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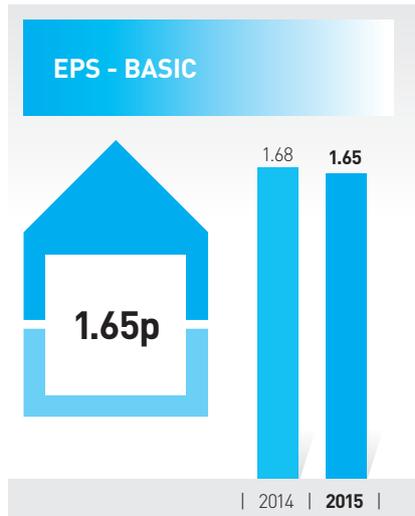
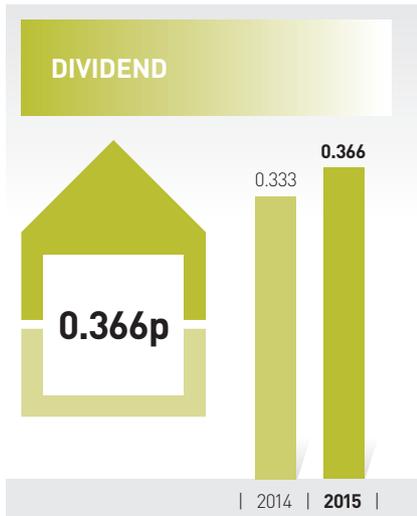
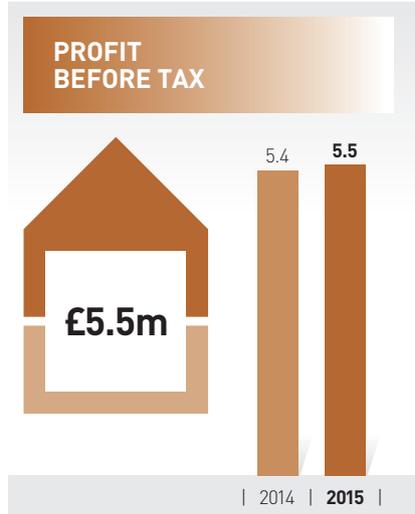
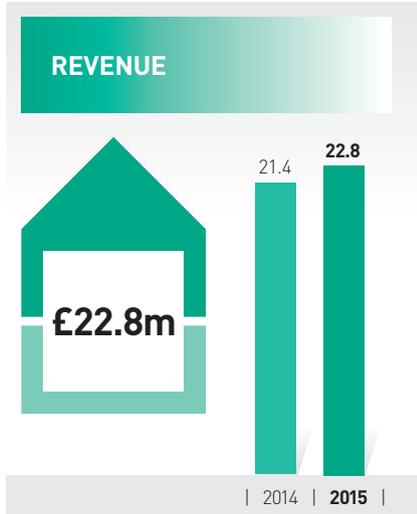
## Alliance Pharma plc is an AIM listed speciality pharmaceutical company

Alliance, founded in 1998, is an AIM listed speciality pharmaceutical company based in Chippenham, Wiltshire, UK. The Company has a strong track record of acquiring the rights to established niche products and owns or licenses the rights to more than 60 pharmaceutical products and continues to explore opportunities to expand the range.



Key

## NUMBERS



Key

## FACTS

# Highlights

- Acquisition of MacuShield in February 2015 contributing sales of £1.4m
- Hydromol continues to grow well, with sales up 11% to £3.3m (H1 2014: £3.0m)
- Licensing agreement signed with Duchesnay Inc in January 2015 for the product Diclectin
- Interim dividend up 10% to 0.366p (H1 2014: 0.333p)

# Chairman's and Chief Executive's Statement

It is pleasing to report that Alliance has returned to growth this year as expected. First-half sales and profits have benefited from the February acquisition of MacuShield, as well as the continuing success of our dermatology range. In the second half we can look forward to further progress, aided by continued growth in major products and the renewed availability of our ImmuCyst bladder cancer treatment.



**John Dawson**  
Chief Executive Officer



**Andrew Smith**  
Chairman

## Trading performance

Excluding our share of joint ventures, first-half sales totalled £22.8m (H1 2014: £21.4m). This 6.5% increase was achieved despite the hand-back in 2014 of nine products, which we had been distributing for Novartis since 1998. These products contributed £959,000 to first-half sales last year, although their profit contribution was relatively modest.

The loss of these sales was more than offset by MacuShield, which brought in just over £1.4m of sales in less than five months following the completion of the acquisition in early February.

Further significant growth came from our Hydromol dermatology range, up 11% to £3.3m, and Gelclair, our treatment for oral mucositis, up 8% on modest promotional support.

Sales of Ashton & Parsons Infants' Powders rose sharply last year as we overcame earlier production constraints. Sales in the first half of 2015 were £717,000, which represents a 19% increase on the second half of 2014 and is similar to that achieved in the first half of 2014, when sales benefited from the build-up of stocks by distributors and retailers.

Our TV advertising tests have proved encouraging, and research shows that Ashton & Parsons is achieving higher repeat sales than any other teething product. However, before increasing our investment in promoting the brand we intend to ensure that it is sufficiently available across retail outlets to satisfy the resulting uplift in awareness and demand.



**MACUSHIELD**  
BROUGHT IN OVER £1.4M  
OF SALES IN LESS  
THAN FIVE MONTHS



## GROSS PROFIT WAS UP 15.7% TO £13.8M REFLECTING A MORE FAVOURABLE PRODUCT MIX

We are therefore giving priority to widening distribution of this resurgent brand.

We are also preparing to put increased backing in 2016 behind Lypsyl, a somewhat neglected brand prior to its acquisition by Alliance. In the meantime it has been delivering useful growth – up 6% to £523,000 (H1 2014: £492,000).

Anbesol has had a particularly strong six months, with sales growing by 33% to £784,000 this year (H1 2014: £591,000). We believe a principal driver for this has been customer support on social media.

Offsetting some of the growth across our portfolio, Nu-Seals continued its downward trend with Irish sales of £1.0m (H1 2014: £1.3m) as increased generic competition put further pressure on volumes. This pressure will be intensified if the Irish regulator goes ahead with proposals to include Nu-Seals on the list of interchangeable medicines for which pharmacists can dispense generic substitutes. We have appealed against this and are still awaiting a final adjudication.

Supplies of Quinoderm Cream were halted in the prior year when a key active ingredient supplier ceased production. Sales fell to £Nil (H1 2014: £301,000) and custom synthesising the ingredient by a new manufacturer is underway, although we do not expect supplies to be restored until the end of 2016. Brand presence is being maintained by Quinoderm Facewash, which is unaffected by this issue.

Sales of our Opus stoma care products, acquired in 2012, have remained stable at £1.8m with minimal promotional support.

In our French and German businesses, the value of continuing sales growth was diminished by the weakening euro exchange rate. Translated into sterling, sales remained level in both countries.

In China, the Synthasia International business in which we bought an initial 20% stake has started to grow. Sales were disrupted by a government review of the infant milk market last year, but this had the beneficial effect of driving some competitors out of the market. In the first half of this year total sales grew 18% to pass £1m, taking our share of sales to £215,000 (H1 2014: £182,000). Our other business in China has been faring less well than in 2014. While the market for Forceval remains fairly static, sales volumes have been lower – due mainly to the timing of destocking and restocking in the distribution chain.

### Financial performance

Pre-tax profits grew 1.4% to £5.5m (H1 2014: £5.4m), and earnings per share were virtually unchanged at 1.65p (H1 2014: 1.68p).

Gross profit was up 15.7% to £13.8m, reflecting a more favourable product mix following the hand-back of the lower-margin Novartis distribution products. This raised gross margin to 61% (H1 2014: 56%), although we expect to maintain margins in the 55-60% range going forward.

The increase in gross profit was partially absorbed by higher operating costs of £7.6m, up from £6.1m in the first half of 2014 and £7.0m in the second half. Over the past year we have strengthened our supply chain management function, and this has led to a modest increase in staff numbers and costs. The MacuShield acquisition resulted in a further increase this year. In addition legal costs have been higher, associated with other acquisition activity.

We also increased our investment in product promotion by some £300,000 compared with H1 2014. This reflects the addition of MacuShield and a modest increase in support for over-the-counter consumer brands as we increase the weighting of these products in our portfolio.

Despite these increased costs, operating profit grew by 2.2% to £6.1m (H1 2014: £6.0m). As a percentage of sales, it reduced from 27.9% in H1 2014 to 26.8% in H1 2015, still comfortably within our target range of 25-30%.

**OPERATING  
PROFIT GREW  
BY 2.2% TO £6.1M**

# Chairman's and Chief Executive's Statement **continued**

Cash generation remains strong, but has been impacted this year by an increase in stockholding – with total inventory up from £5.6m in H1 2014 to £7.3m in H1 2015. This results from a strategic increase in inventories to reduce the risk of stockouts, and buffer stocks held during the transfer of some product manufacturing to alternative suppliers. We anticipate some further stockbuilding in the second half, but at a lower level, to further strengthen security of supply. In the first half of this year free cash flow was £2.0m, compared with £4.4m in the first half of last year due to a £1.7m increase in inventory to strengthen our supply chain, plus some timing differences on payments.

Interest costs have increased by £0.2m following the acquisition of MacuShield in February 2015. This has been offset by a foreign exchange gain of £0.1m resulting in total finance costs being £0.6m (H1 2014 £0.5m).

The £5.5m drawdown from our revolving credit facility for the MacuShield acquisition resulted in an increase in net debt from £21.1m at the start of the period to £26.5m at the end. This raised the bank debt/EBITDA ratio from 1.6 times at the end of 2014 to a still-comfortable 2.0 times; and the unutilised credit facility of £18.3m (end-2014: £23.8m) still leaves ample headroom for further acquisitions.

## Dividend

We are maintaining our progressive dividend policy with an interim payment of 0.366p per ordinary share (H1 2014: 0.333p).

This provides an increase of 10% on last year's figure while ensuring that dividends continue to be covered more than three times by earnings. The interim dividend will be paid on 14 January 2016 to shareholders on the register on 18 December 2015.

WE HAVE A **BEDROCK** OF BRANDS THAT ARE WELL ESTABLISHED IN THEIR MARKET NICHE AND WILL MAINTAIN THEIR SALES FOR MANY YEARS

## Strategy

Our business model is based on a well diversified and growing portfolio of products and brands, in which currently no single brand represents more than around 13% of total sales.

This portfolio balances two elements. We have a bedrock of brands that are well established in their market niches and will maintain their sales for many years with little or no promotion; and we have a segment of brands in which we invest for growth. By balancing the two, we can invest in targeted marketing to grow sales while maintaining good cash generation and profitability.

Under our long-established 'buy and build' strategy we supplement organic growth with acquisitions that allow us to accelerate expansion and adjust the balance of our portfolio.

In recent years we have been broadening the growth element of our portfolio to include consumer healthcare products. Our growing experience in this area enables us to identify products that offer substantial organic growth potential in return for relatively modest promotional investment. These consumer products also help to balance margin risk across the portfolio because they are not exposed to government price controls.

In 2010, promoted products producing organic growth accounted for some 18% of our portfolio. Today that proportion has more than doubled to about 40% – largely through our expansion in consumer healthcare.

MacuShield was acquired in February this year. This is a once-a-day supplement in capsule form to combat age related macular degeneration, a major cause of sight loss in the elderly. Its acquisition has further boosted our offer to both healthcare professionals and the retail trade. It utilises both sides of our promotional capabilities, being promoted to eyecare clinicians who recommend the product to suitable patients, who subsequently purchase it over the counter in a consumer setting.

We have in-licensed Diclectin for the UK market from Duchesnay Inc of Canada. Diclectin is a well proven product to treat nausea and vomiting in pregnancy. Currently in the UK there is no licensed treatment for this condition that affects 70% to 80% of pregnant women, with severe symptoms occurring in 30% of them. This condition can cause extreme distress

## AFTER AN ABSENCE OF THREE YEARS WE EXPECT TO BE ABLE TO BRING IMMUCYST BACK TO THE MARKET IN THE FOURTH QUARTER OF THIS YEAR

and it is estimated that 35% of pregnant women need time off work as a result. Diclectin has a well-established efficacy and safety profile and is regarded as the standard of care for this condition in Canada, where it has been used for over 30 years and has been prescribed for more than 30 million women. In 2013, it was approved in the United States with an FDA Category A safety rating for drugs used in pregnancy. Its uptake there has been very satisfactory.

We submitted Diclectin for UK registration in the second quarter of this year with a view to launching it sometime during 2016, depending on the timing of regulatory processing and approval. If approved, Diclectin will fulfill a much needed gap in the treatment of nausea and vomiting in pregnancy with a licensed medicine and represents a significant growth opportunity for us.

Our preparation for launch is ongoing, involving considerable market access activities throughout the NHS and while we anticipate significant pre-marketing costs in the second half of 2015, this should not prevent us from meeting profit expectations for the year. From early 2016 onwards, we will be in a state of readiness to implement our launch activities. As the first licensed product to treat this condition, we expect Diclectin to generate significant interest.

After an absence of three years, we expect to be able to bring ImmuCyst back to the market in the fourth quarter of this year. Although supplies are likely to be

constrained in the near term, we are anticipating strong demand. Many clinicians have expressed a firm preference for ImmuCyst over the currently available alternative; and as this product is itself facing production constraints, ImmuCyst is returning to a market that is currently undersupplied.

It is three years since our supplier, Sanofi, suspended production of ImmuCyst – which had been one of our lead products. As previously reported, discussions for compensation are ongoing.

### Team

As announced in the annual report, there were two changes to board membership in the first half of 2015. Non-executive Director Nigel Clifford joined in January and Finance Director Richard Wright left at the end of May. As previously announced, at the end of September we will welcome Andrew Franklin as our new Finance Director. Andrew brings extensive experience of the pharmaceutical sector gained over many years at Wyeth and more recently at Genzyme Corporation's UK and Ireland subsidiary, where he was Finance Director and Company Secretary.

### Charity

We continue to donate products regularly to International Health Partners, which distributes medicines to doctors in the world's neediest areas. We also support employee fundraising for local causes including Wiltshire Air Ambulance, our chosen charity for 2015.

### Outlook

Having returned to growth in sales and profits we look forward to further progress in the second half of 2015. We will benefit from the continuing organic growth of our consumer healthcare portfolio, a full six-month contribution from MacuShield, and the return of ImmuCyst in the fourth quarter. We can expect additional impetus to come from the launch of Diclectin in 2016, depending upon regulatory approval.

We also remain very active on the M&A front. We have ample financing headroom and are experiencing an encouraging flow of opportunities both large and small. We are particularly keen to maintain the momentum of international expansion, and are benefiting from having managers on the ground in France, Germany and China. As a result, some three quarters of the opportunities that we have reviewed over the past twelve months have had an international dimension.

**WE WILL BENEFIT  
FROM THE CONTINUING  
ORGANIC GROWTH  
OF OUR CONSUMER  
HEALTHCARE  
PORTFOLIO**

# Consolidated Income Statement

For the six months ended 30 June 2015

|  | Note | 6 months to<br>30 June 2015<br>£000s | 6 months to<br>30 June 2014<br>£000s | Year to<br>31 December 2014<br>£000s |
|--|------|--------------------------------------|--------------------------------------|--------------------------------------|
| <b>Revenue</b>   |      | <b>22,795</b>                        | 21,425                               | 43,536                               |
| Cost of sales  |      | <b>(8,996)</b>                       | (9,502)                              | (18,493)                             |
| <b>Gross profit</b>  |      | <b>13,799</b>                        | 11,923                               | 25,043                               |
| Administration and marketing expense                             |      | <b>(7,232)</b>                       | (5,754)                              | (12,510)                             |
| Amortisation of intangible assets                                |      | <b>(99)</b>                          | (179)                                | (488)                                |
| Share-based employee remuneration                                |      | <b>(385)</b>                         | (350)                                | (571)                                |
| Share of joint venture profits / (losses)                        |      | <b>26</b>                            | 335                                  | 319                                  |
| <b>Operating profit excluding exceptional item</b>               |      | <b>6,109</b>                         | 5,975                                | 11,793                               |
| Exceptional item: impairment                                     |      | -                                    | -                                    | (622)                                |
| <b>Operating profit</b>  |      | <b>6,109</b>                         | 5,975                                | 11,171                               |
| <b>Finance costs</b>   |      |                                      |                                      |                                      |
| Interest payable and similar charges                             |      | <b>(722)</b>                         | (545)                                | (1,090)                              |
| Interest income  |      | <b>35</b>                            | 24                                   | 48                                   |
| Other finance income/(charges)                                   |      | <b>102</b>                           | (6)                                  | 28                                   |
|  |      | <b>(585)</b>                         | (527)                                | (1,014)                              |
| <b>Profit on ordinary activities before taxation</b>             |      | <b>5,524</b>                         | 5,448                                | 10,157                               |
| Taxation   | 4    | <b>(1,152)</b>                       | (999)                                | (1,772)                              |
| <b>Profit for the period attributable to equity shareholders</b> |      | <b>4,372</b>                         | 4,449                                | 8,385                                |
| <b>Earnings per share</b>  |      |                                      |                                      |                                      |
| Basic [pence]  | 8    | <b>1.65</b>                          | 1.68                                 | 3.17                                 |
| Diluted [pence]  | 8    | <b>1.64</b>                          | 1.67                                 | 3.16                                 |

# Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

|  | 6 months to<br>30 June 2015<br>£000s | 6 months to<br>30 June 2014<br>£000s | Year to<br>31 December 2014<br>£000s |
|--|--------------------------------------|--------------------------------------|--------------------------------------|
| <b>Profit for the period</b>                             | <b>4,372</b>                         | 4,449                                | 8,385                                |
| <b>Other items recognised directly in equity:</b>        |                                      |                                      |                                      |
| <b>Items that may be reclassified to profit or loss:</b> |                                      |                                      |                                      |
| Interest rate swaps – cash flow hedge                    | 80                                   | (47)                                 | (572)                                |
| Deferred tax on interest rate swap                       | (16)                                 | 14                                   | 119                                  |
| Foreign exchange translation differences                 | (3)                                  | -                                    | 7                                    |
| Share of joint venture other comprehensive loss          | -                                    | -                                    | (8)                                  |
| <b>Total comprehensive income for the period</b>         | <b>4,433</b>                         | 4,416                                | 7,931                                |

# Consolidated Balance Sheet

At 30 June 2015

|  | Note | 30 June 2015<br>£000s | 30 June 2014<br>£000s | 31 December 2014<br>£000s |
|--|------|-----------------------|-----------------------|---------------------------|
| <b>Assets</b>                                |      |                       |                       |                           |
| <b>Non-current assets</b>                    |      |                       |                       |                           |
| Intangible fixed assets                      | 5    | 100,772               | 89,762                | 88,875                    |
| Property, plant and equipment                |      | 508                   | 524                   | 396                       |
| Joint venture investment                     | 10   | 1,297                 | 1,367                 | 1,271                     |
| Joint venture receivable                     |      | 1,462                 | 1,462                 | 1,462                     |
| Derivative financial instruments             |      | -                     | 396                   | -                         |
| Deferred tax asset                           |      | 297                   | -                     | 194                       |
|  |      | <b>104,336</b>        | 93,511                | 92,198                    |
| <b>Current assets</b>                        |      |                       |                       |                           |
| Inventories                                  |      | 7,283                 | 5,580                 | 5,914                     |
| Trade and other receivables                  | 6    | 9,090                 | 10,721                | 8,322                     |
| Cash and cash equivalents                    |      | 499                   | 430                   | 1,434                     |
|  |      | <b>16,872</b>         | 16,731                | 15,670                    |
| <b>Total assets</b>                          |      | <b>121,208</b>        | 110,242               | 107,868                   |
| <b>Equity</b>                                |      |                       |                       |                           |
| Ordinary share capital                       |      | 2,644                 | 2,641                 | 2,641                     |
| Share premium account                        |      | 29,482                | 29,388                | 29,388                    |
| Share option reserve                         |      | 2,380                 | 1,774                 | 1,995                     |
| Reverse takeover reserve                     |      | (329)                 | (329)                 | (329)                     |
| Other reserve                                |      | (39)                  | 317                   | (103)                     |
| Retained earnings                            |      | 38,914                | 33,253                | 37,188                    |
| <b>Total equity</b>                          |      | <b>73,052</b>         | 67,044                | 70,780                    |
| <b>Liabilities</b>                           |      |                       |                       |                           |
| <b>Non-current liabilities</b>               |      |                       |                       |                           |
| Long-term financial liabilities              |      | 23,287                | 22,183                | 19,235                    |
| Other liabilities                            |      | 1,352                 | -                     | -                         |
| Deferred tax liability                       |      | 8,408                 | 6,425                 | 6,309                     |
| Provisions for other liabilities and charges |      | -                     | 99                    | -                         |
| Derivative financial instruments             |      | 49                    | -                     | 129                       |
|  |      | <b>33,096</b>         | 28,707                | 25,673                    |
| <b>Current liabilities</b>                   |      |                       |                       |                           |
| Cash and cash equivalents                    |      | 810                   | 855                   | 414                       |
| Financial liabilities                        |      | 2,895                 | 2,895                 | 2,895                     |
| Corporation tax                              |      | 914                   | 875                   | 959                       |
| Trade and other payables                     | 7    | 10,285                | 9,679                 | 6,920                     |
| Provisions for other liabilities and charges |      | 156                   | 187                   | 227                       |
|  |      | <b>15,060</b>         | 14,491                | 11,415                    |
| <b>Total liabilities</b>                     |      | <b>48,156</b>         | 43,198                | 37,088                    |
| <b>Total equity and liabilities</b>          |      | <b>121,208</b>        | 110,242               | 107,868                   |

# Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

|   | 6 months to<br>30 June 2015<br>£000s | 6 months to<br>30 June 2014<br>£000s | Year to<br>31 December 2014<br>£000s |
|---|--------------------------------------|--------------------------------------|--------------------------------------|
| <b>Operating activities</b>                             |                                      |                                      |                                      |
| Result for the period before tax                        | 5,524                                | 5,448                                | 10,157                               |
| Interest payable  | 722                                  | 545                                  | 1,098                                |
| Interest receivable                                     | (35)                                 | (24)                                 | (48)                                 |
| Other finance costs                                     | (102)                                | 6                                    | (28)                                 |
| Depreciation of property, plant and equipment           | 136                                  | 152                                  | 307                                  |
| Amortisation of intangible assets                       | 99                                   | 179                                  | 1,110                                |
| Share-based employee remuneration                       | 385                                  | 350                                  | 571                                  |
| Change in inventories                                   | (1,369)                              | (112)                                | (446)                                |
| Change in investments                                   | (26)                                 | (335)                                | (312)                                |
| Change in trade and other receivables                   | (768)                                | 424                                  | 2,823                                |
| Change in trade and other payables                      | (815)                                | (535)                                | (1,781)                              |
| Tax paid  | (964)                                | (1,133)                              | (2,028)                              |
| <b>Cash flows from operating activities</b>             | <b>2,787</b>                         | 4,965                                | 11,423                               |
| <b>Investing activities</b>                             |                                      |                                      |                                      |
| Interest received                                       | 35                                   | 24                                   | 48                                   |
| Dividend received                                       | -                                    | -                                    | 72                                   |
| Payment of deferred consideration                       | -                                    | (20)                                 | -                                    |
| Development costs capitalised                           | (7)                                  | (13)                                 | (58)                                 |
| Purchase of property, plant and equipment               | (248)                                | (84)                                 | (111)                                |
| Purchase of other intangible assets                     | (6,500)                              | (2,817)                              | (2,817)                              |
| Investment in joint venture                             | -                                    | (499)                                | (499)                                |
| <b>Net cash used in investing activities</b>            | <b>(6,720)</b>                       | (3,409)                              | (3,365)                              |
| <b>Financing activities</b>                             |                                      |                                      |                                      |
| Interest paid and similar charges                       | (588)                                | (491)                                | (986)                                |
| Loan to joint venture                                   | -                                    | (504)                                | (503)                                |
| Proceeds from exercise of share options                 | 97                                   | 8                                    | 8                                    |
| Dividend paid   | (880)                                | (800)                                | (2,398)                              |
| Receipt from borrowings                                 | 5,500                                | 2,750                                | 2,750                                |
| Repayment of borrowings                                 | (1,500)                              | (1,500)                              | (4,500)                              |
| <b>Net cash used in financing activities</b>            | <b>2,629</b>                         | (537)                                | (5,629)                              |
| Net movement in cash and cash equivalents               | (1,304)                              | 1,019                                | 2,429                                |
| <b>Cash and cash equivalents at beginning of period</b> | <b>1,020</b>                         | (1,438)                              | (1,438)                              |
| <b>Exchange losses on cash and cash equivalents</b>     | <b>(27)</b>                          | (6)                                  | 29                                   |
| <b>Cash and cash equivalents at end of period</b>       | <b>(311)</b>                         | (425)                                | 1,020                                |

# Consolidated Statement of Changes in Equity

At 30 June 2015

|   | Ordinary<br>share<br>capital<br>£000s | Share<br>premium<br>account<br>£000s | Share<br>option<br>reserve<br>£000s | Reverse<br>takeover<br>reserve<br>£000s | Other<br>reserve<br>£000s | Retained<br>earnings<br>£000s | Total<br>equity<br>£000s |
|---|---------------------------------------|--------------------------------------|-------------------------------------|---|---------------------------|-------------------------------|--------------------------|
| Balance 1 January 2014                                    | 2,641                                 | 29,380                               | 1,424                               | (329)                                   | 350                       | 31,202                        | 64,668                   |
| Issue of shares   | -                                     | 8                                    | -                                   | -                                       | -                         | -                             | 8                        |
| Dividend paid   | -                                     | -                                    | -                                   | -                                       | -                         | (2,398)                       | (2,398)                  |
| Share-based employee remuneration                         | -                                     | -                                    | 571                                 | -                                       | -                         | -                             | 571                      |
| <b>Transactions with owners</b>                           | -                                     | 8                                    | 571                                 | -                                       | -                         | (2,398)                       | (1,819)                  |
| Profit for the period                                     | -                                     | -                                    | -                                   | -                                       | -                         | 8,385                         | 8,385                    |
| <b>Other comprehensive income</b>                         |                                       |                                      |                                     |   |                           |                               |                          |
| Interest rate swaps – cash flow hedge net of deferred tax | -                                     | -                                    | -                                   | -                                       | (453)                     | -                             | (453)                    |
| Foreign exchange translation differences                  | -                                     | -                                    | -                                   | -                                       | -                         | (1)                           | (1)                      |
| <b>Total comprehensive income for the period</b>          | -                                     | -                                    | -                                   | -                                       | (453)                     | 8,384                         | 7,931                    |
| <b>Balance 31 December 2014</b>                           | <b>2,641</b>                          | <b>29,388</b>                        | <b>1,995</b>                        | <b>(329)</b>                            | <b>(103)</b>              | <b>37,188</b>                 | <b>70,780</b>            |
| Balance 1 January 2014                                    | 2,641                                 | 29,380                               | 1,424                               | (329)                                   | 350                       | 31,202                        | 64,668                   |
| Issue of shares   | -                                     | 8                                    | -                                   | -                                       | -                         | -                             | 8                        |
| Dividend payable/paid                                     | -                                     | -                                    | -                                   | -                                       | -                         | (2,398)                       | (2,398)                  |
| Share-based employee remuneration                         | -                                     | -                                    | 350                                 | -                                       | -                         | -                             | 350                      |
| <b>Transactions with owners</b>                           | -                                     | 8                                    | 350                                 | -                                       | -                         | (2,398)                       | (2,040)                  |
| Profit for the period                                     | -                                     | -                                    | -                                   | -                                       | -                         | 4,449                         | 4,449                    |
| <b>Other comprehensive income</b>                         |                                       |                                      |                                     |   |                           |                               |                          |
| Interest rate swaps – cash flow hedge net of deferred tax | -                                     | -                                    | -                                   | -                                       | (33)                      | -                             | (33)                     |
| <b>Total comprehensive income for the period</b>          | -                                     | -                                    | -                                   | -                                       | (33)                      | 4,449                         | 4,416                    |
| <b>Balance 30 June 2014</b>                               | <b>2,641</b>                          | <b>29,388</b>                        | <b>1,774</b>                        | <b>(329)</b>                            | <b>317</b>                | <b>33,253</b>                 | <b>67,044</b>            |
| Balance 1 January 2015                                    | 2,641                                 | 29,388                               | 1,995                               | (329)                                   | (103)                     | 37,188                        | 70,780                   |
| Issue of shares   | 3                                     | 94                                   | -                                   | -                                       | -                         | -                             | 97                       |
| Dividend payable/paid                                     | -                                     | -                                    | -                                   | -                                       | -                         | (2,643)                       | (2,643)                  |
| Share-based employee remuneration                         | -                                     | -                                    | 385                                 | -                                       | -                         | -                             | 385                      |
| <b>Transactions with owners</b>                           | 3                                     | 94                                   | 385                                 | -                                       | -                         | (2,643)                       | (2,161)                  |
| Profit for the period                                     | -                                     | -                                    | -                                   | -                                       | -                         | 4,372                         | 4,372                    |
| <b>Other comprehensive income</b>                         |                                       |                                      |                                     |   |                           |                               |                          |
| Interest rate swaps – cash flow hedge net of deferred tax | -                                     | -                                    | -                                   | -                                       | 64                        | -                             | 64                       |
| Foreign exchange translation differences                  | -                                     | -                                    | -                                   | -                                       | -                         | (3)                           | (3)                      |
| <b>Total comprehensive income for the period</b>          | -                                     | -                                    | -                                   | -                                       | 64                        | 4,369                         | 4,433                    |
| <b>Balance 30 June 2015</b>                               | <b>2,644</b>                          | <b>29,482</b>                        | <b>2,380</b>                        | <b>(329)</b>                            | <b>(39)</b>               | <b>38,914</b>                 | <b>73,052</b>            |

# Notes to the Half Yearly Report

For the six months ended 30 June 2015

## 1. Nature of operations

Alliance Pharma plc ("the company") and its subsidiaries (together "the Group") acquire, market and distribute pharmaceutical products. The company is a public limited company incorporated and domiciled in England. The address of its registered office is Avonbridge House, Bath Road, Chippenham, Wiltshire SN15 2BB.

The company is listed on the London Stock Exchange, Alternative Investment Market (AIM).

## 2. General information

The information in these financial statements does not constitute statutory accounts as defined in section 434 of the Companies Act 2006 and is un-audited. A copy of the Group's statutory accounts for the period ended 31 December 2013, prepared under International Financial Reporting Standards as adopted by the European Union, has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain statements under section 498(2) or section 498(3) of the Companies Act 2006.

The interim financial report for the six month period ended 30 June 2015 (including comparatives for the six months ended 30 June 2014) was approved by the Board of Directors on 8 September 2015.

The current rate of cash generation by the Group comfortably exceeds the capital and debt servicing needs of the business (though there cannot, of course, be absolute certainty that the rate of cash generation will be maintained). The Board remains confident that all the bank covenants will continue to be met. The Group has a £5m Working Capital Facility of which £4.2m is undrawn at the balance sheet date and which the Board believes should comfortably satisfy the Group's working capital needs for at least the next 12 months.

## 3. Accounting policies

The same accounting policies and methods of computation are followed in the interim financial report as published by the company in its 31 December 2014 Annual Report. The Annual report is available on the company's website at [www.alliancepharma.co.uk](http://www.alliancepharma.co.uk)

## 4. Taxation

Analysis of charge in period.

|   | 30 June 2015<br>£000s | 30 June 2014<br>£000s | 31 December 2014<br>£000s |
|---|-----------------------|-----------------------|---------------------------|
| United Kingdom corporation tax at 20.5%/22%/21.5% |                       |                       |                           |
| In respect of current period                      | 920                   | 854                   | 1,870                     |
| Adjustment in respect of prior periods            | -                     | -                     | (38)                      |
| Current tax                                       | 920                   | 854                   | 1,832                     |
| Deferred tax                                      | 232                   | 145                   | (60)                      |
| Taxation  | 1,152                 | 999                   | 1,772                     |

# Notes to the Half Yearly Report continued

For the six months ended 30 June 2015

## 5. Intangible assets

| The Group                          | Goodwill on consolidation<br>£000s | Purchased Goodwill<br>£000s | Technical know-how, trademarks and distribution rights<br>£000s | Development costs<br>£000s | Total<br>£000s |
|------------------------------------|------------------------------------|-----------------------------|---|----------------------------|----------------|
| <b>Cost</b>                        |                                    |                             |   |                            |                |
| At 1 January 2015                  | 1,144                              | 2,449                       | 88,504  | 431                        | 92,528         |
| Additions                          | -                                  | 1,748                       | 10,241  | 7                          | 11,996         |
| <b>At 30 June 2015</b>             | <b>1,144</b>                       | <b>4,197</b>                | <b>98,745</b>   | <b>438</b>                 | <b>104,524</b> |
| <b>Amortisation and impairment</b> |                                    |                             |   |                            |                |
| At 1 January 2015                  | -                                  | -                           | 3,653   | -                          | 3,653          |
| Amortisation for the period        | -                                  | -                           | 99  | -                          | 99             |
| <b>At 30 June 2015</b>             | <b>-</b>                           | <b>-</b>                    | <b>3,752</b>  | <b>-</b>                   | <b>3,752</b>   |
| <b>Net book amount</b>             |                                    |                             |   |                            |                |
| <b>At 30 June 2015</b>             | <b>1,144</b>                       | <b>4,197</b>                | <b>94,993</b>   | <b>438</b>                 | <b>100,772</b> |
| At 1 January 2015                  | 1,144                              | 2,449                       | 84,851  | 431                        | 88,875         |

The following acquisition activities took place in the year:

- On 2 February 2015, the Group completed the acquisition of MacuVision Europe Limited ("MacuVision") for initial consideration of £5.5 million plus the net asset value of MacuVision at completion (£0.5m) and deferred contingent consideration of up to £6.0 million (estimated at £3.2m). MacuVision sells MacuShield, an eye care treatment designed to be taken by sufferers of dry age-related macular degeneration and other eye conditions. The fair value of the intangible asset acquired was £8.7m included within technical know-how, trademarks and distribution rights. Goodwill of £1.7m arose on the acquisition of MacuVision.
- On 29 January 2015, the Group entered a Licence and Supply Agreement for the product Diclectin with Duchesnay Inc. The consideration recognised in relation to this is £1.5m. Diclectin is a product to treat nausea and vomiting of pregnancy and is anticipated to launch in the second half of 2016.

## 6. Trade and other receivables

|                                | 30 June 2015<br>£000s | 30 June 2014<br>£000s | 31 December 2014<br>£000s |
|--------------------------------|-----------------------|-----------------------|---------------------------|
| Trade receivables              | 7,710                 | 8,684                 | 6,645                     |
| Other receivables              | 278                   | 654                   | 669                       |
| Prepayments and accrued income | 530                   | 561                   | 453                       |
| Amounts owed by joint venture  | 572                   | 822                   | 555                       |
|                                | <b>9,090</b>          | 10,721                | 8,322                     |

## 7. Trade and other payables

|                                       | 30 June 2015<br>£000s | 30 June 2014<br>£000s | 31 December 2014<br>£000s |
|---------------------------------------|-----------------------|-----------------------|---------------------------|
| Trade payables                        | 237                   | 2,611                 | 1,693                     |
| Other taxes and social security costs | 1,191                 | 832                   | 969                       |
| Accruals and deferred income          | 4,330                 | 4,407                 | 4,065                     |
| Other payables                        | 285                   | 231                   | 193                       |
| Deferred consideration                | 2,478                 | -                     | -                         |
| Dividend payable                      | 1,764                 | 1,598                 | -                         |
|                                       | <b>10,285</b>         | 9,679                 | 6,920                     |

# Notes to the Half Yearly Report continued

For the six months ended 30 June 2015

## 8. Earnings per share (EPS)

Basic EPS is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

A reconciliation of the weighted average number of ordinary shares used in the measures is given below:

|                 | <b>6 months to<br/>30 June 2015<br/>Weighted average<br/>number of shares<br/>£000s</b> | 6 months to<br>30 June 2014<br>Weighted average<br>number of shares<br>£000s | Year ended<br>31 December 2014<br>Weighted average<br>number of shares<br>£000s |
|-----------------|---|--|---|
| For basic EPS   | <b>264,216</b>  | 264,108  | 264,148   |
| Share options   | <b>3,097</b>  | 2,033  | 1,455   |
| For diluted EPS | <b>267,313</b>  | 266,141  | 265,603   |

|                                    | <b>6 months to<br/>30 June 2015<br/>£000s</b> | 6 months to<br>30 June 2014<br>£000s | Year ended<br>31 December 2014<br>£000s |
|------------------------------------|---|--------------------------------------|---|
| Earnings for basic and diluted EPS | <b>4,372</b>                                  | 4,449                                | 8,385                                   |

The resulting EPS measures are:

|             | <b>6 months to<br/>30 June 2015<br/>Pence</b> | 6 months to<br>30 June 2014<br>Pence | Year ended<br>31 December 2014<br>Pence |
|-------------|---|--------------------------------------|---|
| Basic EPS   | <b>1.65</b>                                   | 1.68                                 | 3.17                                    |
| Diluted EPS | <b>1.64</b>                                   | 1.67                                 | 3.16                                    |

## 9. Dividends

|  | 6 months to<br>30 June 2015 |              | 6 months to<br>30 June 2014 |       | Year ended<br>31 December 2014 |       |
|--|-----------------------------|--------------|-----------------------------|-------|--------------------------------|-------|
|  | Pence/share                 | £000s        | Pence/share                 | £000s | Pence/share                    | £000s |
| <b>Amounts recognised as distributions to owners in the year</b> |                             |              |                             |       |                                |       |
| Interim dividend for the prior financial year                    | 0.333                       | 880          | 0.303                       | 800   | 0.303                          | 800   |
| Final dividend for the prior financial year                      | -                           | -            | -                           | -     | 0.605                          | 1,598 |
| Proposed final dividend for the prior financial year             | 0.667                       | 1,763        | 0.605                       | 1,598 | -                              | -     |
|  |                             | <b>2,643</b> |                             | 2,398 |                                | 2,398 |

The proposed final dividend for the prior financial year was approved by the Board of Directors on 24 March 2015 and subsequently by the shareholders at the Annual General Meeting on 27 May 2015. The proposed dividend has been included as a liability as at 30 June 2015 in accordance with IAS 10 Events After the Balance Sheet Date. The proposed final dividend for the prior financial year was paid on 15 July 2015 to shareholders who were on the register of members at 19 June 2015.

## 10. Joint Venture

| Name                                | Principal Activity                                    | Country of Incorporation | % Owned |
|-------------------------------------|---|--------------------------|---------|
| Unigreg Ltd                         | Distribution of pharmaceutical products to China      | British Virgin Islands   | 60      |
| Synthasia International Company Ltd | Distribution of infant milk formula products in China | Hong Kong                | 20      |

In accordance with IFRS 11, the Group's investments made to date in joint arrangements are characterised as joint ventures in which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligation for underlying liabilities. A joint venturer shall recognise its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures

The following table shows the aggregate movement in the Group's investment in joint ventures:

|   | £1000s       |
|---|--------------|
| At 1 January 2015                           | 1,271        |
| Share of post-tax profits of joint ventures | 26           |
| <b>At 30 June 2015</b>                      | <b>1,297</b> |

# Advisors

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## COMPANY NUMBER

04241478

## TRADEMARKS

The following are registered trademarks of Alliance Pharmaceuticals Limited (a subsidiary of Alliance Pharma plc) and are protected in a number of countries:

Absorbagel™, Acnisal™, ALLIANCE, ALLIANCE and Logo, ALLIANCE GENERICS, ALLIANCE PHARMACEUTICALS, Alphaderm™, Anbesol™, Aquadrate™, Ashton & Parsons Infants' Powder™, Atarax™, Avloclor™, Buccastem™, Ceanel™, ClearWay™, ClearWay Mini™, ClearWay Stoma Bridge™, DeoGel™, Deltacortril™, Dermamist, Distamine™, EnergEyes™, Forceval™, Hydromol™, Irenat™, Isprelor™, Lift™, Lift+™, Lift Plus™, Lypsyl™, Lypsyl – It's On Everyone's Lips™, Lypsyl Kissables™, Lypsyl Shimmer™, Lysovir™, MacuShield™, MacuShield Gold™, MacuVision™, Meted™, MolluDab™, Naseptin™, NaturCare™, NaturCare Breeze™, NaturCare Fragrant™, NaturCare Zest™, NaturCare IPD™, Nu-Seals™, Occlusal™, Ondemet™, OPUS and Logo, Paludrine™, Pavacol™, Pavacol-D™, Pentrax™, Periostat™, Permitabs™, Posidorm™, Quinoderm™ and Quinoderm Q device, Rizuderm™, Roman in a chariot device, Savarine™, SkinSafe™, SkinSafe Non Sting Protective Film™, Syntometrine™, Terra-cortril™, Thwart™, Timodine™, Trust The Science™, Uniflu™, Unigreg™.

The following are all used under licence by Alliance Pharmaceuticals Limited:

Xenazine™ is a registered trademark of Biovail Laboratories International (Barbados).

Gelclair™ is a registered trademark of Helsinn Healthcare S.A.

ImmuCyst™ is a registered trademark of Sanofi Pasteur Limited.





*Breathing life into medicines*

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