INSPIRE

Seeing
New
Solutions

Investment Highlights

- *Strong scientific expertise in ophthalmology, respiratory/allergy and P2 receptor technology*
- *Two commercial products, Restasis® and Elestat®, co-promoted under agreements with Allergan, Inc., a global leader in ophthalmology*
- *Novel pipeline including multiple programs in clinical development*
- *Collaborations with leading companies, universities and other organizations*
- *Solid proprietary position including > 55 issued U.S. patents*
- *Highly experienced management and scientific teams*

Our Commercial Products

Our specialty sales and marketing team promotes two products: *Elestat®* for the treatment of allergic conjunctivitis and *Restasis®* for the treatment of dry eye. Both products are co-promoted under agreements with Allergan. Inspire receives co-promotion revenue based upon net sales of these products.

Elestat®

Elestat® (epinastine HCl ophthalmic solution) 0.05% provides fast-acting, long-lasting relief of ocular itching that is soothing to the eyes. *Elestat* is a mast cell stabilizer, a potent antihistamine and the only product with labeling that cites activity at both the H1 and H2 receptors.

Market Opportunity

Allergies affect more than 40 million people in the U.S. annually, according to the American Academy of Allergy, Asthma & Immunology. The annual U.S. market for prescription ocular allergy products is approximately $420 million, with a growth rate, in terms of dollars, of approximately 10%, based on IMS Health data for the 12 months ended December 31, 2005.

Restasis®

Restasis® (cyclosporine ophthalmic emulsion) 0.05% is the first approved prescription product in the United States for dry eye disease, a painful and irritating condition that can be caused by various factors including eye stress, aging, environmental factors, autoimmune disorders and various medications. *Restasis* increases tear production in patients with keratoconjunctivitis sicca, or dry eye disease, whose tear production is presumed to be suppressed due to ocular inflammation.

Market Opportunity

It is estimated, based on an extrapolation from U.S. data, that dry eye disease affects approximately 30 million people in the eight major international prescription pharmaceutical markets, of which approximately nine million are in North America.

Our Business

Inspire is a biopharmaceutical company focused on discovering, developing and commercializing new treatments for diseases in the ophthalmic and respiratory/allergy areas. We intend to build and commercialize a sustainable pipeline of innovative new treatments based on our technical and scientific expertise.

Our Strategy

Our strategy is to advance product candidates in areas where we have significant expertise, through drug discovery, development, strategic alliances and in-licensing, and to be involved in the marketing and sale of our products. The principle elements of our strategy are to:

- Aggressively advance our product candidates
- Establish strategic relationships that enhance and complement our own product development and commercial organization
- Successfully commercialize products through a concentrated sales and marketing effort in our target markets
- Develop or in-license new products to strengthen our core therapeutic areas of ophthalmology and respiratory/allergy
- Build intellectual property around our product candidates

May 2006

Pipeline

Clinical Development

Prolacria™ (diquafosol tetrasodium) for Dry Eye

Dry eye is characterized by insufficient tears and lubrication for adequate protection of the cornea. Symptoms include pain, burning, foreign body sensation and light sensitivity. *Restasis*® is currently the only prescription product for dry eye in the U.S. *Prolacria*, the proposed U.S. trade name for diquafosol tetrasodium ophthalmic solution 0.05%, is being developed by Inspire as an eye drop that stimulates release of the three natural tear components involved in tear secretion - mucin, lipids and fluid. To date, Inspire has completed four Phase 3 clinical trials of *Prolacria* for the treatment of dry eye disease. In 2003, Inspire filed a New Drug Application (NDA) with the U.S. Food and Drug Administration (FDA) for *Prolacria* for the treatment of dry eye disease and received a FDA approvable letter in December 2003. In June 2005, Inspire submitted an amendment to its *Prolacria* NDA and received a second FDA approvable letter in December 2005. Inspire met with the FDA in March 2006 regarding the approvable letter. The meeting with the FDA involved a broad discussion of the dry eye clinical program for *Prolacria*. Inspire has provided some initial information to the FDA and more information may be required in order to facilitate ongoing discussions related to *Prolacria*.

Denufosol tetrasodium (INS37217 Respiratory) for Cystic Fibrosis (CF)

According to the CF Foundation, the median life expectancy for patients is 37 years. There are approximately 30,000 diagnosed CF patients in the U.S., included in an estimated 75,000 total in the eight major international prescription pharmaceutical markets. Denufosol is designed to enhance the lung's innate mucosal hydration and mucociliary clearance through stimulation of the $P2Y_2$ receptor, helping to keep the lungs of CF patients clear of thickened mucus, reduce infections and limit the damage from the prolonged retention of thick and tacky infected secretions. Inspire has conducted Phase 1 and Phase 2 testing of denufosol, including three clinical trials in CF patients and various pre-clinical and toxicology testing. In January 2006, Inspire held an End-of-Phase 2 meeting with the FDA. Based upon this meeting, Inspire plans to initiate a Phase 3 program to advance denufosol as an early intervention therapy for treatment of CF patients with mild lung disease. Inspire plans to conduct two pivotal Phase 3 clinical trials in CF patients. The first Phase 3 clinical trial (TIGER-1) is a six-month efficacy trial, followed by a six-month safety extension. The efficacy portion is a randomized, double-blind comparison of 60 mg of denufosol to placebo in approximately 350 subjects with mild CF lung disease ($FEV_1 \geq 75\%$) at approximately 70 U.S. clinical centers. The primary efficacy endpoint of the trial will be change from baseline in FEV_1 (liters) at the six-month time point. Initiation of TIGER-1 is targeted to begin mid-year 2006. Inspire is also required to conduct a single two-year inhalation carcinogenicity study in one species. The time from initiation of the study to receipt of the final study report is expected to be up to three years. This toxicology study is expected to be initiated before the end of 2006. Inspire has fast-track review and orphan drug status for denufosol in the United States and orphan drug status in Europe.

INS50589 Antiplatelet for Acute Cardiac Care

INS50589 Antiplatelet is a reversible $P2Y_{12}$ receptor antagonist being developed as an intravenous inhibitor of platelet aggregation for use in acute cardiac care. Platelets, small disc-shaped blood cells, are responsible for initiating and maintaining blood clots and provide an important function post-surgically in stemming excessive post-surgical bleeding and related complications. Platelet activation occurs during cardiovascular interventions such as cardiopulmonary bypass, and once activated, platelets are no longer able to participate in the clotting process after the surgery, resulting in post-operative blood loss due to platelet dysfunction. Inhibition of platelet $P2Y_{12}$ receptors by the treatment with INS50589 may reduce the relative risk of bleeding complications and/or clotting events associated with acute cardiovascular interventions. INS50589 is administered intravenously and has a rapid onset and offset mechanism of action. In June 2005, Inspire reported positive results in a Phase 1 study of INS50589 in healthy volunteers. In the trial, the compound was well tolerated, and demonstrated dose-dependent inhibition of platelet aggregation during infusion with rapid onset and offset of action. In August 2005, Inspire completed a proof-of-concept preclinical study evaluating INS50589 in an animal model of cardiopulmonary bypass surgery, which confirmed expectations around preservation of platelet function, reduction of post-operative blood loss and reduction of transfusions. In April 2006, Inspire initiated a Phase 2 proof-of-concept clinical trial that is a randomized, double-blind comparison of three doses of INS50589 (0.2, 0.5, and 1 mg/kg/hour) to placebo by intravenous infusion in approximately 160 subjects undergoing CABG surgery at approximately 20 clinical centers across the United States. There are multiple objectives of this dose-ranging trial, including measuring the reduction of post-operative bleeding and need for transfusions and monitoring the incidence of complications after surgery. Results of this trial are expected in the first half of 2007.

New Development Program

Intranasal Epinastine

In February 2006, Inspire entered into a development and license agreement with Boehringer Ingelheim International GmbH. Inspire acquired certain exclusive rights to develop and market an intranasal dosage form of epinastine in the United States and Canada for the treatment or prevention of rhinitis. Inspire paid Boehringer Ingelheim an upfront license fee. Inspire will fund all development activities and pay high single digit royalties to Boehringer Ingelheim on net sales of the product, if approved, in the United States and/or Canada. Inspire's development and commercial personnel have a thorough understanding of epinastine and experience in the allergy therapeutic market. In 2005, there were $2.8 billion of U.S. prescriptions written for nasal allergy products. Inspire intends to submit an IND application and begin clinical testing in 2006.

This document contains forward-looking statements that present our expectations and plans regarding future performance, and these statements are subject to significant risks and uncertainties that could affect our future performance, including those relating to product development. Actual results could differ materially from those described herein. Information on various factors that could affect our results is detailed in our reports filed with the Securities and Exchange Commission.

Corporate Information

Ticker Symbol
NASDAQ: ISPH

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Number of Employees (as of 3/31/06)
171

Common Stock Outstanding (as of 3/31/06)
42 million shares

Cash and Investments (as of 3/31/06)
$108 million

Corporate Officers
Christy L. Shaffer, Ph.D.
President & Chief Executive Officer; Director

Mary B. Bennett
Exec VP, Operations & Communications

R. Kim Brazzell, Ph.D.
Sr VP, Ophthalmic Research & Development

Donald J. Kellerman, Pharm.D.
Sr VP, Development

Joseph K. Schachle
Sr VP, Marketing & Sales

Joseph M. Spagnardi
Sr VP, General Counsel and Secretary

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Chief Financial Officer and Treasurer

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