Verona Pharma

Breathtaking science

Developing respiratory drugs to improve health and quality of life

JP Morgan Conference
January 2019

Nasdaq VRNA
www.veronapharma.com

Forward-Looking Statements

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This presentation contains "forward-looking" statements that are based on the beliefs and assumptions and on information currently available to management of Verona Pharma plc (together with its consolidated subsidiaries, the "Company"). All statements other than statements of historical fact contained in this presentation are forward-looking statements. Forward-looking statements include information concerning the initiation, timing, progress and results of clinical trials of the Company's product candidate, the timing or likelihood of regulatory filings and approvals for of its product candidate, and estimates regarding the Company's expenses, future revenues and future capital requirements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These risks, uncertainties and other factors include those under "Risk Factors" in the Company's annual report on Form 20-F filed with the Securities and Exchange Commission (the "SEC") on February 27, 2018, and in its other reports filed with the SEC. Forward-looking statements represent the Company's beliefs and assumptions only as of the date of this presentation. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievements. Except as required by law, the Company assumes no obligation to publicly update any forward-looking statements for any reason after the date of this presentation, or to conform any of the forward-looking statements to actual results or to changes in its expectations.

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RPL554

A **first-in-class** drug candidate with potential to **treat millions of patients** suffering from **deadly respiratory** disease by relieving **debilitating symptoms** like **breathlessness**, and the underlying **airway inflammation**

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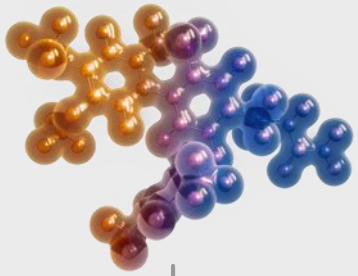
Taking our first-in-class product candidate for treatment of respiratory disease from Phase 2 to commercialization

Initial Disease Focus

Chronic Obstructive Pulmonary Disease (COPD)

Our Novel Drug

RPL554



Inhaled Inhibitor of Enzymes PDE3 and PDE4

Bronchodilator AND Anti-inflammatory Agent

… in a Single Compound

Demonstrated dual effects and well tolerated in 12 clinical trials with >730 subjects

On track to commence Phase 3 following end of Phase 2 meeting in 2019

COPD: The Silent Epidemic

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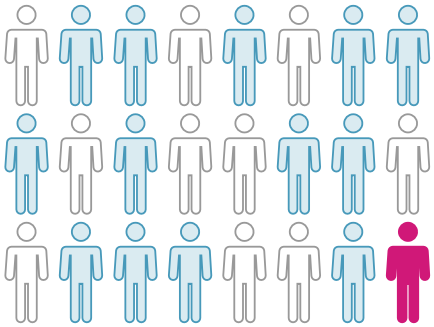
Living with It

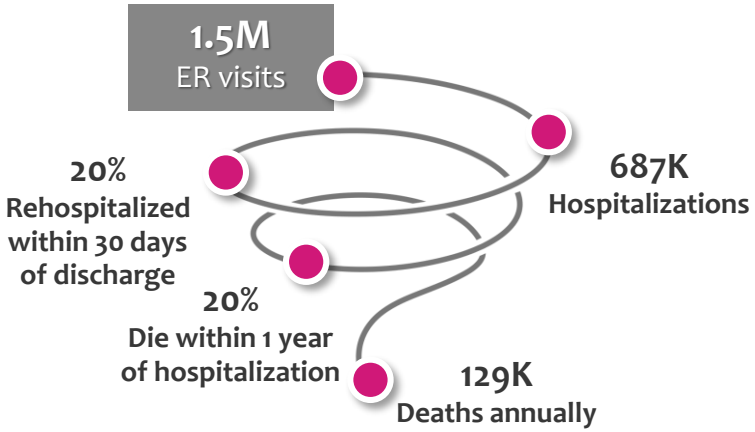
24M in US alone



16M
Diagnosed

2M
Severe/
very severe

Dying from It



In the Workplace

- **70%** of COPD sufferers work
- **2nd leading cause** of disability

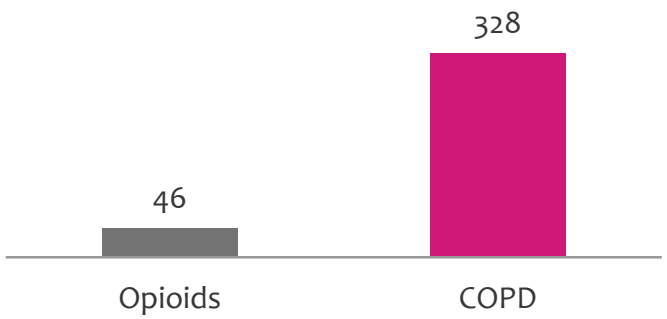
Cost

$50B/year

Indirect & Direct

3rd Largest Chronic Disease Killer

Deaths/Day



Sources: COPD Foundation

COPD: A Significant Unmet Medical Need

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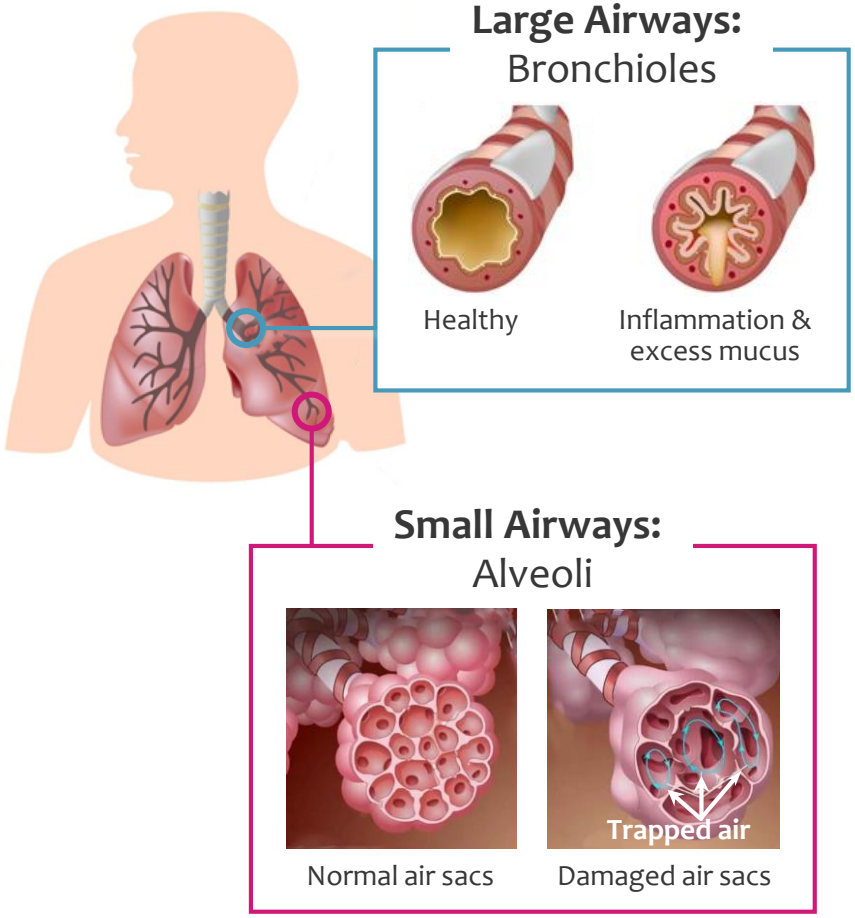

Consequences and Symptoms

- Poor lung function
- Breathlessness
- Coughing, sputum
- Fatigue
- Exacerbations / flare-ups

"When I bend over, I can't breathe. I can't unload the dishwasher, or make a bed … I wake up but I can't move. I am so short of breath."

– John Linnell, Living with COPD

"These symptoms have a huge impact on our patients' lives. They become more limited in their activities and they have increasing shortness of breath"

– US COPD KOL

Living with COPD: More Treatment Options Needed

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John Linnell

Visits Doctor
"It takes me up to 2 hours to get going in the morning"

Diagnosed with COPD and prescribed an inhaler
(Long Acting Anti-Muscarinic - LAMA)

A Year Later: 2 Bronchodilators
LAMA and LABA
(Long Acting Beta Agonist)

DISEASE PROGRESSES

DISEASE PROGRESSES

Exacerbations/ Flare Ups
"Each exacerbation makes it worse and you never fully recover"

Still Symptomatic

"I live and struggle with COPD every single day, and I too, ***just want to breathe"***

"My doctor says there's nothing more he can do: he's reached ***the end of currently available treatments"***

"We sorely need new treatments: I'm going to die with COPD, but I'll be damned if I'm going to die from it."

COPD Maintenance Treatments

Compelling Need for Therapy with New Mode of Action

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Current

Bronchodilators

Long Acting Beta Agonist (LABA)

Long Acting Anti-Muscaric (LAMA)

40% of patients continue to be symptomatic

Anti-Inflammatories

Inhaled Corticosteroids (ICS)

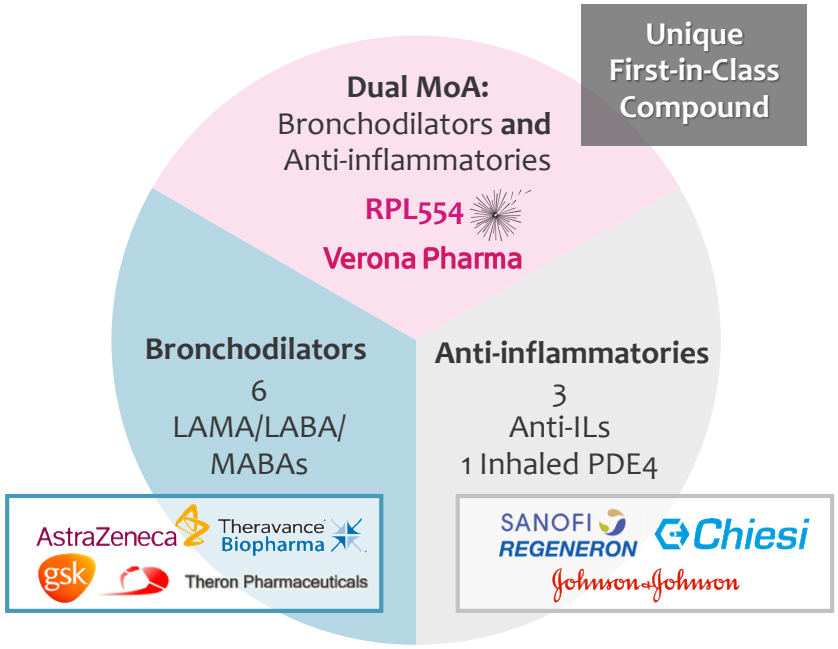
Unlike in asthma, do not work in early/moderate COPD

Oral - PDE4 Inhibitor
- Roflumilast

Poorly tolerated (GI issues)

Significant Limitations

In Development*



No new MoA

History of failure with antibodies

Few with New MoA

*See appendix slide 32

RPL554 First-in-Class Candidate: Bronchodilator and Anti-inflammatory in a Single Compound

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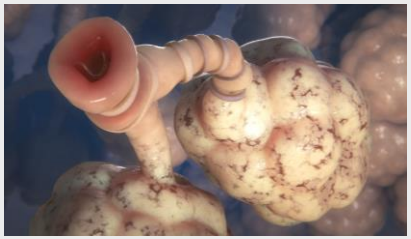
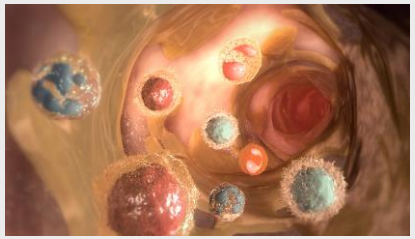
RPL554: Dual PDE3 and PDE4 Enzyme Inhibitor

Impacts 3 Key Mechanisms in Respiratory Disease:

Airway Smooth Muscle

PDE3, PDE4

Relaxation

↓

Increased bronchodilation

Inflammatory Cells

Neutrophils
PDE4

Epithelial cells
PDE3, **PDE4**

Macrophages
PDE3, **PDE4**

Eosinophils
PDE4

Lymphocytes
PDE3, **PDE4**

Fibroblasts
PDE4

↓

Increased anti-inflammatory effects

Epithelial Cells

PDE3, **PDE4**

CFTR Activation

↓

Increased mucociliary clearance

Leading to: Improved lung function, symptom reduction and improved quality of life

Today's COPD Treatment Paradigm

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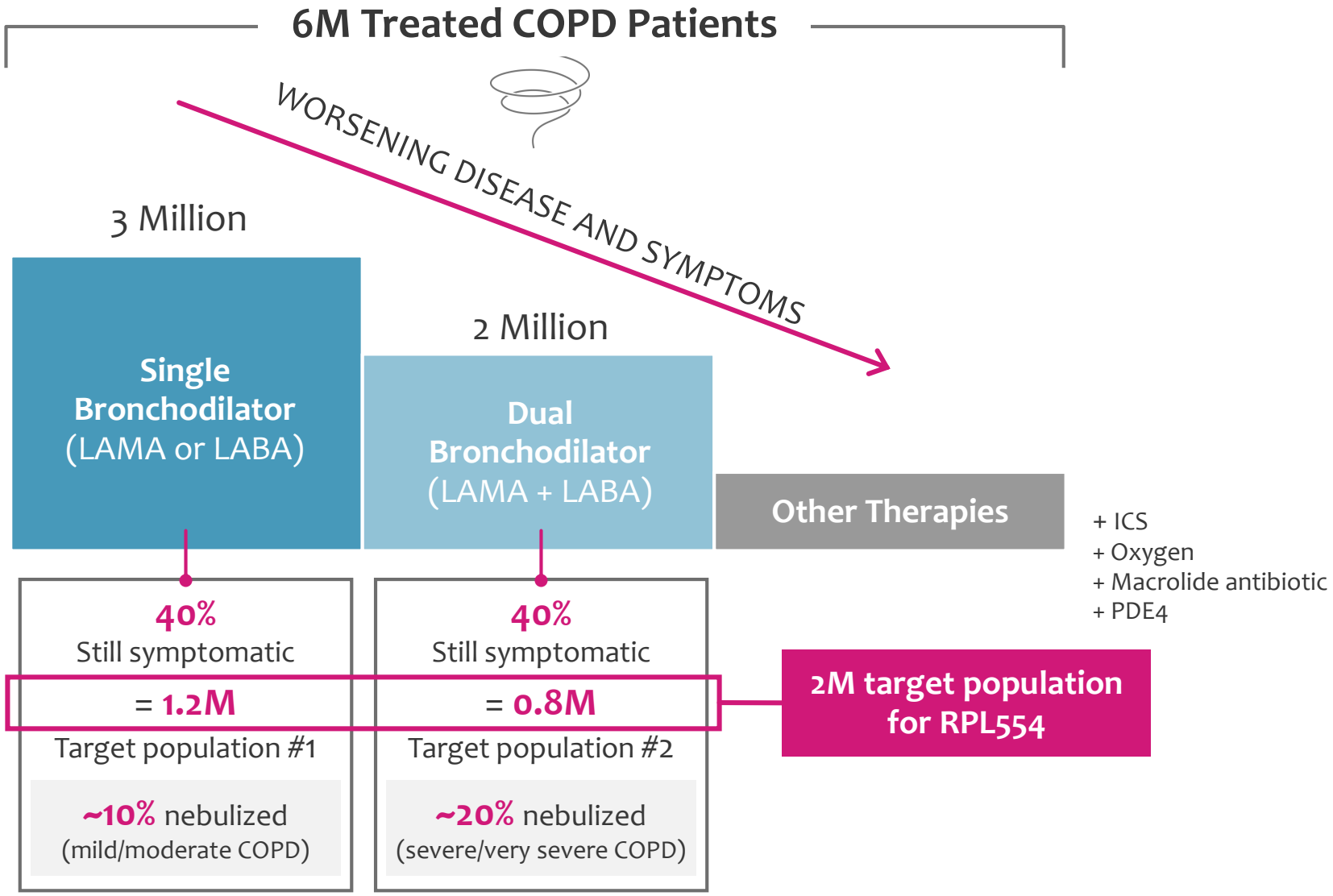

Nebulized RPL 554: Initial Opportunity as Add-on Therapy

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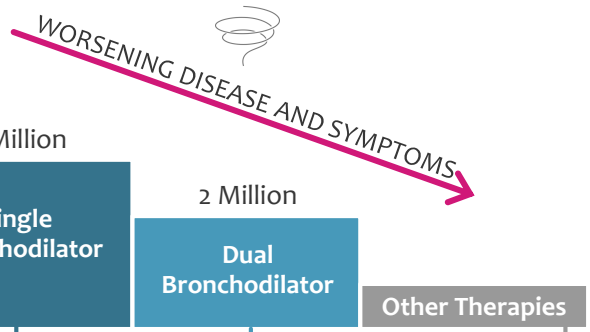

	Stand-Alone Therapy	Add-on to Single	Add-on to Dual/Triple	Acute Exacerbations
Verona Opportunity	Most opportunity in MDI/DPI	Treat early to prevent/delay disease progression	Lung/function and symptom improvement	Hospital Use
Key Ph3-Preparatory Trials	**Ph2b** **400 pts** Demonstrated bronchodilator and anti-inflammatory effects **Completed March 2018**	**Ph2b** **400 pts** (+Spiriva) Add-on effect demonst-rated in 2 previous studies **Expected to begin in 2019**	**Ph2** **79 Patients** (+LAMA and LABA) **Topline Results Jan 2019**	

Initial Commercial Focus: Nebulized RPL554

Four Week Phase 2b Study: Moderate to Severe COPD

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Trial Description:

- Phase 2b randomized, double blind, placebo controlled, dose ranging study
- Assess nebulized RPL554 in patients with moderate to severe COPD
- Outpatient setting
- No background bronchodilator therapy (stable ICS regimen can be maintained)

Patient Population:

- 403 moderate-to-severe COPD patients, diagnosed >12 months previously
- Males and females, age 40-75

Location:

- Approximately 45 centres in Western & Eastern Europe

RPL554 Dosage:

- Five arms, twice daily dosing with RPL554 at 0.75 mg, 1.5 mg, 3 mg, 6 mg or placebo

Ph2b
400 pts
Demonstrated bronchodilator and anti-inflammatory effects

Completed March 2018

RPL554 Rapidly Improved Lung Function and Provided Progressive Symptom Relief in Phase 2b trial

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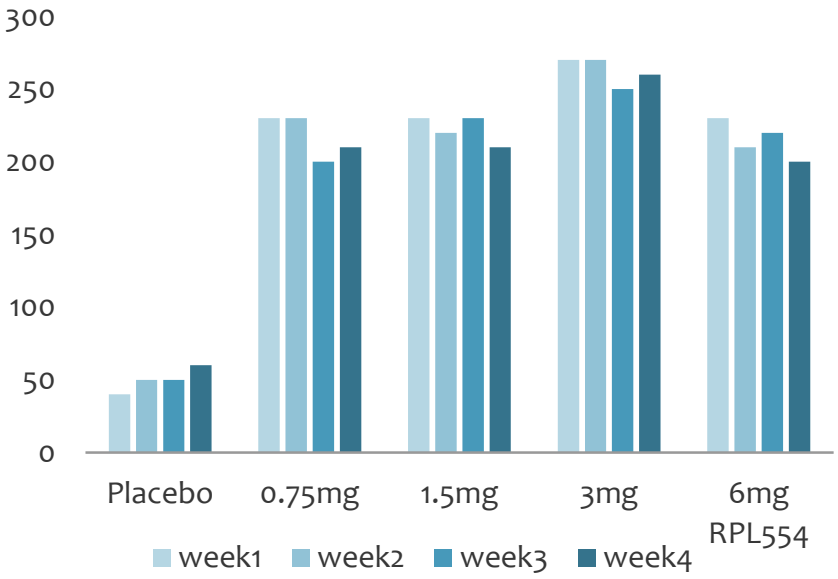
Lung Function

Peak Change from Day 1 in Baseline in FEV_1 (mL) on Week 4 (p<0.001)

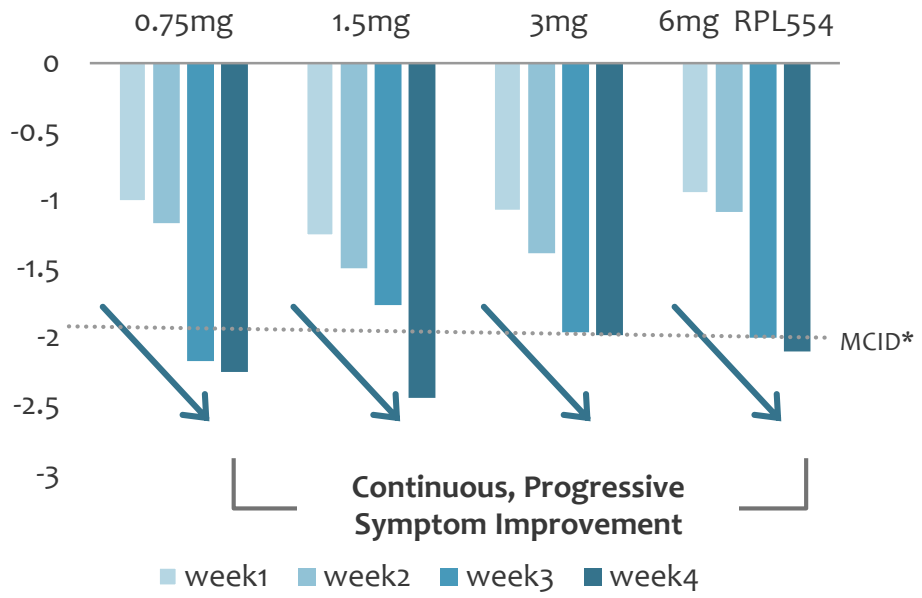
N=403



Symptom Relief

Total Score E-RS: COPD by Week (Placebo Corrected, p<0.02)

N=403



*Minimal clinically important difference

Triple effect of increased bronchodilation, anti-inflammatory effect and mucociliary clearance improved lung function, relieved symptoms and potentially leads to reduction in COPD exacerbations

RPL554: Add-on Effect to Single Bronchodilator Reproduced in Two Independent Studies

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Key Findings

	RPL554 Alone	RPL554 When Added to: Albuterol, ipratropium or tiotropium
Bronchodilation	Similar effect observed to either albuterol or ipratropium alone	Improved FEV1
Air Trapping		Improved residual lung volume
Time of Onset of Effect		Provided faster relief
Well Tolerated		Presented no dose-limiting adverse events*

*in completed clinical trials
Source: Ph2 studies RPL554-009-2015; RPL554-CO-202

Ph2b
400 pts
(+Spiriva)
Add-on effect demonst-rated in 2 previous studies
Expected to begin in 2019

Initial Commercial Focus: Nebulized RPL554

RPL554: Significant Additional Bronchodilator Response when Inhaled on Top of Tiotropium (Spiriva)

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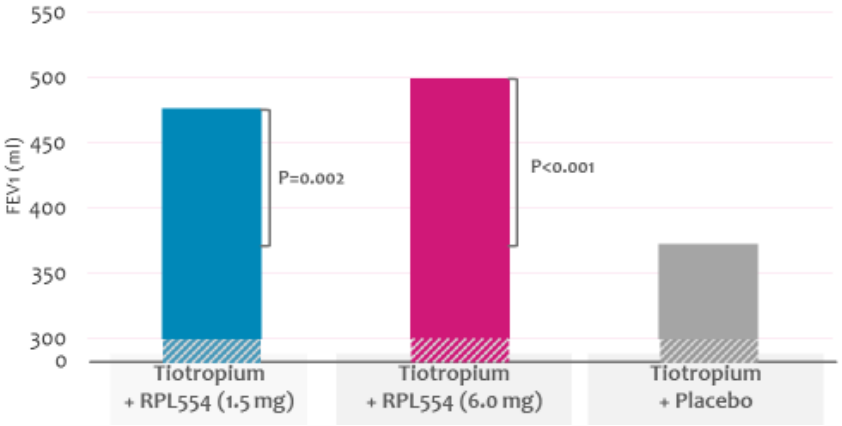
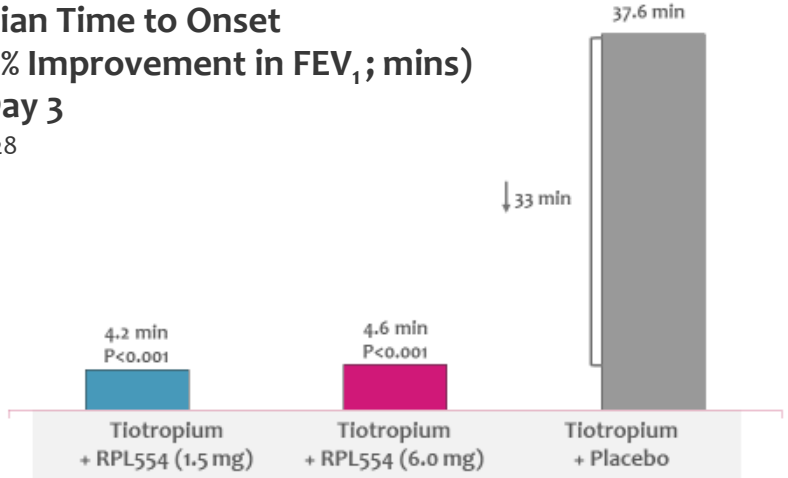
Peak Change from Baseline in FEV_1 (ml) on Day 3

N=27-28



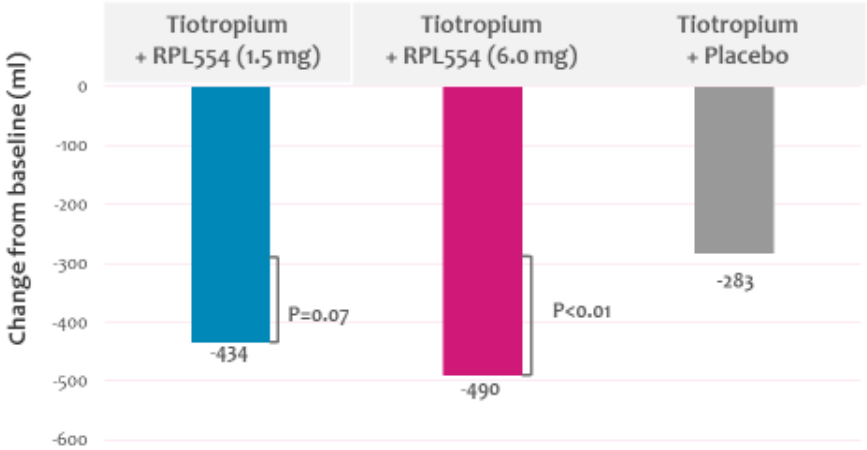
Median Time to Onset (≥ 10% Improvement in FEV_1; mins) on Day 3

N=27-28



Reduction in Hyperinflation (ml) on Day 2

N=27-28



- Additional improvement in peak FEV1
- Reduction of hyperinflation - typically correlated with improvement in symptoms
- Rapid onset of action
- Well tolerated

Evaluating RPL554 as Add-on to Dual Bronchodilator Treatment in COPD Patients

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Trial Description:

- Phase 2 randomized, double blind, placebo controlled, cross-over study
- Three day treatment with baseline to peak FEV1 on Day 3 as primary endpoint
- Assess nebulized RPL554 as add-on to LAMA/LABA treatment; some patients maintained stable dose of ICS providing a triple background

Patient Population:

- Enrolled 79 moderate-to-severe COPD patients; treatment phase completed
- Males and females, age 40-75

Location:

- 2 Centers in US; 1 in UK

RPL554 Dosage:

- Three arms, twice daily dosing with RPL554 at 1.5 mg and 6 mg and placebo

Ph2
79 Patients
(+LAMA and LABA)

Topline Results Jan 2019

Advancing to Phase 3 – Planned Development Pathway

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Phase 3-Preparatory Trials

Standalone
(Dose Ranging)
400 pts
Completed 2018

Add-on to Double/Triple Therapy
Results Jan 2019

Add-on to Single Therapy
(2 Ind. P2 Studies)
Completed 2017

Add-on to Single Therapy
(Dose Ranging)
Expected 2019*

Phase 3 Development

Nebulized add-on to current **"Standard-of-Care"**

Two trials, each 3 - 6 months duration; 12 months safety data

Potential endpoints: **lung function (e.g. FEV_1), symptom improvement, explore exacerbations**

... plus significant potential opportunity for inhalers (DPI/MDI) and progression in other indications

End of Phase 2 Meeting with FDA planned for 2H 2019

**Expected to begin in 1H 2019, results expected in 2H 2019*

Substantial and Addressable US Market Opportunity

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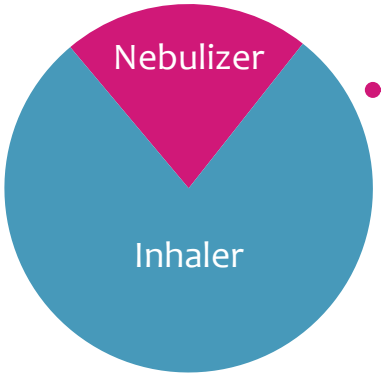
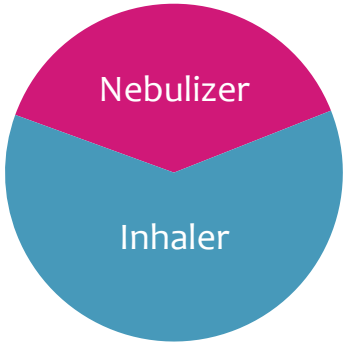
Add-on to Single Therapy

$5-6B



Add on to Double/Triple Therapy

~$2-4B



Attractive Medicare Part B Reimbursement

Assumptions

Nebulizer	Inhaler		Nebulizer	Inhaler
$1K	$400	**Avg. Monthly WAC Price**	$1K	$400
10%	90%	**% of Patients**	20%	80%
0.12M	1.08M	**Total Patients**	0.16M	0.64M

1 See appendix slide 31

Verona's Go-to-Market Strategy for Maintenance COPD

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Payors

Nebulized therapy could be well reimbursed in US

- Reimbursed under favourable Medicare Part B
- 66% of payors report they would reimburse RPL554 at premium price ($1K/month)*

Physicians

Reach with Targeted Specialty Sales Force

- Focused on high prescribing physicians & influential pulmonologists

Multiple additional opportunities after initial market entry

(*Based on a Verona survey of 30 US payors, Q2 2018)

Significant Future Growth Potential

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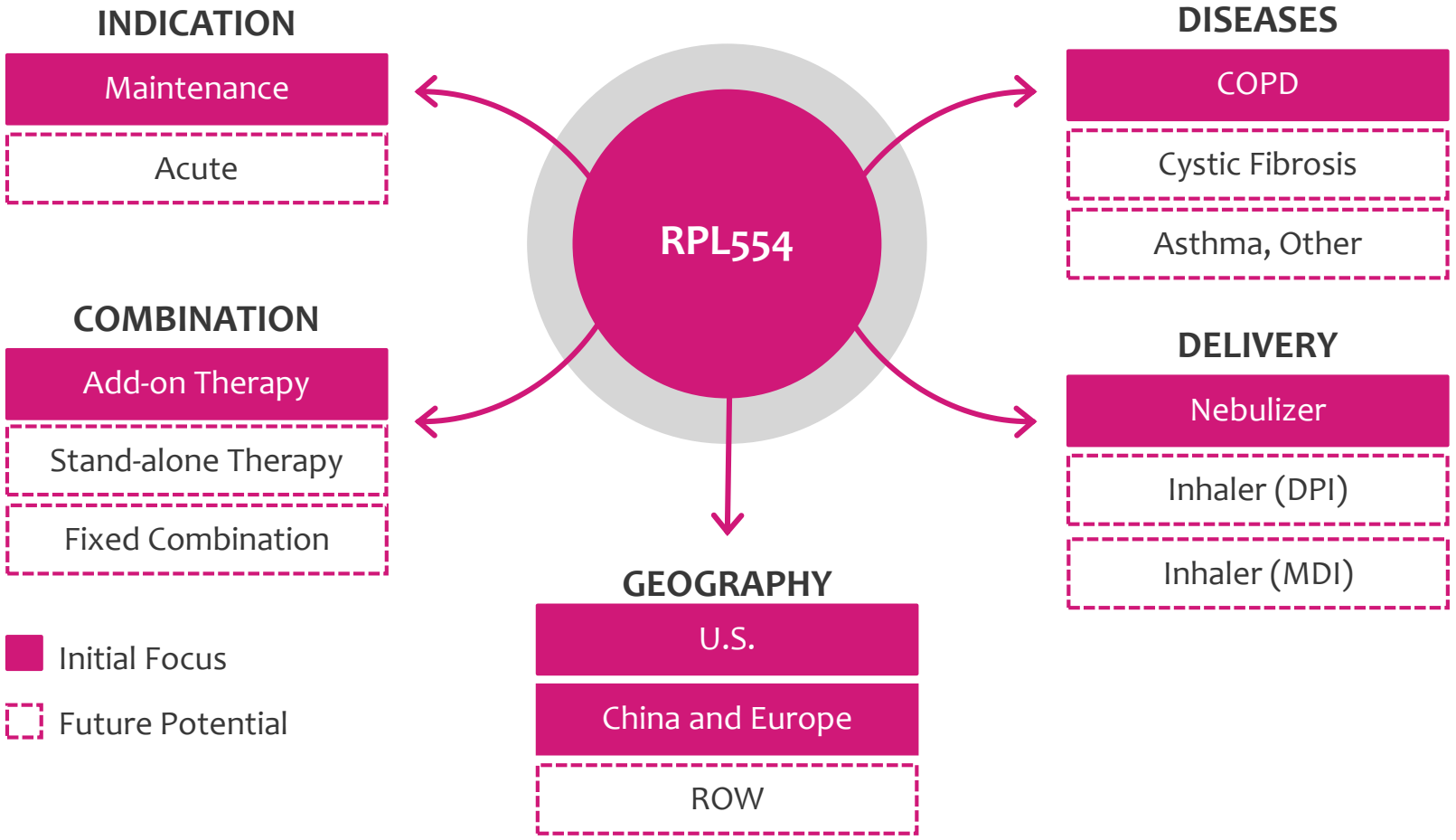

Worldwide Commercialization Rights; Patent Runway beyond 2030

RPL554 Lifecycle: Expanding the Pipeline Over Time

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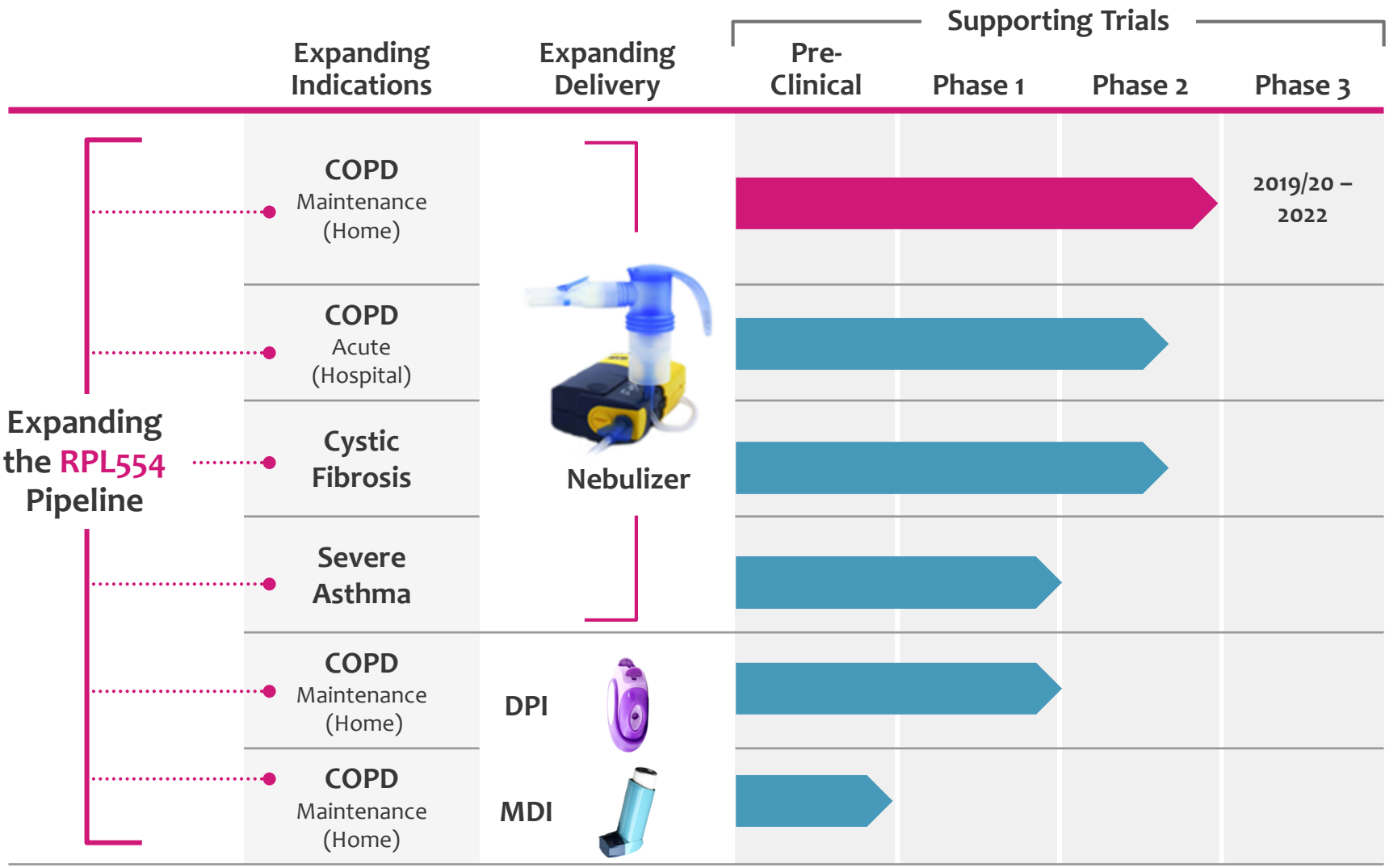

Inhaled RPL554 - Potential to Expand Clinical Utility and Commercial Opportunity

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Inhaler Usage for Maintenance Therapy (U.S. Estimates)

- ~90% of 3.7 million mild/moderate COPD patients
- ~80% of 2.7 million severe/very severe COPD patients

Next Steps in DPI and MDI Formulation Development

- DPI clinical trials started December 2018
- MDI clinical trials planned to start 1H 2019

Potential to broaden use in other indications, such as asthma

Available for out-licensing

CF: A Devastating Orphan Disease

RPL554: Favorable PK and PD Profile in CF Patients

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- Most common fatal inherited disease in U.S.
- Mutations in gene that encodes CFTR protein
- Inability to clear thickened mucus, impaired lung function and persistent lung infection
- Frequent exacerbations and hospitalization
- No cure
- Median age of death – 37 years

- RPL554 has potential to provide treatment independent of CF mutation status
  - Designed to reduce airway obstruction and inhibit inflammation

Pre-clinical Studies and Phase 2a Study, Data Reported March 2018

RPL554: Potential in Asthma

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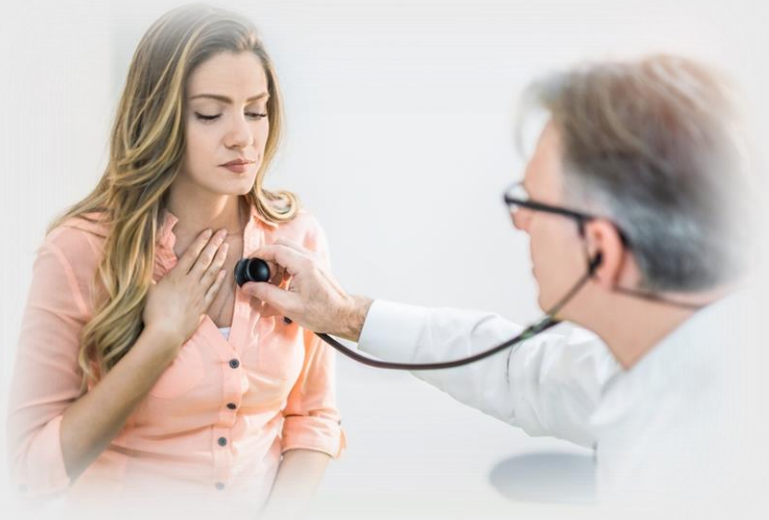

- RPL554 has the potential to be an effective bronchodilator in asthma patients
- Clear dose-response relationship and well tolerated in asthmatics in Phase 2a clinical study
- Little effect on heart rate and plasma potassium levels compared to nebulized albuterol

Potential Positioning

- Severe asthma, before start of treatment with biologics
- Steroid-sparing

Potential Device

DPI or MDI inhaler device may be more convenient for asthma patients

RPL554: Long Patent Runway (until mid-2030s)

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Robust Patent Portfolio

- Composition of Matter – granted US, EU, Japan, other; expires 2020
- Polymorph – granted US, EU, Japan, other; expires 2031
- Formulations – granted US, EU, other; expires 2035
- Manufacturing, use, salt forms, combinations: granted and pending in US, EU, and other territories; expiries 2031 – 2037
- Additional IP opportunities being explored

New Chemical Entity

- US: Market exclusivity up to 5 years post NDA approval
- EU: Market & Data exclusivity up to 10 years post Marketing Authorization

Verona Pharma Has Global Rights

Well Financed with Major Healthcare Investors

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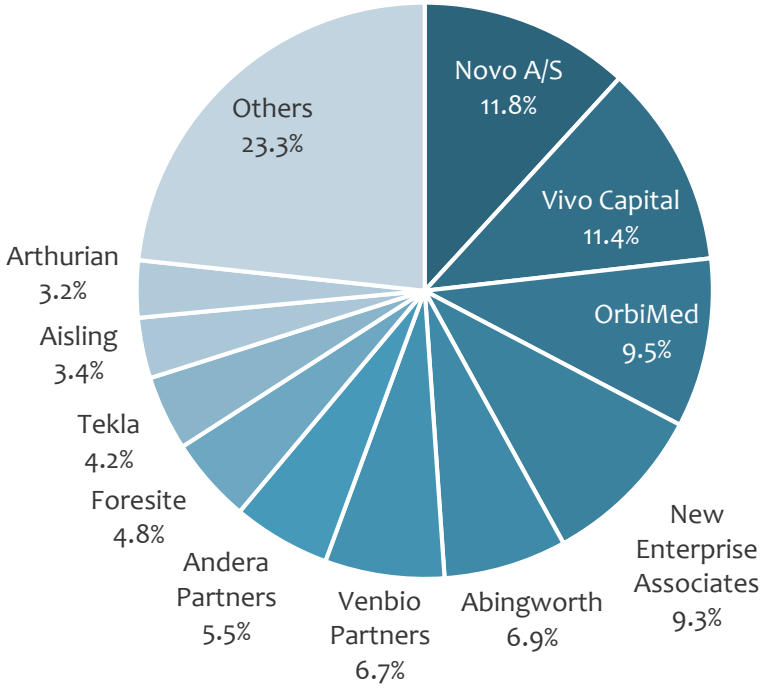
Financial Overview September 30, 2018

Cash and Cash Equivalents	$89.9M[1]
Operating Expenses Year To Date 3Q18	$23.9M[1]
Market cap	$146M[2]

Shareholdings[3]



[1]Exchange rate used (US dollars per pound sterling): September 30, 2018: $1.3053
[2]Fully diluted 127m shares or 15.9m ADSs, share price 91p and exchange rate £1 : $1.2625 on January 3, 2019
[3]As disclosed to the Company in accordance with AIM Rule 26, or through s80 notices and 13G filings

2019: An Important Year with Potential for Multiple Value Inflection Points

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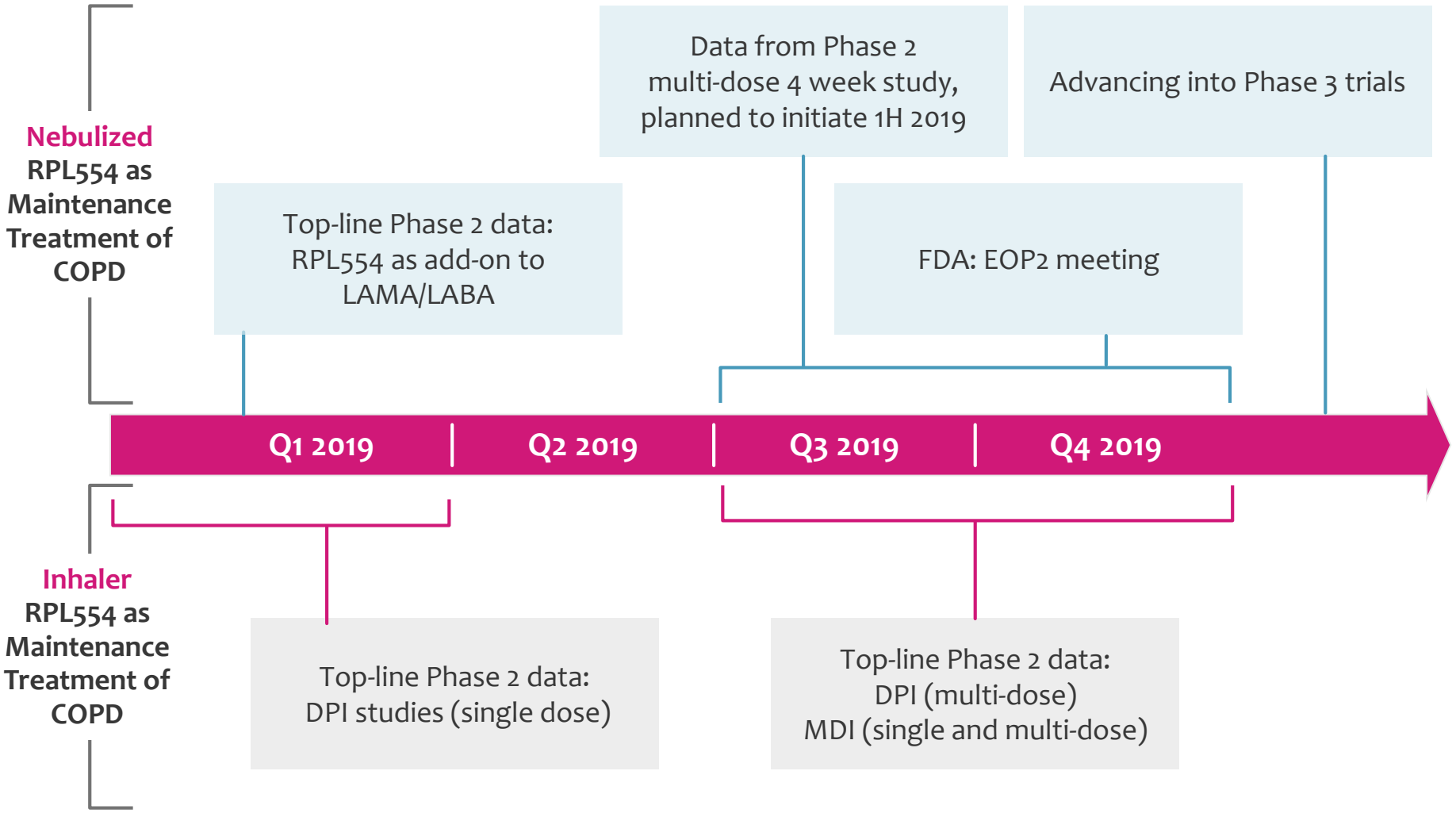

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RPL554: Promising Novel Treatment for Patients with COPD

Realizing Significant Opportunity in COPD:

- RPL554 – unique PDE3/4 inhibitor with **bronchodilator and anti-inflammatory effects observed in clinical studies**, and well tolerated
- In clinical studies improved symptoms in **moderate to severe**, symptomatic COPD patients on twice daily dosing
- Potential as both a **stand-alone drug** and as an **add-on** to standard COPD treatments

Nebulized RPL554: Planning FDA End of P2 meeting in **2H 2019** and subsequent P3 trials

Advancing **Inhaled RPL554** and potential to broaden in **other indications**

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Appendix

Experienced Management Team and Board

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Management

Jan-Anders Karlsson, PhD *Chief Executive Officer*	S*BIO, Bayer, Rhône-Poulenc Rorer, AstraZeneca
Piers Morgan, MA, ACA *Chief Financial Officer*	C4X Discovery, uniQure, Close Brothers, EY
Kathy Rickard, MD *Chief Medical Officer (from 1 Feb -19)*	GSK, Circassia
Richard Hennings, BSc *Commercial Director*	Gilead, AstraZeneca, Novartis
Peter Spargo, PhD *SVP CMC*	Pfizer, Creabilis, Novexel
Claire Poll, LLB *Legal Counsel*	King&Wood Mallesons, Inmarsat
Desiree Luthman, DDS *VP Regulatory Affairs*	Celgene, Sanofi, Bristol-Myers Squibb
Tara Rheault *VP R&D Ops & Global Proj Mgmt*	GSK, IQVIA

Board

David Ebsworth, PhD
- Ex CEO Vifor Pharma; CEO Galenica

Jan-Anders Karlsson, PhD
- CEO Verona Pharma

Ken Cunningham, MD
- Chair Abzena plc
- Ex Chair Prosonix; CEO SkyePharma

Rishi Gupta, JD
- Private Equity Partner, OrbiMed

Mahendra G. Shah, PhD
- Managing Director, Vivo Capital
- Ex Chair CEO, NextWave Pharmaceuticals, First Horizon Pharma

Andrew Sinclair, PhD
- Partner and Portfolio Manager, Abingworth

Vikas Sinha, CPA
- Ex EVP, CFO, Alexion

Anders Ullman, PhD, MD
- Ex Head R&D, Baxter Biosciences; EVP R&D, Nycomed Pharma

In team's prior lives …

involved in successful development/commercialization of many of the drugs used to treat COPD including:

Symbicort® Daliresp® flutiform® (fluticasone propionate/formoterol) INCRUSE ELLIPTA ANORO ELLIPTA

Nebulized RPL554: 12 Completed Clinical Trials with >800 Subjects Enrolled

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Recent Trials

Trial	Program	# of Subjects	Duration	Status
Phase 1/2	SAD MAD study with new suspension formulation	**112**	Single dose and twice daily for 5 days	Completed Sept 2015
Phase 2a	Dose ranging in asthma	**29**	Single dose	Completed March 2016
Phase 2a	Add-on to each of albuterol or ipratropium	**30**	Single dose	Completed May 2016
Phase 2a	Add-on to tiotropium (Spiriva®)	**30**	Dosed twice-daily for three days	Completed Sept 2017
Phase 1	Pharmacokinetic trial, US FDA new IND	**12**	Single dose	Completed Sept 2017
Phase 2b	Maintenance treatment	**403**	Dosed twice daily for four weeks	Completed March 2018
Phase 2	**Add-on to dual bronchodilator therapy (LAMA/LABA: Stiolto)**	**79 enrolled**	**Dose twice daily for three days**	**LPFV Oct 2018 Top-line Jan 2019**

Maintenance Treatment of COPD: Substantial Market with Premium Pricing in Nebulized Segment

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US Sales of Common Bronchodilators	Administration	Class	Avg Monthly $ WAC price[1]	US Only Sales $M[2]
Brovana *(Sunovion)*	**Nebulizer - open**	**LABA**	**971**	339
Perforomist *(Mylan)*	**Nebulizer - open**	**LABA**	**972**	155
Lonhala *(Sunovion)*[3]	**Nebulizer - closed**	**LAMA**	**1,190**[4]	-
Revefenacin *(Mylan/Theravance)*	**Nebulizer - open**	**LAMA**	FDA approval Nov 9, 2018	
Advair *(GSK)*	**Inhaler**	**LABA / ICS**	398	1,094
Spiriva *(Boehringer-I)*	**Inhaler**	**LAMA**	398	1,779
Anoro *(GSK)*	**Inhaler**	**LAMA / LABA**	398	277
Trelegy *(GSK)*[3]	**Inhaler**	**LAMA / LABA / ICS**	530	-

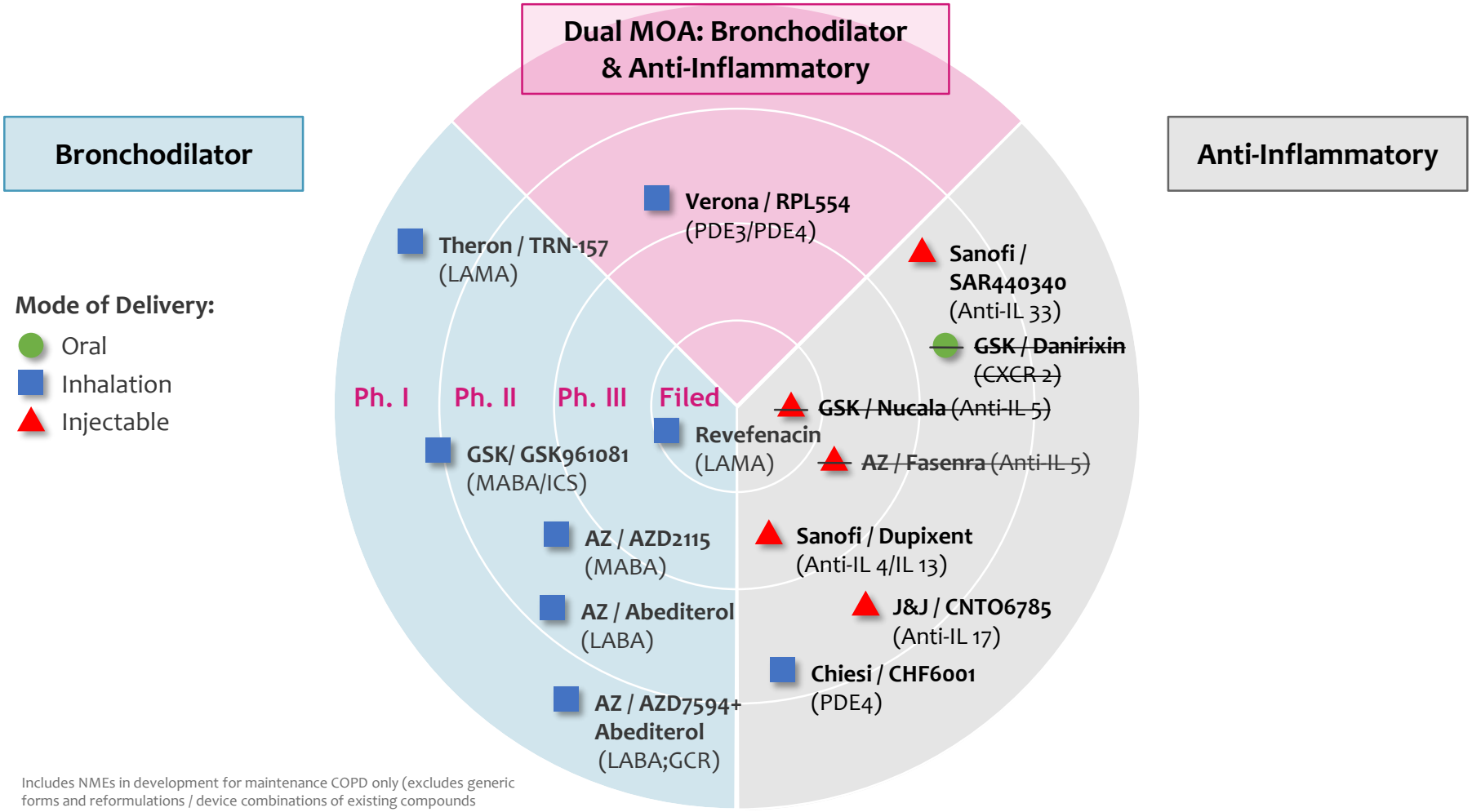
1. Oct 17 – Jan 18
2. May 2016 – April 2017
3. Launched April 2018
4. Retail price, www.drug.com

Sources: Q2 2017 US COPD patient database & physician survey research, IQVIA MIDAS Sales. Mullerova H., et al., Characterization of COPD Patients Treated With Inhaled Triple Therapy Containing Inhaled Corticosteroid [ICS], Long-Acting Beta2-Agonists [LABA], and Long-Acting Muscarinic Antagonists [LAMA] in the UK, American Journal of Respiratory and Critical Care Medicine 2017;195: A4986. Vestbo J, et al., Single inhaler extrafine triple therapy versus long-acting muscarinic antagonist therapy for chronic obstructive pulmonary disease (TRINTY); a double-blind, parallel group, randomised controlled trial, The Lancet, Vol 389, p. 1919-1929; May 13, 2017

Compelling Need for Therapy with New Mode of Action for COPD

Verona Pharma

… but Few Such Drugs in Development for COPD



Includes NMEs in development for maintenance COPD only (excludes generic forms and reformulations / device combinations of existing compounds
Source: EvaluatePharma and STRH market intelligence