SkyePharma

making good drugs better

Annual Results 2007

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2007 Highlights

Frank Condella

Chief Executive Officer

2007 Highlights

- Refocused on core oral/inhalation business:
  - Divested Injectable Business reducing cash burn
- £50m ($100m) refinancing:
  - CRC finance (c. £35m), placing (£14.8m), Paul Capital renegotiated
- Continued progress with Flutiform™ development:
  - Completion of Phase-III safety study
  - Full enrolment of three Phase-III clinical efficacy trials
  - Agreed additional work with the FDA
  - Kos (now part of Abbott), funds extra work and will file the NDA
  - Plan to file in Europe around end 2008 and in US in Q1 '09
- Approvals and launches:
  - Requip LP™ in France, ZYFLO CR™ and new Sular® in US
- Partnerships:
  - Somnus (oral sleep therapeutic), Dr Reddy's (not specified)

2007 Results Overview

£ m	2007	2006
Continuing Business:		
Revenue	41.6	43.0
R&D spend	25.2	22.9
Operating loss (pre excep)	(15.7)	(15.3)
Continuing and Discontinued Operations:		
Net Loss after tax	(27.0)	(79.1)

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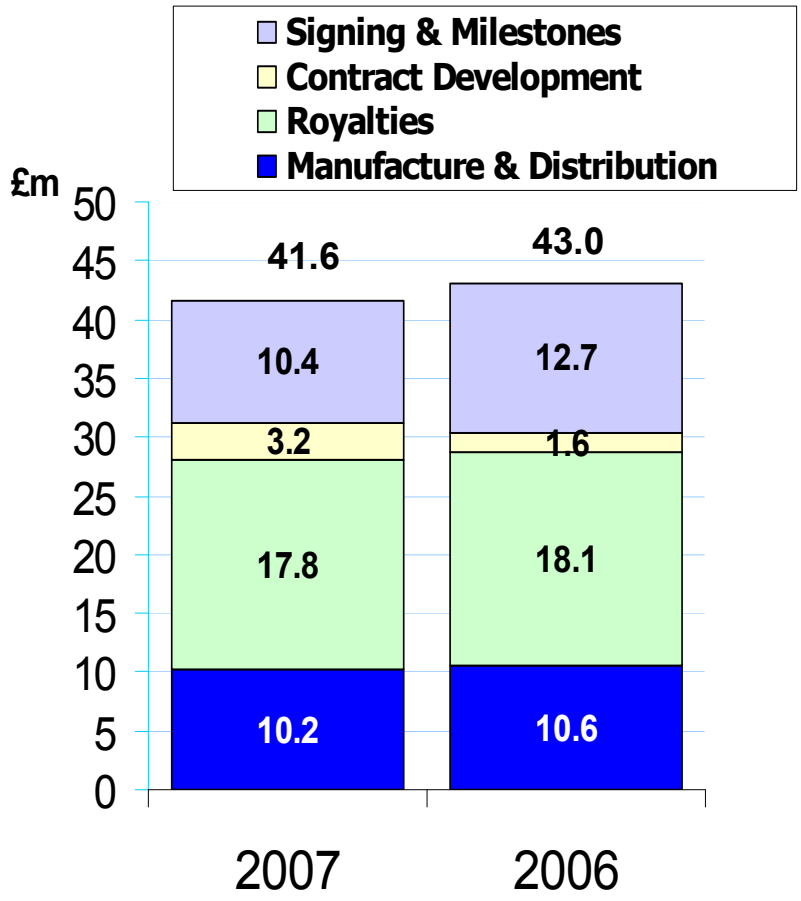
Financials

Peter Grant

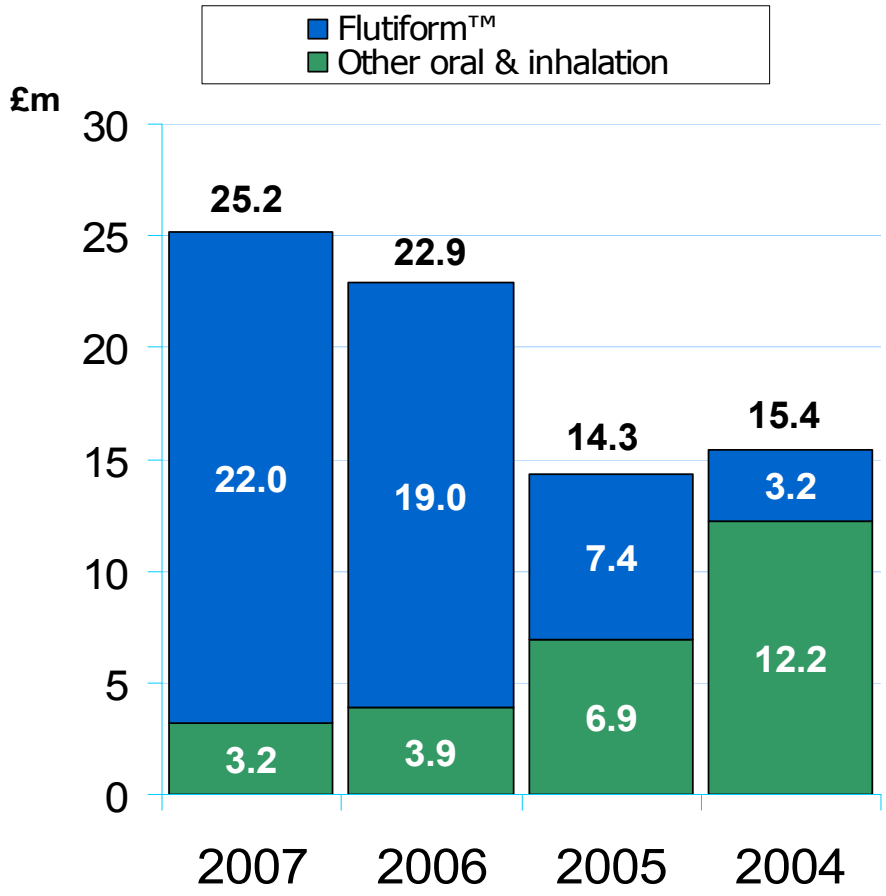
Finance Director

Revenues



- Signing and milestones
  - Down £2.3m – mainly reduced release of deferred revenue on Flutiform™
  - Deferred revenue balance now £13m (2006: £18.2m)
- Contract development up £1.6m
  - Includes charges to Kos (Abbott)
- Royalties down £0.3m
  - Currency effects – up 4% at constant rates
  - Xatral® EU – generic competition
- Manufacturing & distribution down £0.4m
  - Includes £5.4 (2006: £4.4m) contribution from Novartis re Foradil® capacity
  - Implemented Sular® line

R&D Expenses



- Continued spend mainly on Flutiform™
- SkyePharma estimates it has further R&D spend on Flutiform™ for US filing of c. £13.5m ($27m)
- Starting to work on other projects
- Emphasis is on collaborative development with contributions by partners

2007 Results

£'m	2007	2006
Continuing Business:		
Revenue	41.6	43.0
Cost of sales	(16.1)	(18.0)
Gross Profit	25.5	25.0
R&D Expenses	(25.2)	(22.9)
Amortisation and impairment	(2.7)	(1.5)
Selling, marketing and administration	(13.3)	(16.7)
Other income	-	0.8
Operating Loss	(15.7)	(15.3)
Net finance costs	(8.0)	(11.1)
Tax	(0.3)	(0.8)
Loss after tax (pre excep)	(24.0)	(27.2)
Exceptionals	-	7.1
Discontinued Operations	(3.0)	(59.0)
Loss for the year	(27.0)	(79.1)

EPS (pence): Continuing Business	(3.1)p	(2.7)p
EPS (pence): Continuing + Discont	(3.5)p	(10.6)p

- Revenues and margins similar overall
- Amortisation costs up
  - £1.9m impairment of goodwill re IDD®
- Selling/admin. reduced by £3.4m
  - No further marketing contributions on Triglide®
  - Reduction in legal provisions
- Net finance costs down
  - Lower Paul Capital costs on new Note
  - £2.8m due to exchange translation

Finance Costs

£'m	2007	2006
Continuing Business:		
Finance costs:		
Interest:		
Bank borrowings	(0.4)	(0.5)
Paul Capital	(2.6)	(6.9)
Convertible bonds	(6.3)	(6.3)
CRC Finance	(3.1)	-
Total finance costs	**(12.4)**	**(13.7)**
Finance income:		
Other interest income	1.6	1.1
Total finance income	**1.6**	**1.1**
Net finance costs pre excep and exchange	**(10.8)**	**(12.6)**
Exchange Translation	2.8	1.5
Net finance costs pre excep	**(8.0)**	**(11.1)**
Paul Capital change in estimates	-	20.1
Net finance costs post excep	**(8.0)**	**9.0**

- Finance costs reduced:
  - Paul Capital Note uses notional interest at 11.2% (previous finance was c. 25% to 30%)
  - CRC fully drawn during 2007
- Interest income from cash investments
- Underlying net finance costs £10.8m
- Exchange translation gain £2.8m – mainly due to lower US$
- 2006: gain due to new estimates of liability under Paul Capital finance

Cash Flow

£'m 2007 Cash Flows	Continuing	Discontinued	Total
Operating cash flow	(15.0)	(2.9)	(17.9)
Capex	(3.6)		(3.6)
Net interest	(9.5)		(9.5)
Disposal of financial asset for sale	1.2		1.2
Proceeds from sale of Injectable Business	4.6		4.6
Proceeds from new financing	50.6		50.6
Debt repaid	(3.5)		(3.5)
Other	(0.8)		(0.8)
Total cash flow	**24.0**	**(2.9)**	**21.1**
Liquidity at 31 December 2007			**33.1**

- Continuing investment in Flutiform™ R&D
- Capex:
  - Investment in facilities (Lyon and Muttenz)
  - Flutiform supply chain
- Interest on net debt
- Receipts from:
  - Disposal of financial asset (£1.2m)
  - Proceeds of sale of Injectable Business
  - £50m new financing – CRC and placing
- Scheduled repayment of Swiss mortgage and Paul Capital debt

Net Debt

£'m	2007	2006
Convertible bonds*	89.6	89.6
Paul Capital liabilities (NPV)	21.0	24.3
CRC liability	36.2	-
Property mortgage	6.4	6.2
Other	1.1	3.5
Total debt*	**154.3**	**123.6**
Less cash & cash equivalents	(31.9)	(11.9)
Net debt*	**122.4**	**111.7**

* Convertible bonds stated at face value

Liquidity

Cash and cash equivalents plus undrawn facilities	**33.1**	**47.5**

- Convertible bonds:
  - £69.6m (6%, 2024) put option May 2009
  - £20m (8%, 2025) put option June 2010
  - Appraising various approaches to refinance or renegotiate
- Paul Capital being amortised
- CRC finance fully drawn
- Liquidity at Dec '07: £33m

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Operations

Dr Ken Cunningham
Chief Operating Officer

12 Approved Products

Partner	Product Name	API	Primary Indication	Marketed	Area Licensed	Royalty Rate
ORAL						
GlaxoSmithKline	Paxil CR™	paroxetine	Depression	Yes	WW	Up to 5% → Low
	*Requip® Once-a-Day (EU)	ropinirole	Parkinson's disease	Yes	WW	Low mid single
sanofi-aventis	Xatral® OD/ Uroxatral®	alfuzosin	BPH (urinary)	Yes	WW	Low single
Roche	Madopar DR®	levodopa + benserazide	Parkinson's disease	Yes	CH	N/A
Therabel	Coruno®	molsidomine	Angina	Yes	WW	Low mid single
Ratiopharm	diclofenac-ratiopharm-uno	diclofenac	Pain/ Inflammation	Yes	EU	Low single
Sciele Pharma	Triglide®	fenofibrate	Lipid disorders	Yes	US	25% - manuf
	*Sular®	nisoldipine	Hypertension	Yes	WW	Low mid single
Critical Therapeutics	*ZYFLO CR™	zileuton	Asthma	Yes	WW	High mid single
INHALATION						
Novartis/TBA	Foradil® Certihaler™	formoterol	Asthma	No	WW	TBD
AstraZeneca	*Pulmicort® HFA-MDI	budesonide	Asthma	Yes	Ex-US	Mid teens
TOPICAL						
Nycomed/Almirall	Solaraze®	diclofenac	Actinic keratosis	Yes	EU/US/Aus	Low teens

***New launches 2007/08**

Update on Established Products

- Paxil CR™ – stay of generic entry in US to no later than October ’08
- Xatral® OD – sanofi-aventis taken action against potential generics in US
- Triglide®
  - Sciele now also selling Fenoglide™ (LifeCycle Pharma product)
  - Sciele to share 8% to 1% of certain net revenues from Fenoglide™
- Solaraze® – product now partnered with Nycomed (US) and Almirall (EU and Australia)

Update on New Approved Products

- Requip® Once-a-day – launched in France in Q1 ’08 (as Requip® LP)
- ZYFLO CR™ – launched in US in September ’07 (Critical Therapeutics/Dey Labs)
- Sular®:
  - New formulation approved in US in Jan ’08
  - New line implemented in Lyon factory
  - Launched in March ’08
- Pulmicort® HFA-MDI – now launched in 7 countries in Europe
- Foradil® Certihaler™ - looking for third party to market in US

Development Pipeline

Partner	Product	Active	Primary indication	Area Licensed	Pre-Clinical	Phase I	Phase II	Phase III	Filed
ORAL									
GSK (US)	Requip® Once-a-Day	ropinirole	Parkinson's disease	WW					
Nitec (EU)	Lodotra™	prednisone	Rheumatoid arthritis	EU					
Nitec (US)	Lodotra™	prednisone	Rheumatoid arthritis	US					
Somnus	SKP-1041	undisclosed	Sleep disorders	WW					
Available	SKP-1032	undisclosed	Pain/ Inflammation	_					
INHALATION									
Abbott	Flutiform™	formoterol fluticasone	Asthma	US					
Mundipharma	Flutiform™	formoterol fluticasone	Asthma	EU + RoW					
VARIOUS FEASIBILITY									

***Expect launch 2008**

The Flutiform™ Opportunity

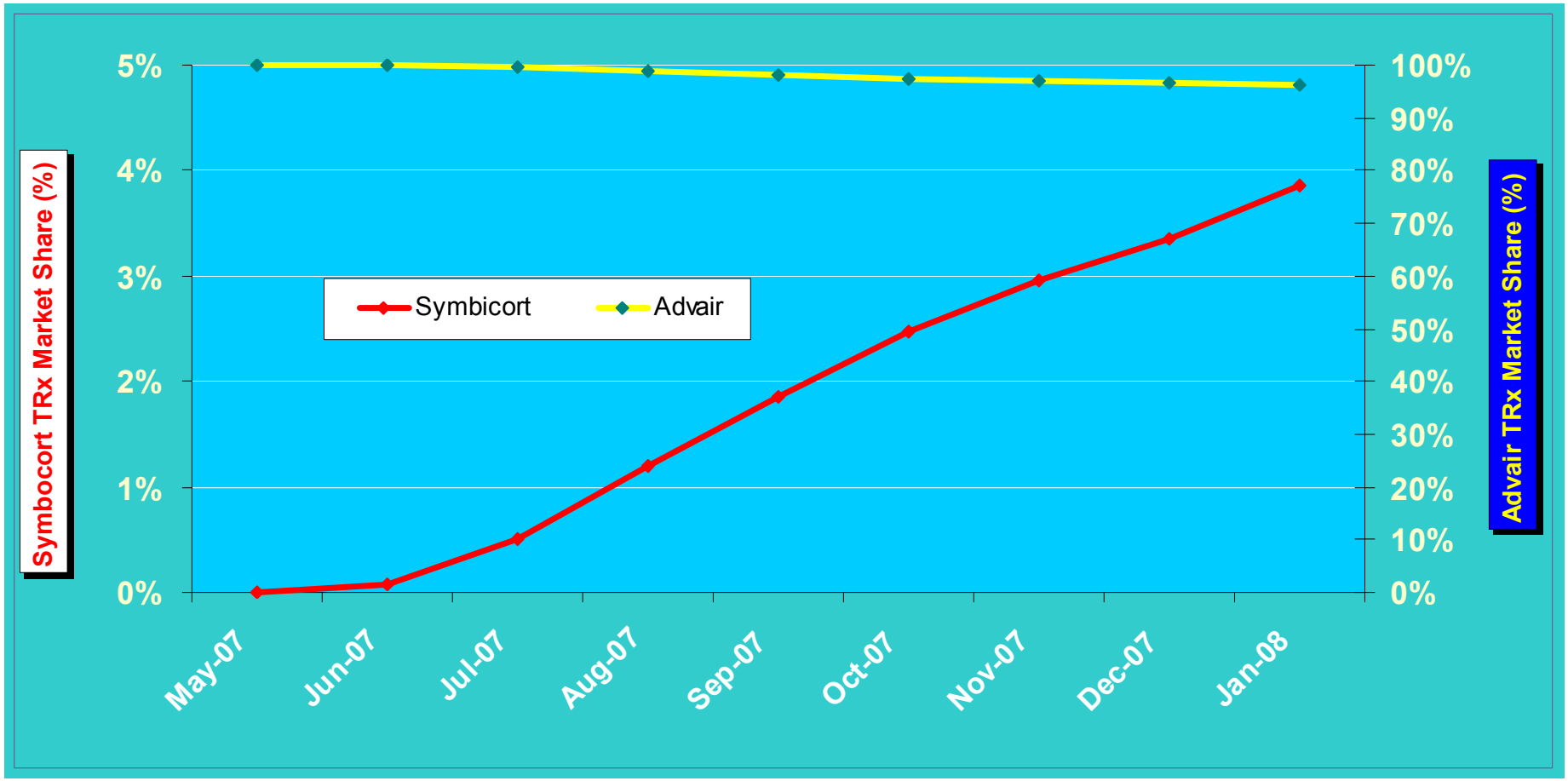
- Asthma/COPD treatment market
  - Growing market
- ICS/LABA combinations
  - Large proportion of total market
  - Projected market size of $10bn by 2010
- Flutiform™
  - Potential blockbuster

ICS/LABA 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	Phase-III
MFF258 SGP-NVS	Mometasone	**Formoterol**	MDI	Phase-III

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

Symbicort® Launch (US)



Flutiform™ - Phase-III Trials

- Phase-III open-label long-term safety trial
  - Completed with 472 patients enrolled for 6 or 12 months
  - Results consistent with safety database of individual constituents
- Core Phase-III efficacy trials (3) – fully recruited
  - 12-week double-blind multi-arm studies
  - Fully recruited with approx 1,400 patients enrolled
  - Should start seeing data from Q2 ’08
- Additional work for FDA agreed and initiated
  - Includes an additional clinical efficacy trial c. 375 patients
- EU Phase-III trials for two strengths on track
- Expect to file in US in Q1 ’09 and in EU around end of 2008
- Target launch 2009/2010

Flutiform™ US

- Partner – Kos (part of Abbott)
- Received $25m in upfront payment
- Amended agreement Dec ’07
  - Kos now responsible for additional clinical work and NDA filing (approx $20.5m)
  - Reduced potential filing and approval milestones ($25.5m)
- Milestones:
  - $2m on acceptance of NDA
  - $37.5m if approved by 31 December 2009, $25m if approved in 2010
  - Up to $60m sales-dependent milestones
- Royalty = mid-teens escalating upwards on sales
- If certain of Kos’s development costs exceed $20.5m the excess is recoverable out of up to 25% of post-approval milestones and royalties

Flutiform™ EU

- Partner - Mundipharma
- Received €15m in upfront payment
- Mundipharma responsible for EU clinical work (paediatrics and comparator trial) and EU regulatory filings – costs part reimbursable from up to €12m milestone.
- Mundipharma is developing additional higher strength product; certain of these costs are recoverable out of post-approval milestones and royalties for a limited period of time
- Milestones:
  - Up to €12m to offset certain EU clinical costs, balance, if any, payable to SkyePharma
  - Up to €15m on launch
  - Up to €40m sales-related milestones
- Royalty escalates upwards from 10% on sales

Update on Other Pipeline Products

- Pipeline products:
  - Requip® Once-a-day – FDA response due Q2 ’08
  - Lodotra™ – European approval expected H2 ’08
  - SKP-1041 (sleep) – feasibility work continues
  - SKP-1032 (pain) – continue to seek partner
- Outlicensing/partnership developments:
  - Collaboration with Dr Reddy’s
  - Progress has been made on outlicensing discussions for Flutiform™ in Japan
  - Other opportunities being explored

Medium-term Business Focus

- Complete Flutiform™ development
- Outlicensing of existing products:
  - Flutiform™ Japan (in discussions)
  - Foradil® Certihaler™ (US)
- Expand collaborative partner-funded development programmes
- Improve profitability of manufacturing operations
- Drive to profitability through growing revenues and containing costs

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Summary

Frank Condella

Chief Executive Officer

Potential Newsflow

- Flutiform™
  - Completion and results of existing Phase-III trials from Q2, 2008
  - Progress of work on main EU trials from Q2, 2008
  - Completion of additional Phase-III work
  - NDA filing by Kos (Abbott) – Q1, 2009
- Convertible bond refinancing or renegotiation
- Potential approvals
  - Lodotra™ (EU approval) – Nitec/Merck KGaA (Germany)
  - Requip® XL 24-hour™(US approval) - GlaxoSmithKline
- Sales development – roll out of new products:
  - Sular® (US), Requip® (EU), ZYFLO CR™ (US) etc
- Partnerships
  - Further outlicensing, eg Flutiform™ Japan
  - Progress on development collaboration with Dr Reddy's
  - Further collaborative development deals

Outlook

- Expect growth in revenues from product launches (incl. Sular® and Requip® XL)
- R&D costs expected to reduce following completion of Flutiform™ development in US
- Objective to move to profitability over next 2 years
- Exciting growth prospects once Flutiform™ is approved and launched

Summary

- Substantial progress in reshaping the Group
- Clear focus on oral and inhalation products
- Moving towards completion & filing of Flutiform™
- R&D spend controlled by collaborative partnerships
- Potential for significant growth

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Ken Cunningham	Chief Operating Officer
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LSE:SKP

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Results Presentation 2007

Appendices

About SkyePharma

- Publicly listed UK: LSE
- Drug delivery specialist
- Focussed on oral & inhalation products
- Partnerships with major pharma companies:
  - GSK, Abbott, sanofi-aventis, AstraZeneca and Roche
- 12 approved products worldwide
  - Experienced in US and EU regulatory filings
- Product pipeline includes potential blockbuster

SkyePharma Strategy

- SkyePharma's strategy is to become one of the world's leading speciality drug delivery companies, based on excellence in its oral and inhalation technologies.
- We strive to deliver clinical benefits for patients by using our multiple delivery technologies to create enhanced versions of existing pharmaceutical products.

Business Model

- Using proprietary drug delivery technologies, we develop new formulations of known molecules to provide a clinical advantage and life cycle extension.
  - Contract development for partner companies
  - Develop in-house through proof-of-concept, then out-license for co-development and marketing
  - Develop fully in-house, out-license to marketing partner

SkyePharma Technologies

- Oral
  - GEOMATRIX™
  - GEOCLOCK™

- Oral - Solubilization
  - Insoluble Drug Delivery (IDD®) platform

- Inhalation
  - Cost effective, MDIs and DPIs
  - Proprietary formulation technologies

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Products

Paxil CR™
GlaxoSmithKline

- GEOMATRIX™ version of GSK's anti-depressant Paxil® (paroxetine)
- Reduces nausea (issue with all SSRIs)
- Improves compliance
- 2007 sales: £153m (-4% CER)
- Generic competition (Mylan) delayed to no later than Oct '08
- SKP royalty:
  - Now up to 5%, until generic entry
  - Low single digit after generic entry

Requip® Once-a-day
GlaxoSmithKline

- Once-daily GEOMATRIX™ formulation of ropinirole (dopamine agonist) for Parkinson's disease
- Steady rate of absorption:
  - Helps reduce fluctuations in blood plasma concentrations
  - Simpler titration schedule
- EU:
  - Launched in France Q1 '08
  - Approved in 15 other countries
- USA:
  - FDA issued approvable letter in Dec '07
  - Decision expected Q2 '08
- GSK's sales of immediate release version of Requip® in 2007 were £346m (+36% CER)
- c. 40% current US sales of immediate release version are for Parkinson's disease
- SKP royalty: low-mid single digit

Xatral® OD / Uroxatral®

sanofi-aventis

- Once-daily GEOMATRIX™ formulation of alfuzosin hydrochloride for the signs and symptoms of Benign Prostatic Hypertrophy
- Marketed in Europe & ROW since 2000 and in the US since 2003
- 2007 sales (all forms) £245.4m (-2.29% CER)
  - EU £123.1m (-20.5% CER)
  - US £78.8m (+25.9% CER)
  - RoW £43.5m (+22.9% CER)
- Generic CR alfuzosin now in a number of EU markets
- Term of use patent extended to 2011 in USA
- US abbreviated ANDAs filed but legal action taken by sanofi-aventis in response
- SKP royalty: low single digits

Triglide®
Sciele Pharma

- Uses IDD® solubilisation technology
- Lipid modulating formulation of fenofibrate
  - TG & LDL-C ↓ but HDL-C ↑
- Avoids food effect
- Launched in US July ’05
- ~$1bn market
- End of 2007 market share:
  - 2.4% market share of new prescriptions
  - 1.9% total prescriptions
  - New prescriptions up 37% in 2007 vs 2006
  - Total prescriptions up 47% in 2007 vs 2006
- SKP receives 25% of net sales to include supply of product for sale

Sular®
Sciele Pharma

- Development of new formulation of Sular® (Sciele's leading product) using GEOMATRIX™ technology
- Calcium channel blocker for hypertension
- FDA approval received 2 January ’08 (4 dosage strengths)
- Launched March ’08
- Financials:
  - Milestones:
    - $3m (c. £1.5m) received prior to end ’07
    - US$2m (£1m) received on approval in January ’08
  - Royalty - low mid single digit royalty on net sales
  - Manufacturing new Sular® formulation at plant in Lyon

ZYFLO CR™

Critical Therapeutics

- Extended release formulation of oral asthma drug
  - inhibits the production of 5-lipoxygenase, the main enzyme responsible for the production of leukotrienes
- FDA approval received May ’07
- Launched in Sep ’07 in USA by Critical Therapeutics & Dey L.P. its co-promotion partner
- Targeting approx. 18,000 allergists, pulmonologists & primary care physicians in the US
- Only FDA approved leukotriene synthesis inhibitor for prophylaxis & chronic treatment of asthma (for ≥12 yrs old)
- SKP royalty: high mid single digit
- Manufactured at Lyon plant

Foradil® Certihaler™
Novartis

- Formoterol (LABA) in multi-dose dry-powder inhaler
  - SkyePharma developed device and formulation
  - Modified device approved by FDA in December '06
- Foradil® Certihaler™ approved in 30 markets
  - Modified inhaler approved in US
  - Production capacity being maintained:
    - Novartis contribution £5.4m in 2007 (2006: £4.4m)
    - Substantial part passed on to sub-contrac
  - Commercialisation discussions with Novartis
  - Seeking marketing/distribution partner for USA
- Potential other uses of SkyeHaler™ device

Pulmicort® HFA-MDI

AstraZeneca

- Pulmicort® (budesonide) in CFC-free metered dose inhaler (MDI)
  - inhaled corticosteroid for asthma
- Designed to enable AZ to replace CFC-MDI version
- SkyePharma developed formulation and conducted clinical development for AZ
- Filed on country-by-country basis in Europe mid ’05
- Now approved in 13 countries (5 new in ’07) and launched in 7:
  - Latvia (’06), Finland, Denmark, Hungary, Portugal, Spain, Sweden (’07)
- SKP royalty: mid teens

Solaraze®
Nycomed/Almirall

- Topical gel formulation of diclofenac for actinic keratosis
  - AK is early form of squamous cell carcinoma
  - SkyePharma formulation retains high concentration of active in upper skin layers
- Marketed:
  - US - Nycomed (ex Bradley)
  - EU - Almirall (ex Shire)
  - Australia - CSL Biotherapeutics
- 2007 sales:
  - US $31m (+40% CER)
  - EU £7.8m (2006: £6.6m)
- Small consent fee received Oct '07 for Almirall transfer from Shire
- SKP royalty: low teens

Lodotra™
Nitec

- Novel single pulse night-time release formulation of low-dose prednisone
- For inflammatory conditions eg Rheumatoid Arthritis
- New therapeutic class: circadian cytokine modulators (CCMs)
- Uses GEOCLOCK™ technology
- Positive Ph III results
  - 288 patients in 26 European centres
  - Lodotra patients showed significantly reduced morning stiffness (primary endpoint)
- Nitec has licensed rights for Germany to Merck KGaA
  - Negotiations for other territories ongoing
  - EU approval expected H2 ’08
  - SKP royalty: mid-single digit
  - Manufactured at Lyon plant

SKP 1041 (Sleep)
Somnus

- Controlled release formulation sleep therapeutic
  - Non-benzodiazepine chemical
  - Uses GEOCLOCK™ technology
- Licensed to Somnus Therapeutics Jun ’07:
  - $4 million up front payment
  - Up to $11 million milestones during the development phase, mainly on product approval
  - Up to $20 million sales-related milestones
  - Somnus responsible for the majority of development and clinical trial costs
- Royalty escalating upwards from high-mid single digit
- SkyePharma will formulate & manufacture