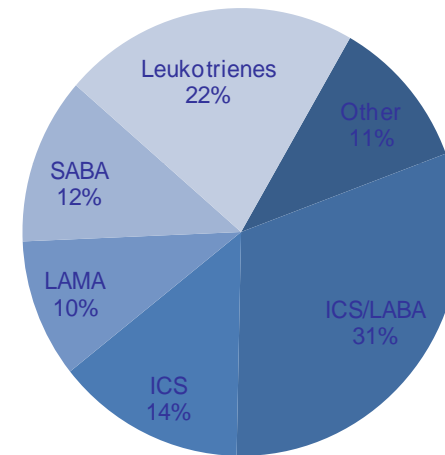
Strengthening Vectura's respiratory franchise



Vectura's products in development

- ✓ Portfolio targets over half of asthma and COPD markets by sales
- ✓ VR315 – ICS/LABA
- ✓ VR632 – ICS/LABA
- ✓ VR506 – ICS
- ✓ Feasibility studies on earlier stage products

2008 US Sales Asthma/COPD products



Total \$15.3B

Datamonitor – Asthma & COPD – June 2009

VR315 development for the US market



Market opportunity

- ✔ RLD has a \$multi-billion market
- ✔ Strong brand will retain significant share of market
- ✔ VR315 has a potential \$1bn+ market across the US

Regulatory route

- ✔ Assumes a 505(b)(2) application
 - ✔ On-going dialogue with FDA

Timeline

- ✔ FDA is likely to require PK & primary efficacy data
- ✔ Potential for filings in 2012/2013

Cost

- ✔ Review following next (Type B) meeting with FDA
- ✔ Maximum spend FY10-11 - £8m (ca 20% R&D spend)

Managing risk

- ✔ Gated decision points for go/no go
- ✔ Risk analysis guides step-wise investment

VR315 US partnering opportunity to optimise revenues and mitigate risk



Reasons to partner

- ✔ Attractive product for generic and specialist companies
- ✔ Optimises reach & promotion frequency to physicians
- ✔ Enhances ability to penetrate market

Partnering options

- ✔ Assessing all options
- ✔ Open to all partnering structures that optimise shareholder value

Partner's franchises

- ✔ Pulmonary specialists (Allergists, Pulmonologists)
- ✔ Paediatricians
- ✔ Primary Care Physicians

Commercial strategy

- ✔ Promotion to prescribers and payers
- ✔ Focus on selling to the prescribers and Managed Care Organisations (MCO)

VR632, VR506 and more – addressing a broader respiratory market



VR632 (asthma/COPD)

- ✔ Vectura/Sandoz make good progress on European development
- ✔ European data will be of use for US/RoW partnering
- ✔ Too early to initiate US activities

VR506 (asthma)

- ✔ Monotherapy DPI inhaled corticosteroid
- ✔ Branded generic opportunity
- ✔ Significant US and EU markets
- ✔ Enhanced potential value post-LABA moratorium
- ✔ Anticipate clinical studies starting this year

Exploratory programmes

- ✔ Ongoing feasibility
- ✔ Includes monotherapy LAMA for COPD
- ✔ Small investment for significant early-stage value



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Specialty product pipeline

Medical need...significant specialty markets...
phased investment



**VR496 for CF
(COPD/asthma)**

- ✔ Clinical proof-of-concept ongoing; data early 2011
- ✔ Positioning as mucolytic/anti-inflammatory for CF
- ✔ Potential in COPD/asthma?
- ✔ Strategy is to partner for US and EU

**VR040
(Parkinson's disease)**

- ✔ Ongoing PhIIb study reports end 2010
- ✔ No further significant investment planned
- ✔ Partnering discussions ongoing for US and EU

**VR461
(Fungal-related lung disease)**

- ✔ Non-steroidal anti-fungal with proven oral efficacy
- ✔ Fungal-related lung disease
- ✔ Clinical studies in FY2011-12

**VR909
(Lung t_x rejection)**

- ✔ Immunosuppressant with proven oral efficacy
- ✔ Inhaled, adjunct for chronic immunosuppression
- ✔ Administered post-lung transplantation
- ✔ Clinical studies in FY2011-12



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Summary

Current value and future catalysts



Current finances

- ✓ £40m revenues
- ✓ £64m cash
- ✓ Manage cash spend through product prioritisation

Near-term additional value potential

- ✓ 3 products in late-stage trials approaching commercialisation in 2-3 years
- ✓ >\$85m additional milestone revenue potential
- ✓ Phase shift in royalty revenues

Near-term deal potential

- ✓ VR315 US & RoW
- ✓ VR496 EU & US
- ✓ VR040
- ✓ VR632 US & RoW
- ✓ IP/technology

Potential 12 month price catalysts

- ✓ Indacaterol US re-submission and approval
- ✓ VR315 EU progress
- ✓ VR040 PhIIb data and partnering progress
- ✓ VR496 PoC data
- ✓ Headline NVA237 data



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Q&A