Vanda Pharmaceuticals Inc.

2012 Corporate Presentation



Forward-Looking Statement

Various statements in this presentation are "forward-looking statements" under the securities laws. Words such as, but not limited to, "believe," "expect," "anticipate," "estimate," "project," "intend," "plan," "target," "likely," "will," "would," and "could," or the negative of these terms and similar expressions or words, identify forward-looking statements. Forward-looking statements are based upon current expectations that involve risks, changes in circumstances, assumptions and uncertainties. Important factors that could cause actual results to differ materially from those reflected in the company's forward-looking statements include, among others: the extent and effectiveness of the development, sales and marketing and distribution support Fanapt® receives; Vanda's ability to successfully commercialize Fanapt® outside of the U.S. and Canada; delays in the completion of Vanda's and its partners' clinical trials; a failure of Vanda's products, product candidates or partnered products to be demonstrably safe and effective; Vanda's failure to obtain regulatory approval for its products, product candidates or partnered products or to comply with ongoing regulatory requirements; a lack of acceptance of Vanda's products, product candidates or partnered products in the marketplace, or a failure to become or remain profitable; Vanda's expectations regarding trends with respect to its revenues, costs, expenses and liabilities Vanda's inability to obtain the capital necessary to fund additional research and development activities; Vanda's failure to identify or obtain rights to new products or product candidates; Vanda's failure to develop or obtain sales, marketing and distribution resources and expertise or to otherwise manage its growth; limitations on Vanda's ability to utilize some or all of its prior net operating losses and research and development credits; a loss of any of Vanda's key scientists or management personnel; losses incurred from product liability claims made against Vanda; a loss of rights to develop and commercialize Vanda's products or product candidates under its license and sublicense agreements and other factors that are described in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of Vanda's most recent annual or quarterly report filed with the SEC and available on the SEC's website at www.sec.gov. In addition to the risks described above and in Vanda's annual and guarterly reports, other unknown or unpredictable factors also could affect Vanda's results. There can be no assurance that the actual results or developments anticipated by Vanda will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on Vanda. Therefore, no assurance can be given that the outcomes stated in such forward-looking statements and estimates will be achieved.

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Vanda Company Vision

CNS Specialty Company

Development and Commercial Capabilities

Address Unmet Medical Needs



Vanda Investment Highlights

Late Stage CNS Pipeline

Tasimelteon – A Circadian Regulator

- Proof of Mechanism established to "reset" body clock
- Phase III: Non-24-Hour Disorder (N24HD)
- Phase IIb/III: Major Depressive Disorder (MDD)

First Commercial Product Launched in 2010 in US

Fanapt® - An Atypical Antipsychotic

- Oral approved in the US for Schizophrenia
- ROW regulatory submissions & partnering ongoing
- Long-Acting Injectable development ongoing

Strong Core Capabilities

- Clinical and pharmacogenetic expertise
- Deep science and industry experience
- Significant financial resources

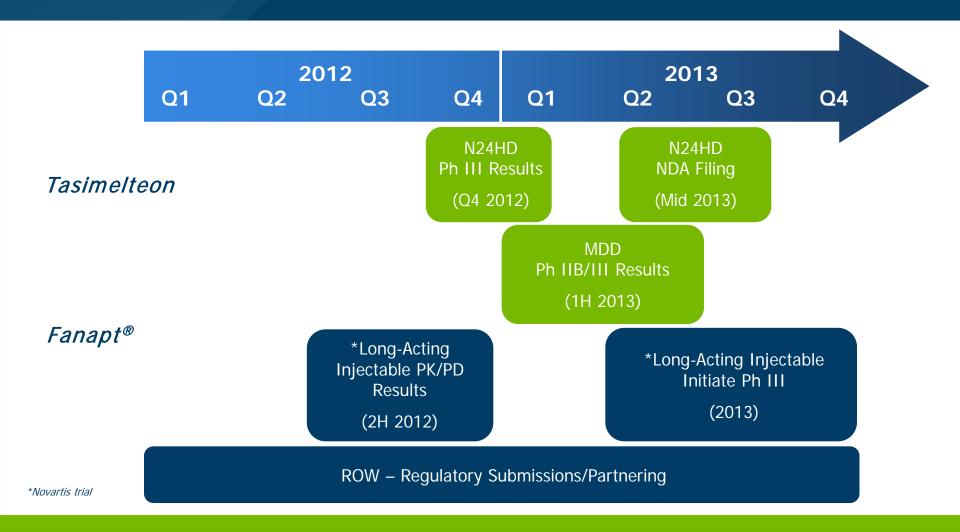


Vanda Product Pipeline





Significant 2012-2013 Milestones





Tasimelteon

A Circadian Regulator



Tasimelteon Overview

- Unique Molecular Mechanism of Action
 - Melatonin 1 (MT1) agonist
 - Melatonin 2 (MT2) agonist
- Circadian Regulator
 - Circadian Phase Shift effects Ability to "reset" the body clock
- Initial Indications in Development
 - Non-24-Hour Disorder (N24HD)
 - Major Depressive Disorder (MDD)



Tasimelteon

Non-24-Hour Disorder



Non-24-Hour Disorder Facts

- Granted Orphan Status as prevalence in US is 65,000 95,000 patients;
 occurs almost entirely in blind subjects with no light perception
- Affected person's body clock will "free run" slightly longer than 24 hours without environmental input, causing severe misalignment with 24-hour social clock
- Misalignment may be incompatible with normal social and occupational functioning
- Unmet medical need as there are no available drug products that can reset the body clock and no others currently in development

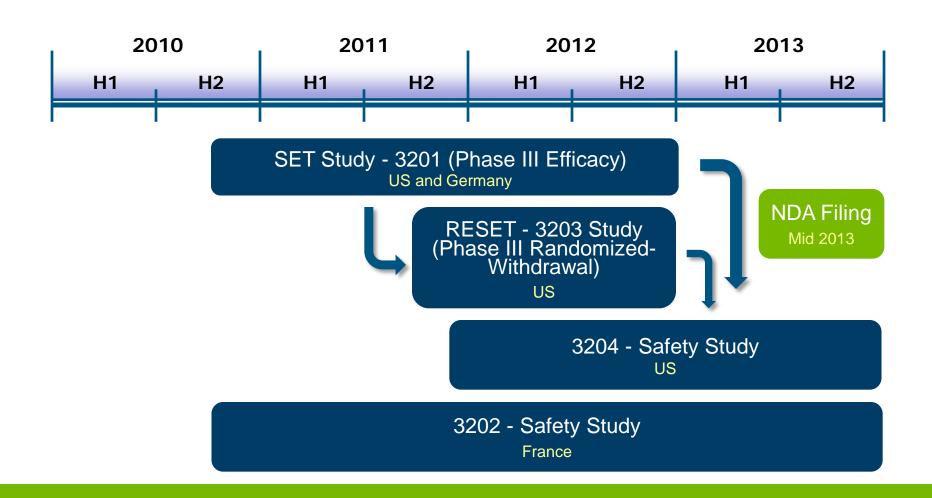


Non-24-Hour Disorder Clinical Development Program

- Largest program conducted to evaluate effects in resetting body clock in Non-24-Hour Disorder; significantly exceeds any published work in N24HD
- Two main efficacy studies: SET and RESET
- First responders to tasimelteon identified and randomized in RESET, providing definitive proof of mechanism that tasimelteon can reset the body clock in N24HD; spontaneous re-setting is not expected
- First time that a candidate drug product has shown body clock resetting properties in patients with Non-24-Hour Disorder



Tasimelteon - N24HD Clinical Development Plan





Tasimelteon - Phase III Efficacy Study (SET)

Sites	31 Sites: 25 US and 6 Europe							
Enrollment	~ 100							
Design	Evaluate efficacy & safety of tasimelteon in patients with Non-24-Hour Disorder							
	Randomized, double-masked							
	Two dosing arms (placebo, 20 mg tasimelteon)							
Endpoints	Primary*							
	Entrainment: Ability to reset the body clock & maintain a 24-hour clock							
	Nighttime Total Sleep Time (nTST)							
	Secondary							
	Total Daytime Nap Time							
	Clinical Global Impression of Change (CGI-C)							

^{*} Under discussion with the US FDA



Tasimelteon - Phase III Efficacy Study (RESET)

Sites	Up to 20 US Sites
Enrollment	N = 20
Design	Evaluate efficacy & safety of tasimelteon in patients with Non-24-Hour Disorder
	Randomized withdrawal design, double-masked
	 ~ 12 week open label phase (20 mg tasimelteon)
	Two dosing arms during double-masked phase (placebo, 20 mg tasimelteon)
Endpoints	Primary*
	 Demonstrate the maintenance effect of tasimelteon to entrain circadian rhythms in patients with N24HD
	Secondary
	 Assessment of withdrawal symptoms after a minimum of three months of tasimelteon treatment using the Benzodiazepine Withdrawal Symptom Questionnaire (BWSQ)

^{*} Under discussion with the US FDA



Tasimelteon – Market Opportunity

- Initial clinical data has demonstrated that tasimelteon is a unique and differentiated circadian regulator which may help treat patients suffering from Non-24-Hour Disorder
- Total worldwide market potential in Non-24-Hour Disorder up to \$500M¹

Potential to expand into broader CRSD market

Over 65M US Patients with CRSD¹

Shift Work Sleep Disorder

Delayed Sleep Phase Syndrome

Jet Lag

13M Patients

16M Patients

36M Patients

1. Vanda Estimate



Tasimelteon

Major Depressive Disorder



MDD Market Overview

- Sales in the seven major markets¹ were approximately \$10.9B in 2010²
- In 2010, products prescribed in combination generated sales of \$7.0B and products used as monotherapy had sales of \$3.9B²
- By 2020 the market is forecast to grow to \$14.0B (CAGR 2.5%)²
- New product launches will offset increasing generic erosion

Significant unmet need despite existing treatments 2/3 of patients experience partial responses 3



^{1.} Seven major markets include US, Japan, France, Germany, Italy, Spain and the UK

^{2.} Data monitor, September 2011;

^{3.} Am J Psychiatry, 2006, Jan; 163 (1): 28-40

Tasimelteon – Major Depressive Disorder

- Circadian Mechanism Suspected in Major Depressive Disorder
 - Phase advance theory of depression
 - Diurnal variation of symptoms
 - Light therapy in seasonal affective disorder
- Tasimelteon: Proof of concept Positive in animal model of depression
- Valdoxan®: MT1/MT2 agonist approved in EU for MDD



Tasimelteon - Potential* for Superior Profile

Efficacy

- Addresses a novel mechanism of depression symptoms
- Demonstrated ability to "reset" the body clock
- Treat the co-morbid symptoms of insomnia

Convenience Onset of Action

- Once daily, bedtime dosing
- Immediate effect on circadian rhythm
- Early onset of clinical effect possible

Safety Profile

- Short 2.5 hour half-life reduces continuous exposure
- No sexual side effects, weight gain, activation, akathisia
- Safe for chronic use, not a controlled substance



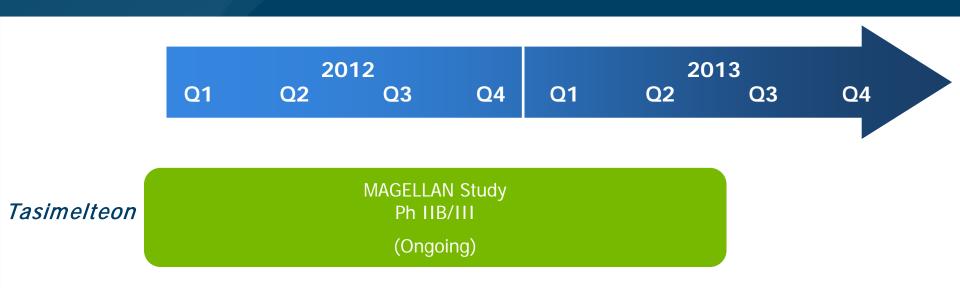
^{*} Potential refers to target product profile; not necessarily yet demonstrated

Tasimelteon – MDD Efficacy Study (MAGELLAN)

Sites	40 Sites
Enrollment	~ 500
Design	Evaluate efficacy & safety of tasimelteon in patients with MDD
	Randomized, double-masked
	 Two dosing arms (placebo, 20 mg tasimelteon)
Endpoints	<u>Primary</u>
	Hamilton Depression Scale (HAMD-17)
	<u>Secondary</u>
	Efficacy: MADRS, CGI-S, HAM-A
	Sleep: LSEQ, Actigraphy
	Circadian Misalignment: melatonin secretion
	Quality of Life: SDS
	 Safety: AEs, Labs, ECG, suicidality (C-SSRS), sexual functioning (ASEX)



Significant MDD 2013 Milestone



Results (1H 2013)



Tasimelteon - Intellectual Property

Exclusive, Worldwide Rights Acquired from BMS

Tasimelteon⁽¹⁾ December 2017 (2022)⁽²⁾ Approval + 10 Years⁽³⁾

VXB-269⁽¹⁾
(follow-on compound) 2020 (2025)⁽²⁾ Approval + 10 Years⁽³⁾



^{1.} NCE Patent

^{2. 5-}year Hatch-Waxman extension in US

^{3.} Eligible for up to 10 years commercial exclusivity in the EU

Fanapt® (iloperidone)





An atypical antipsychotic agent for the treatment of schizophrenia in adults



Fanapt® Overview

- Schizophrenia Market Overview
- Fanapt® oral formulation
- Fanapt[®] long-acting injectable formulation
- Fanapt® franchise Intellectual Property



Schizophrenia Market Overview

- The schizophrenia category across the seven major markets¹ grew to an estimated \$5.7B in 2010²
- Unmet needs in the market include:
 - Improved side effect profile
 - Enhanced patient compliance
 - Treatment of cognitive and negative symptoms
 - Solutions for partial responders and refractory patients



^{1.} Seven major markets include US, Japan, France, Germany, Italy, Spain and the UK

^{2.} Data Monitor - Pipeline and commercial Insight: Schizophrenia, October 2010

Fanapt® Oral Formulation Status

- US FDA approval May 6, 2009 for schizophrenia in adults
- Partnered with Novartis for US and Canada
 - Vanda receives a low double digit royalty on US & Canada net sales
 - \$265M in potential outstanding development and sales-based milestones
- Prescriptions in the US more than doubled to approximately 120K in 2011 as compared to 2010 (IMS)
- On preferred drug list (PDL) or unrestricted in >90% of state formularies



Fanapt® ROW Update

Vanda has full commercial rights for Fanapt® outside of the US and Canada

Filed for Approval

Europe July 2011

Argentina July 2011

Israel May 2011

Mexico December 2011



ROW Partners

Argentina - Biotoscana

Israel - Megapharm

Mexico - Probiomed



Fanapt® Long-Acting Injectable

- Long-Acting Injectable Formulation
 - Once a month formulation to address non-compliance
 - Prior Phase I/II study supports further development
 - Less crowded commercial market as compared to oral market
 - Novartis responsible for development and US/Canada commercialization
 - Vanda retained rights for ROW



Fanapt® Long-Acting Injectable

Efficient path to market

PK/PD Study



Phase III Study



FDA/EMA Filing

Study Goal:

Evaluate the safety and PK profiles of two longacting formulations

Study Profile:

Expect single efficacy study to support filing in the US; addition of a longterm maintenance study to support EU filing

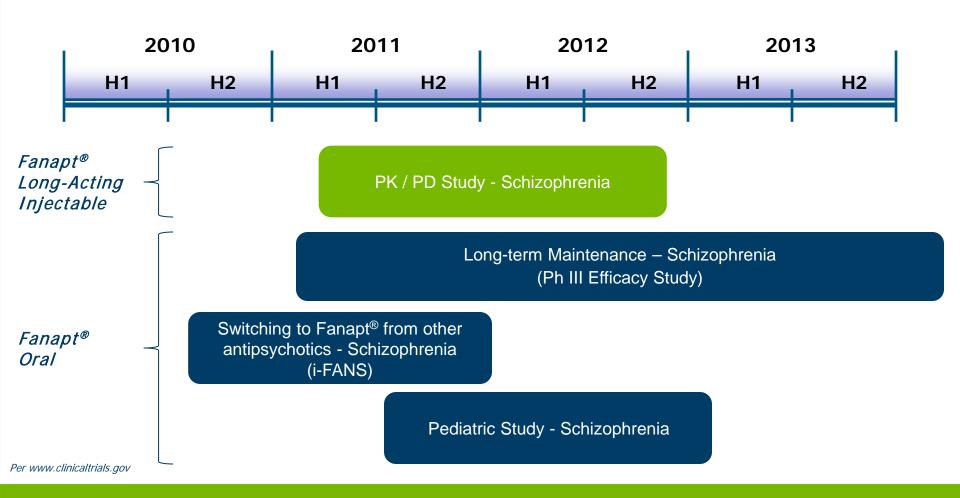
Filing Roles:

Novartis files in US/Canada Vanda files in EU/ROW

PK/PD Study Initiated by Novartis in April 2011 Results expected end of 2012



Novartis Fanapt® Studies





Fanapt® Franchise Intellectual Property

Fanapt® Oral⁽¹⁾ Mid 2017⁽²⁾ Approval + 10 Years

Fanapt® Long-acting injectable⁽³⁾

Microspheres 2024 2022

Crystals 2023⁽⁴⁾ 2023



^{1.} New Chemical Entity Patent (NCE)

^{2.} Includes full 5 year Hatch Waxman and assumes 6 month Pediatric extension

^{3.} Formulation patent. PK/PD study will enable choice of formulation

^{4.} Patent pending

Financial Summary

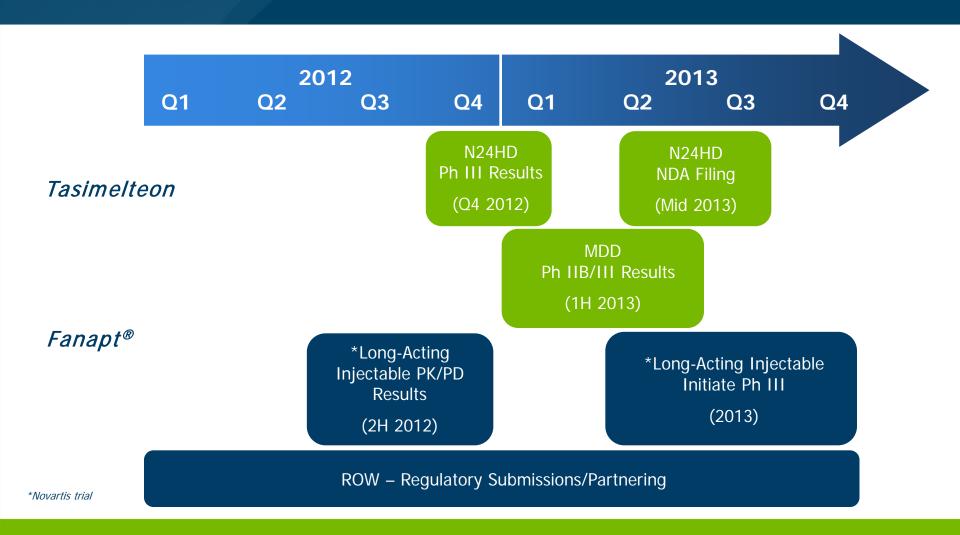


Financials – 2011 Results

	FY 2011	
Licensing Agreement ¹	\$26.8M	
Royalty Revenue	\$4.5M	
Revenue	\$31.3M	
Research & Development	\$29.0M	
General & Administrative	\$11.5M	
Intangible Asset Amortization	\$1.5M	
Operating Expense	\$42.0M	
Net Loss	(\$9.8M)	
Cash	\$167.9M	1.



Significant 2012-2013 Milestones





Vanda Pharmaceuticals Inc.

