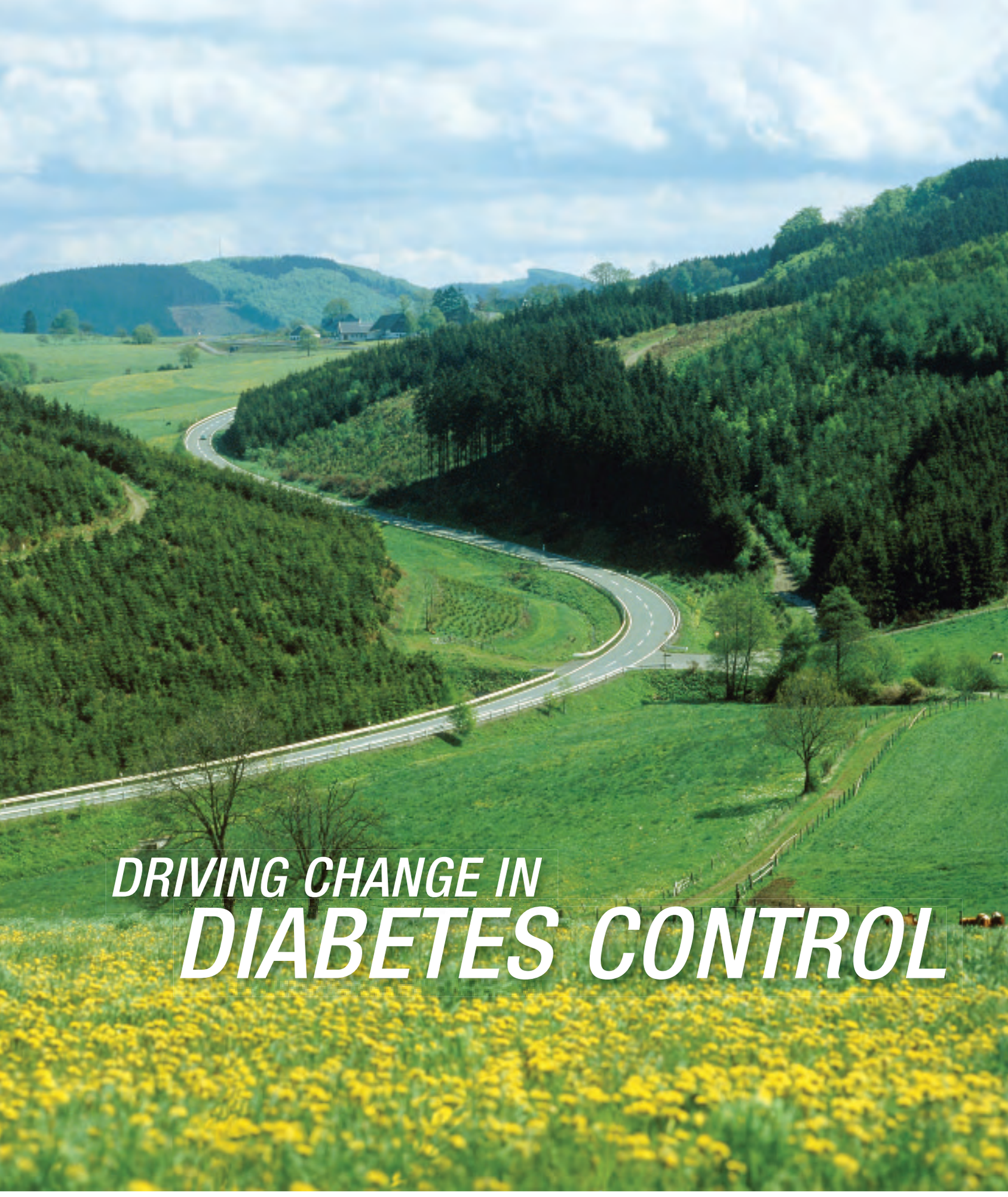
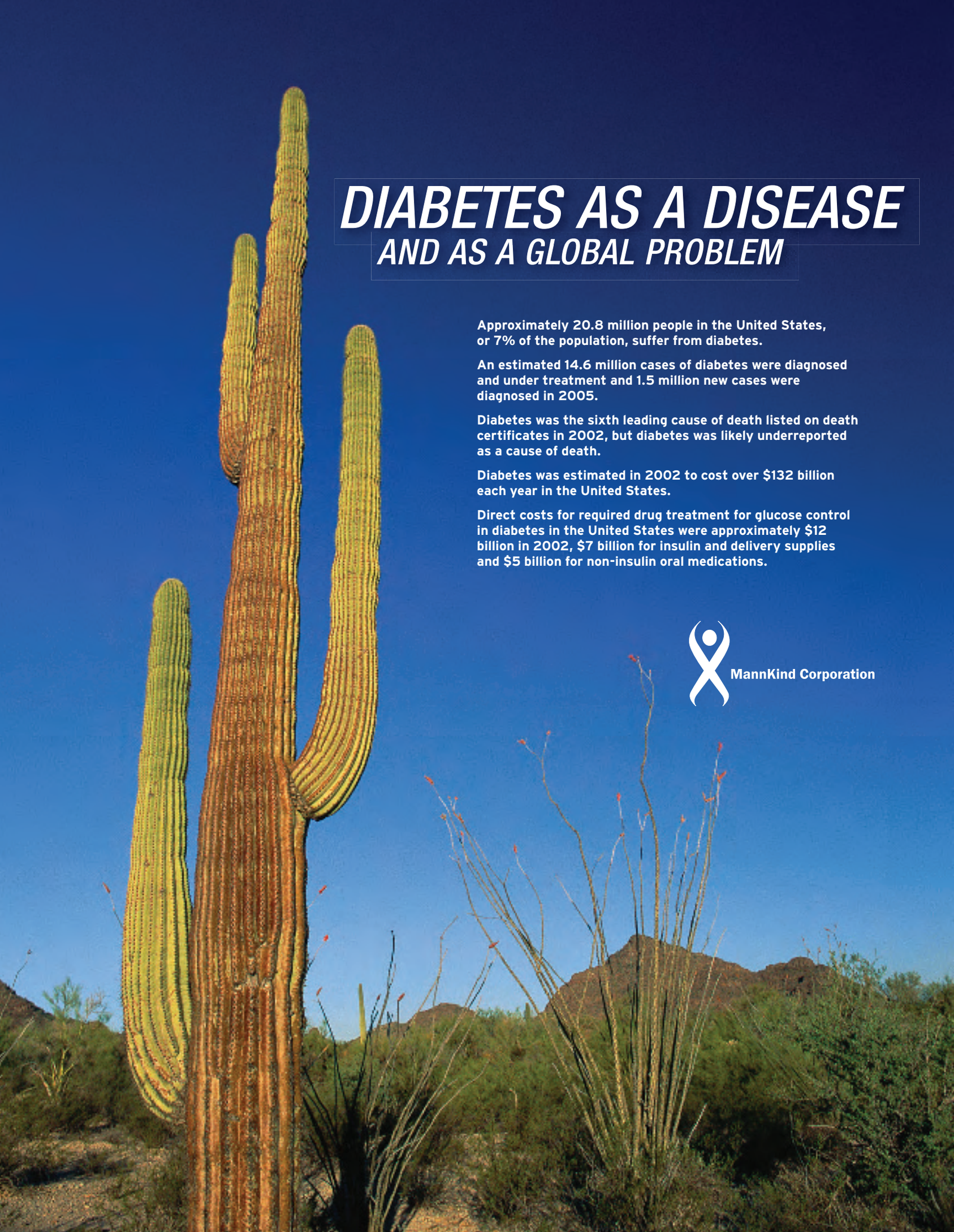


MANNKIND CORPORATION
2005 ANNUAL REPORT



DIABETES AS A DISEASE
AND AS A GLOBAL PROBLEM

Approximately 20.8 million people in the United States, or 7% of the population, suffer from diabetes.

An estimated 14.6 million cases of diabetes were diagnosed and under treatment and 1.5 million new cases were diagnosed in 2005.

Diabetes was the sixth leading cause of death listed on death certificates in 2002, but diabetes was likely underreported as a cause of death.

Diabetes was estimated in 2002 to cost over $132 billion each year in the United States.

Direct costs for required drug treatment for glucose control in diabetes in the United States were approximately $12 billion in 2002, $7 billion for insulin and delivery supplies and $5 billion for non-insulin oral medications.

MannKind Corporation

DEAR STOCKHOLDERS,

We are pleased to say that 2005 – our first full calendar year as a public company – was an exceptional year for MannKind Corporation. We believe our lead investigational compound, the Technosphere® Insulin System, currently in phase 3 clinical trials, continues to be the most promising new insulin therapy under development, with the potential to change the way the disease is treated.

We are excited about the potential value of the Technosphere® Insulin System. We view last year's $175 million private placement – the largest such offering in the industry, which included some of the most well-respected investment firms as evidence of the investment community's belief in the long-term success of MannKind. We have allocated a majority of the capital raised last year to fund the continued development of our lead product.

Looking ahead to 2006, there are a number of clinical developments and critical milestones that we hope to achieve. We have already completed two phase 3 trials: Study 101 and Study 014. We plan to release the results from these trials before the middle of 2006. Elsewhere in this report, we describe some of the other studies that we have or will initiate, all of which will provide us with additional insight into the performance characteristics and competitive advantages of the Technosphere® Insulin System. We also expect to begin trials of a cancer vaccine therapy by the end of the year.

In order to prepare for our ongoing and upcoming clinical trials, we have taken steps to expand our manufacturing facilities and their scalability. The build-out of our Danbury, Connecticut facility is underway, with the goal of providing enough manufacturing capacity to supply our forecasted needs through the first few years of commercialization.

As you can see, 2005 has been a successful year for us and we are excited about the future of our Company and our products. We would like to thank our employees for their continued contributions and you, our shareholders, for your continued confidence in MannKind.

Alfred E. Mann
Chairman and
Chief Executive Officer

Hakan S. Edstrom
President and
Chief Operating Officer

DRIVING CHANGE: THE NEED FOR NEW INSULIN THERAPY

The human body uses glucose as fuel to keep it running at all times. During mealtimes, glucose is provided from the ingestion of carbohydrates; between meals, the liver produces and delivers glucose. Insulin is required to utilize the glucose, and the pancreas produces insulin to help regulate glucose levels in a normal range. Glucose balance is critical to health, and both high and low levels can be dangerous. Diabetes is a chronic health condition in which the body is unable to produce insulin. As a result, blood glucose levels become uncontrolled.

There are primarily two types of diabetes. In type 1 diabetes, the body stops producing insulin, while in type 2 diabetes, insulin production is impaired, and the body grows increasingly resistant to insulin. Patients with type 1 diabetes require insulin injections to survive. The treatment of type 2 diabetes typically starts by managing the patient's diet and exercise. For most patients, however, treatment through diet and exercise alone is not an effective long-term solution. Treatment usually progresses next to include various non-insulin oral medications, most of which act by increasing the amount of insulin produced by the pancreas or by increasing the sensitivity of insulin-dependent cells. These drugs generally have significant adverse effects and are limited in their ability to manage the disease effectively. Most patients with type 2 diabetes eventually require treatment with insulin. There is increasing evidence that aggressive insulin therapy has long-term benefits and that patients with type 2 diabetes should be started on insulin early in the progression of the disease rather than after they have failed to achieve control with multiple oral medications. Patients, however, are often reluctant to initiate insulin therapy because until now it has involved administering several daily subcutaneous needle injections of insulin and because of the fear of hypoglycemia, a potentially dangerous acute condition characterized by abnormally low levels of glucose. These limitations support the need for a new insulin therapy.

To address the resistance of patients to insulin injections, there is growing interest in the inhaled delivery of insulin. However, with the exception of our product, all other inhaled delivery systems appear to offer little clinical advantage over subcutaneous insulin above and beyond the elimination of "needle phobia". The reason for this lies in the fact that the other pulmonary insulin systems – like injected insulin – suffer from the shortcoming of entering the bloodstream too slowly. The available evidence indicates that these systems are no better than injections of "rapid-acting" insulin analogs, which produce peak insulin levels in about 30-90 minutes. By contrast, in a person without diabetes, the pancreas secretes elevated levels of insulin within a few minutes of glucose entering into the bloodstream from a meal.

The slow entry of other insulin therapies into the bloodstream results in high blood glucose levels early after meal onset, and because much of the insulin remains after the meal is digested, there is a tendency to develop hypoglycemia. These swings in glucose levels can be very challenging for patients, who find they must snack between meals in order to "feed" their insulin, leading to weight gain. Excessive post-meal glucose excursions have also been linked to atherosclerosis and diabetic vascular disease, a complication of diabetes that affects the eyes, kidneys, heart and peripheral and autonomic nervous systems.

Our Technosphere® Insulin System is unlike other insulin therapies. In clinical studies, we have consistently observed that the Technosphere® Insulin System produces a profile of insulin levels in the bloodstream that is similar to the early insulin secretion normally seen in healthy individuals following the beginning of a meal. We believe that the time-action profile of our investigational product is more than just an interesting observation. In a person without diabetes, the rapid increase in insulin levels that follows meal onset acts to shut down the liver's production of glucose during the mealtime. In this way, the liver does not contribute to blood glucose levels at a time when glucose is being absorbed from the meal. We believe that delivering insulin in a more natural manner leads to better overall glucose control.

Our clinical studies are designed to evaluate the extent to which glucose control improves with the use of Technosphere® Insulin. We have observed in our studies that when Technosphere® Insulin is administered at, or shortly after, the beginning of a meal, blood glucose levels after the meal are more tightly controlled than if patients attempt to control their disease with subcutaneous insulin or oral medications. Without the persistence of insulin following meal digestion, the use of Technosphere® Insulin appears to reduce the risk of hypoglycemia and the need for snacks, which should help to avoid the weight gain typically associated with insulin therapy.

Thus, the Technosphere® Insulin System may represent a new insulin therapy that offers patients an opportunity to gain greater control over their disease and reduce its short- and long-term complications – all without the pain and inconvenience of multiple daily insulin injections.

CLINICAL DEVELOPMENT

MannKind Corporation's lead investigational compound, the Technosphere® Insulin System, is a proprietary dry powder Technosphere® formulation of insulin that is inhaled into the deep lung using our proprietary MedTone® inhaler. We are currently conducting phase 3 clinical trials in the United States and Europe to study its safety and efficacy in the treatment of diabetes. To date, we have conducted clinical trials that have involved more than 800 individuals and 60,000 patient-days of home use.

In 2005, we initiated a phase 3 clinical trial of inhaled Technosphere® Insulin, Study 030. The primary objective of this two-year, prospective, multi-site study is to compare the pulmonary function of type 1 and type 2 patients randomized to either Technosphere® Insulin or standard care. Enrollment for this study began in June 2005 and is targeted to be fully enrolled later this year.

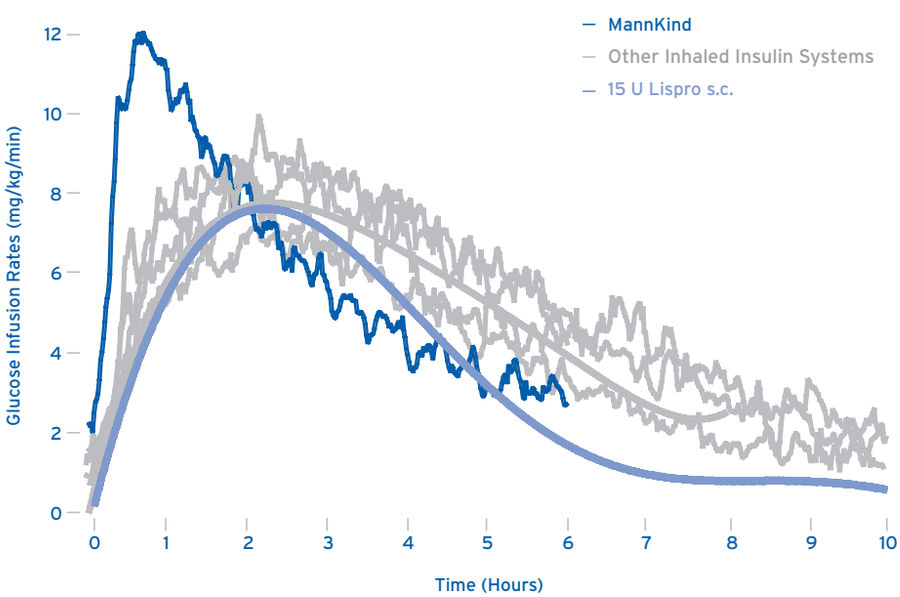
In 2005, we completed Study 005, a phase 2b forced dose-escalation study where we evaluated the effect of different mealtime doses of Technosphere® Insulin added to a single fixed daily injection of a long-acting basal insulin in patients with type 2 diabetes. We released initial results from this study in the first quarter of 2006 and will present more detailed findings at the American Diabetes Association annual meeting in June 2006. In Study 005, we demonstrated that the addition of Technosphere® Insulin to insulin glargine produced a statistically significant reduction in HbA1c levels (a measure of the average blood glucose level over the preceding 3-4 months) and a dose-dependent reduction of post-meal glucose excursions. We also observed that Technosphere® Insulin produced no negative effects on pulmonary function, and did not lead to weight gain at any dose over 12 weeks of treatment.

Study	*Trial Overview*	*Duration*	*Number and Type of Patients*	*Status*
101 Phase 2	Compare mealtime use of Technosphere® Insulin (plus basal insulin) to mealtime use of "rapid-acting" subcutaneous insulin (plus basal insulin)	12 weeks	90 Type 1	Completed Results expected in Spring 2006
014 Phase 3	Compare efficacy of mealtime use of Technosphere® Insulin (plus basal insulin) to mealtime use of "rapid-acting" subcutaneous insulin (plus basal insulin)	24 weeks	240 Type 2	Completed Results expected in Summer 2006
030 Phase 3	Evaluate pulmonary function in two groups of 625 patients - Treatment with Technosphere® Insulin - Treatment with existing oral or injectable therapy Compare the latter patient group to pulmonary function of 125 subjects without diabetes	2 years	1,250 Type 1 and Type 2	Enrollment began in June 2005
102 Phase 3	Compare efficacy of mealtime use of Technosphere® Insulin to twice-daily use of premixed insulin	12 months	500 Type 2	Enrollment began in March 2006
009 Phase 3	Compare mealtime use of Technosphere® Insulin (plus basal insulin) to mealtime use of "rapid-acting" subcutaneous insulin (plus basal insulin)	12 months	500 Type 1	Enrollment began in March 2006
103 Phase 3	Evaluate the efficacy of Technosphere® Insulin alone and in combination with metformin	6 months	500 Type 2	To be initiated Summer 2006

UNIQUE KINETICS

A 2004 review article in the *British Journal of Diabetes and Vascular Diseases* surveyed the data published on pulmonary insulin products in development and compared their glucose-lowering activity to that of injectable "rapid-acting" insulin analogs, which are variations of insulin that produce peak blood levels within 30 to 90 minutes of injection. The graph below summarizes the data from different studies that were reviewed in this article, showing that most pulmonary insulin formulations have time-action profiles comparable to injectable "rapid-acting" insulin. The one exception was the Technosphere® Insulin System, which has been observed to have a much more rapid onset of action than the other insulin therapies reviewed.

Time-Action Profile of Inhaled Insulin with Various Systems
(Data from different studies)



A LOOK AHEAD:
OUR CANCER PROGRAM

MannKind's product development pipeline also includes plans to develop therapies for the treatment of solid tumor cancers. The lead product candidate in this program, MKC1106, is intended for the treatment of several solid-tumor cancers, including ovarian, colorectal, pancreatic, renal, breast, and prostate carcinomas. We plan to commence clinical trials for MKC1106 late in the fourth quarter of 2006.

Our cancer therapy program utilizes the body's immune system to help eradicate tumor cells. The immune system is a network of cells and organs that defends the body against infection and abnormal cells, such as cancer and transplanted cells. A key element of the immune system is its ability to distinguish between healthy cells and foreign or diseased cells that do not belong in the body. The immune system accomplishes this task by identifying distinctive molecules on the surface of each cell as either normal or abnormal, and responding to them appropriately. Any substance capable of triggering an immune response is known as an antigen. An antigen can be all or part of a pathogenic organism or it can be a by-product of diseased cells. Certain specialized cells of the immune system sample antigens in the body and present the foreign antigens to other cells of the immune system whose function is to destroy any cell that expresses the same molecule. This is known as cell-mediated immunity. In this way, the immune system can launch a very specific response to infection or disease.

Our therapy program uses DNA- and peptide-based compounds that correspond to tumor-associated antigens that are expressed in a range of solid-tumor cancers. A patient is first "primed" by DNA-based compounds, or plasmids, that are injected directly into the patient's lymph nodes. This has the effect of sensitizing the immune system to the tumor-associated antigens encoded by the plasmids. After a period of time, the patient's lymph nodes are then injected with synthetic peptides that are designed to "boost" or greatly amplify the immune response to the target antigens. This prime-boost regimen is designed to provoke a potent cell-mediated immune response that destroys cancer cells.

MannKind Corporation

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& Director

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Corporate Vice President
& Chief Scientific Officer

David Thomson, Ph.D., J.D.
Corporate Vice President
& General Counsel

ANNUAL MEETING

The Company's annual meeting
of stockholders will be held:
Thursday, May 25, 2006
10:00 a.m. (Eastern)
The Ethan Allen Hotel
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Tel +1.203.744.1776

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STOCK INFORMATION

MannKind Corporation stock is
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National Market under the symbol
"MNKD."

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INVESTOR RELATIONS

Reports regarding the Company
are filed electronically with the
SEC. You may access these reports
and additional information without
charge from our website at
www.mannkindcorp.com and
from the SEC's website at
www.sec.gov. In addition, you may
contact the Company's investor
relations department through
"Information Request" on the
Company's website or by
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