



A leader in inhaled pharmaceuticals



# Interim Results for the Six Months Ended 30 September 2009

**27 November 2009**

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## Agenda



- ✔ Opening remarks - Chris Blackwell
- ✔ Financial review - Anne Hyland
- ✔ Strategic Focus - Chris Blackwell
- ✔ Summary - Chris Blackwell
- ✔ Q&A

## Strong financial performance



### Financials

- ✔ Revenues increased by 71% to £22.8m (compared to H1 2008/09 - £13.3m)
- ✔ Investment in R&D increased by 15% to £18.5m (compared to H1 2008/09 - £16.1m)
- ✔ Loss after tax reduced by 67% to £3.3m (compared to H1 2008/09 - £10.0m)
- ✔ Net cash inflow of £2.3m (H1 2008/09 net cash outflow - £5.0m)
- ✔ Cash of £76.3m (£74m at 31 March 2009)

## Solid pipeline progress



### Novartis

- ✔ **NVA237** Phase III initiated 2009 (\$7.5m)
  - Filing scheduled 2011
- ✔ **QVA149** Positive Phase II data at ERS
  - Phase III scheduled 2010

### Sandoz

- ✔ **VR315** EU milestone (€2.5m)
- ✔ **VR315** US milestone (\$6m)

### Proprietary Pipeline

- ✔ **VR496** Proof of concept expected in 2010
- ✔ **VR040** Phase IIb results expected in 2010

## Boehringer Ingelheim collaboration concluded



- ✔ Collaboration agreement concluded by mutual consent (November 2009)
- ✔ Device design phase completed
- ✔ Original terms of agreement no longer reflect companies' requirements
- ✔ Collaboration has significantly enhanced Vectura's DPI platform
- ✔ Any future agreement to be structured on more appropriate terms
- ✔ Vectura released from development restrictions



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## Financial update

**Anne Hyland**  
**Chief Financial Officer**

## Performance summary H1 2009/10



	H1 2009/10 £m	H1 2008/09 £m	FY 2008/09 £m	Increase
<b>Revenues</b>	22.8	13.3	31.2	+71%
<b>Gross profit</b>	21.2	11.4	27.3	+86%
<b>R&amp;D investment</b>	(18.5)	(16.1)	(32.3)	+15%
<b>Net cash inflow/(outflow)</b>	2.3	(5.0)	(4.8)	
<b>Cash</b>	76.3	73.8	74.0	

### Highlights

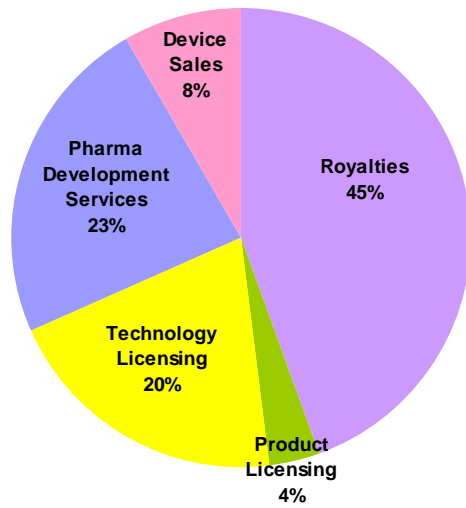
- ✓ Royalties contribute 30% of overall revenues
- ✓ Positive cash inflow due to milestones



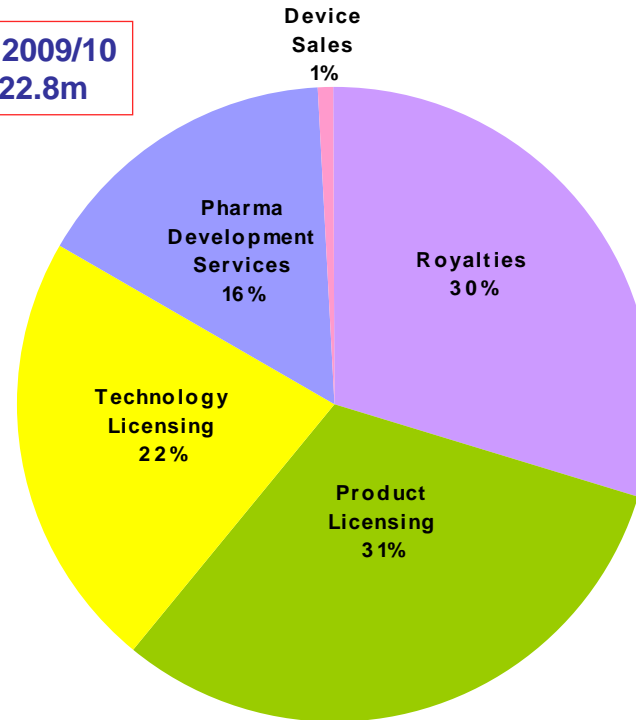
# Revenues H1 2009/10



**H1 2008/09**  
**£13.3m**



**H1 2009/10**  
**£22.8m**



## Revenues H1 2009/10



	H1 2009/10 £m	H1 2008/09 £m	Increase	FY 2008/09 £m
Royalties	6.8	5.9	+15%	12.5
Product licensing	7.1	0.5	+1320%	4.2
Technology licensing	5.1	2.7	+89%	6.1
Pharmaceutical Development Services	3.6	3.1	+16%	6.6
Device sales	0.2	1.1	-82%	1.8
<b>Total Revenues</b>	<b>22.8</b>	<b>13.3</b>	<b>+71%</b>	<b>31.2</b>

### Highlights

- ✓ Advate sales growth and exchange rate driving royalty increase
- ✓ Licensing milestones contributed 54% of revenues (2008/09 H1: 24%)

## Income statement H1 2009/10



	H1 2009/10 £m	H1 2008/09 £m	Increase	FY 2008/09 £m	Comments
<b>Revenue</b>	<b>22.8</b>	<b>13.3</b>	<b>+71%</b>	<b>31.2</b>	
Gross profit	21.2	11.4	+86%	27.3	
R&D costs	(17.5)	(15.4)	<b>+14%</b>	<b>(30.7)</b>	
Administrative costs	(1.4)	(1.3)		(3.2)	
<b>EBITDA</b>	<b>(2.3)</b>	<b>(5.3)</b>	<b>+57%</b>	<b>(6.6)</b>	
Amortisation/depreciation	(6.0)	(5.7)		(11.8)	
Share of loss of associate	-	(0.3)		(0.6)	Associate sold Feb 09
Share based compensation	(0.9)	(1.3)		(1.9)	Share price related
<b>Operating loss</b>	<b>(4.6)</b>	<b>(12.6)</b>	<b>+63%</b>	<b>(20.9)</b>	
Interest income	0.3	2.2		3.6	Interest rates decline
Net finance cost	0.6	(1.3)		(2.3)	
<b>Pre-tax loss</b>	<b>(3.7)</b>	<b>(11.7)</b>	<b>+68%</b>	<b>(19.6)</b>	
<b>Tax</b>	<b>0.4</b>	<b>1.7</b>		<b>2.9</b>	
<b>Loss after tax</b>	<b>(3.3)</b>	<b>(10.0)</b>	<b>+67%</b>	<b>(16.7)</b>	

### Highlights

- Revenues grow at faster rate than R&D investment
- Loss per share decreases by 68% to 1.0p (2008/09 H1: 3.1p)

## Cash flow highlights H1 2009/10

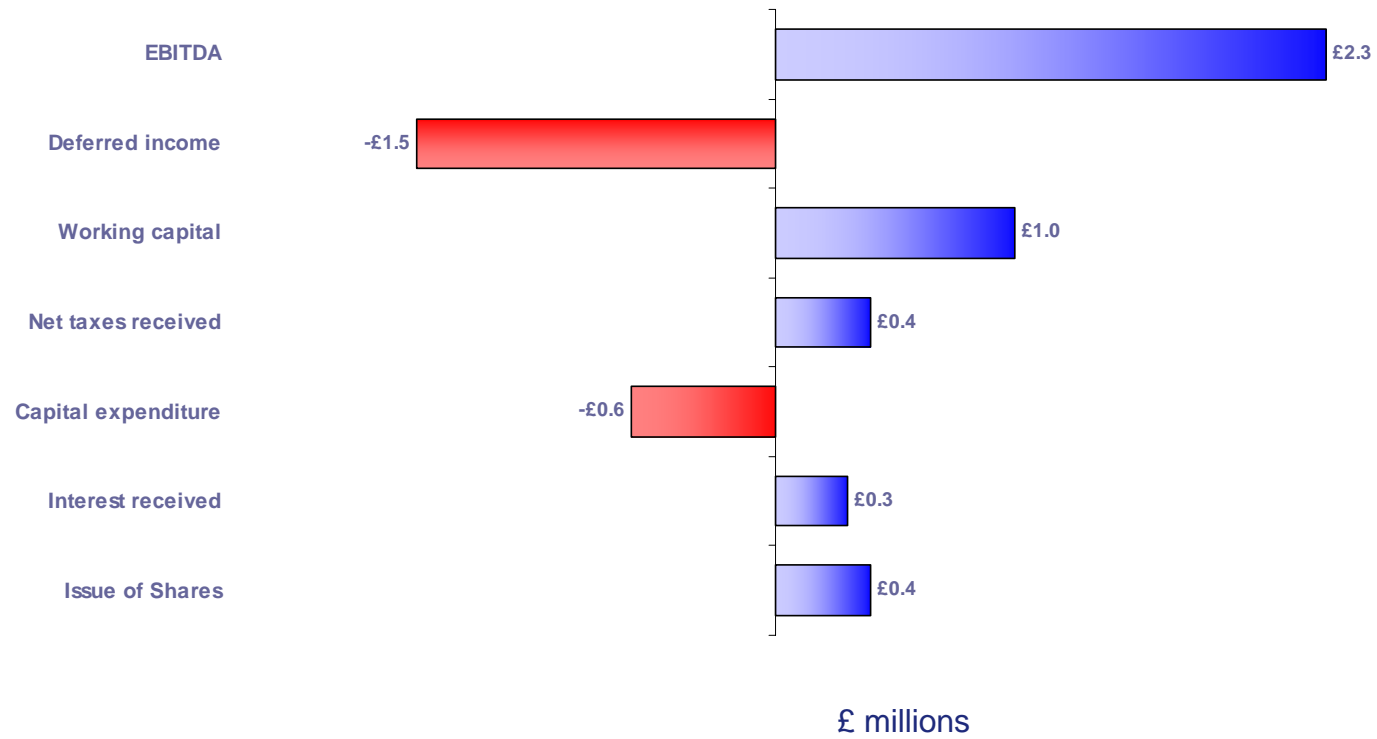


	H1 2009/10 £m	H1 2008/09 £m	FY 2008/09 £m
<b>EBITDA</b>	<b>2.3</b>	<b>(5.3)</b>	<b>(6.6)</b>
Deferred income	(1.5)	(2.4)	(3.3)
Working capital	1.0	1.1	4.5
Exchange gains	-	-	1.8
Net taxes received	0.4	0.3	2.9
<b>Operating cash outflow</b>	<b>2.2</b>	<b>(6.3)</b>	<b>(0.7)</b>
Investing activities	(0.6)	(1.1)	(1.6)
– Net capital expenditure			
– Interest received	0.3	2.2	3.6
<b>Cash inflow before financing</b>	<b>1.9</b>	<b>(5.2)</b>	<b>1.3</b>
Financing activities	-	-	(6.3)
– Financial liability			
– Issue of shares	0.4	0.2	0.2
<b>Increase/(decrease) in cash</b>	<b>2.3</b>	<b>(5.0)</b>	<b>(4.8)</b>

### Highlights

- ✔ Operating cash inflow of £2.2m (2008/09 H1: £6.3m outflow)
- ✔ Final \$10m on financial liability due to be paid by September 2010

## Cash flow H1 2009/10



## Financial Guidance 2009/10



### Revenue

- ✓ No additional milestone receipts expected
- ✓ H2 royalties expected to remain in line with H1 depending on exchange rates

### R&D investment

- ✓ In line with guidance of circa 25% increase on 2008/09

### Administration

- ✓ H2 2009/10 in line with H1 excluding amortisation and share based compensation and any exceptional items

### Cash flows

- ✓ FY09/10 net cash burn expected to be in excess of £9m (in line with previous guidance) depending on working capital
- ✓ Net cash burn may decrease depending on milestones or other one off receipts
- ✓ Net cash burn may increase if new in-licensing or co-development opportunities arise



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## Strategic focus

## Transition to specialty pharma



### Portfolio Development

- ✓ Pipeline products
  - VR632 US
  - VR496
  - Exploratory development
- ✓ Technology scale-up
  - GyroHaler®
  - OmniHaler®
- ✓ New product licensing

**Cash Burn**

### Partnered Deals

- ✓ NVA237
- ✓ QVA149
- ✓ VR315
- ✓ VR632

**Cash Generative**

### Partnering & Specialty Sales

- ✓ New product partnering
- ✓ Specialty sales
- ✓ New technology deals

**Sustainably Cash Generative**



## Active product pipeline



Product name	Indication	Pre-clinical	Phase I	Phase II	Phase III	Partner
VR315	Asthma/COPD					Sandoz EU & US
VR632	Asthma/COPD					Sandoz EU
Duohaler®	Asthma/COPD					
VR496	Cystic fibrosis					
VR496	Asthma/COPD*					
NVA237	COPD					Novartis
QVA149	COPD					Novartis

\* Pending positive proof of concept in CF

## Active areas in exploratory development



- ✔ Branded respiratory generics
- ✔ Antifungal
- ✔ Lung transplant rejection



## Future US operations



- ❑ Develop speciality pharma business in the US
  - Investment in phased build-up of facility
  - Support clinical trials and regulatory activities
  - Support business/corporate development and investor relations
- ❑ Expand US operation as own speciality products progress
  - Focused sales & marketing organisation, selling own products
    - Ensure critical mass of value before investing in Vectura overhead
    - Establish strategic alliances/contract sales as first, lower/risk option, if required



## Key Events



2010

2011

2012

- |   |   |  |
|---|---|--|
| <ul style="list-style-type: none"><li>✓ VR040 Phase IIb data</li><li>✓ VR496 proof of principle data</li><li>✓ Progress on generic programmes</li><li>✓ QVA149 Phase III start</li><li>✓ Exploratory pipeline product/s entering clinic</li></ul> | <ul style="list-style-type: none"><li>✓ NVA237 Phase III trial filing</li><li>✓ Progress on generic programmes</li><li>✓ Progress on VR496</li><li>✓ Progress on exploratory development programmes</li></ul> | <ul style="list-style-type: none"><li>✓ QVA149 Phase III trial completion and filing</li><li>✓ Progress on generic programmes</li><li>✓ Progress on VR496</li><li>✓ Progress on exploratory development programmes</li></ul> |
|---|---|--|

## Summary



- ✔ Vision to become a sustainably cash-generative specialty pharmaceutical business
- ✔ Strong financial position
  - Good revenue streams
  - £76.3 million cash at 30 September 2009
- ✔ One of the broadest pipelines in the sector
- ✔ High value respiratory pipeline
  - Products in registration studies and products in preparation for registration studies



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