



Annual Results 2009

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Key Events

- Flutiform™
 - EMAA in process of being filed
 - Complete response received from US FDA
 - Japan Phase II studies on track
 - Discussions on Canada, Latin America partnerships continue
- Lodotra™ launched in Germany, approved in 13 European countries; US NDA expected Q3 2010
- Royalty revenues boosted by Solaraze®, Requip®
- Restructuring of Lyon & Muttenz operating facilities generating annualised £2m cost savings
- Formulation work commenced on SKP-1052 for diabetes



2009 Results Overview

| | 2009 | 2008 |
|----------------------------|-------------|-------------|
| | £m | £m |
| Revenue | 55.9 | 62.2 |
| Net R&D expenditure | 10.3 | 17.1 |
| Pre excep operating profit | 15.1 | 10.9 |
| EBITDA (pre-excep) | 18.6 | 16.3 |
| Exceptional items (net) | (1.4) | (28.5) |
| Net loss after tax | (1.4) | (28.7) |

- Revenues
 - In line with expectations
 - Lower milestones
 - 2008 included £6.2m non-recurring manufacturing revenue
- Pre-exceptional operating profit £15.1m
 - Reduced costs across the Group
- EBITDA (pre-excep)
 - Second year of strong EBITDA



12 Marketed Products Worldwide

| Product | Primary Indication | Licensee / Partner |
|------------------------------------|-------------------------------|---------------------------------------|
| INHALATION | | |
| Pulmicort® HFA MDI | Asthma | AstraZeneca |
| ORAL | | |
| Xatral® OD/ Uroxatral® | BPH (urinary symptoms) | sanofi-aventis |
| Requip® Once-a-day | Parkinson's disease | GlaxoSmithKline |
| Paxil CR™ | Depression | GlaxoSmithKline |
| Triglide® | Lipid disorders | Sciele Pharma (Shionogi) |
| Sular™ | Hypertension | Sciele Pharma (Shionogi) |
| Madopar DR® | Parkinson's disease | Roche |
| ZYFLO CR® | Asthma | Cornerstone Therapeutics |
| Coruno® | Angina | Therabel |
| diclofenac-ratiopharm® -uno | Pain/inflammation | ratiopharm |
| Lodotra™ (EU) | RA joint stiffness | Nitec (Merck KGaA/Mundipharma) |
| TOPICAL | | |
| Solaraze® | Actinic keratosis | Nycomed / Almirall |



Established Products (2009 Sales)

- Solaraze® (Nycomed/Almirall)
 - U.S. net sales c. US\$60.5m (£37.3m), up 59%
 - Sales in EU and other territories €24.3m (£21.6m), up 44%
- Xatral®/Uroxatral® (sanofi-aventis)
 - Total sales €296m (£266.2m), down 8.5%
 - Generic competition in EU (down 29%)
 - U.S. sales up 16% - ANDAs filed by competitors
- Paxil CR™ (GSK)
 - Sales £54.0m (down 41%)
 - Generic competition

All figures at constant exchange rates



Products with Recent Launches

- Requip® Once-a-day (GSK)
 - Approved in 44 countries
 - Now launched in Europe & U.S.
 - Sales £123.0m – up from £43.0m in 2008
 - ANDA filings by competitors in U.S. but data exclusivity until June 2011
- Pulmicort® HFA-MDI (AstraZeneca)
 - Approved and launched to replace CFC version in 35 countries
- Lodotra™ (Nitec)
 - German launch (Merck KGaA) in April 2009
 - Approved in 13 European countries
 - EU distribution agreement with Mundipharma (ex. Germany, Austria)
 - Launch expected in Scandinavia and Benelux in 2010



Development Pipeline

| Product | Primary Indication | Pre-clin | Ph I | Ph II | Ph III | Under Review | Licensee / Partner |
|-------------------|--------------------|------------|------------|------------|------------|--------------|--------------------|
| INHALATION | | | | | | | |
| Flutiform™ | Asthma | ██████████ | ██████████ | ██████████ | ██████████ | ██████████ | Abbott (US) |
| Flutiform™ | Asthma | ██████████ | ██████████ | ██████████ | ██████████ | ██████████ | Mundipharma (EU) |
| Flutiform™ | Asthma | ██████████ | ██████████ | ██████████ | | | Kyorin (Japan) |

| | | | | | | | |
|-------------|--------------------|------------|------------|------------|--|--|------------|
| ORAL | | | | | | | |
| Lodotra™ | RA joint stiffness | ██████████ | ██████████ | ██████████ | | | Nitec (US) |
| SKP-1041 | Sleep maintenance | ██████████ | ██████████ | | | | Somnus |
| SKP-1052 | Diabetes | ██████████ | | | | | |



Flutiform™ - Significant Opportunity

- Metered Dose Inhaler (HFA propellant)
- Fixed dose combination of LABA (formoterol) and ICS (fluticasone)
- Proprietary formulation technology
- Actuator with dose counter
- Potential to provide an important new treatment option





Inhaled Corticosteroid/Long-acting Beta Agonist Combinations (U.S.)

| 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 | Complete response |
| Dulera™ MRK | Mometasone | Formoterol | MDI | Under FDA review |

Flutiform™ combines the most commonly prescribed ICS with fast onset LABA



Flutiform™ - Partnerships

| Partner | Region | Status | Royalties |
|-------------|---------------------------------|-------------------|-----------------------|
| Abbott | US | Complete response | 15% and escalating* |
| Mundipharma | RoW (ex. Japan and Americas) | Phase III | 10% and escalating* |
| Kyorin | Japan | Phase II | High mid-single digit |

*Subject to deductions for recovery of certain costs



Flutiform™ - Europe

- EMAA filing in progress - March 2010
- Primary end points met in Ph III studies (c.1,200 patients)
- Market size in top 5 European markets^{1, 2}
 - Total asthma/COPD mkt (2008): \$6.9b; projected (2018): \$9.9b
 - ICS/LABA combinations (2008): \$3.3b; projected (2018): \$5.2b
 - CAGR 2004-8: 9%; expected CAGR 2008-18: 15%
- Planning for launch in 2011

¹ Source: Datamonitor Commercial Insight: Asthma/COPD (June 2009)

² France, Germany, Italy, Spain, UK



Flutiform™ - U.S. Regulatory Status

- Complete response letter received 20 January 2010
- Number of substantive issues raised requiring additional clinical work
- Meeting with FDA to discuss scope of work required to achieve approval
- NDA transferred back to SkyePharma



Progress on Pipeline Products

- Lodotra™ (Nitec)
 - Rheumatoid arthritis joint stiffness (Geoclock™ technology)
 - Primary end points met in two Phase III pivotal trials
 - U.S. NDA filing targeted for Q3 2010
- SKP-1041 (Somnus)
 - Controlled release for sleep maintenance (Geoclock™ technology)
 - Somnus recently secured funding for Phase II studies
- SKP-1052
 - New pipeline product for diabetes
 - Formulation work underway



2010 Goals

- Flutiform™
 - Agree a plan to achieve Flutiform™ approval in the US
 - Support Mundipharma with registration process in Europe
 - Conclude partnerships for Canada and Latin America
 - Prepare for commercial manufacturing
- Early-stage research and development activity
 - Strengthen our early stage product pipeline
- Continue to seek new partnerships
 - Increased investment in business development

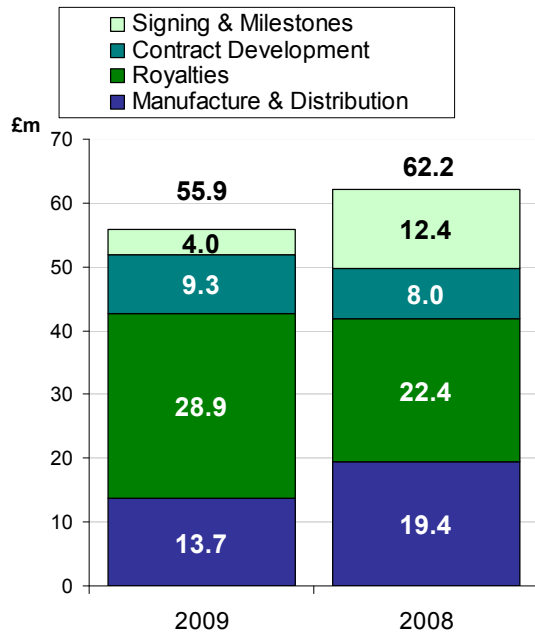


Financials

Peter Grant
Chief Financial Officer



Revenues



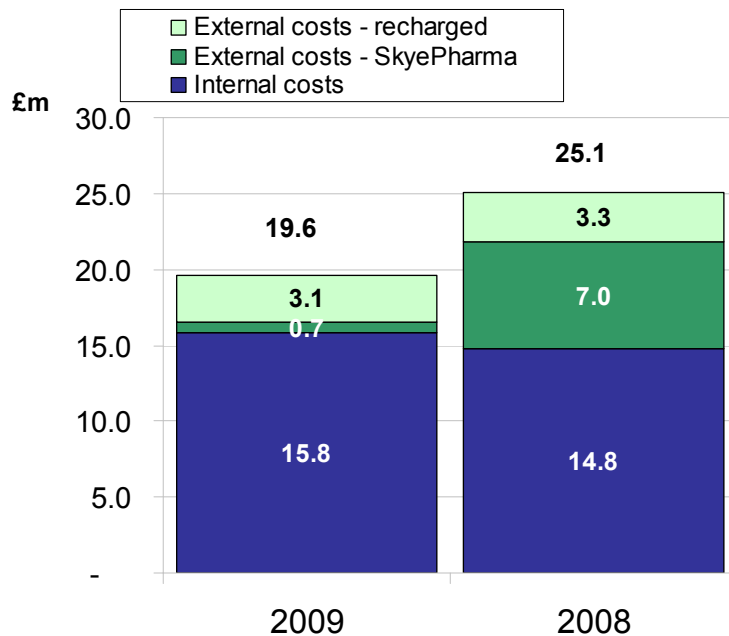
| | Growth - 2009 | |
|----------------------------|---------------|-------------|
| | % | CER% |
| Signing & milestones | -68% | -72% |
| Contract development | 16% | -13% |
| Royalties | 29% | 4% |
| Manufacture & distribution | -29% | -42% |
| Total | -10% | -27% |

- Milestones down £8.4m
 - Flutiform™ signing fees largely recognised in prior years
 - 2008 – one-off milestones received
- Contract development up £1.3m
 - Flutiform™ Europe and Japan development cost recharges
- Royalties up £6.5m
 - Beneficial exchange effect
 - Growth in Solaraze® and Requip®
 - Reductions in Paxil CR™ and Xatral®
- Manufacturing
 - Negotiated price increases
 - £6.2m non-recurring revenue in 2008



R&D Expenses

| | 2009 £m | 2008 £m |
|-----------------------|---------------|---------------|
| Contract R&D revenue | 9.3 | 8.0 |
| Internal R&D costs | (19.6) | (25.1) |
| Net investment | (10.3) | (17.1) |



- Net investment in R&D reduced to £10.3m (2008: £17.1m)
- Non-rechargeable external spend significantly lower as Group focuses on partnered developments
- Contract development contributed £6.2m towards internal cost base (2008: £4.7m)



Results

| £'m | 2009 | 2008 |
|------------------------------------------------|---------------|----------|
| Revenue | 55.9 | 62.2 |
| Cost of sales | (15.0) | (19.6) |
| Gross Profit | 40.9 | 42.6 |
| Selling, marketing and distribution | (1.9) | (1.5) |
| Research and development | (19.6) | (25.1) |
| Corporate costs | (2.9) | (3.5) |
| Amortisation | (0.6) | (0.7) |
| Share based payment charge | (0.8) | (0.8) |
| Other expenses | - | (0.1) |
| Pre-exceptional operating profit/(loss) | 15.1 | 10.9 |
| Pre-exceptional EBITDA | 18.6 | 16.3 |
| Loss for the year | (1.4) | (28.7) |
| EPS (pence) | (6.0)p | (247.4)p |

- Increased investment in sales and marketing
- R&D expenditure reduced
 - Flutiform™ phase III studies completed
 - Cost saving initiatives
- Corporate costs reduced
 - Lower staff costs
- EBITDA of £18.6m compares with net finance costs of £14.6m



Exceptional Items

| £'m | 2009 | 2008 |
|---------------------------------------|---------------|---------------|
| Exceptional credits | | |
| Foradil® Certihaler® termination | 5.1 | - |
| Exceptional accrual release | 4.7 | - |
| | 9.8 | - |
| Exceptional charges | | |
| Restructuring charges | (2.8) | (0.8) |
| Goodwill impairment | (5.7) | (19.5) |
| Other impairment | (2.7) | (0.8) |
| Foradil® Certihaler® asset write down | - | (5.9) |
| Aborted transaction costs | - | (1.5) |
| | (11.2) | (28.5) |

- Exceptional credits
 - £5.1m net gain - termination of Foradil® Certihaler®
 - £4.7m accrual release – upon finalisation of Flutiform™ clinical work costs
- Exceptional charges
 - £2.8m restructuring charge – France and Switzerland
 - Non-cash impairment charges of £8.4m on IDD® goodwill and intellectual property



Cash Flow

| £'m | 2009 | 2008 |
|--------------------------------|---------------|--------|
| Cash Flows | | |
| Operating cash flow | 16.8 | 4.5 |
| Capex | (5.2) | (4.3) |
| Net interest | (12.3) | (12.3) |
| Debt repaid | (7.0) | (3.0) |
| Net proceeds from share issue | - | 18.4 |
| Cost of bond modification | - | (4.3) |
| Exchange | (0.8) | 4.8 |
| Total cash flow | (8.5) | 3.8 |
| Net Cash at 31 December | 27.0 | 35.5 |

- Capex
 - Mainly Flutiform™ supply chain:
 - Spent €7.1m (£6.4m) cumulatively
 - €2.3m (£2.1m) outstanding commitments
 - Further €3.2m (£2.9m) funded by partner
 - High capacity line acquired from Sciele for nominal sum
- Debt repayment (£7.0m)
 - CRC finance, Paul Capital and Swiss mortgage



Net Finance Costs

| £'m | 2009 | 2008 |
|---------------------------|---------------|---------------|
| Bank borrowings | (0.4) | (0.4) |
| Paul Capital | (3.0) | (2.7) |
| Convertible bonds | (6.2) | (6.5) |
| CRC Finance | (3.7) | (4.5) |
| Interest income | 0.3 | 0.9 |
| Net interest costs | (13.0) | (13.2) |
| Revaluation of PCP & CRC | (1.4) | (3.0) |
| Exchange Translation | (0.2) | 5.7 |
| Net finance costs | (14.6) | (10.5) |

- Interest rates payable:
 - Convertible bonds: £63.0m (6%), £20m (8%)
 - CRC: Libor + 5.85% and Euribor + 5.85% / 10.85%
- 2009 bond interest cost reduced by conversions
- 2009: PCP revaluation (due to revised estimates of contributions by Pacira)



Debt and Cash

| £'m | 2009 | 2008 |
|----------------------------------------------------------|--------------|--------------|
| Convertible bonds | 58.5 | 62.7 |
| Paul Capital liabilities | 24.7 | 28.6 |
| CRC liability | 41.6 | 49.5 |
| Property mortgage | 8.0 | 9.0 |
| Other | 1.3 | 1.7 |
| Total debt* | 134.1 | 151.5 |
| Less cash & cash equivalents | (27.0) | (35.7) |
| Net debt* | 107.1 | 115.8 |
| * Valued in accordance with IFRS | | |
| Liquidity | | |
| Cash and cash equivalents plus undrawn facilities | 29.3 | 38.0 |

- £17.4m decrease in debt
 - Bond conversions, repayments and exchange effects
- Convertible bonds:
 - £63.0m (6%, 2024) first put option November 2013
 - £20.0m (8%, 2025) first put option December 2014
 - £6.6m bonds converted into ordinary shares during 2009
- Paul Capital and CRC debt
 - Repayable through to 2015/16
- Total liquidity of £29.3m



Outlook & Summary

Ken Cunningham
Chief Executive Officer



Outlook

- Revenues for 2010 anticipated to be broadly in line with 2009
- Continued benefit from 2009 price increases & cost reductions
- Lower operating profit expected due to one-off costs of preparing for commercial manufacturing ready for the launch of Flutiform™



Summary

- Good trading result for 2009
- Flutiform™ continues to have significant potential
- Strengthen our early stage product pipeline
- Proven track record
 - 12 marketed products
 - Multiple licensing deals with Pharma partners
- Continued focus on cost control and efficiency



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