

SKYEPHARMA PLC  
Form 6-K  
February 16, 2006

**SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a - 16 OR 15d - 16 OF  
THE SECURITIES EXCHANGE ACT OF 1934**

For the month of February, 2006

SkyePharma PLC

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(Translation of registrant's name into English)

SkyePharma PLC, 105 Piccadilly, London W1J 7NJ England

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(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40F.

Form 20-F  Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-  
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### **SkyePharma issues EGM notice and recommends shareholders to vote against**

LONDON, UK, 16 February 2006 - SkyePharma PLC (LSE: SKP; Nasdaq: SKYE) announces that it has today posted to shareholders the notice of the Extraordinary General Meeting at Park Lane Hotel, Piccadilly, London, W1J 7BX at 11.00 am on 9 March 2006.

**The Board of SkyePharma strongly urges shareholders to vote AGAINST resolution 1 because it is a director as part of an apparent strategy by a minority group of new shareholders to take control of the company, unseat the current director and then attempting to force him upon the Board as an Executive Chairman.**

It is the Board's role to appoint the Chairman, having followed the appropriate corporate selection process. Accordingly, it has appointed Dr Argeris ("Jerry") Karabelas whose distinguished career in the pharmaceutical industry speaks for itself and who the Board is confident will act in the interests of all the Company. As Mr Thian has rejected the possibility of any kind of non-executive role, the Board does not believe that the appointment of Mr Thian on the basis suggested by the minority group would be appropriate for the following reasons:

1. the Company's Chairman should be independent and act in the interests of all shareholders and should not dictate the strategy and management of the Company.
2. it is for the Board, following the recommendations of the Nominations Committee, to appoint a Chairman and not a group of minority shareholders in pursuit of its own agenda.
3. the Chairman's role in a development stage company such as SkyePharma demands recent relevant experience which Dr Karabelas clearly has and Mr Thian does not.
4. Dr Karabelas is leading an excellent new management team, with outstanding pharmaceutical expertise and a clear strategy to achieve sustainable profitability within the shortest reasonable time and deliver maximum shareholder value.
5. an Executive Chairmanship runs counter to best corporate governance practice.

Resolution 2 will be redundant as it seeks to unseat Directors appointed since 27 January 2006. There have been and will be no such appointments. This resolution will therefore not be put to the meeting.

The Board therefore strongly recommends that shareholders vote AGAINST the first resolution.

#### **New senior management appointments**

On 2 February 2006, SkyePharma announced that following a review by its Nominations Committee it had appointed Dr Karabelas as Non-Executive Chairman. Dr Karabelas, aged 53, has had a distinguished career in the global pharmaceuticals industry: he was Chief Executive of Novartis Pharma and prior to that Chief Executive of operations of SmithKline Beecham. He is currently an Executive Director of Care Capital, a specialist investment manager, and is Non-Executive Chairman of a number of pharmaceutical and healthcare companies, of which SkyePharma is one. Dr Karabelas has been a Non-Executive Director of SkyePharma since 2000 and his familiarity with the Company will enable him to make an immediate and positive contribution as Chairman.

On 6 February 2006 SkyePharma announced that it had appointed a new senior management team consisting of Dr Ken Cunningham as Chief Executive and Dr Ken Cunningham in the newly created post of Chief Operating Officer. This appointment will support the effective development of SkyePharma's key products such as Flutiform.

Frank C. Condella Jr. was President of the European operations of IVAX prior to its acquisition by SkyePharma in January 2006. He was closely involved with IVAX's respiratory franchise, one of its three core businesses, during the acquisition and integration of 3M's branded respiratory business in Europe. Prior to joining SkyePharma, Mr Condella held senior roles at Faulding Pharmaceuticals, Roche, and the Lederle unit of American Home Products. Mr Condella holds a BA and an MBA from Northeastern University in Boston.

Dr Ken Cunningham was Chief Executive of the privately owned UK biotechnology company Arakis before its acquisition by SkyePharma for \$200 million. Dr Cunningham has extensive experience in the development of respiratory products, a treatment for chronic obstructive pulmonary disease (COPD), was licensed to Novartis for \$100 million. Prior to his appointment to the Arakis role in 2002, he was Vice President, European Operations, and Vice President for Clinical Development for Sequus Pharmaceuticals. Prior to that he held senior commercial strategy positions in Glaxo Wellcome and Warner-Lambert. Dr Cunningham, who is a Fellow of the Royal Society, holds a PhD from London University.

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Both Mr Condella and Dr Cunningham have considerable drug delivery experience, which the Board believe that it is appropriate to subject its new executives to a vote prior to their joining make a contribution to the execution of the new strategy outlined below. However, it is envisaged before the next Annual General Meeting ("AGM") in June 2006 when shareholders will have ample opportunity

### **Board structure**

Michael Ashton, Chief Executive of SkyePharma, announced in September last year that it was reaching the age of 60. Michael Ashton will continue to act as SkyePharma's Chief Executive until he takes up his appointment, and in order to facilitate the handover process will remain on the Board until the next AGM in June 2006.

During 2005 Ian Gowrie-Smith, the Company's then Non-Executive Chairman, indicated to the Board that a suitable replacement could be identified. Mr Gowrie-Smith subsequently announced his resignation in January 2006 and his intention not to stand for re-election as a Non-Executive Director at the AGM. Mr Gowrie-Smith decided in the interests of all shareholders to bring forward his resignation in February. The appointment of Dr Jerry Karabelas as Non-Executive Chairman was announced on 2 February. Dr Karabelas has been a Non-Executive Director of SkyePharma since 2000.

In addition to Michael Ashton, two other Non-Executive Directors, Sir Michael Beavis and Dr Keith Wilson, are standing for re-election at the Annual General Meeting in June. The Board has therefore initiated the process of finding candidates for these posts. As part of this process the Board has already met with Mr Thian and raised with him the possibility of his appointment as a Non-Executive Director. The Board's option making it clear that his desire and that of his backers was solely to take on the role of Non-Executive Director. The recommendations of the Nominations Committee and after full consultation with shareholders, the Board's procedures it is the intention of the Board to appoint two or more new Non-Executive Directors as soon as possible.

### **New strategy**

On 2 February the Company announced the outcome of its Strategic Review. The Board concluded that to ensure the Company's sustainable profitability in the shortest possible time, SkyePharma should concentrate on its core business and divest its injectable business interests, for which a number of potential purchasers were identified. The proposed divestment (which the Board expects to be subject to approval by shareholders) would result in a significant cash burn and future capital expenditure. The Board believes that the Company can achieve sustainable profitability within a reasonable timeframe. Furthermore, with greater resources the Company is in a position to further develop its pipeline of proprietary products, obtain more favourable financing and improve the profitability of its current and pipeline products but also give it greater control over its destiny.

The injectables business, primarily located in San Diego, consists of two marketed products, DepoDur® for the treatment of post-surgical pain, and a pipeline of projects in various stages of development. These include controlled-release injectable formulations of a number of biological products and a controlled-release injectable formulation of the local anaesthetic bupivacaine for the control of post-operative pain. The controlled-release bupivacaine has completed Phase II development and will commence Phase III trials shortly. It has been marketed in several territories outside North America and Japan and to Maruho for Japan. In addition, the Company has a pipeline of different proteins including major commercial products such as G-CSF, EPO, IFN- $\alpha$  and IFN- $\beta$ . These products will enter Phase I trials in 2007. The Board remains convinced that DepoBupivacaine addresses a significant area of unmet medical need and has major commercial potential. However the Board is conscious that significant investment in clinical development would be required to maximise the potential of DepoBupivacaine. This development investment, together with the associated investment in manufacturing capacity, represents a significant burden on the Company's current resources but also impact the Company's profitability.

The Board believes that the injectables business is a valuable asset and the funds raised by the divestment will be used to enhance the core oral and pulmonary business, including accelerating the development of certain products that have had to be delayed in recent years. Several of these products, albeit at an early stage, are in development in therapeutic areas such as gastrointestinal, diabetes and hypertension. The residual core business is the Company's pulmonary products business, with development based in Muttenz, Switzerland and manufacture in Germany. The Company has seven marketed oral and pulmonary products, including Paxil CR, Xatral OD and Triglide, and several other products that are close to the market. The pipeline includes SkyePharma's most important project Flutiform. The Board is convinced that Flutiform has substantial value as it is poised to enter a large and competitive market with limited competition. The global market for combination therapies for asthma was worth over \$10 billion by 2010. Combination therapies are currently the fastest growing component of the asthma market.

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projected to account for over half of the total market. There is an additional substantial market for the treatment of COPD. Despite the eventual likelihood of additional entrants, both proprietary and generic, these competing products are unlikely to enter the United States market before 2012 at the opportunity to establish Flutiform as "best in class" combination therapy on the United States market. The Company has initiated Phase III trials for Flutiform, on track for its target of filing with the FDA in 2009. In addition, subject to the financial terms offered for the injectable business, the Company is currently in respect of DepoBupivacaine.

### **Background to the EGM**

In September 2005 the Company conducted a Rights Issue to raise the funds needed to take it through Phase III development itself rather than rely on funding by a partner. Michael Ashton, announced his intention to retire in 2006 on reaching the age of 60. The news that the Company's partner for Flutiform coupled with the terms of the Rights Issue, which was on a deeply discounted share price. Although the share price subsequently recovered, in November 2005 the Company's shareholders, led by North Atlantic Value LLP ("the NAV group"), registered their criticism and seek to dismiss the Company's then Chairman, Ian Gowrie-Smith, and replace him, in an EGM. Ian Gowrie-Smith is currently Chairman of Whatman plc, Southern Water Services Ltd and Southern Water Capital Ltd.

On 14 November 2005 the Company announced that it had received an unsolicited approach from Robert Thian and decided to review all of its strategic options, including inter alia offers for the Company as a whole. Robert Thian and Brothers as sole financial adviser to undertake this review.

On 23 January 2006 Ian Gowrie-Smith announced his resignation as Non-Executive Chairman of the Company and not to stand for re-election as a Director of the Company at SkyePharma's 2006 Annual General Meeting.

On 13 February 2006 Mr Gowrie-Smith announced that he would bring this forward and resign as a Director. Ian Gowrie-Smith, who founded SkyePharma in 1996, stepped down from the role of Executive Chairman in 2004. It had been Mr Gowrie-Smith's intention since early 2005 to continue this process by resigning as Executive Chairman and as a Director.

On 27 January 2006 the NAV group filed formal notice requisitioning an EGM seeking to dismiss Robert Thian as a Director. The stated intention of the NAV group in seeking Mr Thian's election as a Director and Board to appoint him as Executive Chairman. Under UK company law an EGM must be held if requisitioned by holders of the issued share capital. The NAV group comprises Morley Fund Management and Insight Investment. North Atlantic Value LLP (part of the J O Hambro Capital Management Group) and represented 14.2% of the issued share capital at the time of the requisition. The vast majority of the shareholdings held by the NAV group have been held since 2004.

### **Corporate governance**

The letter from the NAV group makes reference to "significant long term corporate governance issues being addressed by the current Board" but significantly, in the view of the Board, makes no reference to any specific issues that may be.

SkyePharma maintains the highest standards of Corporate Governance and rejects any suggestion to the contrary.

### **The resolutions proposed by the NAV group:**

You will find below a list of the resolutions proposed by the NAV group and an explanation of why the Board believes that shareholders should vote **AGAINST Resolution 1.**

The NAV group initially proposed to remove Ian Gowrie-Smith from the Board. Mr Gowrie-Smith, then Executive Chairman, stepped down from the role of Executive Chairman in 2004. Continuing this process, he resigned as Executive Chairman in January 2006 and has now also resigned as a Non-Executive Director. Dr Jerry Karabelas was appointed as Executive Chairman in February 2006.

As a resolution to remove Mr Gowrie-Smith as a Director of SkyePharma is entirely redundant the Board does not support such proposal.

***Resolution 1. To appoint Robert Thian, who has confirmed his willingness to act, as a Director of the Company in the place of Ian Gowrie-Smith to hold office only during such time as Ian Gowrie-Smith would have held office.***

Dr Karabelas, Mr Condella and Dr Cunningham are poised to implement the new strategy outlined in the letter from the Board and the Board believes will accelerate the Company's return to profitability and value for its shareholders of its pipeline. Dr Karabelas' familiarity with SkyePharma as Non-Executive Director is a significant advantage.

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the pharmaceutical industry are also expected to facilitate rapid execution of this plan.

The Board is firmly of the opinion that to be of maximum benefit to the Company, the Chairman should be appointed from the therapeutic areas in which SkyePharma operates. This is particularly relevant when the Chairman is a significant asset, its injectables business, and is adopting a new strategy to drive for sustainable growth over a reasonable time. Dr Karabelas, who has had senior roles at two major pharmaceutical companies and is currently Chairman and President of North American operations for Smith Kline Beecham, satisfies this requirement.

The minority NAV group shareholders are proposing that Mr Thian should be elected as a Director of the Company. The minority group, representing only a little over 14% of the issued share capital, that this resolution would confer subsequent appointment as Executive Chairman of the Company. If the resolution to elect Mr Thian as Chairman is not conferred on him any executive responsibility, but would serve to increase the pressure on the Company to satisfy the self-serving minority group of shareholders who would be intent on disrupting the implementation of the strategy outlined on page 5 to satisfy their own agenda.

The Nominations Committee of the Board has already met with Mr Thian and the possibility of appointing a Non-Executive Director was raised but Mr Thian informed the Nominations Committee that he had no intention of joining the Board therefore assumes that Mr Thian's stated willingness to act as a director extends only to the possibility. The Board has no intention of being railroaded into making any such appointment, which it would see as contrary to its new strategy and contrary to the principles of sound corporate governance and management. The Board will consider whether Mr Thian would be independent as suggested by the NAV group as it appears to the Board that Mr Thian's interests of that minority group and act to satisfy their own objectives rather than for the benefit of the whole. Accordingly, to implement its new strategy and for the reasons stated in this document, the Board has decided that he is elected as a director pursuant to this resolution, **Mr Thian will not be given any executive responsibility.**

**The appointment of Dr Jerry Karabelas as Non-Executive Chairman of SkyePharma was announced at the EGM with every confidence in him fulfilling this role for the benefit of all shareholders.**

The Board sees no rationale for this resolution and strongly urges shareholders to vote **AGAINST** it.

**Resolution 2. To remove any other person other than Robert Thian appointed as a Director of the Company from the requisition of the Meeting (27 January 2006) and the date of the meeting (9 March 2006) in accordance with the Companies Act 1985.**

This second resolution will be redundant as no Director will be appointed to the Board in this period.

The Company has recently appointed a new Chief Executive, Frank Condella Jr., and a new Chief Financial Officer. The Board does not believe that it would be appropriate to subject its new executives to a vote at the EGM. The Company and being able to begin to make a contribution to the execution of the strategy. How the Board will appoint its two new senior executives to the Board shortly after the EGM and ask shareholders to vote at the next AGM in 2006 when shareholders will have had an opportunity to assess their skills.

**As no Director has been or will be appointed to the Board in this period this resolution is redundant.**

### **For further information please contact:**

SkyePharma PLC

Michael Ashton, Chief Executive

+44 207 491 1777

Peter Laing, Director of Corporate Communications

+44 207 491 5124

Sandra Haughton, US Investor Relations

+1 212 753 5780

Buchanan Communications

+44 207 466 5000

Tim Anderson / Mark Court

### **Notes for editors**

#### **About SkyePharma**

SkyePharma PLC develops pharmaceutical products benefiting from world-leading drug delivery technology and more effective drug formulations. There are now eleven approved products incorporating SkyePharma's oral, injectable, inhaled and topical delivery, supported by advanced solubilisation capabilities. For more information visit [www.skyepharma.com](http://www.skyepharma.com).

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*Certain statements in this news release are forward-looking statements and are made in reliance on the U.S. Private Securities Litigation Act of 1995. Although SkyePharma believes that the expectations expressed in these statements are reasonable, it can give no assurance that these expectations will materialize. Because of a number of risks and uncertainties, actual results may vary significantly from those expressed or implied. These risks include, without limitation, risks related to the development of new products, risks related to obtaining regulatory approval for existing, new or expanded indications of existing and new products, risks related to SkyePharma's ability to commercialize on a large scale or at all, risks related to SkyePharma's and its marketing partners' ability to maintain or expand market share in the face of changes in customer requirements, competition and regulatory compliance, the risk of product liability claims, risks related to the ownership of SkyePharma, and risks related to SkyePharma's ability to manage growth. SkyePharma undertakes no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date of this release.*

END

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**SkyePharma PLC**

By: /s/ Douglas Parkhill

Name: Douglas Parkhill

Title: Company Secretary

Date: February 16, 2006