vectura

TRANSFORMING THE LIVES OF AIRWAYS DISEASE PATIENTS

36TH ANNUAL J.P. MORGAN HEALTHCARE CONFERENCE

January 2018

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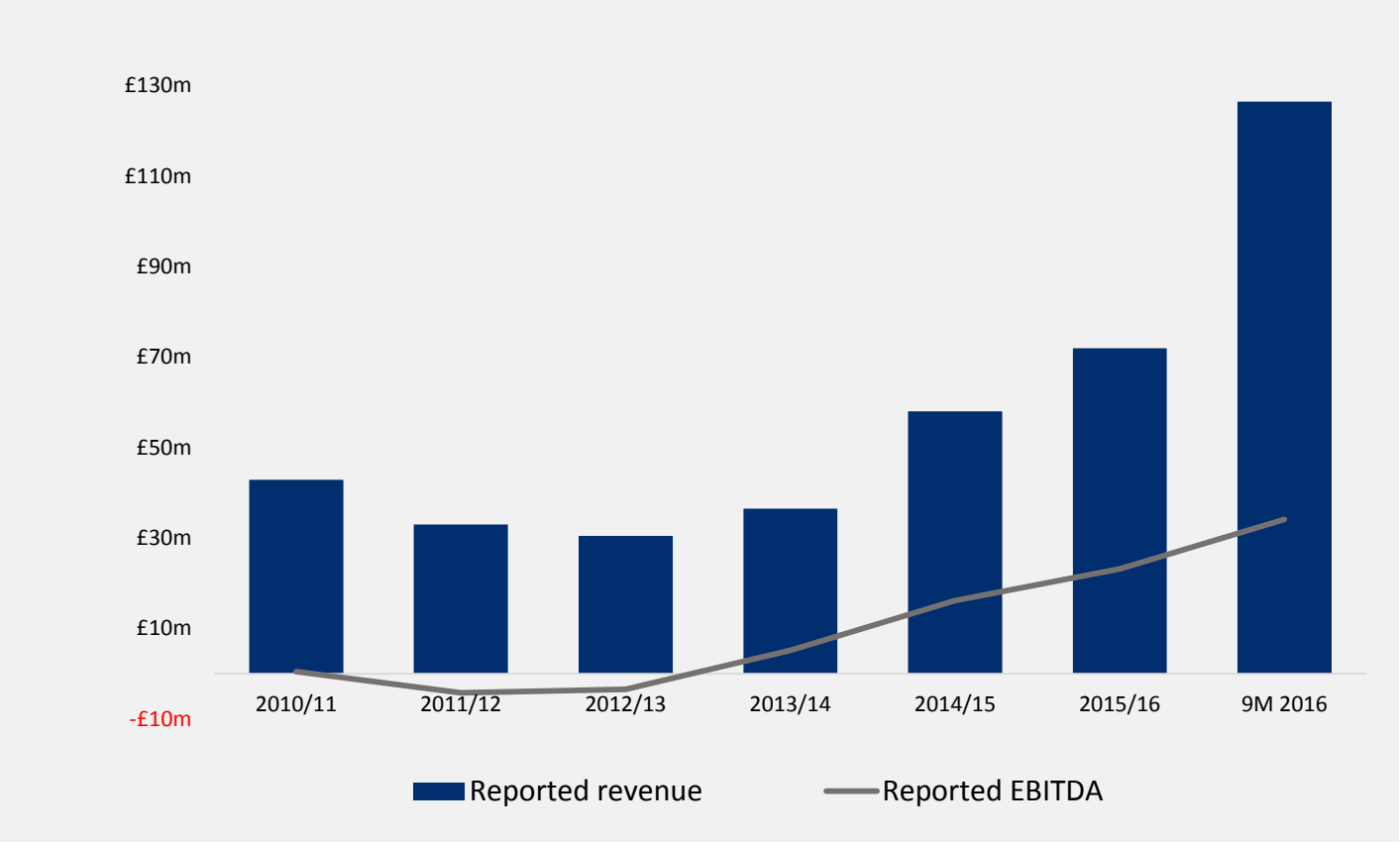
Proven capabilities for strong growth and value creation

UNIQUELY INTEGRATED INHALED DRUG DELIVERY PLATFORM

FORMULATION + **DEVELOPMENT** + **DEVICES**

Strong track record of revenue & EBITDA growth



Extensive collaborations/licensing

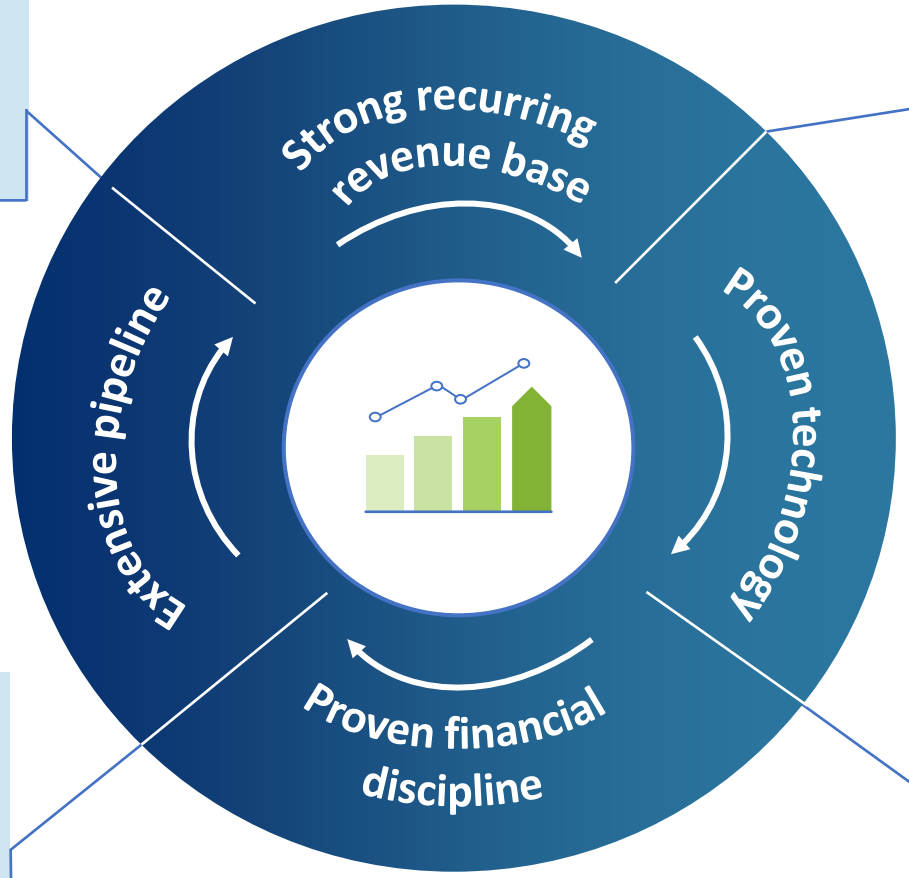
21 revenue generating in-market assets

8 in market inhaled products

[1] Anoro® Ellipta®, Relvar®/Breo® Ellipta® and Incruse ® Ellipta ® are registered trade marks of GSK, photos courtesy of GSK. Formulation technology licence, product not developed by Vectura. [2] Ultibro®, Seebri®, Breezhaler® are registered trademarks of Novartis AG, AirFluSal® and Forspiro® are registered trademarks of Novartis AG, photos courtesy of Novartis.

Proven capabilities reflected in market portfolio, extensive pipeline and unique proprietary formulation and device platform

Strong recurring revenue base with key growth drivers including *flutiform*® and Ultibro®



Proven unique proprietary formulation and device capabilities

Extensive pipeline in key asthma & COPD growth classes, untapped US generics & fast growing specialist segments

Tight financial management & strong balance sheet

[1] Being the latest quarter for which data is available. Internal calculations using IMS Health ("IMS") data based on sales to pharmacies and excluding certain minor territories not covered by IMS. In-market sales are not the same as sales to wholesalers on which royalties are payable to the Group.
[2] As reported by Novartis

Key messages

Refocused investment to accelerate delivery of value

- Strong market opportunity and 2018 outlook despite headwinds
- Refocused portfolio investment to increase our potential to succeed
- Operational Excellence enhancing productivity
- Planned strategic partnering of VR475 (EU) and VR647 (US)
- Reduced R&D costs from 2018 onwards whilst creating new project headroom

2017 revenues and trading inline with expectations

Key operational and financial highlights - 2017

Operational

- Progression of VR475 (EU) Phase III & VR647 (US) Phase II programmes
- Additional generic product developments including VR2081 & VR410
- Significant progress with FOX® device including Breelib™ EU commercialisation
- Continued tight financial management and capital discipline including £15m buy-back
- Successful integration delivery, above plan and development of strong Vectura culture & values

Financial

- *flutiform*® product supply revenue in line with expectations
- *flutiform*® Q3 net sales of €47.8 million, up 12% (CER) vs. Q3 2016, with 19% (CER) growth in Japan[1]
- Ultibro® Q3 net sales of $101 million, up 18% in Europe[2]
- Royalties from the GSK Ellipta® products achieved £9 million annual cap in Q3
- R&D costs within the guidance range of £60 million to £70 million
- Closing cash and cash equivalents of approximately £104 million

2017 revenues and trading inline with expectations

[1] Being the latest quarter for which data is available. Internal calculations using IMS Health ("IMS") data based on sales to pharmacies and excluding certain minor territories not covered by IMS. In-market sales are not the same as sales to wholesalers on which royalties are payable to the Group.
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Market opportunity remains strong despite headwinds

Headwinds

- Major CRL regulatory delay for VR315 (US)
- Highly competitive ICS/LABA class in EU limiting *flutiform*® EU growth
- Delayed launch of Utibron® in the US

Opportunities

- Strong ICS/LABA class evolution supporting *flutiform*® growth in Japan
- Strong LAMA/LABA growth across regions, with FLAME data supporting strong EU & ROW Ultibro® evolution
- Untapped US inhaled generic product device market
- New FDC Triple class asthma segment to be developed
- Strong growth in specialist niche patient segments, adding est. $10bn+ growth by 2025[1]
- Significant scientific progress and changes in the regulatory environment have stimulated developments in orphan and niche disease opportunities

[1] Global Data 2016 for RSV, IPF, PAH and CF

Refocused investment strategy

Maximising pipeline value

Operational excellence

Maximising partnering value

Maximising pipeline value

Reducing pipeline risk to increase probability of valuable returns

Reducing overall pipeline risk profile

Refocusing investment to further leverage Vectura's core capabilities delivering additional value from lower risk projects

Selective novel partnering

Increasingly selective approach to novel molecule partnering

Stopping early stage novel investment

Stopping Vectura investment in early stage novel molecule clinical development

Partnering existing early-stage novel molecule developments VR942 and VR588

Mundipharma stopping development of VR2076

Extending generics

Extending our partnered development of high-potential generic medicines for the US market

Maximising pipeline value

Extending partnered development of high-potential generic medicines

VR315

VR2081

VR410

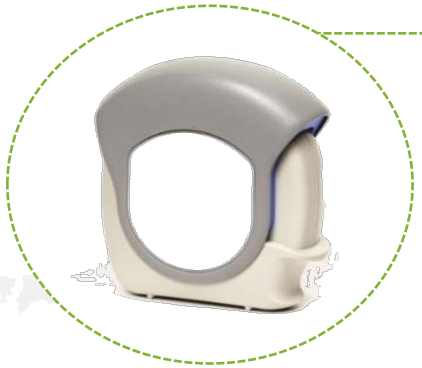
Uniquely positioned with development of three largest existing US branded opportunities

2016 net sales[1]

Advair®: $4.7bn
Symbicort®: $3.0bn
Spiriva®: $3.3bn

Extending leverage of proven DPI product-device platform

GyroHaler®
Generic Seretide approved in EU and ROW – Vectura proprietary device and formulation



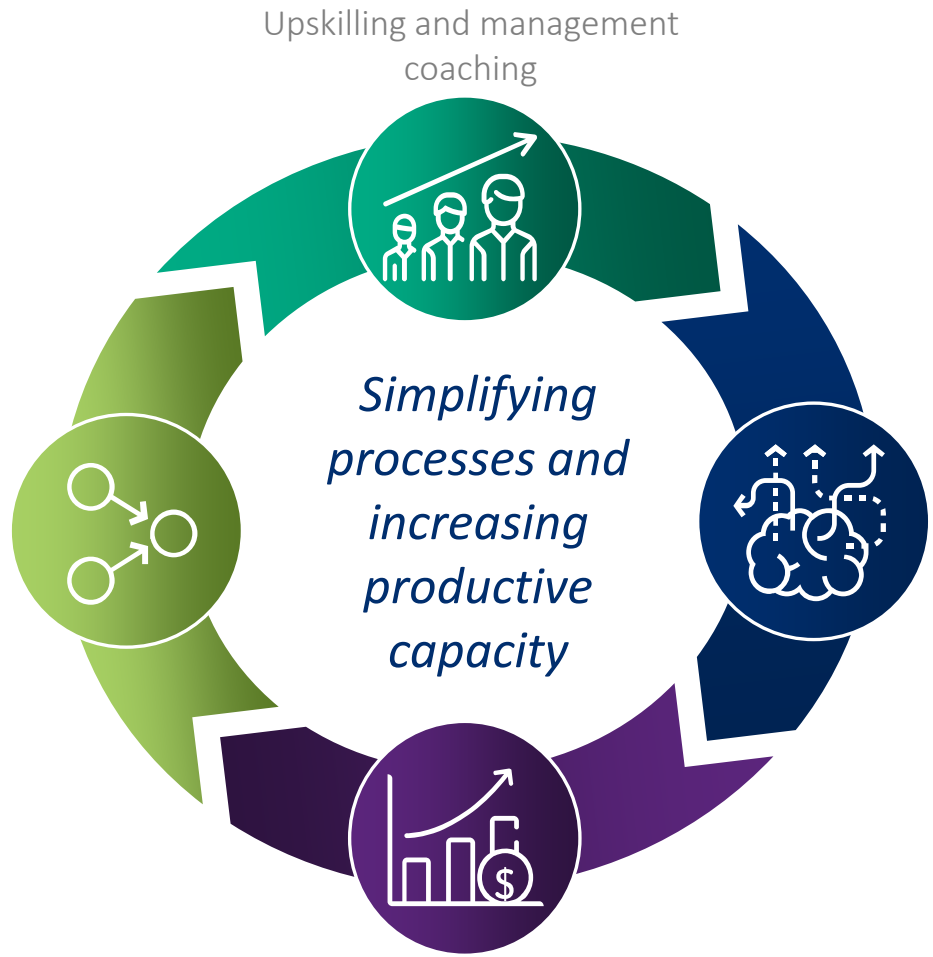
LOMI
Utilised in VR315 (US) programme – FDA confirmed no significant issues with device substitutability

[1] Evaluate Pharma 2016

Operational excellence

Operational excellence enhancing productivity

Benchmarking validates highly skilled stable workforce but also highlights opportunities for improvement



Maximising partnering value

Partnering option being pursued for VR475 and VR647

VR475 (EU)

Potential sales range €150m - €300m[1]
Nebulised steroid for severe adult asthma

Partner post Phase III (2019)

VR647 (US)

US nebulised budesonide market circa $1bn[2]
Nebulised steroid for paediatric asthma

Partner preferred post Phase II (2019)

Partner approach reflects high cost, low financial leverage and opportunity cost of commercialisation as a single asset

[1] Peak sales consensus range based on those analysts who have published product level forecasts. Provided for indicative purposes only and not necessarily representing management expectations.
[2] 2016 Sales, IMS MIDAS Q4 2016

Strong financial discipline

Optimised R&D investment in 2018 and beyond

Maximising pipeline value

- Increasing focus on lower risk, higher value assets that leverage proven capabilities
- Stopping Vectura investment in higher risk early stage novel development
- Extending our partnered development of high-potential US generics

Operational excellence

- Simplifying processes and increasing productive capacity

Maximising partnering value

- Planned strategic partnering VR475 (EU) and VR647 (US)

= Financial discipline

2018 R&D guidance reduced to £55m - £65m

Potential for further reduction to between £45m and £55m from 2019 onwards assuming VR647 (US) is partnered prior to the start of Phase III

Maximising pipeline value

Refocused approach to R&D investment, increasing returns and lowering risk

	Previous typical % of R&D	Future spend from 2019[1]	Pipeline asset examples	Strategic evolution	Typical risk & economics
GENERIC PARTNERING (Device & Formulation)	10% - 20%	↑	VR315 (Hikma) VR730 (Hikma) VR506 (Hikma) VR632 (Sandoz) VR2081 (Sandoz) VR410 (TBD)	Increased leverage of rare formulation, device & development capability	US development risk related to substitutability of device & formulation £ Development service revenue & mid-teen royalties £ Upfront technology access & development milestones
ENHANCED DELIVERY OF KNOWN MEDICINES (Device & Formulation)	45% - 50%	↓	VR475 (Vectura) VR647 (Vectura)	Increased future leverage of proven proprietary technology	Development risk associated with proof of enhanced delivery (speed/efficacy/tolerability) £ Attractive upfront milestones reflecting access to technology & Vectura clinical development £ Development milestones & attractive royalty stream
NOVEL MOLECULE PARTNERING (Device OR Formulation)	35% - 40%	↓	VR465 (Ablynx)[2] VR347 (Dynavax)	Decreased focus given high risk & low upfront revenues	High development risk with novel molecule & low probability of success £ Low upfront technology access & development milestones £ Development service revenue plus low single-digit royalties

[1] Assuming VR647 (US) partnered in 2019 prior to commencement of Phase III activities
[2] Ablynx ALX-0171

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Operational excellence

A proven business model with refined pipeline focus to accelerate value

In-market core inhaled

- *Breelib™*
- *flutiform®*
- Ultibro®
- Seebri®
- Ellipta®
- AirFluSal® Forspiro®

Generic partnering

- ***flutiform®* breath-actuated (Mundipharma)** Asthma (EU)
- ***flutiform®* (Mundipharma)** Asthma (China)
- **VR315 (Hikma)** Asthma/COPD (US)
- **VR506 (Hikma)** Asthma (US)
- **VR730 (Hikma)** Asthma/COPD (US)
- **VR632 (Sandoz)** Asthma/COPD (EU)
- **VR2081 (Sandoz)** Asthma/COPD (US)
- **VR410 (TBD)** COPD (US)

Enhanced delivery of known medicines

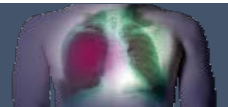
- **VR475 (EU)** Severe Adult Asthma
- **VR647 (US)** Paediatric Asthma
- **VR475 (US)** Severe Adult Asthma

Novel molecule partnering

- **VR736 (Ventaleon)** Severe Influenza (Global)
- **VR465[1] (Ablynx)** RSV Infection (Global)
- **QVM149 (Novartis)** Asthma (EU, RoW)

Deprioritised programmes: VR588, VR942, VR2076, VR096 and VR179

Phase III · Phase II · Phase I · Approved · Regulatory · Generics



[1] Ablynx, ALX-0171

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News flow 2018

Full year FY2017 results – March 2018

Phase IIb top line results – H2

Operational Excellence implementation

2018 | VR315 (US) | FY2017 Results | VR647 (US) | VR465[1] (Global) | VR475 (US) | 2019

Continued development of partnerships across platform to drive further value

VR315 (US) FDA dispute resolution outcome and updated timing guidance – Q1

VR647 (US) Phase II completion – Q3

VR475 (EU) Phase III read-out – Q4

GSK patent litigation jury trial - December

[1] Ablynx ALX-0171

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