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H1 2008 Results Presentation

28 August 2008

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Chief Executive Officer

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SkyePharma reports under IFRS. Where US dollar equivalents have been provided for convenience in this presentation, exchange rates used in the relevant financial statements have been used. Where the information is not extracted from the financial statements a rate of $1.9954 = £1 has been used throughout. These dollar equivalent numbers do <u>not</u> imply restatement from IFRS to US GAAP.

Key Messages

- Revenues up 44%
- Substantial reduction in losses
- Good progress with Flutiform™
    - NDA filing expected Q1 09
- Further growth from approvals and launches of other products
- Good progress on renegotiating convertible bonds

Recent Achievements

- Significant progress with Flutiform™ development:
  - Three Ph III efficacy studies for NDA filing met primary end points
  - One paediatric and two adult Ph III EU efficacy studies met primary end points
  - Final efficacy study for NDA is fully recruited
- Outlicensed Flutiform™ for Japan to Kyorin
- Approvals and launches:
  - Requip® XL™ in US
  - Requip® Once-a-day in 23 countries in Europe
  - Sular (new formulation) in US
  - Pulmicort® HFA-MDI further roll-out
- Partnerships
  - Feasibility agreement with Dr Reddy's on SKP-2045
- Good progress on convertible bonds – announcement expected shortly

H1 2008 Results Summary

£ m	H1 2008	H1 2007
Continuing Business:		
Revenue	28.4	19.7
R&D spend	10.6	13.8
Operating loss (pre excep)	(2.2)	(8.8)
Continuing and Discontinued Operations:		
Net Loss after tax	(6.8)	(19.6)

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Operations
Dr Ken Cunningham
Chief Operating Officer

12 Approved Products

LICENSEE / PARTNER	PRODUCT	GENERIC	PRIMARY INDICATION	MARKETED
ORAL				
GlaxoSmithKline	Paxil CR™	paroxetine	Depression	✓
	Requip® Once-a-day	ropinirole	Parkinson's disease	✓
sanofi-aventis	Xatral® OD/ Uroxatral®	alfuzosin	BPH (urinary symptoms)	✓
Sciele Pharma	Triglide™	fenofibrate	Lipid disorders	✓
	Sular™ (Geomatrix™)	nisoldipine	Hypertension	✓
Roche	Madopar DR®	levodopa + benserazide	Parkinson's disease	✓
Critical Therapeutics	ZYFLO CR™	zileuton	Asthma	✓
Therabel	Coruno®	molsidomine	Angina	✓
Ratiopharm	diclofenac-ratiopharm-uno	diclofenac	Pain/inflammation	✓
INHALATION				
AstraZeneca	Pulmicort® HFA -MDI	budesonide	Asthma	✓
Novartis	Foradil® Certihaler™	formoterol	Asthma	
TOPICAL				
Nycomed / Almirall	Solaraze®	diclofenac	Actinic keratosis	✓

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Development Pipeline

Licensee/ Partner	Product	Active	Primary Indication	Feasibility	Ph I	Ph II	Ph III	Filed
ORAL								
Nitec	Lodotra™	prednisone	Rheumatoid arthritis					
Somnus	SKP-1041	undisclosed	Sleep disorders					
Available	SKP-1032	undisclosed	Pain/inflammation					
INHALATION								
Abbott US	Flutiform™	formoterol fluticasone	Asthma					
Mundipharma Europe	Flutiform™	formoterol fluticasone	Asthma					
Kyorin Japan	Flutiform™	formoterol fluticasone	Asthma					
PRE-CLINICAL								
Dr. Reddy's Laboratories	SKP-2045	undisclosed	undisclosed					

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Flutiform™ Opportunity

- Asthma/COPD treatment market
  - Large, growing market
  - In 2007, total market for Asthma/COPD was US$28.8bn
- ICS/LABA combinations
  - Total ICS/LABA sales (2007): approx. US$8.6bn
    - GSK's Advair® growing at 10% CER
    - AZ's Symbicort® growing at 22% CER
  - SkyePharma forecasts market size to be at least US$10bn by 2010
- Company targets c.10% market share

Inhaled Corticosteroid/Long-acting Beta Agonist Combinations (US)

Product	ICS	LABA	Inhaler	Status in US
Advair® GSK	**Fluticasone**	Salmeterol	DPI/MDI	Marketed
Symbicort® AZ	Budesonide	**Formoterol**	MDI	Marketed
Flutiform™ ABT	**Fluticasone**	**Formoterol**	MDI	Ph III
MFF258 SGP-NVS	Mometasone	**Formoterol**	MDI	Ph III

- Flutiform™ has most commonly prescribed ICS, in combination with fast onset LABA

Flutiform™ - US Phase III Studies

- Phase III open-label long-term safety study
  - Completed with 472 patients enrolled for 6 or 12 months
  - Dr E Beck (author ATS poster): "Results suggest that long term treatment … with Flutiform™… will be a safe therapy."
- Core Phase III efficacy studies (3)
  - Study 002 (357 patients) in mild to moderate asthma met all primary endpoints
  - Study 004 (557 patients) in moderate to severe asthma met all primary endpoints
  - Study 001 (475 patients) in mild to moderate asthma met all primary endpoints
- Additional work required by FDA is ongoing
  - Additional clinical efficacy study (438 patients) now fully recruited
  - HPA Axis study (171 patients)
  - Pharmacokinetic study (36 patients) complete
  - Studies on track to file NDA in US in Q1 '09
- Target launch in US: 2010

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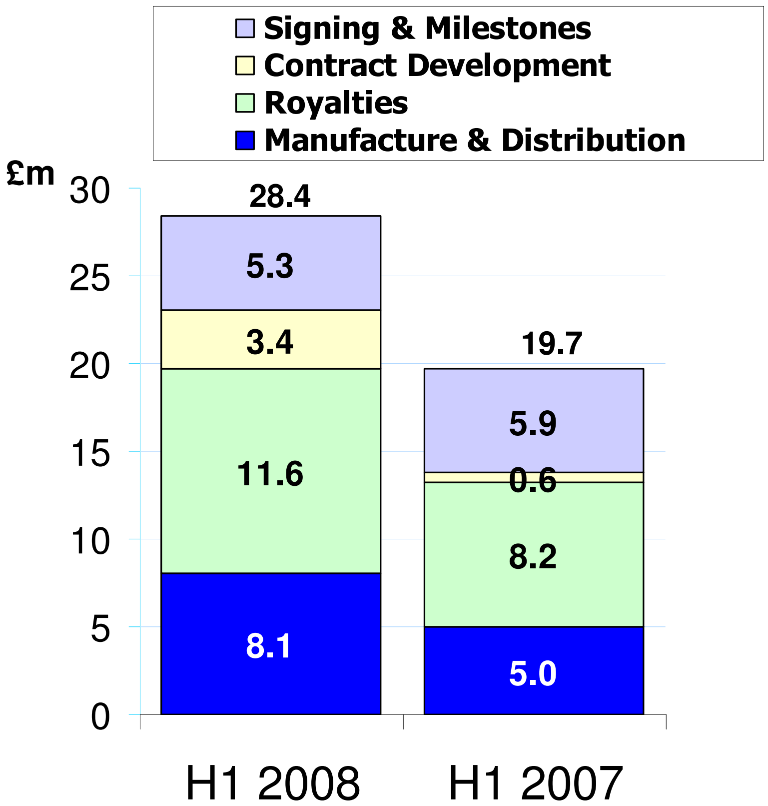
Flutiform™ - EU Phase III Studies

- Two open-label studies – primary end points met
  - Flutiform™ vs. Seretide (182 patients)
  - Flutiform™ vs. individual components given concurrently (196 patients)
- Paediatric study complete (211 patients)
  - Top line study results demonstrate non-inferiority to Seretide
- High dose strength
  - Additional double-blind study (over 400 patients) commenced
  - CMC work ongoing
- Mundipharma changed MAA filing strategy:
  - Previous plan was to file lower and middle dose strengths around end of 2008
  - New plan is to file for all three dose strengths in Q3 '09 to pull forward launch of higher dose strength and supplement the MAA
  - MAA for paediatric indication likely to follow MAA for adult indication
- Target launch EU: 2010

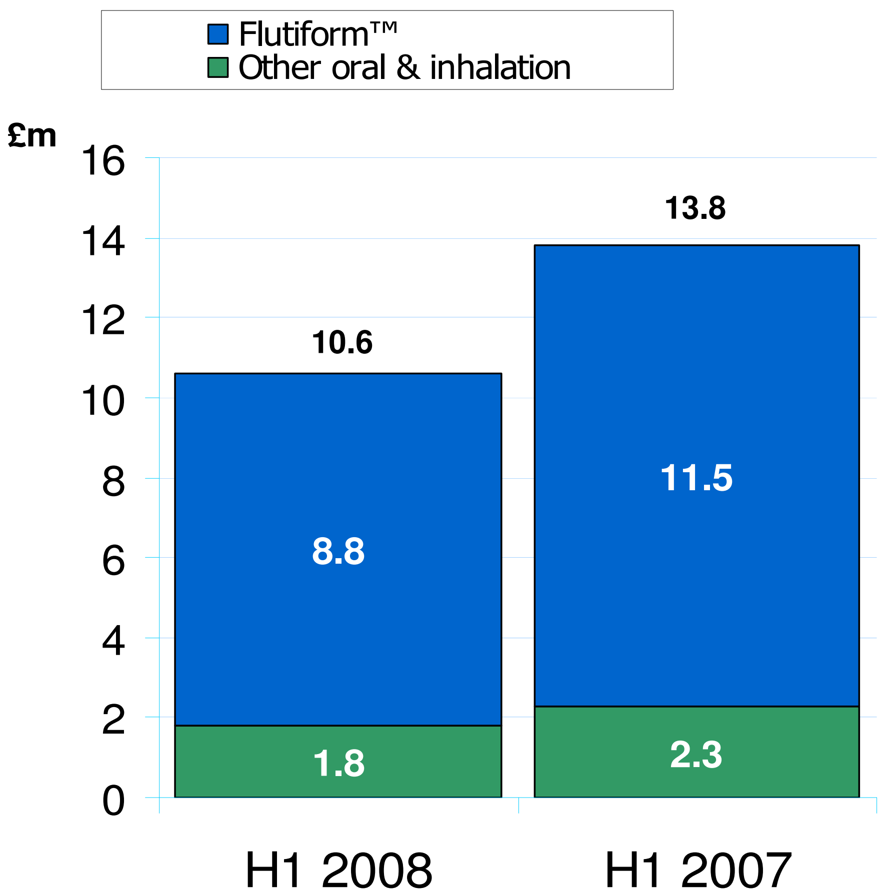
Financials
Peter Grant
Finance Director

Revenues



- Revenues up by 44%
- Signing and milestones
  - Down £0.6m – mainly reduced release of deferred revenue on Flutiform™
  - Deferred revenue balance now £13.3m (2007: £13.0m)
- Contract development up £2.8m
  - Includes charges to Abbott
- Royalties up £3.4m
  - Launch of Sular®, Pulmicort® and Requip®
- Manufacturing & distribution up £3.1m
  - Implemented Sular® line
  - Includes £2.9m (2006: £2.5m) contribution from Novartis re Foradil® capacity

R&D Expenses



- Continued spend mainly on Flutiform™
- Estimated R&D spend on Flutiform™ for US filing of: c. £7.7m ($15.4m)
- Emphasis moving to collaborative development with contributions by partners

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2008 Results

£'m	2008 H1	2007 H1	2007 FY
Continuing Business:			
Revenue	28.4	19.7	41.6
Cost of sales	(11.3)	(7.4)	(16.1)
Gross Profit	17.1	12.3	25.5
R&D Expenses	(10.6)	(13.8)	(25.2)
Amortisation and impairment	(1.2)	(0.3)	(2.7)
Selling, marketing and administration	(7.5)	(7.0)	(13.3)
Operating Loss	(2.2)	(8.8)	(15.7)
Net finance costs	(1.8)	(5.3)	(8.0)
Tax	(0.4)	(0.1)	(0.3)
Loss after tax (pre excep)	(4.4)	(14.2)	(24.0)
Exceptionals	(2.4)	-	-
Discontinued Operations	-	(5.4)	(3.0)
Loss for the year	(6.8)	(19.6)	(27.0)

EPS (pence): Continuing Business	(0.8)p	(1.8)p	(3.1)p
EPS (pence): Continuing + Discont	(0.8)p	(2.5)p	(3.5)p

- Margins remain similar
- Amortisation costs up
  - £1.0m impairment of goodwill re IDD®
- Selling, marketing and administration up due to exchange rates. At constant rates down slightly
- Net finance costs down
  - £4.3m gain on exchange translation
- Exceptionals
  - £2.4m incurred re bonds

Finance Costs

£'m	H1 2008	H1 2007	FY 2007
Continuing Business:			
Finance costs:			
Interest:			
Bank borrowings	(0.2)	(0.1)	(0.4)
Paul Capital	(1.2)	(1.4)	(2.6)
Convertible bonds	(3.2)	(3.1)	(6.3)
CRC Finance	(2.1)	(1.2)	(3.1)
	(6.7)	**(5.8)**	**(12.4)**
Finance income:			
Other interest income	0.6	0.6	1.6
	0.6	**0.6**	**1.6**
Net finance costs pre exchange	**(6.1)**	**(5.2)**	**(10.8)**
Exchange Translation	4.3	(0.1)	2.8
Net finance costs	**(1.8)**	**(5.3)**	**(8.0)**

- Finance costs increased:
  - CRC loan fully drawn down
- Interest income from cash investments
- Underlying net finance costs £6.1m
- Exchange translation gain £4.3m – mainly due to lower US$

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Cash Flow

£'m **H1 2008 Cash Flows**	**Total**
Operating cash flow	(1.5)
Capex	(2.5)
Net interest	(5.9)
Debt repaid	(1.2)
Other	0.7
Total cash flow	**(10.4)**
Liquidity at 30 June 2008	**22.8**

- Continuing investment in Flutiform™ R&D
- Capex:
  - Investment in facilities (Lyon and Muttenz)
  - Flutiform™ supply chain
- Interest on net debt
- Scheduled repayment of Swiss mortgage, Paul Capital and CRC debt

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Net Debt

£'m	H1 2008	FY 2007
Convertible bonds*	89.6	89.6
Paul Capital liabilities (NPV)	20.0	21.0
CRC liability	37.7	36.2
Property mortgage	6.9	6.4
Other	1.4	1.1
Total debt*	**155.6**	**154.3**
Less cash & cash equivalents	(21.6)	(31.9)
Net debt*	**134.0**	**122.4**

* Convertible bonds stated at face value

Liquidity

Cash and cash equivalents plus undrawn facilities	**22.8**	**33.1**

- Convertible bonds:
  - £69.6m (6%, 2024, 95p, put date May 2009)
  - £20m (8%, 2025, 58p, put date June 2010)
- Liquidity at June '08: £22.8m

Management Changes

- Frank Condella will step down as CEO on completion of convertible bonds renegotiation and will move to Non-Executive Director
- Ken Cunningham will be appointed as CEO having been COO since April 2006
- Peter Grant continues as CFO having been appointed in November 2006

Expected Newsflow

	Est. Timing
• Convertible bonds renegotiation	Shortly
• Flutiform™	
• Completion and results on additional clinical work for FDA	Q4 '08
• NDA filing by Abbott	Q1 '09
• Potential approvals	
• Lodotra™ (EU approval) – launch by Merck KGaA in Germany	Q4 '08
• Partnerships	
• Update on development collaboration with Dr Reddy's	Q4 '08
• Potential marketing partner for Foradil® Certihaler™ in the US	End '08
• Further collaborative development deals	TBA

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Summary

- Flutiform™ – potential blockbuster product in late Phase III
- Exciting prospects for growth once Flutiform™ is approved
- Convertible bonds announcement expected shortly

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