Interim results for the six months ended 30 June 2016

16 September 2016

Denise Scots-Knight – CEO

Richard Bungay – CFO & COO

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Agenda

- Introduction

Dr. Denise Scots-Knight

CEO

Co-Founder

Richard Bungay

CFO & COO

- Business Overview
- Highlights
- Strategy
- Pipeline
- Financial Overview
- Summary

Business Overview

Business overview

- Well financed UK-based specialty biopharmaceutical company founded in March 2015 and admitted to AIM market of LSE (MPH.L) June 2016
- Focused on the development of innovative medicines in rare and specialty disease areas
- Strategy is to selectively acquire and further develop clinical-stage product candidates with comprehensive data packages
- Business model provides flexibility to commercialise in-house or out-license
- Initial portfolio of three product candidates, each with Phase 2 clinically meaningful data, acquired from Novartis
- Strong and experienced Board comprised primarily of current and former senior leaders in the pharmaceutical and biotechnology industry
- Backed by leading healthcare focused long-term investors Invesco and Woodford – over £90m funding raised to date
- Business development activities initiated to look for additional products: opportunities from several global pharma companies currently under review

Broad pipeline addressing high value end markets

Product candidate	Indication	Highlights	Clinical development: Phase 1 / Phase 2 / Phase 3
BPS-804	▪ Osteogenesis Imperfecta (OI)	▪ Antibody - Sclerostin inhibitor – stimulates bone formation ▪ Orphan disease without approved treatments	P2b/3 expected to start H1 2017
BGS-649	▪ Hypogonadal Hypogonadism (HH) in obese men	▪ Weekly, oral aromatase inhibitor – restores testosterone ▪ No disease modifying treatments yet	P2b trial initiated
BCT-197	▪ Acute Exacerbations of Chronic Obstructive Pulmonary Disease (AECOPD)	▪ Oral p38 MAP kinase inhibitor – targets acute inflammation ▪ No approved treatments available	P2 trial initiated

Validating relationship with Novartis:

- 19.5% shareholder; share of downstream economics
- No buy-back rights on BPS-804, BGS-649 and BCT-197
- Supply certain drug product, drug substance and placebo (long term: external CMO's)

Highlights

Operational Highlights – H1 2016

- **BPS-804** (antibody - sclerostin inhibitor)
  - Granted Orphan Drug Designation in US and EU
  - Following submission of Phase 2b/3 pivotal study package in H1 2016 expecting to commence trial H1 2017, pending feedback from regulator
- **BGS-649** (aromatase inhibitor)
  - Commenced Phase 2b for the treatment of hypogonadal hypogonadism in obese men
  - Study design includes a blinded review to identify any ineffective doses, planned in Q4 2016, and a six month extension study
- **BCT-197** (p38 MAP kinase inhibitor)
  - Opened US IND Q1 2016
  - Commenced Phase 2 for the treatment of acute exacerbations of COPD Q1 2016
- IP strengthened across all three programmes

Financial Highlights – H1 2016

- Shares admitted to the AIM market of the London Stock Exchange on 9 June 2016
- Raised £14.8 million through private placement at time of AIM admission
  - Issue of new ordinary shares: £11.3 million
  - Novartis convertible loan: £3.5 million
  - Private placement price: £2.21 per share
- Loss after tax: £14.7 million (2015: £nil)
- Cash and cash equivalents at 30 June 2016: £70.2 million (2015: £nil)
  - Net cash inflow from financing activities: £68.5 million (2015: £nil)
  - Net cash outflow from operating activities: £10.5 million (2015: £nil)

Strategy

Company strategy

1

Advance our initial pipeline product candidates through the clinical pathway

- Execute Phase 2b/3 trial of BPS-804 in OI
- Execute Phase 2b dose confirmation trial of BGS-649 in HH in obese men
- Execute Phase 2 dose ranging trial of BCT-197 in AECOPD

2

Realise value of product portfolio through multiple avenues

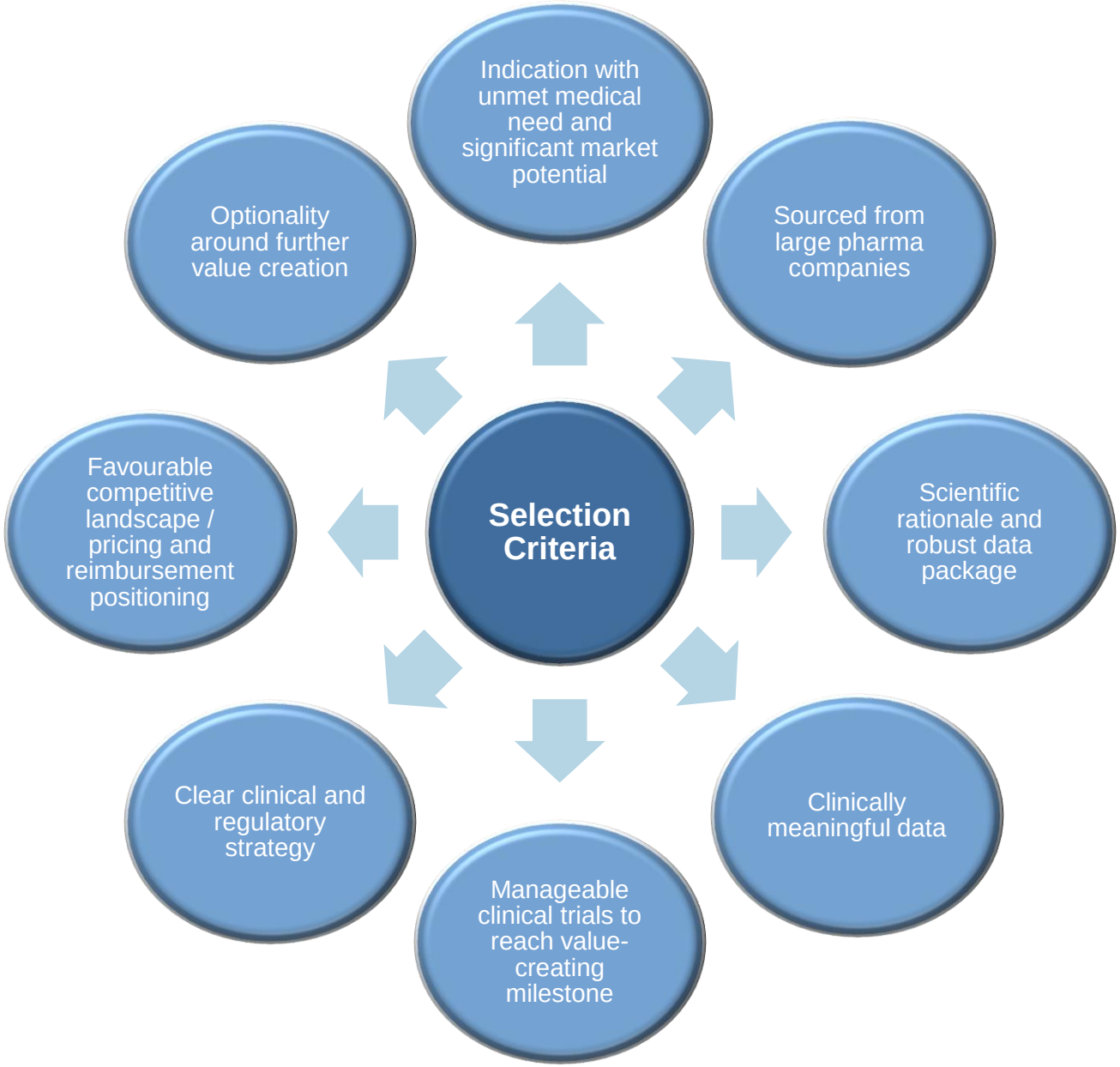
- Global commercialisation rights for all product candidates controlled
- Out-license, sell, commercialise or combine various strategies to maximise value for each of the product candidates based on clinical trial results
- Diversified portfolio aims to optimise chances of commercial success

3

Leverage existing business model for future scaling up of product portfolio

- Focus on product candidates with compelling market potential, comprehensive preclinical, clinical and manufacturing data package, and a clear path to a significant value inflection point

Product candidate selection criteria

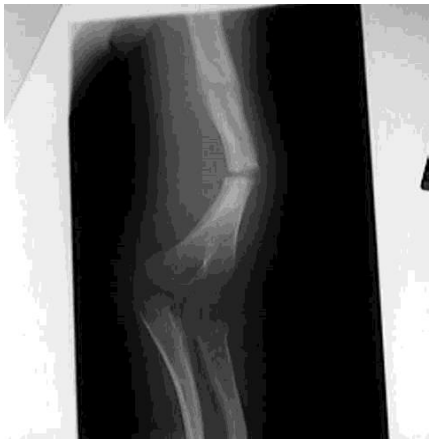


Pipeline

Osteogenesis Imperfecta (OI)

Disease characteristics

- A genetic and chronic disorder affecting connective tissue, thus resulting in bone fragility and reduced bone mass
- Prevalence of 20,000 to as many as 50,000 patients in the US; in Europe approx 7.5 out of 100,000
- Increased risk of bone fractures, as well as loose joints, early hearing loss, brittle teeth and respiratory problems
- c. 90% are linked to a gene mutation that produces abnormal type 1 collagen
- 8 Recognized forms of OI – Type 1 to type 8
  - Most prevalent form is type I (c. 60% of patients), also the least severe form
  - Type II is the most severe form, with few infants surviving beyond a few weeks



Source: Evaluate Pharma, company information, broker, research

BPS-804 (OI) highlights

Product highlights

- Fully human monoclonal antibody inhibiting sclerostin
- 83 patients have received BPS-804 in clinical trials to date: including patients with moderate OI
- Statistically significant improvement on BMD and blood bone biomarkers
- In studies to date, BPS-804 has been safe and well tolerated in the target population
- Granted Orphan Drug Designation in US and EU

Phase and timing

- Phase 2b/3 trial in OI types I, III and IV
- Following submission of package H1 2016 expected to start trial H1 2017, pending feedback from regulator
- Placebo controlled study including dose ranging and event driven time to first fracture (TTFF) end point:
  - Part A: dose ranging in 120 patients with biomarker interim data expected H1 2018
  - Part B: TTFF end point in approx. 300 patients following dose selection

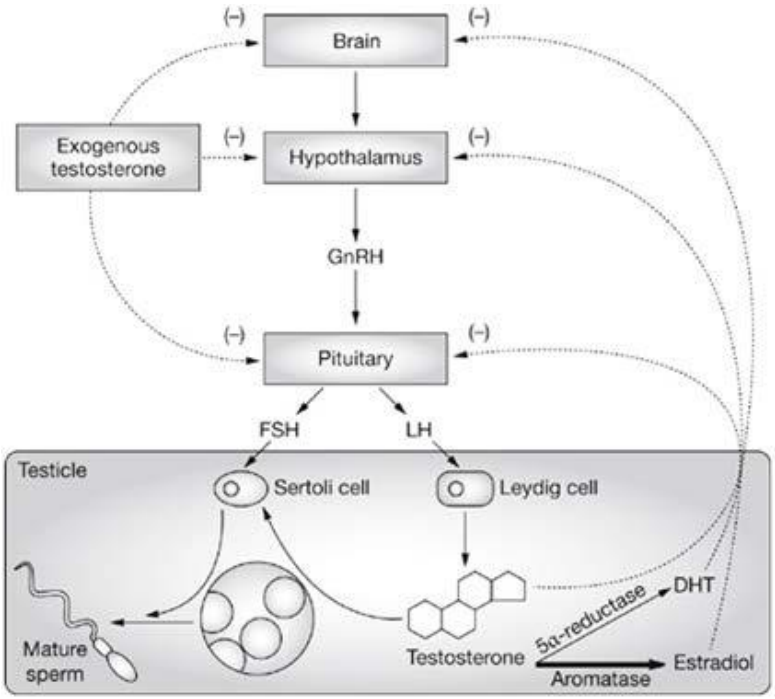
Differentiation

- BPS-804 is expected to strengthen bone by both building bone and reducing the resorption of bone, potentially reducing fractures
- Bisphosphonates reduce the resorption of bone

(1) Type 3: Most severe type among children surviving neonatal period; Type 4: Moderate type of OI

Hypogonadal Hypogonadism (HH) in obese men

- Hypogonadism in men is a clinical syndrome that results from inadequate levels of testosterone
- Current standard of care for the treatment of male hypogonadism is testosterone replacement therapy
  - No approved therapies specifically targeting obese men with HH, and current treatments having complications
  - Leading treatment AndroGel peak sales >$1bn (2015 sales: $694m)
- Low testosterone levels associated with increased obesity, cardiovascular disease, hypertension, insulin resistance, type 2 diabetes, depression and osteoporosis
- Prevalence of HH in symptomatic obese men in the US is c. 6m and in Europe c. 4m
- Testosterone deficiency remains significantly untreated: treatment rates estimated below 13% in the US and lower in Europe



BGS-649 (HH) highlights

Product highlights

- Weekly, oral, aromatase inhibitor to be first-line therapy for the treatment of HH in obese men
- 130 patients have received BGS-649 in clinical trials till date
- Statistically significant rise in testosterone, returning patients to normal levels, accompanied by rises in LH and FSH
- In studies to date, BGS-649 has been safe and well tolerated in the target population

Phase and timing

- Phase 2b dose confirmation trial initiated
- Multi-center randomized double-blind study conducted in US and Europe in approx. 260 patients comparing three doses of BGS-649 and placebo
- Results expected in H2 2017 with interim analysis in Q4 2016

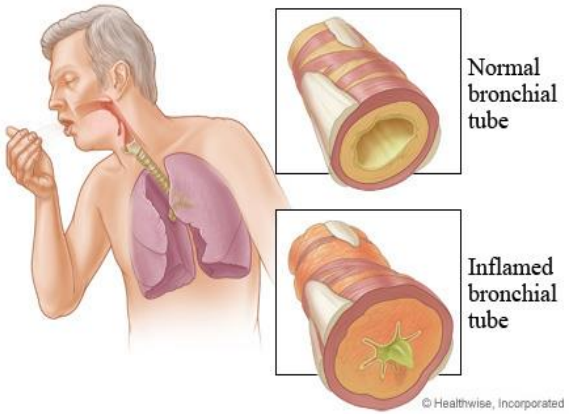
Differentiation

- BGS-649 maintains normal feedback loop in the HPT axis, maintaining or restoring gonadotropin levels
- Current data suggests that BGS-649 does not cause excessively high levels of testosterone
- Potential to improve compliance due to convenient dosing and avoids problems caused by transference

Acute Exacerbations of COPD (AECOPD)

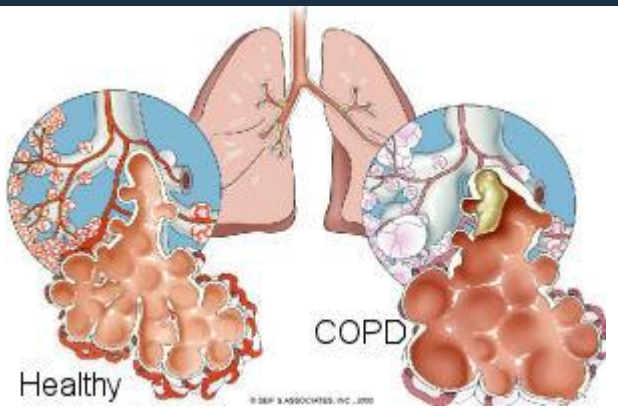
- AECOPDs occur when a patient with COPD experiences a sustained increase in cough, sputum production or dyspnea (shortness of breath), and may require hospitalisation
  - Patients on average suffer 1 – 3 exacerbations a year
  - Frequency and severity of exacerbations increases with age and disease severity
- Estimated 12mm COPD cases diagnosed in the US(1) and 13mm diagnosed in Europe(2)
- AECOPD patients account for c. 62.5% of all hospital admissions related to COPD
- Average costs in case of hospitalisation amount to c. USD7,500 in the US
- Total yearly costs of COPD in the US amount to approx. USD50bn(3) and in the EU direct costs to approx. €38.6bn

Chronic Bronchitis



Chronic irritation and inflammation of airways

Emphysema



Breakdown of walls between alveoli / air sacs in lungs

(1) National Heart Lung Blood Institute; (2) European COPD coalition;
(3) Approximately USD30bn in direct costs and USD20bn in indirect costs

BCT-197 (AECOPD) highlights

Product highlights

- Small molecule, inhibitor of the enzyme p38 MAP kinase
- Oral therapy given during an exacerbation
- 260 patients have received BCT-197 in clinical studies to date
- Clinically meaningful improvement on FEV1 and throughout the period of an exacerbation
- In studies to date, BCT-197 has been safe and well tolerated in the target population

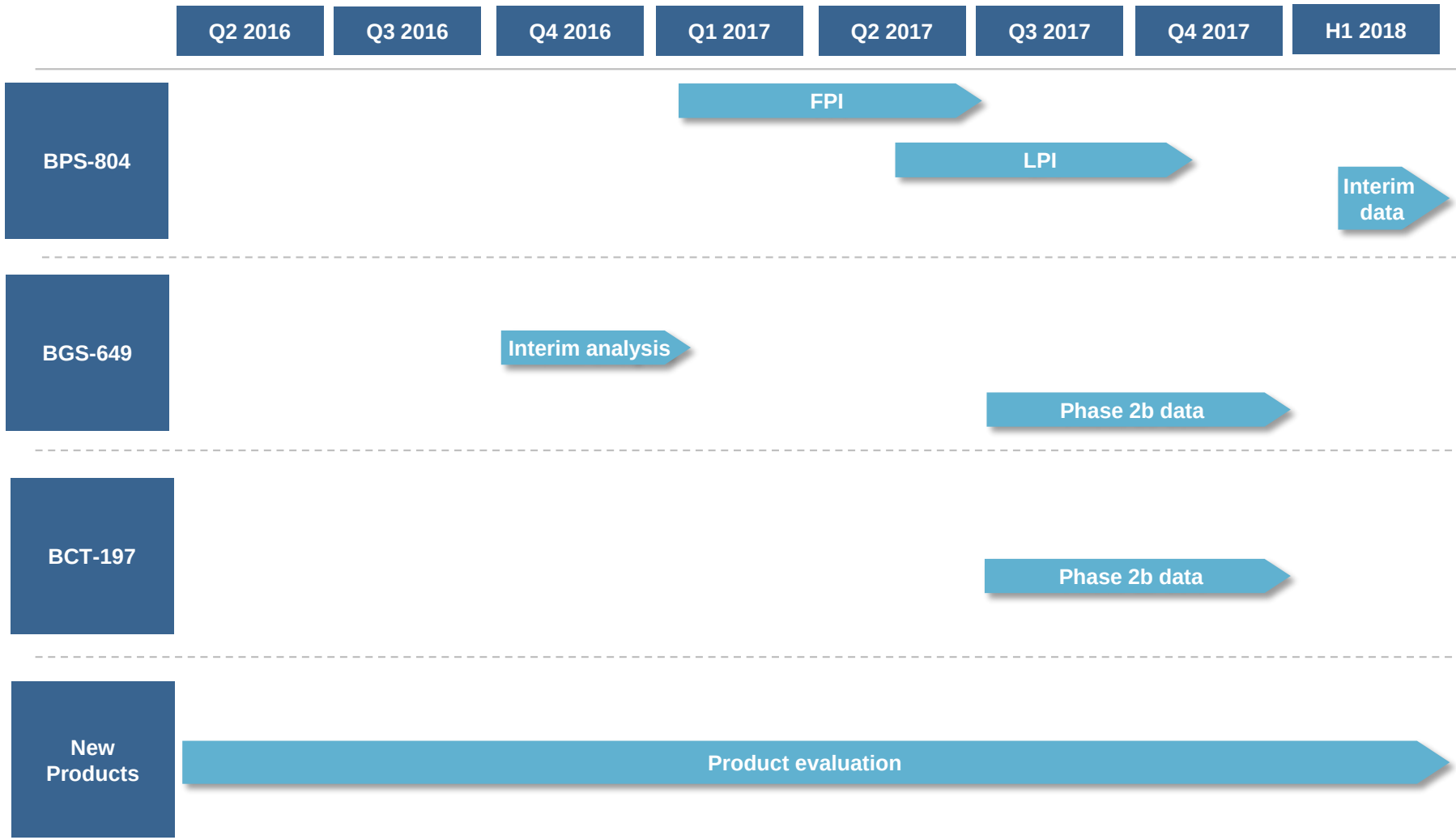
Phase and timing

- Phase 2 dose ranging trial initiated in 2016
- Comparing two acute dosing regimens (three doses over five day period) with placebo on top of standard of care in approx. 250 patients
- Study follow up period of 26 weeks
- Results expected H2 2017

Differentiation

- Significant unmet need as there are no approved therapies for the treatment of AECOPD
- Blocks the release of major inflammatory cytokines – treats underlying inflammation
- Potential to improve acute symptoms and reduce hospital stays, as well reducing future exacerbations and re-hospitalisations

Projected news flow and catalysts



FPI = First Patient In *LPI = Last Patient In*

Financial Overview

Fundraising overview

	£m
Private placement (Woodford, Invesco):	
• Tranche 1 (July 2015)	20.0
• Tranche 2 (June 2016)	56.5
Total private placement	76.5
Pre-admission placement (June 2016)	11.3
Novartis convertible loan	3.5
TOTAL GROSS PROCEEDS	91.3
Fees	(4.8)
TOTAL NET PROCEEDS	86.5

- Financed through three key value inflection points: BPS-804 Part A data (expected H1 2018), BGS-649 Phase 2b data (expected H2 2017) and BCT-197 Phase 2 data (expected H2 2017)

Financial summary – H1 2016

	6 months ended 30/6/16 £m	Period ended 30/6/15 £m	Period ended 31/12/15 £m
Research & development expenses[1]	(11.1)	-	(5.4)
General & administrative expenses[2]	(5.8)	-	(7.7)
Operating loss	(16.9)	-	(13.2)
Taxation	2.2	-	1.0
Loss for the period	(14.7)	-	(12.2)
Opening cash	12.2	-	-
Operating cashflows	(10.5)	-	(6.7)
Investing cashflows	-	-	(0.2)
Financing cashflows[3]	68.5	-	19.1
Closing cash	70.2	-	12.4

[1] Includes non-cash SBP-related charge of £1.1 million
[2] Includes non-cash SBP-related charge of £4.2 million and currency gain of £1.2 million
[3] Certain fees related to fundraising which were expenses in the period ended 31/12/15

Summary

Summary

- Key milestones delivered for all three programmes
  - Two Phase 2 studies commenced within nine months of acquiring programmes
  - Orphan Drug Designation achieved in US and EU for BPS-804 in OI
  - Submitted package to the regulator for BPS-804 registration study
- Financial position strengthened following £14.8 million private placement
  - Total funds raised >£90 million in less than 12 months
- AIM listing facilitates potential future fundraising and product acquisition
- Business development activities ongoing with a view to expanding portfolio
  - Particular focus on rare/orphan diseases
- Well positioned to continue to deliver according to strategic objectives

Questions?

Introducing the Mereo leadership team

Strong management team

Dr. Denise Scots-Knight
CEO
Co-Founder

Dr. Alastair MacKinnon
CMO
Co-Founder

Charles Sermon
General Counsel
Co-Founder

Richard Bungay
CFO & COO

John Richard
Head of Corporate Development
Co-Founder

Experienced board of directors

Dr. Peter Fellner (Chairman)
- Chairman Ablynx, Vernalis, Consort Medical
- Ex CEO of Celltech, Roche UK

Dr. Anders Ekblom (Chair – Remuneration Committee)
- Two decades at AstraZeneca, including EVP, Global Drug Development, and CEO AstraZeneca Sweden

Paul Blackburn (Chair – Audit and Risk Committee)
- Ex SVP and Financial Controller at GlaxoSmithKline

Dr. Frank Armstrong (SID; Chair – R&D Oversight Committee)
- Ex CEO of biopharma companies including CuraGen and Fulcrum Pharma
- Chairman of Summit, Redx and Faron pharmaceuticals

Kunal Kashyap
- Allegro Capital Advisors
- Independent director at GlaxoSmithKline Consumer Healthcare India

Peter Bains
- CEO of Sosei and former CEO of Syngene
- Previous senior commercial roles at GlaxoSmithKline