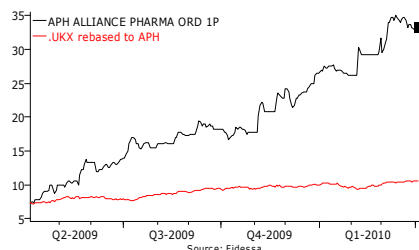


Alliance Pharma plc 32.75p No Sign of Competition as Yet

06 July 2010

Share Price: 32.75p



Source – Fidessa

12m High: 35.75p

12m Low: 15.0p

Market Cap: £75.8m

Shares in Issue: 231.5m

NAV/Share: 9.0p

Gearing: N/A

Interest Cover: 4.0x

EPIC Code: APH.L

Sector: Pharmaceuticals

Market: London AIM

Nominated Advisor and Broker:

Numis Securities

PR: Buchanan

Website: www.alliancepharma.co.uk

Description: Development, marketing and distribution of pharmaceutical products.

Analyst: Rae Ellingham

Tel: +44(0)20 7929 3399

Email: rae@hardmanandco.com

Alliance Pharma has released a pre-close trading update ahead of its interim results for the six months ended 30 June 2010.

Key points to note are:

- Trading continues to be strong with sales for the six months ended 30 June 2010 of circa £23.4m.
- Sales for the corresponding prior half year were £10.2m.
- Organic growth in sales has been circa 40% with Deltacortril the primary driver.

Deltacortril tablets contain the active ingredient prednisolone, a corticosteroid. Prednisolone is used to decrease inflammation in a number of common conditions including the likes of Crohn's disease, rheumatoid arthritis, and glandular fever.

Deltacortril sales are currently running at circa £1m per month with Alliance enjoying the benefit of limited competition. However, a third supplier is rumoured to be entering the market in the short to medium term at which point it is likely that sales of Deltacortril will be significantly reduced.

- Sales of the products Alliance acquired from Cambridge Laboratories in February 2010 have been in line with expectations and the integration of the Cambridge business is complete.
- Interim results for the six month period are expected to be announced on 8 September 2010.

Further Convertible Unsecured Loan Stock ("CULS" - interest payable at 8%) with a nominal value of £405k has been allotted into circa 1.9m new ordinary shares. Following admission of the new shares to AIM, expected on 7 July, CULS outstanding will be £5.5m.

With no evidence that increased competition for Deltacortril is imminent we have upgraded our forecasts for the year ended 31 December 2010, lifting eps by circa 3%. We have retained our current forecast for the year to 31 December 2011 on the continuing assumption that the market for Deltacortril will, at some point, become more competitive.

Apart from this one potential hiccup on the horizon all seems to be going well at Alliance. Nigel Wray would seem to agree having increased his stake in Alliance to 12.03%.

Y/E	Sales	Declared Profit	Adjusted Profit	Adjusted Diluted EPS	P/E ratio	Div	Yield
Dec	£m	£m	£m	p.		p.	%
2008A	21.8	2.4	2.4	1.17	28.0	-	-
2009A*	31.2	5.7	8.6	3.55	9.2	0.30	1.0
2010E	50.2	13.7	15.7	4.57	7.2	0.40	1.2
2011E	42.9	10.9	11.9	3.39	9.7	0.40	1.2

*adjusted to reflect a one-off non cash impairment charge of £2.8m

Alliance Pharma

06 July 2010

Management	Major Shareholders												
<p>CEO: John Dawson</p> <p>Finance Director & Company Secretary: Richard Wright</p> <p>Director – Alliance Pharmaceuticals: Tony Booley</p> <p>Director – Cambridge Laboratories: Peter Butterfield</p>	<table> <tr> <td>John Dawson</td> <td style="text-align: right;">27.0%</td> </tr> <tr> <td>Nigel Wray</td> <td style="text-align: right;">12.0%</td> </tr> <tr> <td>MVM Life Science Partners</td> <td style="text-align: right;">8.3%</td> </tr> <tr> <td>Aviva Investors Global Services</td> <td style="text-align: right;">8.1%</td> </tr> <tr> <td>Hargreave Hale</td> <td style="text-align: right;">4.4%</td> </tr> <tr> <td>Anthony Richard Booley</td> <td style="text-align: right;">2.9%</td> </tr> </table>	John Dawson	27.0%	Nigel Wray	12.0%	MVM Life Science Partners	8.3%	Aviva Investors Global Services	8.1%	Hargreave Hale	4.4%	Anthony Richard Booley	2.9%
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Hargreave Hale	4.4%												
Anthony Richard Booley	2.9%												
Key Dates	Key Milestones												
<p>Interim Results: September 2010</p> <p>Full Year Results: March 2011</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>												

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Hardman & Co

4-5 Castle Court
London
EC3V 9DL
United Kingdom

Tel: +44(0)20 7929 3399
Fax: +44(0)20 7929 3377

www.hardmanandco.com

