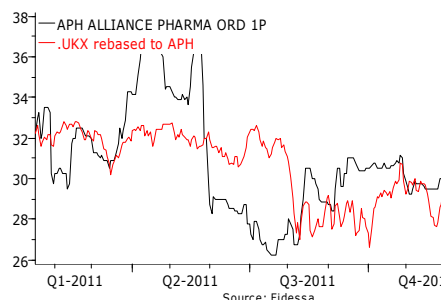


**Alliance Pharma plc
Pre-Close Trading Update**

28.75p

16 January 2012

Share Price: 28.75p



12m High: 37.125p

12m Low: 26.25p

Market Cap: £68.8m

Shares in Issue: 239.4m

NAV/Share: 17p inc. intangibles

Gearing: 54%

Interest Cover: 9.8X

EPIC Code: APH.L

Sector: Pharmaceuticals

Market: London AIM

Nominated Advisor and Broker:

Numis Securities

PR: Buchanan

Website: www.alliancepharma.co.uk

Description: Marketing and distribution of established niche, out of patent pharmaceutical products.

Analyst: Rae Ellingham

Tel: +44(0)20 7929 3399

Email: research@hardmanandco.com

Alliance Pharma has announced its pre-close trading update for the year ended 31 December 2011. Full year sales are expected to be around £46m, we were forecasting £45.9m, and pre-tax profits are expected to be in line with expectations.

Key points to note are:

- Sales of Hydromol and ImmuCyst have continued to grow.
- Sales of Deltacortril are continuing to be impacted on by the entry of a new competitor and by a move in the prednisolone market towards uncoated tablets. Sales of Deltacortril for the full year are expected to be circa £4.7m. This is lighter than we were anticipating and with sales of only £1.1m in the second half of the year we will be lowering our forecast sales for 2012.
- Sales of Nu-Seals in Ireland were £5.1m, 14% ahead of the previous year. With the Irish government continuing to look at ways in which it can reduce its medicines bill the outlook for Nu-Seals is uncertain. It may be that the government will impose a price reduction, requiring Alliance to price Nu-Seals at the same level as the lowest competitive product in the market. This product is priced circa 10%-20% below Nu-Seals. It may be that the market opens up to generic substitution. Given the unclear outlook for Nu-Seals we will be also lowering our sales forecast for this product.

Alliance has a number of measures at its disposal that can be taken to reduce the impact of the lower than expected sales of Deltacortril and the uncertainty surrounding Nu-Seals. These include reviewing the company's existing supply chain for potential cost saving efficiencies and reducing its current high level of promotional spend on Hydromol and ImmuCyst.

Our reduced profit before tax forecast for 2012 is for £10.8m (previously £11.3m) and 3.4 eps (previously 3.5p). We believe that this is a worse-case scenario, as no formal announcement regarding price reductions affecting Nu-Seals has been made as yet.

Y/E	Sales	Declared Profit	Adjusted Profit	Adjusted Diluted EPS	P/E ratio	Div	Yield
Dec	£m	£m	£m	p.		p.	%
2009A	31.2	5.7	8.6	3.1	9.2	0.30	1.0
2010A	49.9	12.9	16.9	4.6	6.2	0.57	2.0
2011E	45.9	10.6	11.5	3.3	8.6	0.75	2.6
2012E	46.8	10.8	11.8	3.4	8.5	1.00	3.5

Alliance Pharma

16 January 2012

Management	Major Shareholders														
<p>CEO: John Dawson</p> <p>Finance Director: Richard Wright</p> <p>Portfolio Director – Established Products & International: Tony Booley</p> <p>Portfolio Director – Oncology & Dermatology: Peter Butterfield</p>	<table> <tr> <td>John Dawson</td> <td>25.2%</td> </tr> <tr> <td>Nigel Wray</td> <td>14.0%</td> </tr> <tr> <td>Aviva PLC</td> <td>10.5%</td> </tr> <tr> <td>Royal Bank of Canada</td> <td>10.0%</td> </tr> <tr> <td>MVM Life Science Partners</td> <td>8.2%</td> </tr> <tr> <td>Old Mutual Asset Managers</td> <td>3.2%</td> </tr> <tr> <td>Slater Investments Ltd</td> <td>3.1%</td> </tr> </table>	John Dawson	25.2%	Nigel Wray	14.0%	Aviva PLC	10.5%	Royal Bank of Canada	10.0%	MVM Life Science Partners	8.2%	Old Mutual Asset Managers	3.2%	Slater Investments Ltd	3.1%
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Old Mutual Asset Managers	3.2%														
Slater Investments Ltd	3.1%														
Key Dates	Key Milestones														
<p>Full Year Results: March 2012</p> <p>Interim Results: September 2012</p>	<p>1998: Alliance commences trading</p> <p>2001: Acquires rights to Symmetrel, Slow K & Distamine</p> <p>2003: Floats on AIM</p> <p>2004: Acquires rights to Forceval, Periostat & 4 Dermatology brands</p> <p>2006: Acquires rights to Syntometrine, Atarax, Deltacortril, Terracortril, Permitabs, Dermamist & Hydromol</p> <p>2007: Enters into joint venture partnership to market Forceval in the Chinese market</p> <p>2009: Acquires Buccastem and Timodine Announces maiden dividend</p> <p>2010: Acquires Cambridge Laboratories (Ireland) Limited and Cambridge Laboratories Limited</p> <p>2011: Acquires two non-prescription pain and irritation relief products, Anbesol and Ashton & Parsons, from Reckitt Benckiser, subject to European Commission approval.</p> <p>Acquires the UK marketing rights to six products from Beacon Pharmaceuticals</p> <p>2011: Acquires Quinoderm and Ceanel from Ferndale Pharmaceuticals Limited</p>														

Alliance Pharma

16 January 2012

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