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A leader in inhaled pharmaceuticals

Interim Results

16 November 2010

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Agenda

- Introduction
- Financial update
- Product update
- Summary
- Q&A

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Introduction

Chris Blackwell

Recent newsflow reflects positive progress

May 2010

- QVA149 entered Phase III studies triggering $7.5m milestone from Novartis

August 2010

- Refocusing portfolio and restructuring
- GSK technology licensing deal triggering £10m up-front payment

October 2010

- Novartis announced NVA237 and QVA149 expected to launch in 2012 and 2013 respectively
- VR632 progress triggering €0.6m milestone from Sandoz

November 2010

- Positive VR040 Phase II data in Parkinson's disease

Restructuring to reduce costs and sharpen focus

Focus on key value drivers

- VR315 EU, RoW, US
- VR632 EU
- VR506

Reduce cost base

- Nottingham site closure
- Consolidate development activities and reduce staffing

Partner products

- Reduce financial and development risk
- Return on investment in products

Exploit inherent value

- Technologies
- Technical expertise
- Development capabilities

Strategy expedites progress to profitability

Revenue growth from "done deals"

- ADVATE® revenues still show growth
- Near-term revenues from VR315 EU, NVA237, QVA149, VR632, GSK products

Revenue growth potential

- New licensing deals

Reduced cost base

- Saving of £6m/year from 1 April 2011

Maintaining strong cash position

- Currently £78m
- Careful investment in partnered programmes
- Link future investment to revenues

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Financial update

Anne Hyland

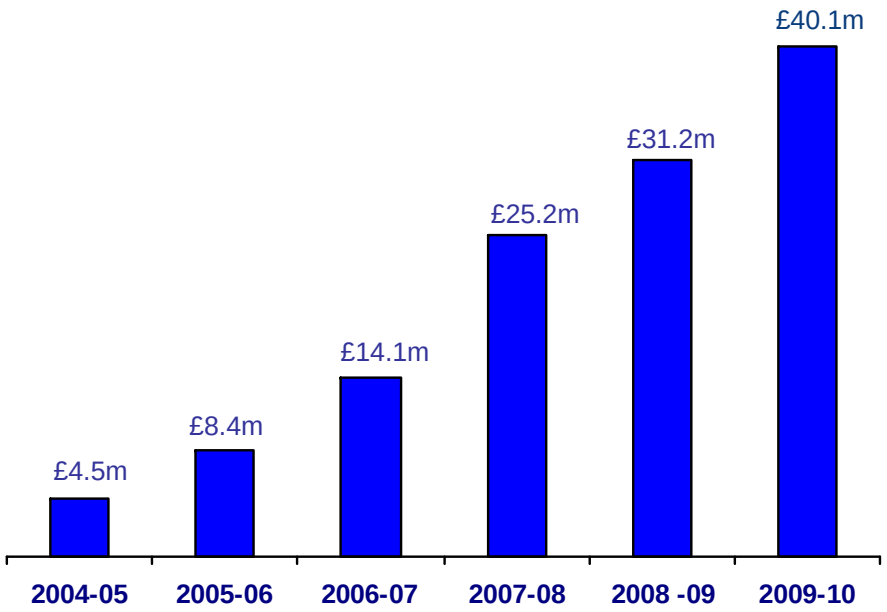
Performance summary H1 2010/11

	H1 2010/11 £m	H1 2009/10 £m	FY 2009/10 £m	Increase/ decrease
Revenues	26.3	22.8	40.1	+15%
Gross profit	24.9	21.2	36.6	+17%
EBITDA after restructuring	6.3	2.3	(1.6)	+174%
Loss after tax	(0.2)	(3.3)	(10.2)	
Cash	77.9	76.3	64.1	

Highlights

- Strong EBITDA performance
- Positive cash inflow due to receipts from VR315, QVA149 and GSK

Consistently growing revenues

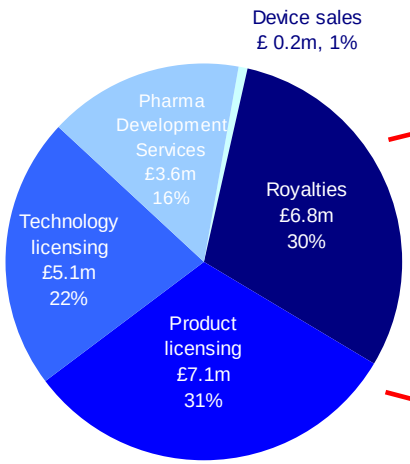


Highlights

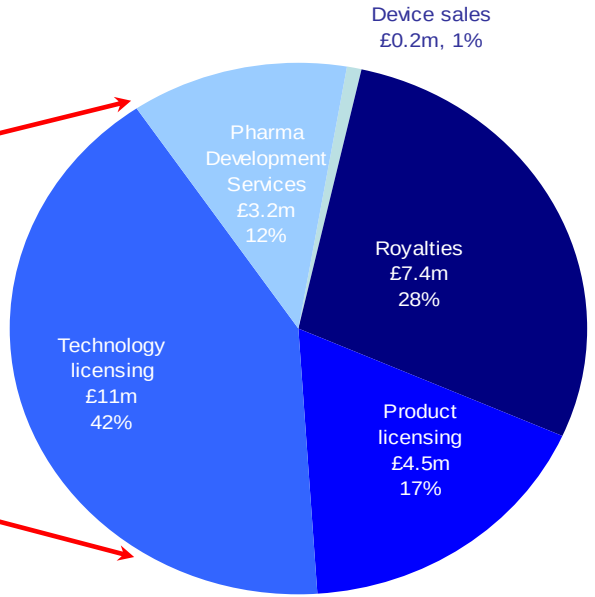
- Revenues increase for the 13th reported period since flotation

Diversified revenues H1 2010/11

H1 2009/10
£22.8m



H1 2010/11
£26.3m



Revenues H1 2010/11

	H1 2010/11 £m	H1 2009/10 £m	Increase/ decrease	FY 2009/10 £m
Royalties	7.4	6.8	+9%	13.6
Product licensing	4.5	7.1	-37%	8.8
Technology licensing	11.0	5.1	+116%	9.4
Pharmaceutical Development Services	3.2	3.6	-11%	7.6
Device sales	0.2	0.2	0%	0.7
Total Revenues	**26.3**	**22.8**	**+15%**	**40.1**

Highlights

- ADVATE® sales growth driving royalty increase
- Licensing milestones contributed 59% of revenues (2009/10 H1: 54%)

Income statement H1 2010/11

	H1 2010/11 £m	H1 2009/10 £m	Increase/ decrease	FY 2009/10 £m
Revenue	**26.3**	**22.8**	**+15%**	**40.1**
Gross profit	24.9	21.2		36.6
R&D costs	(14.4)	(17.5)	**-18%**	**(34.8)**
Administrative costs	(1.7)	(1.4)		(3.4)
EBITDA before restructuring	**8.8**	**2.3**	**+283%**	**(1.6)**
Restructuring charge	(2.5)	-		-
EBITDA after restructuring	**6.3**	**2.3**	**+174%**	**(1.6)**
Amortisation	(5.3)	(5.0)		(10.6)
Depreciation	(0.6)	(1.0)		(1.6)
Share based compensation	(0.9)	(0.9)		(1.5)
Operating loss	**(0.5)**	**(4.6)**		**(15.3)**
Net finance (costs)/income	(0.1)	0.9		1.5
Pre-tax loss	**(0.6)**	**(3.7)**		**(13.8)**
Taxation	0.4	0.4		3.6
Loss after tax	**(0.2)**	**(3.3)**		**(10.2)**
Loss per share	**(0.1p)**	**(1.0p)**		**(3.2p)**

Highlights

- EBITDA before restructuring £8.8m
- Amortisation charge falls to £7m pa from 1 April 2011

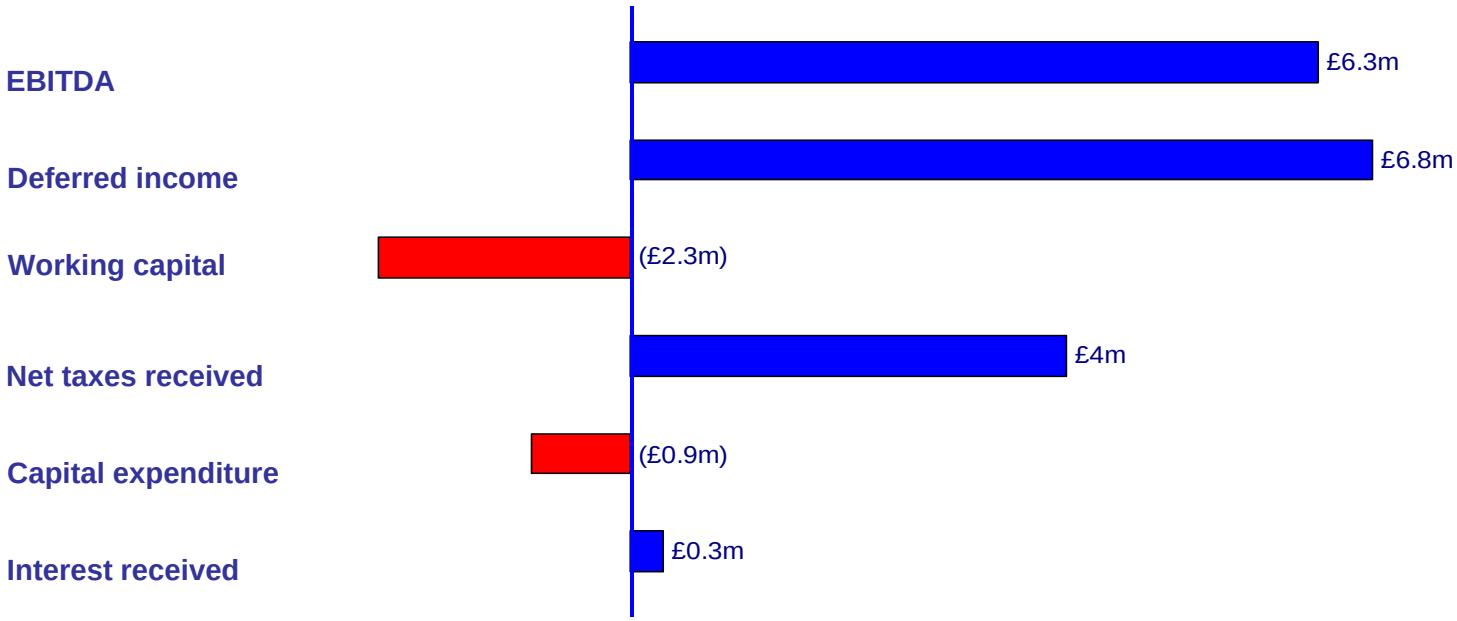
Cash flow highlights H1 2010/11

	H1 2010/11 £m	H1 2009/10 £m	FY 2009/10 £m
EBITDA after restructuring	**6.3**	**2.3**	**(1.6)**
Deferred income	6.8	(1.5)	(7.7)
Working capital	(2.3)	1.0	4.1
Exchange movement	(0.4)	-	0.9
Net taxes received	4.0	0.4	0.5
Operating cash inflow/(outflow)	**14.4**	**2.2**	**(3.8)**
Investing activities – Net capital expenditure	(0.9)	(0.6)	(1.0)
– Interest received	0.3	0.3	0.6
Cash inflow/(outflow) before financing	**13.8**	**1.9**	**(4.2)**
Financing activities – Financial liability	-	-	(6.6)
– Issue of shares	-	0.4	0.9
Increase/(decrease) in cash	**13.8**	**2.3**	**(9.9)**

Highlights

- Financial liability completely repaid by 31 March 2010 improving annual inflows by > £6m
- Good milestone income driving cash growth

Cash flow H1 2010/11



Financial guidance – 2010/11

Revenue

- Product milestones recognition FY:
  - VR315 US £4.8m (14 months revenue recognition)
  - NVA237 £2.6m & QVA149 £2.7m (21 months revenue recognition)
  - VR632 £0.5m
- Royalties expected to remain in line with 09/10 depending on exchange rates with H2 decrease in Extraneal® being compensated by continued growth in ADVATE®

R&D Investment

- Ca 10% increase on 2009/10
- Includes restructuring charge estimated at £2.5m
- R&D infrastructure costs to decrease by approx. £6m pa from 1 April 2011

Administration

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

Cash flows

- FY10/11 net cash inflow expected to be ca £6m depending on working capital & tax receipts
- Cash inflow may increase depending on new milestones or other receipts

Major financial milestones for future periods

NVA237 & QVA149

- Ca $72.5m milestones to be received on filing and approval milestones for both products in US & EU
- Total filing milestones of $30m of which $12.5m expected on NVA filings in US & EU

VR315 EU

- €7.5m total approval milestones for the 5 major EU territories

VR632 EU

- €1.5m final development milestone expected in 2011
- €5m total approval milestones for the 5 major EU territories

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Product update

Chris Blackwell

Strategic position with key respiratory players

NVA237

- Phase III data to be presented in Q2 2011
- Novartis expect launch in 2012

QVA149

- Onbrez® Breezhaler® (indacaterol) launched in Europe and re-filed in US in September 2010
- Novartis expect launch in 2013

GSK

- £10m up-front payment received September 2010
- £10m expected over period to launch and royalties on product sales
- Royalty revenues from key respiratory products

Strategic position in non-proprietary market

VR315

- Potential as first to market in Europe
- RoW and US rights generating significant interest

VR632

- Final development milestone expected in 2011 with approval milestone thereafter

VR506

- Potential as stand-alone product
- Attractive as part of a licensing package

Opportunities for future licensing/partnering

VR040

- Positive Phase II data
- On-going discussions with prospective licensing partners

VR496

- Phase II proof-of-concept study results on track for early 2011
- Licensing opportunity for CF and respiratory indications

Duohaler® product

- Twin chamber reservoir device for respiratory combinations
- Exploring licensing opportunities

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Summary

Potential catalysts 2010/11

NVA237	• **Publication of Phase III data** • **Filing in US and Europe**
QVA149	• **Onbrez® Breezhaler® (indacaterol) US approval strengthening confidence**
VR315	• **Progress in Europe** • **RoW licensing deal** • **US licensing deal**
VR632	• **Final development milestone**
VR506	• **Licensing interest** • **Development progress**
Other products	• **GSK respiratory products progress** • **VR040 licensing update** • **VR496 clinical data**

Vectura investment thesis

Financial security

- Revenues increased to £26.3m in H1 2010
- Strong cash position of £78m
- Manage cash spend through product prioritisation

Near-term value potential

- 4 products in late-stage trials approaching commercialisation
- >$90m additional milestone revenue potential
- Phase shift in royalty revenues

Future deal potential

- Significant 12-18 month catalysts
- Partner validated technologies
- Regulatory validation near-term

Strong competitive profile

- Working in key therapeutic area for existing Pharma and new franchises
- Involved with major respiratory players and products
- Products close to market

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Q&A