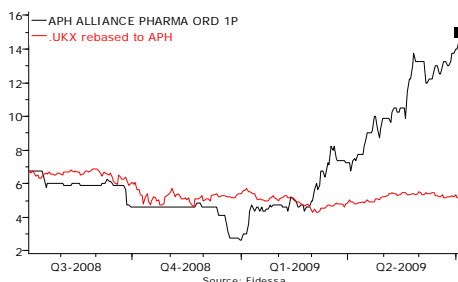


Alliance Pharma plc Profit Upgrade

15p

07 July 2009

Share Price: 15.0p



12m High: 15.0p

12m Low: 2.625p

Market Cap: £24.3m

Shares in Issue: 162.1m

NAV/Share: 5.4p

Gearing: N/A

Interest Cover: 2.1x

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

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Alliance Pharma's shares have increased five-fold since the beginning of this year driven by increasing profitability and cash flow.

In May it was announced that trading for the year ended 31 December 2009 had started off well. This has now been confirmed in a pre-close trading update.

1H09 sales are expected to be in the region of £13.2m. This represents an increase of 33% over 1H08 sales of £9.9m. Significant turnover growth is being achieved through sales of Deltacortril and Hydromol. Deltacortril is apparently continuing to sell as fast as it can be produced while sales of Hydromol, in which Alliance has increased its marketing spend, remain strong.

In addition, sales of Alliance's aspirin brand, Nu-seals, have also been buoyant. With circa 20% of Nu-seals sales being made in Ireland the company has also benefitted from exchange rate gains.

Both Deltacortril and Nu-seals are higher margin brands and there has subsequently been an improvement in the average gross margin earned across Alliance's portfolio. As a result profit before tax for 1H09 is now expected to be not less than £2.7m, cf 1H08 profit before tax of circa £1.0m.

Following today's announcement we are upgrading both our sales and our profit forecasts. With wholesalers tending to increase stock prior to Xmas we would expect 2H09 sales to be marginally higher than 1H sales. Consequently we have increased FY09 sales to £26.9m from £25.1m and FY09 profit from £4.1m to £5.3m. Our new FY10 sales forecast is £25.4m and FY10 profit forecast is £4.3m. This relatively conservative forecast allows for both a more competitive market and a weaker euro to sterling.

On our new forecasts net debt at the FY09 year end is now expected to be circa £28.8m of our previous forecast of £29.3m.

In its trading update Alliance has said that it "intends to commence dividend payments by early 2010". However, given the excellent cash flow being generated, we retain our forecast for a dividend payment in the current financial year.

We look forward to Alliance continuing this positive trend at the time of its interim results on 9 September 2009.

Y/E	Sales	Declared Profit	Adjusted Profit	Adjusted EPS	P/E ratio	Div	Yield
Dec	£m	£m	£m	p.		p.	%
2007A	18.2	(3.21)	0.37	0.23	66.4	-	-
2008A	21.8	2.4	2.4	1.55*	12.8	-	-
2009E	26.9	5.3	5.3	2.37	6.3	0.16	1.1
2010E	25.4	4.3	4.3	1.92	7.8	0.17	1.1

*includes the benefit of a £600,000 tax credit

Alliance Pharma

07 July 2009

Management	Major Shareholders												
<p>CEO: John Dawson</p> <p>Finance Director & Company Secretary: Richard Wright</p> <p>Medical Director: Dr Mark Tomlinson</p> <p>Sales & Marketing Director: Tony Booley</p>	<table> <tr> <td>John Dawson</td> <td>28.8%</td> </tr> <tr> <td>Aviva Investors Global Services</td> <td>11.7%</td> </tr> <tr> <td>Nigel Wray</td> <td>10.3%</td> </tr> <tr> <td>Stella Dawson</td> <td>9.6%</td> </tr> <tr> <td>MVM Life Science Partners</td> <td>9.3%</td> </tr> <tr> <td>Anthony Richard Booley</td> <td>4.2%</td> </tr> </table>	John Dawson	28.8%	Aviva Investors Global Services	11.7%	Nigel Wray	10.3%	Stella Dawson	9.6%	MVM Life Science Partners	9.3%	Anthony Richard Booley	4.2%
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Stella Dawson	9.6%												
MVM Life Science Partners	9.3%												
Anthony Richard Booley	4.2%												
Key Dates	Key Milestones												
<p>Interim Results: September 2009</p> <p>Final Results: March 2009</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>												

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