

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended June 30, 2000

or,

TRANSITION REPORTS PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____

COMMISSION FILE NUMBER: 0-23556

INHALE THERAPEUTIC SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE

94-3134940

(State of other jurisdiction of
incorporation or organization)

(IRS Employer Identification No.)

150 INDUSTRIAL ROAD
SAN CARLOS, CALIFORNIA 94070
(Address of principal executive offices)

650-631-3100
(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last
report)

Indicate by check mark whether the registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

The number of outstanding shares of the registrant's Common Stock, \$0.0001 par value, was 21,097,521 as of July 31, 2000.

INHALE THERAPEUTIC SYSTEMS, INC.
INDEX

PART I: FINANCIAL INFORMATION

	PAGE

Item 1.	
Condensed Consolidated Financial Statements - unaudited.....	3
Condensed Consolidated Balance Sheets - June 30, 2000 and December 31, 1999.....	3
Condensed Consolidated Statements of Operations for the three and six month periods ended June 30, 2000 and 1999.....	4
Condensed Consolidated Statements of Cash Flows for the six month periods ended June 30, 2000 and 1999.....	5
Notes to Condensed Consolidated Financial Statements.....	6
Item 2.	
Management's Discussion and Analysis of Financial Condition and Results of Operations.....	8
Item 3.	
Quantitative and Qualitative Disclosures about Market Risk.....	16

PART II: OTHER INFORMATION

Item 1.	Legal Proceedings.....	17
Item 2.	Changes in Securities.....	17
Item 3.	Defaults Upon Senior Securities.....	17
Item 4.	Submission of Matters to a Vote of Security Holders.....	17
Item 5.	Other Information.....	18
Item 6.	Exhibits and Reports on Form 8-K.....	18
	Signatures.....	19

Item 1.

INHALE THERAPEUTIC SYSTEMS, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (IN THOUSANDS)

	JUNE 30, 2000 (UNAUDITED)	DECEMBER 31, 1999 *
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 88,775	\$ 33,430
Short-term investments.....	220,672	104,755
Accounts receivable.....	2,321	1,756
Other current assets.....	5,377	7,377
	-----	-----
Total current assets.....	317,145	147,318
Property and equipment, net.....	91,065	63,852
Investment in Alliance Pharmaceutical Corp.....	12,772	6,328
Deposits and other assets.....	13,379	9,308
	-----	-----
	\$ 434,361	\$226,806
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities.....	\$ 21,889	\$ 20,268
Deferred revenue.....	8,609	4,811
	-----	-----
Total current liabilities.....	30,498	25,079
Tenant improvement loan.....	4,876	4,895
Convertible subordinated notes and debentures.....	237,760	108,450
Accrued rent.....	1,931	1,753
Stockholders' equity:		
Common stock.....	2	2
Capital in excess of par value.....	291,434	181,154
Deferred compensation.....	(1,190)	(1,530)
Accumulated other comprehensive gain.....	8,095	1,469
Accumulated deficit.....	(139,045)	(94,466)
	-----	-----
Total stockholders' equity.....	159,296	86,629
	-----	-----
	\$ 434,361	\$226,806
	=====	=====

SEE ACCOMPANYING NOTES.

(*)The balance Sheet at December 31, 1999 has been derived from the audited financial statements at that date which are included in the Company's Form 10-K/A for the year ended December 31, 1999 as filed with the Securities and Exchange Commission. This balance sheet does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

INHALE THERAPEUTIC SYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE INFORMATION)
(UNAUDITED)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
Contract research revenue.....	\$ 13,789	\$ 9,877	\$ 24,422	\$ 17,657
Operating costs and expenses:				
Research and development.....	25,995	14,613	47,864	27,328
General and administrative.....	3,095	1,933	6,630	3,197
Purchased in-process research and development.....	2,292	--	2,292	--
Total operating costs and expenses.....	31,382	16,546	56,786	30,525
Loss from operations.....	(17,593)	(6,669)	(32,364)	(12,868)
Interest income (expense), net.....	1,846	663	(12,215)	1,640
Net loss.....	\$ (15,747)	\$ (6,006)	\$ (44,579)	\$ (11,228)
Basic and diluted net loss per share.....	\$ (0.75)	\$ (0.35)	\$ (2.40)	\$ (0.66)
Shares used in computing basic and diluted net loss per share.....	20,960	16,951	18,597	16,940

SEE ACCOMPANYING NOTES.

INHALE THERAPEUTIC SYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS
 (IN THOUSANDS)
 (UNAUDITED)

	SIX MONTHS ENDED JUNE 30,	
	2000	1999
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash used in operations.....	\$ (13,312)	\$ (14,912)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of short-term investments, net of purchases and maturities.....	(115,729)	14,248
Purchases of property and equipment.....	(30,940)	(9,925)
Other investing activities.....	(316)	--
	-----	-----
Net cash provided by investing activities.....	(146,985)	4,323
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of equipment financing obligations.....	(27)	(25)
Payments of debt conversion incentives.....	(16,957)	--
Issuance of convertible debt, net of issuance costs.....	222,439	--
Issuance of common stock, net of issuance costs.....	10,187	369
	-----	-----
Net cash provided by financing activities.....	215,642	344
	-----	-----
Net increase (decrease) in cash and cash equivalents.....	55,345	(10,245)
Cash and cash equivalents at beginning of period.....	33,430	24,916
	-----	-----
Cash and cash equivalents at end of period.....	\$ 88,775	\$ 14,671
	=====	=====
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:		
Common stock issued upon conversion of convertible subordinated debentures, net.....	\$ 97,220	\$ --

SEE ACCOMPANYING NOTES.

INHALE THERAPEUTIC SYSTEMS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2000

(UNAUDITED)

1. ORGANIZATION AND BASIS OF PRESENTATION

Inhale Therapeutic Systems, Inc. ("Inhale" or the "Company") was incorporated in the State of California in July 1990 and reincorporated in the State of Delaware in July 1998. Inhale has created two wholly-owned subsidiaries: Inhale Therapeutic Systems Deutschland GmbH, incorporated in the Federal Republic of Germany, and Inhale Therapeutic Systems UK Limited, incorporated in the United Kingdom. The consolidated financial statements of Inhale include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company balances and transactions have been eliminated. Since inception, Inhale has been engaged in the development of systems for the pulmonary delivery of macromolecule drug therapies for systemic and local lung applications.

The accompanying unaudited condensed consolidated financial statements of Inhale have been prepared by management in accordance with generally accepted accounting principles for interim financial information and the instructions for Form 10-Q and Article 10 of Regulation S-X. The condensed consolidated balance sheet as of June 30, 2000, the condensed consolidated statements of operations for the three and six month periods ended June 30, 2000 and 1999, and the condensed consolidated statements of cash flows for the six month periods ended June 30, 2000 and 1999 have been prepared by Inhale without audit, but include all adjustments (consisting only of normal recurring adjustments) which Inhale considers necessary for a fair presentation of the financial position at such dates and the operating results and cash flows for those periods. Although Inhale believes that the disclosures in these financial statements are adequate to make the information presented not misleading, certain information normally included in financial statements and related footnotes prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (the "Commission"). The accompanying financial statements should be read in conjunction with the financial statements and notes thereto included in Inhale's Amended Annual Report on Form 10-K/A for the year ended December 31, 1999 as filed with the Commission.

Results for any interim period presented are not necessarily indicative of results for any other interim period or for the entire year.

2. COMPREHENSIVE GAIN

Other comprehensive gain or loss consists primarily of unrealized gains or losses on available-for-sale securities. For the six-month period ended June 30, 2000, Inhale recorded unrealized gains of approximately \$6.6 million, consisting of approximately \$6.4 million of gains relating to its investment in Alliance Pharmaceutical Corp. and approximately \$0.2 million of gains in other available-for-sale investments. For the six-month period ending June 30 1999, Inhale recorded unrealized losses of approximately \$0.1 million.

3. REVENUE RECOGNITION

Contract revenue from collaborative research agreements is recorded when earned and as the related costs are incurred. Payments received which are related to future performance are deferred and recognized as revenue when earned over future performance periods. In accordance with contract terms, up-front and progress payments from collaborative research agreements are considered to be payments to support continued research and development activities under the agreements. In accordance with the Company's revenue recognition policy, these payments are included in deferred revenue and are recognized as the related research and development expenditures are incurred.

Contract research revenue from one partner represented 67% of Inhale's revenue in the six month period ended June 30, 2000 and 76% of Inhale's revenue in the comparable period in 1999. Costs of contract research revenue approximate such revenue and are included in operating costs and expenses.

INHALE THERAPEUTIC SYSTEMS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2000

(UNAUDITED) (CONTINUED)

4. NET LOSS PER SHARE

Basic and diluted net loss per share is computed in accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share", which Inhale adopted in 1997. Accordingly, the weighted average number of common shares outstanding are used while common stock equivalent shares for stock options and warrants are not included in the per share calculations as the effect of their inclusion would be antidilutive.

5. LONG-TERM DEBT

In February 2000, Inhale received approximately \$222.4 million in net proceeds from the issuance of \$230 million aggregate principal amount of convertible subordinated notes to certain qualified institutional buyers pursuant to an exemption under the Securities Act of 1933, as amended. Interest on the notes accrues at a rate of 5% per year, subject to adjustment in certain circumstances. The notes will mature in 2007 and are convertible into shares of Inhale's common stock at a conversion price of \$76.71 per share, subject to adjustment in certain circumstances. The notes are redeemable in part or in total at any time before February 8, 2003 at \$1,000 per \$1,000 principal amount plus a provisional redemption premium of \$137.93 per \$1,000 principal amount, plus accrued and unpaid interest, if any, to the redemption date, if the closing price of Inhale's common stock has exceeded 150% of the conversion price then in effect for at least 20 trading days within a period of 30 consecutive trading days. The Company also can redeem some or all of the notes at any time after February 8, 2003 at certain redemption prices dependent on the date of redemption. Interest is payable semi-annually on August 8 and February 8. The notes are unsecured subordinated obligations, which rank junior in right of payment to all of the Company's existing and future senior debt.

Also beginning in February 2000, Inhale entered into privately negotiated agreements with certain holders of its outstanding 6 3/4% convertible subordinated debentures sold in October and November 1999, providing for the conversion into Inhale common stock of approximately \$100.7 million aggregate principal amount of the outstanding debentures. In exchange for an aggregate exchange premium of approximately \$16.9 million, \$100.7 million of convertible debentures was converted into approximately 3.1 million shares of Inhale common stock. Inhale will no longer have interest payment obligations on the debentures that were converted.

At June 30, 2000, an aggregate of approximately \$237.8 million principal amount of these debt instruments remained on the balance sheet. Costs relating to the issuances of the notes are recorded as long-term assets and are being amortized over the term of the debt.

6. ACQUIRED IN-PROCESS RESEARCH AND DEVELOPMENT

In the second quarter the Company recorded a \$2.3 million charge for acquired in-process research and development (the "IPR&D") costs. The acquisition was recorded as a purchase and a portion of the purchase price was allocated to IPR&D, which under current accounting rules is immediately expensed. At the date of the acquisition, the in-process technology had no alternative future use and did not qualify for capitalization.

7. SUBSEQUENT EVENTS

The Company's Board of Directors has approved a two-for-one stock split, to be effected as a 100% common stock dividend. Stockholders of record on August 1, 2000 will be issued a certificate representing one additional share of common stock for each share of common stock held on the record date. The payment date for this stock dividend will be on or about August 22, 2000.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations for the three and six months ended June 30, 2000 and 1999 should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations included in Inhale's Amended Annual Report on Form 10-K/A for the year ended December 31, 1999. The following discussion contains forward-looking statements that involve risk and uncertainties. Inhale's actual results could differ materially from those discussed here. Factors that could cause or contribute to such differences include, but are not limited to, those discussed herein under the heading "Risk Factors" as well as those discussed in Inhale's Amended Annual Report on Form 10-K/A for the year ended December 31, 1999.

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. Inhale undertakes no obligation to publicly release the results of any revision to these forward-looking statements which may be made to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events.

OVERVIEW

Since its inception in July 1990, Inhale has been engaged in the development of a pulmonary system for the delivery of macromolecules and other drugs for systemic and local lung applications. Inhale has been unprofitable since inception and expects to incur significant and increasing additional operating losses over the next several years primarily due to increasing research and development expenditures and expansion of late stage clinical and early stage commercial manufacturing facilities. To date, Inhale has not sold any commercial products and does not anticipate receiving revenue from product sales or royalties in the near future. For the period from inception through June 30, 2000, Inhale incurred a cumulative net loss of approximately \$139.0 million. The sources of working capital have been equity and debt financings, financings of equipment acquisitions and tenant improvements, interest earned on investments of cash, and revenues from short-term research and feasibility agreements and development contracts.

Inhale typically has been compensated for research and development expenses during initial feasibility work performed under collaborative arrangements. Partners that enter into collaborative agreements will typically pay for research and development expenses and make additional payments to Inhale as Inhale achieves certain key milestones. Inhale expects to receive royalties from its partners based on their revenues received from product sales, and to receive additional revenue from the manufacturing of powders and the supply of devices. In certain cases, Inhale may enter into collaborative agreements under which Inhale's partners would manufacture or package powders or supply inhalation devices, thereby potentially limiting one or more sources of revenue for Inhale. To achieve and sustain profitable operations, Inhale, alone or with others, must successfully develop, obtain regulatory approval for, manufacture, introduce, market and sell products utilizing its pulmonary drug delivery system. There can be no assurance that Inhale can generate sufficient product or contract research revenue to become profitable or to sustain profitability.

RESULTS OF OPERATIONS

Revenue for the three months ended June 30, 2000 was \$13.8 million compared to \$9.9 million for the three months ended June 30, 1999, an increase of 40%. Revenue for the six months ended June 30, 2000 was \$24.4 million compared to \$17.7 million for the six months ended June 30, 1999, an increase of 38%. The increase in revenue for both the three and six month periods was primarily due to the expansion of Inhale's existing collaborative agreement with Pfizer, Inc. and includes activities associated with the manufacture of Phase III clinical supplies. Revenue for the three and six months of 2000 and 1999 was comprised of reimbursed research and development expenses as well as the amortization of the pro-rata

portion of up-front signing and progress payments received from Inhale's collaborative partners. Recognition of up-front signing and progress payments is based on actual efforts expended. Costs of contract research revenue approximate such revenue and are included in research and development expenses.

Research and development expenses increased to \$26.0 million for the three months ended June 30, 2000 from \$14.6 million for the three months ended June 30, 1999, an increase of 78%. Research and development expenses increased to \$47.9 million for the six months ended June 30, 2000 from \$27.3 million for the six months ended June 30, 1999, an increase of 75%. The increase for the three and six month periods was due to increased spending related to the scale-up of technologies for current partnered projects, the continuing development of the Company's global manufacturing capabilities in order to support Phase III inhaleable insulin clinical trials and commercial production, increased investment in internally funded R&D projects for next-generation products and non-cash compensation charges associated with non-employee stock options. Inhale expects research, development and process development spending to increase over the next few years as Inhale continues to expand its development efforts under collaborative agreements and scales up its commercial manufacturing facility.

In the second quarter the Company recorded a \$2.3 million charge for acquired IPR&D costs. The acquisition was recorded as a purchase and a portion of the purchase price was allocated to IPR&D, which under current accounting rules is immediately expensed. At the date of the acquisition, the in-process technology had no alternative future use and did not qualify for capitalization.

General and administrative expenses were \$3.1 million for the three months ended June 30, 2000, compared to \$1.9 million for the three months ended June 30, 1999, an increase of 60%. General and administrative expenses increased to \$6.6 million for the six months ended June 30, 2000 from \$3.2 million for the six months ended June 30, 1999, an increase of 107%. The increase for the three and six month periods was due to a non-cash compensation charge associated with the accounting for non-employee stock options and to costs associated with supporting Inhale's increased manufacturing and development efforts, including administrative staffing, business development activities and marketing activities. General and administrative expenses are expected to continue to increase over the next few years as Inhale expands its operations

Net interest was \$1.8 million of income for the three months ended June 30, 2000 compared to \$0.7 million of income for the three months ended June 30, 1999, an increase of 178%. This increase resulted from the Company's larger cash and investment balances, including the proceeds of its issuance of convertible subordinated debentures in October and November 1999 and convertible subordinated notes in February 2000. Net interest was \$12.2 million of expense for the six months ended June 30, 2000 compared to \$1.6 million of income for the six months ended June 30, 1999. The six months ended June 30, 2000 includes interest expense of \$20.8 million, of which approximately \$16.9 million relates to the one-time net interest charge for the payment to holders of the Company's October 2006 debentures of a conversion premium to convert \$100.7 million aggregate principal amount of outstanding debentures into approximately 3.1 million shares of Inhale's common stock.

LIQUIDITY AND CAPITAL RESOURCES

Inhale has financed its operations primarily through public and private placements of its debt and equity securities, contract research and milestone payments, financing of equipment acquisitions and interest income earned on its investments of cash. At June 30, 2000, Inhale had cash, cash equivalents and short-term investments of approximately \$309.4 million.

Inhale's operations used cash of \$13.3 million for the six months ended June 30, 2000, compared to \$14.9 million for the six months ended June 30, 1999. The decrease in cash used in operations was due principally to the combination of decreased receivables and increased accrued liability balances at June 30, 2000 compared to the same period in 1999.

Inhale purchased property and equipment of approximately \$30.9 million during the six months ended June 30, 2000, compared to \$9.9 million for the corresponding period in 1999. The increase in purchased

property and equipment reflects the Company's investment in commercial manufacturing facilities, including device manufacturing at third-party contract manufacturers, and expansion of its San Carlos powder processing facilities.

Net cash provided by financing activities resulted from Inhale receiving approximately \$222.4 million in net proceeds from the issuance of \$230 million aggregate principal amount of convertible subordinated notes. In addition, in February 2000 the Company entered into privately negotiated agreements with certain holders of its outstanding 6 3/4% convertible subordinated debentures sold in October and November 1999, providing for the conversion into Inhale common stock of approximately \$100.7 million aggregate principal amount of the outstanding debentures. In exchange for an aggregate exchange premium of approximately \$16.9 million, \$100.7 million of convertible debentures were converted into approximately 3.1 million shares of Inhale common stock. Inhale will no longer have interest payment obligations on the debentures that were converted.

Inhale expects its cash requirements to continue to grow at an accelerated rate due to expected increases in costs associated with further research and development of its technologies, development of drug formulations, process development for the manufacture and filling of powders and devices, marketing and general and administrative costs. These expenses include, but are not limited to, increases in personnel and personnel related costs, purchases of capital equipment, investments in technologies, inhalation device prototype construction and facilities expansion. Inhale's planned facilities expansion includes the completion of its commercial manufacturing facility and the scale-up of device manufacturing with its third-party contract manufacturers.

Given its current cash requirements, Inhale believes that it will have sufficient cash to meet its operating expense requirements for at least the next 21 months. However, the Company plans to continue to invest heavily in its growth and the need for cash will be dependent upon the timing of these investments. Inhale's capital needs will depend on many factors, including continued scientific progress in its research and development arrangements, progress with pre-clinical and clinical trials, the time and costs involved in obtaining regulatory approvals, the costs of developing and the rate of scale-up of Inhale's powder processing and packaging technologies, the timing and cost of its late stage clinical and early commercial production facility, the costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims, the need to acquire licenses to new technologies and the status of competitive products. To satisfy its long-term needs, Inhale intends to seek additional funding, as necessary, from corporate partners and from the sale of securities. There can be no assurance that additional funds, if and when required, will be available to Inhale on favorable terms, if at all.

RISK FACTORS

THE FOLLOWING RISK FACTORS SHOULD BE READ CAREFULLY IN CONNECTION WITH EVALUATING INHALE'S BUSINESS. ANY OF THE FOLLOWING RISKS COULD MATERIALLY ADVERSELY AFFECT INHALE'S BUSINESS AND OPERATING RESULTS OR FINANCIAL CONDITION.

WE DO NOT KNOW IF OUR DEEP LUNG DRUG DELIVERY SYSTEM IS COMMERCIALY FEASIBLE.

We are in an early stage of development. There is a risk that our deep lung drug delivery technology will not be commercially feasible. Even if our deep lung delivery technology is commercially feasible, it may not be commercially accepted across a range of large and small molecule drugs. We have tested seven deep lung delivery formulations in humans, but many of our potential formulations have not been tested in humans.

Many of the underlying drug compounds contained in our deep lung formulations have been tested in humans by other companies using alternative delivery routes. Our potential products require extensive research, development and pre-clinical (animal) and clinical (human) testing. Our potential products also may involve lengthy regulatory review before they can be sold. We do not know if and cannot assure you that, any of our potential products will prove to be safe and effective or meet regulatory standards. There is a risk that any of our potential products will not be able to be produced in commercial quantities at acceptable cost or marketed successfully. Our failure to achieve commercial feasibility, demonstrate safety,

achieve clinical efficacy, obtain regulatory approval or, together with partners, successfully market products will negatively impact our revenues and results of operations.

WE DO NOT KNOW IF OUR DEEP LUNG DRUG DELIVERY SYSTEM IS EFFICIENT.

We may not be able to achieve the total system efficiency needed to be competitive with alternative routes of delivery. Total system efficiency is determined by the amount of drug loss during manufacture, in the delivery device, in reaching the site of absorption, and during absorption from that site into the bloodstream. Deep lung bioavailability is the percentage of a drug that is absorbed into the bloodstream when that drug is delivered directly to the lungs as compared to when the drug is delivered by injection. Bioavailability is the initial screen for whether deep lung delivery of any systemic drug is commercially feasible. We would not consider a drug to be a good candidate for development and commercialization if its drug loss is excessive at any one stage or cumulatively in the manufacturing and delivery process or if its deep lung bioavailability is too low.

WE DO NOT KNOW IF OUR DEEP LUNG DRUG FORMULATIONS ARE STABLE.

We may not be able to identify and produce powdered versions of drugs that retain the physical and chemical properties needed to work with our delivery device. Formulation stability is the physical and chemical stability of the drug over time and under various storage, shipping and usage conditions. Formulation stability will vary with each deep lung formulation and the type and amount of ingredients that are used in the formulation. Problems with powdered drug stability would negatively impact our ability to develop and market our potential products or obtain regulatory approval.

WE DO NOT KNOW IF OUR DEEP LUNG DRUG DELIVERY SYSTEM IS SAFE.

We may not be able to prove potential products to be safe. Our products require lengthy laboratory, animal and human testing. Most of our products are in preclinical testing or the early stage of human testing. If we find that any product is not safe, we will not be able to commercialize the product. The safety of our deep lung formulations will vary with each drug and the ingredients used in its formulation.

WE DO NOT KNOW IF OUR DEEP LUNG DRUG DELIVERY SYSTEM PROVIDES CONSISTENT DOSES OF MEDICINE.

We may not be able to provide reproducible dosages of stable formulations sufficient to achieve clinical success. Reproducible dosing is the ability to deliver a consistent and predictable amount of drug into the bloodstream over time both for a single patient and across patient groups. Reproducible dosing requires the development of:

- an inhalation device that consistently delivers predictable amounts of dry powder formulations to the deep lung;
- accurate unit dose packaging of dry powder formulations; and
- moisture resistant packaging.

We may not be able to develop reproducible dosing of any potential product. The failure to do so means that we would not consider it a good candidate for development and commercialization.

WE DEPEND ON PARTNERS FOR REGULATORY APPROVALS AND COMMERCIALIZATION OF OUR PRODUCTS.

Because we are in the business of developing technology for delivering drugs to the lungs and licensing this technology to companies that make and sell drugs, we do not have the people and other resources to do the following things:

- make bulk drugs to be used as medicines;
- design and carry out large scale clinical studies;
- prepare and file documents necessary to obtain government approval to sell a given drug product; and
- market and sell our products when and if they are approved.

When we sign a collaborative development agreement or license agreement to develop a product with a drug company, the drug company agrees to do some or all of the things described above. If our partner fails to do any of these things, we cannot complete the development of the product.

WE MAY NOT OBTAIN REGULATORY APPROVAL FOR OUR PRODUCTS ON A TIMELY BASIS, OR AT ALL.

There is a risk that we will not obtain regulatory approval for our products on a timely basis, or at all. Our products must undergo rigorous animal and human testing and an extensive review process mandated by the United States Food and Drug Administration ('FDA') and equivalent foreign authorities. This process generally takes a number of years and requires the expenditure of substantial resources, although the time required for completing such testing and obtaining such approvals is uncertain. We have not submitted any of our products to the FDA for marketing approval. We have no experience obtaining such regulatory approval.

In addition, we may encounter delays or rejections based upon changes in FDA policies, including policies relating to good manufacturing practice compliance during the period of product development. We may encounter similar delays in other countries.

Even if regulatory approval of a product is granted, the approval may limit the indicated uses for which we may market our product. In addition, our marketed product, our manufacturing facilities and Inhale, as the manufacturer, will be subject to continual review and periodic inspections. Later discovery from such review and inspection of previously unknown problems may result in restrictions on our product or on us, including withdrawal of our product from the market. The failure to obtain timely regulatory approval of our products, any product marketing limitations or a product withdrawal would negatively impact our revenues and results of operations.

WE DO NOT KNOW IF OUR TECHNOLOGIES CAN BE INTEGRATED SUCCESSFULLY TO BRING PRODUCTS TO MARKET.

We may not be able to integrate all of the relevant technologies to provide a deep lung drug delivery system. Our integrated approach to systems development relies upon several different but related technologies:

- dry powder formulations;
- dry powder processing technology;
- dry powder packaging technology; and
- deep lung delivery devices.

At the same time we must:

- establish collaborations with partners;
- perform laboratory and clinical testing of potential products; and
- scale-up our manufacturing processes.

We must accomplish all of these steps without delaying any aspect of technology development. Any delay in one component of product or business development could delay our ability to develop, obtain approval of or market therapeutic products using our deep lung delivery technology.

WE MAY NOT BE ABLE TO MANUFACTURE OUR PRODUCTS IN COMMERCIAL QUANTITIES.

POWDER PROCESSING. We have no experience manufacturing products for commercial purposes. We have only performed powder processing on the small scale needed for testing formulations and for early stage and larger clinical trials. We may encounter manufacturing and control problems as we attempt to scale-up powder processing facilities. We may not be able to achieve such scale-up in a timely manner or at a commercially reasonable cost, if at all. Our failure to solve any of these problems could delay or prevent

late stage clinical testing and commercialization of our products and could negatively impact our revenues and results of operations.

To date, we have relied on one particular method of powder processing. There is a risk that this technology will not work with all drugs or that the cost of drug production will preclude the commercial viability of certain drugs. Additionally, there is a risk that any alternative powder processing methods we may pursue will not be commercially practical for aerosol drugs or that we will not have, or be able to acquire the rights to use, such alternative methods.

POWDER PACKAGING. Our fine particle powders and small quantity packaging require special handling. We have designed and qualified automated filling equipment for small and moderate quantity packaging of fine powders. We face significant technical challenges in scaling-up an automated filling system that can handle the small dose and particle sizes of our powders in commercial quantities. There is a risk that we will not be able to scale-up our automated filling equipment in a timely manner or at commercially reasonable costs. Any failure or delay in such scale-up would delay product development or bar commercialization of our products and would negatively impact our revenues and results of operations.

INHALATION DEVICE. We face many technical challenges in further developing our inhalation device to work with a broad range of drugs, to produce such a device in sufficient quantities and to adapt the device to different powder formulations. In addition, we are attempting to develop a smaller inhalation device, which presents particular technical challenges. There is a risk that we will not successfully achieve any of these challenges. Our failure to overcome any of these challenges would negatively impact our revenues and results of operations.

For late stage clinical trials and initial commercial production, we intend to use one or more contract manufacturers to produce our drug delivery device. There is a risk that we will not be able to enter into or maintain arrangements with any potential contract manufacturers or effectively scale-up production of our drug delivery devices through contract manufacturers. Our failure to do so would negatively impact our revenues and results of operations.

WE DEPEND ON SOLE OR EXCLUSIVE SUPPLIERS FOR OUR INHALATION DEVICE AND BULK DRUGS.

We plan to subcontract the manufacture of our pulmonary delivery device before commercial production of our first product. We have identified contract manufacturers that we believe have the technical capabilities and production capacity to manufacture our devices and which can meet the requirements of good manufacturing practices. We cannot be assured that we will be able to obtain and maintain satisfactory contract manufacturing on commercially acceptable terms, if at all. Our dependence on third parties for the manufacture of our inhalation device may negatively impact our cost of goods and our ability to develop and commercialize products on a timely and competitive basis.

We obtain the bulk drugs we use to formulate and manufacture the dry powders for our deep lung delivery system from sole or exclusive sources of supply. For example, with respect to our source of bulk insulin, we have entered into a collaborative agreement with Pfizer, Inc., which has, in turn, entered into an agreement with Aventis S.A. to manufacture biosynthetic recombinant insulin. Under the terms of their agreement, Pfizer and Aventis agreed to construct a jointly owned manufacturing plant in Frankfurt, Germany. Until its completion, Pfizer will provide us with insulin from Aventis's existing plant. If our sole or exclusive source suppliers fail to provide bulk drugs in sufficient quantities when required, our revenues and results of operations will be negatively impacted.

WE DO NOT KNOW IF THE MARKET WILL ACCEPT OUR DEEP LUNG DRUG DELIVERY SYSTEM.

The commercial success of our potential products depends upon market acceptance by health care providers, third-party payors like health insurance companies and Medicare, and patients. Our products under development use a new method of drug delivery and there is a risk that our potential products will not be accepted by the market. Market acceptance will depend on many factors, including:

- the safety and efficacy of our clinical trials;
- favorable regulatory approval and product labeling;

- the frequency of product use;
- the availability of third-party reimbursement;
- the availability of alternative technologies; and
- the price of our products relative to alternative technologies.

There is a risk that health care providers, patients or third-party payors will not accept our deep lung drug delivery system. If the market does not accept our potential products, our revenues and results of operations would be significantly and negatively impacted.

IF OUR PRODUCTS ARE NOT COST EFFECTIVE, GOVERNMENT AND PRIVATE INSURANCE PLANS MAY NOT PAY FOR OUR PRODUCTS.

In both domestic and foreign markets, sales of our products under development will depend in part upon the availability of reimbursement from third-party payors, such as government health administration authorities, managed care providers, private health insurers and other organizations. In addition, such third-party payors are increasingly challenging the price and cost effectiveness of medical products and services. Significant uncertainty exists as to the reimbursement status of newly approved health care products. Legislation and regulations affecting the pricing of pharmaceuticals may change before our proposed products are approved for marketing. Adoption of such legislation and regulations could further limit reimbursement for medical products. A government or third-party payor decision to not provide adequate coverage and reimbursements for our products would limit market acceptance of such products.

WE EXPECT TO CONTINUE TO LOSE MONEY FOR THE NEXT SEVERAL YEARS.

We have never been profitable and, through June 30, 2000, we have an accumulated deficit of approximately \$139.0 million. We expect to continue to incur substantial and increasing losses over at least the next several years as we expand our research and development efforts, testing activities and manufacturing operations, and as we further expand our late stage clinical and early commercial production facility. All of our potential products are in research or in the early stages of development except for our insulin collaboration. We have generated no revenues from approved product sales. Our revenues to date have consisted primarily of payments under short-term research and feasibility agreements and development contracts. To achieve and sustain profitable operations, we must, alone or with others, successfully develop, obtain regulatory approval for, manufacture, introduce, market and sell products using our deep lung drug delivery system. There is a risk that we will not generate sufficient product or contract research revenue to become profitable or to sustain profitability.

WE MAY NEED TO RAISE ADDITIONAL CAPITAL THAT MAY NOT BE AVAILABLE.

We anticipate that our existing capital resources will enable us to maintain currently planned operations through at least the next 21 months. However, this expectation is based on our current operating plan, which is expected to change as a result of many factors, and we may need additional funding sooner than anticipated. In addition, we may choose to raise additional capital due to market conditions or strategic considerations, even if we believe we have sufficient funds for our current or future operating plans. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of such securities could result in dilution to our stockholders.

We have no credit facility or other committed sources of capital. To the extent operating and capital resources are insufficient to meet future requirements, we will have to raise additional funds to continue the development and commercialization of our technologies. Such funds may not be available on favorable terms, or at all. In particular, our substantial leverage may limit our ability to obtain additional financing. If adequate funds are not available on reasonable terms, we may be required to curtail operations significantly or to obtain funds by entering into financing, supply or collaboration agreements on unattractive terms. Our inability to raise capital could negatively impact our business.

OUR PATENTS MAY NOT PROTECT OUR PRODUCTS AND OUR PRODUCTS MAY INFRINGE ON THIRD-PARTY PATENT RIGHTS.

We have filed patent applications covering certain aspects of our device, powder processing technology, and powder formulations and deep lung route of delivery for certain molecules, and we plan to file additional patent applications. We currently have 82 issued U.S. and foreign patents that cover certain aspects of our technology and we have a number of patent applications pending. There is a risk that many of the patents applied for will not issue, or that any patents that issue or have issued will not be valid and enforceable. Enforcing our patent rights would be time consuming and costly.

Our access or our partners' access to the drugs to be formulated will affect our ability to develop and commercialize our technology. Many drugs, including powder formulations of certain drugs that are presently under development by us, are subject to issued and pending U.S. and foreign patents that may be owned by our competitors. We know that there are issued patents and pending patent applications relating to the deep lung delivery of large molecule drugs, including several for which we are developing deep lung delivery formulations. This situation is highly complex, and the ability of any one company, including Inhale, to commercialize a particular drug is unpredictable.

We intend generally to rely on the ability of our partners to provide access to the drugs that are to be formulated by us for deep lung delivery. There is a risk that our partners will not be able to provide access to such drug candidates. Even if such access is provided, there is a risk that our partners or we will be accused of, or determined to be, infringing a third-party's patent rights and will be prohibited from working with the drug or be found liable for damages that may not be subject to indemnification. Any such restriction on access to drug candidates or liability for damages would negatively impact our revenues and results of operations.

OUR COMPETITORS MAY DEVELOP AND SELL BETTER DRUG DELIVERY SYSTEMS.

We are aware of other companies engaged in developing and commercializing pulmonary drug delivery systems and enhanced injectable drug delivery systems. Many of these companies have greater research and development capabilities, experience, manufacturing, marketing, financial and managerial resources than we do and represent significant competition for us. Acquisitions of or collaborations with competing drug delivery companies by large pharmaceutical companies could enhance our competitors' financial, marketing and other resources. Accordingly, our competitors may succeed in developing competing technologies, obtaining regulatory approval for products or gaining market acceptance before us. Developments by others could make our products or technologies uncompetitive or obsolete. Our competitors may introduce products or processes competitive with or superior to ours.

INVESTORS SHOULD BE AWARE OF INDUSTRY-WIDE RISKS.

In addition to the risks associated specifically with Inhale described above, investors should also be aware of general risks associated with drug development and the pharmaceutical industry. These include, but are not limited to:

- changes in and compliance with government regulations;
- handling of hazardous materials;
- hiring and retaining qualified people; and
- insuring against product liability claims.

WE EXPECT OUR STOCK PRICE TO REMAIN VOLATILE.

Our stock price is volatile. In the twelve-month period ending June 30, 2000, based on closing prices on the Nasdaq National Market, our stock price ranged from \$23.63 to \$126.63. We expect it to remain volatile. A variety of factors may have a significant effect on the market price of our common stock, including:

- fluctuations in our operating results;
- announcements of technological innovations or new therapeutic products;

- announcement or termination of collaborative relationships by Inhale or our competitors;
- governmental regulation;
- clinical trial results or product development delays;
- developments in patent or other proprietary rights;
- public concern as to the safety of drug formulations developed by Inhale or others; and
- general market conditions.

Any litigation brought against us as a result of this volatility could result in substantial costs and a diversion of our management's attention and resources, which could negatively impact our financial condition, revenues and results of operations.

OUR SUBSTANTIAL INDEBTEDNESS MAY RESULT IN FUTURE LIQUIDITY PROBLEMS.

As of June 30, 2000, we had approximately \$242.6 million in long-term debt. This increased indebtedness has and will continue to impact us by:

- significantly increasing our interest expense and related debt service costs;
- making it more difficult to obtain additional financing; and
- constraining our ability to react quickly in an unfavorable economic climate.

Currently, we are not generating sufficient cash flow to satisfy the annual debt service payments that are required under the terms of our outstanding convertible subordinated debentures and notes. This may require us to use a portion of the proceeds from the sales of these securities to pay interest or borrow additional funds or sell additional equity to meet our debt service obligations. If we are unable to satisfy our debt service requirements, substantial liquidity problems could result, which would negatively impact our future prospects.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the reported market risks since December 31, 1999.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings - Not Applicable

Item 2. Changes in Securities

On April 20, 2000 we issued 1,805 shares of our common stock to an individual as partial consideration valued at \$124,000 in connection with certain transactions relating to the acquisition of intellectual property rights. These shares were sold in a private placement exempt from registration under Section 4(2) of the Securities Act of 1933. No underwriters were involved in this offering and no commissions or remuneration was paid in connection with the sales of these securities. The acquirer indicated his intent to acquire the securities for investment only and not with a view to distribution and appropriate legends are affixed to the certificate issued in the transaction. The individual was a sophisticated accredited investor with access to adequate information about the Company.

On June 19, 2000, the Company filed a Certificate of Amendment of the Amended Certificate of Incorporation with the Delaware Secretary of State effecting an increase of the total number of shares that the Company is authorized to issue from 60,000,000 shares to 310,000,000 shares. Three hundred million shares are common stock, each having a par value of one-hundredth of one cent (\$.0001). Ten million shares are designated preferred stock, each having a par value of one-hundredth of one cent (\$.0001). This increase has the effect of diluting the ownership interests of existing holders of common stock and the Company's other securities convertible into shares of common stock.

The Company's Board of Directors has approved a two-for-one stock split, to be effected as a 100% common stock dividend. Stockholders of record on August 1, 2000 will be issued a certificate representing one additional share of common stock for each share of common stock held on the record date. The payment date for this stock dividend will be on or about August 22, 2000.

Item 3. Defaults upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Security Holders

A. The annual meeting of the stockholders was held on June 6, 2000.

B. The following matters were voted upon at the annual meeting:

1. To elect the following directors to hold office until the 2003 Annual Meeting of Stockholders:

NOMINEE -----	IN FAVOR -----	WITHHELD -----
Robert B. Chess	18,168,620	20,974
Mark J. Gabrielson	18,168,135	21,459
James B. Glavin	18,168,320	21,274

2. To approve the amendment and restatement of the Company's 1994 Equity Incentive Plan, which as amended, is entitled the 2000 Equity Incentive Plan, and to increase the aggregate number of shares of common stock authorized for issuance under such plan by 500,000 shares.

FOR ---	AGAINST -----	ABSTAIN -----	BROKER NON-VOTE -----
12,443,164	5,538,847	207,583	2,721,765

3. To approve an amendment to the Company's Certificate of Incorporation to increase the authorized number of shares of Common Stock from 50,000,000 shares to 300,000,000 shares.

FOR ---	AGAINST -----	ABSTAIN -----	BROKER NON-VOTE -----
13,878,594	4,122,303	188,697	2,721,765

4. To ratify the selection of Ernst & Young LLP as independent auditors for the Company for its fiscal year ending December 31, 2000.

FOR ---	AGAINST -----	ABSTAIN -----	BROKER NON-VOTE -----
18,162,539	20,277	6,778	2,721,765

Item 5. Other Information

Effective April 19, 2000, Robert B. Chess resigned as Co-Chief Executive Officer of the Company, remaining as Chairman of the Board. Effective April 19, 2000, Ajit S. Gill was named the sole Chief Executive Officer of the Company, remaining as the President of the Company.

Item 6. Exhibits and Reports on Form 8-K

(a) The following exhibits are filed herewith or incorporated by reference:

EXHIBIT	EXHIBIT TITLE
3.3	Certificate of Amendment of the Amended Certificate of Incorporation
4.14	Specimen Common Stock Certificate
27.1	Financial Data Schedule

(b) Reports on Form 8-K.
None.

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.

INHALE THERAPEUTIC SYSTEMS, INC.

DATE: August 14, 2000

BY: /S/Ajit S. Gill

Ajit S. Gill
Chief Executive Officer and Director
(Duly Authorized Officer)

BY: /S/Brigid A. Makes

Brigid A. Makes
Chief Financial Officer

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO
HEREBY CERTIFY THE ATTACHED IS TRUE AND CORRECT COPY OF THE CERTIFICATE OF
AMENDMENT OF "INHALE THERAPEUTIC SYSTEMS, INC.", FILED IN THIS OFFICE ON THE
NINETEENTH DAY OF JUNE, A.D. 2000, AT 10 O'CLOCK A.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE
COUNTY RECORDER OF DEEDS.

[SEAL]

[CLIENT NAME LOGO]

EDWARD J. FREEL, SECRETARY OF STATE

290390 8100

AUTHENTICATION: 0507399

001309315

DATE: 06-20-00

CERTIFICATE OF AMENDMENT
OF THE AMENDED
CERTIFICATE OF INCORPORATION
OF
INHALE THERAPEUTIC SYSTEMS, INC.

INHALE THERAPEUTIC SYSTEMS, INC, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, does hereby certify:

FIRST: The name of the corporation is Inhale Therapeutic Systems, Inc. The corporation was originally incorporated under the name Inhale Therapeutic Systems (Delaware), Inc.

SECOND: The date on which the Certificate of Incorporation of the corporation was filed with the Secretary of State of the State of Delaware was June 3, 1998. Article I of the Certificate of Incorporation was amended to change the name of the corporation to Inhale Therapeutic Systems, Inc. upon the filing of a Certificate of Agreement of Merger with the Secretary of State of the State of Delaware on July 1, 1998.

THIRD: The Board of Directors of the corporation, acting in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware, adopted resolutions to amend the Amended Certificate of Incorporation of the corporation by deleting the first paragraph of Article IV and substituting therefor a new first paragraph of Article IV in the following form:

"This corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the corporation is authorized to issue three hundred ten million (310,000,000) shares. Three hundred million (300,000,000) shares shall be Common Stock, each having a par value of one-hundredth of one cent (\$.0001). Ten million (10,000,000) shares shall be Preferred Stock, each having a par value of one-hundredth of one cent (\$.0001)."

FOURTH: Thereafter, pursuant to a resolution of the Board of Directors, this Certificate of Amendment was submitted to the stockholders of the corporation for their approval and was duly adopted in accordance with the provision of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, Inhale Therapeutic Systems, Inc. has caused this Certificate of Amendment to be signed by its President and Chief Executive Officer and attested to by its Secretary this 6th day of June, 2000.

INHALE THERAPEUTIC SYSTEMS, INC.

/s/ Ajit S. Gill

Ajit S. Gill
President and Chief Executive Officer

ATTEST:

/s/ Stephen L. Hurst

Stephen L. Hurst
Secretary

COMMON STOCK
NUMBER

COMMON STOCK
SHARES

ITS-

[LOGO]

INHALE THERAPEUTIC SYSTEMS, INC.

INCORPORATED UNDER THE LAWS OF
THE STATE OF DELAWARE

SEE REVERSE FOR CERTAIN DEFINITIONS
AND A STATEMENT AS TO
RESTRICTIONS ON SHARES, IF ANY
CUSIP 457191 10 4

THIS CERTIFIES THAT

IS THE OWNER OF

FULLY PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK, \$.0001 PAR VALUE, OF

----- INHALE THERAPEUTIC SYSTEMS INC. -----

(the "Corporation") transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney upon surrender of this Certificate properly endorsed. This Certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar.

WITNESS the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

/s/ [ILLEGIBLE]
Secretary

/s/ [ILLEGIBLE]
President and Chief Executive Officer

[STAMP]

COUNTERSIGNED AND REGISTERED:

CHASEMELLON SHAREHOLDER SERVICES, L.L.C.

TRANSFER AGENT AND REGISTRAR

By

AUTHORIZED SIGNATURE

INHALE THERAPEUTIC SYSTEMS, INC.

The Corporation will furnish without charge to each stockholder who so requests a copy of the powers, designations, preferences and relative, participating, optional, or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Any such requests may be addressed to the Secretary of the Corporation.

The following abbreviations, when used in the inscription on the face of this Certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

- TEN COM- as tenants in common
- TEN ENT- as tenants by the entireties
- JT TEN- as joint tenants with right of survivorship and not as tenants in common
- COM PROP- as community property

UNIF GIFT MIN ACT- _____ Custodian _____
 (Cust) (Minor)
 under Uniform Gifts to Minors Act _____
 (State)

UNIF TRF MIN ACT- _____ Custodian (until age _____)
 (Cust) _____ under Uniform Transfers
 (Minor) to Minors Act _____
 (State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, _____ hereby sell, assign and transfer unto _____

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE _____

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

 _____ Shares

of the Common Stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

_____ Attorney

to transfer the said shares of Common Stock on the books of the within named Corporation with full power of substitution in the premises.

Dated _____

X _____
 X _____

NOTICE: THE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

SIGNATURE GUARANTEED:

By

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 174d-15.

THE QUARTERLY FINANCIAL STATEMENTS OF INHALE THERAPEUTIC SYSTEMS, INC.
AS FILED ON FORM 10-Q FOR THE PERIOD ENDED JUNE 30, 2000.

6-MOS	
	DEC-31-2000
	JAN-01-2000
	JUN-30-2000
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	220,672
	2,321
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	0
	317,145
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30,498	
	237,760
0	
	0
	291,436
	(132,140)
434,361	
	0
	24,422
	0
	0
	56,786
	0
	20,805
	(44,579)
	0
(44,579)	
	0
	0
	0
	(44,579)
	(2.40)
	(2.40)