COWEN AND COMPANY

Alimera Sciences

Initiating With Outperform (1)

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Iluvien Targets A Unique Opportunity In DME

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Conclusion: Alimera Sciences is developing Iluvien, a novel intravitreal insert designed to deliver sub-micron corticosteroid doses to the back of the eye for the treatment of diabetic macular edema (DME) and other inflammatory eye diseases. Iluvien could hit the U.S. market next year followed by European launches in 2012: we project WW sales potential in the DME indication of $400MM+ by 2016. Alimera plans to commercialize Iluvien in the U.S. and Canada via a proprietary sales team, creating strong P&L leverage. We forecast operating profitability in H2:2012, followed by strong earnings growth through 2016. As visibility rises on Iluvien's FDA approval and launch timing over the next 6-9 months, we believe investors will re-value the Iluvien opportunity. Based on our DCF and sum-of-the-parts valuation analyses, we believe ALIM shares can outperform the market by 30-40% over the next 12 months. Therefore, we are initiating coverage with an Outperform rating.

- **DME Is An Underserved Market Opportunity.** We estimate that 180,000 U.S. patients are treated annually for DME and that population is growing at a 4-5% annual rate with the increased incidence of diabetes. The current standard of care for DME is laser photocoagulation and intravitreal triamcinolone injections: both treatments are administered 3-6 times per year and have ocular side-effect issues. The Iluvien insert delivers a very low corticosteroid dose directly to the back of the eye over 24- to 36-months, improving efficacy and compliance, and potentially reducing long-term side effects.

- **Iluvien NDA Filing Imminent: Priority Review Possible.** Alimera has completed a 24-month, 956-patient international Phase III program of Iluvien in DME and plans to submit the NDA this month, followed by EU and Canadian filings in Q3. A priority review designation will be requested.

- **Highly-Leveraged Infrastructure Should Yield Strong Returns.**

ALIM (06/03)	**$10.90**
Mkt cap	**$373.9MM**
Dil shares out	34.3MM
Avg daily vol	140.1K
52-wk range	$7.8-11.2
Dividend	Nil
Dividend yield	Nil
BV/sh	$1.43
Net cash/sh	$1.55
Debt/cap	NA
ROIC (LTM)	NA
5-yr fwd growth (Norm)	NA
S&P 500	**1102.8**

Revenue $MM

FY Dec	2009 Actual	2010E Prior	2010E Current	2011E Prior	2011E Current	2012E Current	2013E Current
Q1	0.0	—	0.0	—	0.0	—	—
Q2	0.0	—	0.0	—	0.0	—	—
Q3	0.0	—	0.0	—	5.0	—	—
Q4	0.0	—	0.0	—	10.0	—	—
Year	**0.0**	**—**	**0.0**	**—**	**15.0**	**65.0**	**110.0**
EV/S	—	—	—	—	21.4x	4.9x	2.9x

OpEPS $

FY Dec	2009 Actual	2010E Prior	2010E Current	2011E Prior	2011E Current	2012E Current	2013E Current
Q1	(0.45)	—	(0.29)A	—	(0.28)	—	—
Q2	(0.28)	—	(0.20)	—	(0.27)	—	—
Q3	(0.29)	—	(0.19)	—	(0.16)	—	—
Q4	(0.28)	—	(0.27)	—	(0.05)	—	—
Year	**(1.30)**	**—**	**(0.95)**	**—**	**(0.75)**	**0.15**	**0.60**
P/E	—	—	—	—	—	72.7x	18.2x

Investment Thesis

Alimera Sciences ("Alimera") was formed in 2003 to develop and commercialize ophthalmology therapeutics. Alimera originally marketed a line of OTC ophthalmology therapeutics, but divested the products to Bausch & Lomb in two transactions in December 2006 (allergy ophthalmology products) and in July 2007 (dry eye product) to fund clinical development of the lead pipeline candidate Iluvien. Iluvien is a sustained-release intravitreal insert containing the corticosteroid fluocinolone acetonide (FA): the non-erodible polymer insert delivers very low doses of FA to the back of the eye over 2-3 years to treat diabetic macular edema (DME) and potentially other inflammatory eye diseases. Alimera has completed a 956-patient, 24-month international Phase III program testing Iluvien in DME, and the 36-month trials are expected to complete in Q4:2010. Alimera will submit the Iluvien NDA for the DME indication based on the 24-month data in June 2010, followed by European Union (EMEA) and Canadian regulatory filings in Q3. Alimera plans to commercialize Iluvien in the U.S. and Canada via a proprietary sales force and via partners in the rest of the world. Our clinical consultants project that Iluvien may be used in approximately 15% of the estimated 180,000 patients currently treated for DME in the U.S.: that patient share translates to a $300-400MM U.S. sales opportunity, and a $200-300MM sales opportunity in Europe. We estimate WW Iluvien sales of $15MM in H2:2011 (U.S. only), $80MM in 2012, $140MM in 2013, and $405MM in 2016. Off-label use in other inflammatory ocular diseases, particularly retinal vein occlusion (RVO), could add upside to our projections.

Alimera is evaluating Iluvien in other ocular indications, including dry and wet forms of age-related macular edema (AMD), and retinal vein occlusion (RVO). Alimera also has licensed rights to two classes of nicotinamide adenine dinucleotide phosphate (NADPH) oxidase inhibitors from Emory University and is evaluating early NADPH oxidase inhibitor candidates for the treatment of dry AMD and other ophthalmology applications.

Iluvien's efficacy profile in DME appears to be slightly superior to that of competitive agents, including triamcinolone injections and Roche's Lucentis. However, Iluvien has the advantage of delivering a very low corticosteroid dose directly to the back of the eye over 24- to 36-months, improving efficacy and compliance, and potentially reducing long-term side effects associated with other DME therapies. That advantage is partially offset by a high cataract formation rate (80%) and elevated intra-ocular pressure (IOP) side effects. Assuming a 15% DME patient share in the U.S. and a 10% patient share in Europe, coupled with Alimera's modest infrastructure requirements, we believe Iluvien can drive rapid profit growth for Alimera in 2012-2016. As visibility rises on Iluvien's FDA approval and launch timing over the next 6-9 months, we believe investors will re-value the Iluvien opportunity. Based on our DCF and sum-of-the-parts valuation analyses, we believe ALIM shares can outperform the market by 30-40% over the next 12 months. Therefore, we are initiating coverage with an Outperform rating.

Key Investment Considerations

It's All About Iluvien

The sole ALIM valuation driver for at least the next few years will be the regulatory and market success of Iluvien, Alimera's intravitreal polymer insert to deliver fluocinolone acetonide (FA) to the back of the eye for the treatment of diabetic macular edema (DME). Alimera plans to submit the Iluvien NDA to the FDA later this month (June 2010) with a request for priority 6-month review, followed by filings in the European Union and Canada in H2. We currently project a mid-2011 U.S. launch of Iluvien, which assumes a full 10-12 month FDA review, followed by EU launches beginning in 2012. Alimera plans to promote Iluvien to the approximately 1,600 retina specialists in the U.S. and Canada via an internal sales force of 40-50 field reps, and will seek commercialization partner(s) to promote Iluvien outside the U.S. Alimera also is conducting three Phase 2 trials of Iluvien in wet and dry forms of age-related macular degeneration (AMD) and retinal vein occlusion (RVO). Our clinical consultants project that Iluvien may be used in approximately 15% of the estimated 180,000 patients currently treated for DME in the U.S. and 10% of DME patients in Europe. That patient share translates to a $300-400MM U.S. sales opportunity, and a $200-300MM sales opportunity in Europe. We estimate WW Iluvien sales of $15MM in H2:2011 (U.S. only), $80MM in 2012, $140MM in 2013, and $405MM in 2016. Off-label use in other inflammatory ocular diseases, particularly retinal vein occlusion (RVO), could add upside to our projections.

Iluvien Delivered Strong Efficacy In FAME Trials

Alimera and development partner pSivida (PSDV) have demonstrated Iluvien's safety and efficacy in two pivotal trials. In these trials (collectively, the FAME study), a total of 956 DME patients have been treated for at least 24 months with one of two doses of Iluvien (0.23mcg/day and 0.45mcg/day) or a sham injection. The primary endpoint for the FAME study was the difference in the percentage of patients whose best corrected visual acuity (BCVA) improved from baseline by 15 or more letters on the Early Treatment Diabetic Retinopathy Study (ETDRS) eye chart between the Iluvien-treated and the placebo-treated (sham insert) patient groups at the end of 24 months. In the pooled FAME data, 28.7% of patients on low-dose Iluvien and 28.6% of patients on the high-dose Iluvien achieved at least a 15-point improvement over baseline on the ETDRS eye chart, compared to 16.2% in the placebo group. The differences relative to the placebo group were highly statistically significant in the full analysis dataset.

ILUVIEN DEMONSTRATES STRONG VISUAL ACUITY RESPONSE AT 24 MONTHS

ILUVIEN - FAME PHASE III EFFICACY SUMMARY

	TRIAL A			TRIAL B			POOLED DATA		
	ILUVIEN		CONTROL	ILUVIEN		CONTROL	ILUVIEN		CONTROL
ENDPOINT	(0.23mcg)	(0.45mcg)	GROUP	(0.23mcg)	(0.45mcg)	GROUP	(0.23mcg)	(0.45mcg)	GROUP
Primary:									
FULL ANALYSIS DATASET									
	n=190	n=196	n=95	n=186	n=199	n=90	n=376	n=395	n=185
Patients Gaining ≥ 15 Letters at Month 24	**26.8%**	**26.0%**	**14.7%**	**30.6%**	**31.2%**	**17.8%**	**28.7%**	**28.6%**	**16.2%**
	(p=0.029)	(p=0.034)		(p=0.030)	(p=0.027)		(p=0.002)	(p=0.002)	

Source: Company Reports; Cowen and Company

NDA Nearing Completion And EMEA Filing Planned In Q3

Alimera plans to submit the Iluvien NDA for the DME indication later this month (June 2010) and to request a priority review designation. The NDA will be based on the FAME study, plus a 36-month pharmacokinetic study (37 patients) measuring systemic exposure of fluocinolone acetonide from the Iluvien implant. The PK study has demonstrated no detectable systemic exposure of FA through 24 months, so Alimera plans to request a waiver of carcinogenicity study requirements. In our projections, we have assumed a 10-12 month review cycle at FDA, so a 6-month review cycle would be upside. Alimera plans to file similar data packages with the EMEA (European Union) and Canadian regulatory authorities in Q3. If approved, Iluvien will be the first FDA-approved pharmaceutical treatment for DME, although other agents (intravitreal triamcinolone and anti-VEGF injections) currently are used off-label.

ILUVIEN GAINING VISIBILITY OVER NEXT 6-9 MONTHS

ILUVIEN DEVELOPMENT MILESTONES

Event	Projected Timing
NDA submission - low-dose Iluvien	**Jun-10**
Priority review notification (60 days)	**Aug-10**
Projected regulatory filings in Europe, Canada	**Q3:2010**
FAME Phase III 36-month data readouts	**Q4:2010**
Projected build out of Iluvien salesforce	**Q4:2010**
Possible FDA approval of low-dose Iluvien (assumes 6-month review)	**Dec-10**
Possible U.S. market launch (assumes 6-month review)	**Q1:2011**
Iluvien Phase II results in AMD (dry, wet) and RVO	**2011**
Projected EMEA approval	**H1:2012**
Projected E.U. market launches (via partner)	**H1:2012**

Source: Company reports; Cowen and Company

DME Is A Large Market With A Clinical Need

Diabetic retinopathy is the most prevalent cause of vision loss in working-aged adults. Diabetic macular edema (DME), the most common complication of diabetic retinopathy, refers to a swelling of the retina caused by fluid leakage from capillaries in the macula. DME results from chronically elevated blood sugar levels, which cause structural changes in the endothelium of retinal blood vessels, leading to vascular dysfunction and eventually vascular occlusion. It is believed that upregulation of growth factors in the retina, such as IL-6 and VEGF, induce vascular permeability. That vascular permeability leads to a breakdown of the blood-retina barrier, allowing fluid and proteins to leak into the retina, thickening the macula and distorting nerve cells. The result is a reversible decrease in visual acuity which becomes permanent if left untreated.

The diabetes epidemic has made the diagnosis of DME increasingly common. The medical literature indicates that up to 1-2 million Americans might be affected by DME, and an estimated 340,000 cases are diagnosed annually. Our consultants estimate that roughly 180,000 patients are treated for DME each year. We estimate the current U.S. market for DME treatments (primarily laser photocoagulation and generic triamcinolone intravitreal injections) at $500-600MM annually, but off-label use of other ocular anti-inflammatory agents is common for the treatment of DME and these agents are not included in our sales estimate.

The current standard of treatment for DME is laser photocoagulation, which uses a laser to cauterize leaky blood vessels to control edema. Our clinical consultants estimate that approximately 50% of treated DME patients are treated with laser photocoagulation therapy, as it provides good, generally durable efficacy. Moreover, the reimbursement economics of laser photocoagulation treatment are favorable to physicians. Most DME patients require adjunctive therapy to laser photocoagulation to adequately treat their edema (84% of DME patients required such treatment according to a 2008 Preferences and Trends survey). Intravitreal injections of the corticosteroid triamcinolone currently are used most frequently as add-on therapy, but the required frequency of injections (3-6 injections per year) and the risk of infection in the immune compromised diabetes population create a market opportunity for a steroid based therapy that is administered less frequently.

We Project $400MM+ WW Iluvien Sales In 2016…

Our clinical consultants project that Iluvien may be used in approximately 15% of patients currently treated for DME in the U.S., primarily in patients refractory to, or inappropriate for, laser photocoagulation. That patient share translates to a $300-400MM U.S. sales opportunity, and a $200-300MM sales opportunity in Europe. We estimate WW Iluvien sales of $15MM in H2:2011 (U.S. only), $80MM in 2012, $140MM in 2013, and $405MM in 2016.

WE PROJECT THAT ILUVIEN CAPTURES 13-15% PATIENT SHARE IN U.S. DME TREATMENT MARKET

ESTIMATED U.S. DME MARKET BUILDUP ($MM)*

	2009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	CGR	
# Diagnosed diabetes patients US (MM)	18.3	19.0	19.8	20.6	21.4	22.3	23.2	24.1	+4%	- assumes annual growth rate of 4%
# DME patients US - annual incidence (MM)	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	+4%	- assumes 1.9% incidence rate
% Treated	50%	50%	50%	50%	50%	50%	50%	50%		- Patients treated with drug therapy
# DME patients treated (MM)	0.17	0.18	0.18	0.19	0.20	0.21	0.22	0.22	+4%	
% Treated with Laser Photocoagulation	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**		- ~50% of all treated DME patients receive laser therapy
# DME patients treated with LPT (MM)	0.09	0.09	0.09	0.10	0.10	0.10	0.11	0.11		- laser therapy remains the only approved treatment for DME
Cost per patient/per year ($)	$4,120	$4,244	$4,371	$4,502	$4,637	$4,776	$4,919	$5,067		- patients receiving laser therapy are at risk for night vision loss
Laser Photocoagulation Sales ($MM)	**$350**	**$375**	**$402**	**$430**	**$461**	**$494**	**$529**	**$567**	**+7%**	
Iluvien (ALIM) Patient Share			**1.2%**	**4.4%**	**6.8%**	**9.6%**	**12.0%**	**13.5%**		- sustained-release corticosteroid fluocinolone acetonide
# DME patients treated with Iluvien (MM)			0.00	0.01	0.01	0.02	0.03	0.03		- 36-month intravitreal implant for DME
Cost per patient/per year ($)			$7,000	$7,175	$7,354	$7,538	$7,727	$7,920		
Iluvien Sales ($MM)			**$15**	**$60**	**$100**	**$150**	**$200**	**$240**		
Ozurdex (AGN) Patient Share	**1.2%**	**3.8%**	**6.2%**	**7.7%**	**8.9%**	**10.0%**	**10.1%**	**10.2%**		- 3-5 month bioerodable dexamethasone intravitreal impant
# DME patients treated with Osurdex (MM)	0.00	0.01	0.01	0.01	0.02	0.02	0.02	0.02		- approved for macular edema following RVO in mid-'09
Cost per patient/per year ($)	$5,000	$5,150	$5,305	$5,464	$5,628	$5,796	$5,970	$6,149		
Ozurdex Sales ($MM)	**$10**	**$35**	**$60**	**$80**	**$100**	**$120**	**$130**	**$140**	**+46%**	
Lucentis (Roche) Patient Share	**1.2%**	**1.7%**	**2.0%**	**2.4%**	**3.6%**	**4.6%**	**5.1%**	**5.5%**		- monoclonal antibody (mAb) ranibizumab
# DME patients treated with Lucentis (MM)	0.00	0.00	0.00	0.00	0.01	0.01	0.01	0.01		- currently in Phase III for DME
Cost per patient/per year ($)	$14,280	$14,566	$14,857	$15,154	$15,457	$15,766	$16,082	$16,403		- off-label use for DME
Lucentis Sales ($MM)	**$30**	**$45**	**$55**	**$70**	**$110**	**$150**	**$175**	**$200**	**+31%**	
Avastin (Roche) Patient Share	**1.2%**	**1.4%**	**1.6%**	**1.8%**	**1.9%**	**2.0%**	**2.3%**	**2.6%**		- monoclonal antibody (mAb) bevacizumab
# DME patients treated with Avastin (MM)	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01		- currently in Phase II for DME
Cost per patient/per year ($)	$9,690	$9,884	$10,081	$10,283	$10,489	$10,699	$10,913	$11,131		- off-label use for DME
Avastin Sales ($MM)	**$20**	**$25**	**$30**	**$35**	**$40**	**$45**	**$55**	**$65**	**+18%**	
Trivaris (AGN) Patient Share	**2.0%**	**7.4%**	**8.7%**	**11.5%**	**13.9%**	**16.1%**	**17.9%**	**19.5%**		- Injectable corticosteroid triamcinolone acetonide for uveitis
# DME patients treated with Trivaris (MM)	0.00	0.01	0.02	0.02	0.03	0.03	0.04	0.04		- used in the treatment of uveitis and other ocular disorders
Cost per patient/per year ($)	$1,500	$1,530	$1,561	$1,592	$1,624	$1,656	$1,689	$1,723		- expected off-label use for DME
Trivaris Sales ($MM)	**$5**	**$20**	**$25**	**$35**	**$45**	**$55**	**$65**	**$75**	**+47%**	
Triesence (ACL) Patient Share	**1.4%**	**7.4%**	**10.5%**	**13.1%**	**15.5%**	**17.5%**	**19.3%**	**20.8%**		- Injectable corticosteroid triamcinolone acetonide for uveitis
# DME patients treated with Trivaris (MM)	0.00	0.01	0.02	0.03	0.03	0.04	0.04	0.05		- used in the treatment of uveitis and other ocular disorders
Cost per patient/per year ($)	$1,499	$1,529	$1,560	$1,591	$1,623	$1,655	$1,689	$1,722		- preservative free synthetic corticosteroid
Triesence Sales ($MM)	**$4**	**$20**	**$30**	**$40**	**$50**	**$60**	**$70**	**$80**	**+56%**	- expected off-label use for DME
Triamcinolone Generic Patient Share	**43.0%**	**32.0%**	**25.0%**	**15.0%**	**10.0%**	**8.0%**	**7.0%**	**6.0%**		- synthetic corticosteroid triamcinolone
# DME patients treated with Kenalog (MM)	0.07	0.05	0.05	0.05	0.05	0.05	0.04	0.04		- off-label use for DME
Cost per patient/per year ($)	$206	$212	$219	$225	$232	$239	$246	$253		
Kenalog Sales ($MM)	**$15**	**$11**	**$11**	**$12**	**$12**	**$11**	**$11**	**$9**	**-7%**	
Other Treatments Patient Share	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**		- other synthetic corticosteroids and versions of triamcinolone
# DME patients treated with Other (MM)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Cost per patient/per year ($)	$515	$530	$546	$563	$580	$597	$615	$633		
Other Sales ($MM)	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**		
Total Estimated DME Market ($MM)	**$434**	**$531**	**$628**	**$762**	**$918**	**$1,085**	**$1,235**	**$1,376**	**+18%**	- New corticosteroids and anti-VEGFs could drive upside
% Change	+20%	+22%	+18%	+21%	+20%	+18%	+14%	+11%		

* Note: Patient share percentages add to more than 100% given broad combination use of treatments

Source: IMS; Cowen and Company estimates

…Driving Strong P&L Leverage…

Alimera's management team brings terrific commercial experience in the ophthalmology field: the senior executives were together at Novartis Ophthalmics where they successfully commercialized seven prescription ophthalmology drugs and five OTC agents. Management plans to price Iluvien at a premium to Allergan's Ozurdex (3-5 month bioerodible dexamethasone implant for treatment of RVO), which carries a $5,000+ annual price tag. At an assumed annual price of approximately $7,000 per year, we estimate that Iluvien will yield a gross margin of 88-90% by 2012-13, and 82-84% net of the 20% net profit payout to pSivida. Alimera plans to promote Iluvien to the approximately 1,600 retinal specialists in the U.S. and Canada via a 40-50 rep specialty sales force. We estimate the direct sales force and promotional costs at approximately $15MM, so Iluvien DME achieves operating breakeven at $20MM of net sales, excluding R&D spending on the AMD and RVO indications. And a modest pipeline, dominated by follow-on indications for Iluvien (wet and dry AMD, RVO), will keep R&D investment relatively low. We currently project that Alimera will reach profitability on $35-40MM of Iluvien sales in H2:2012, and leverage $100MM of Iluvien sales to a 30%+ operating margin and $20-25MM of net income (fully-taxed) in 2013. We currently peg operating earnings at $105MM ($2.50 per share) in 2016, on projected Iluvien sales of $265MM and total revenues of $300MM.

Alimera is obligated to pay pSivida a $25MM milestone payment upon FDA approval of Iluvien. We project that the current proforma cash balance ($53MM) will be insufficient to fund that payment plus operating cash burn through profitability in H2:2012, so a financing likely will be required in 2011.

ILUVIEN DRIVES EARNINGS BREAKOUT IN 2012-13

ALIMERA - ESTIMATED 2009-2016 P&L BUILDUP ($MM)

	2008	2009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	CGR	Comments
Product Sales	$0.0	$0.0	$0.0	$15.0	$60.0	$100.0	$150.0	$200.0	$265.0		- Alimera's U.S. sales of Iluvien
Royalties	0.0	0.0	0.0	0.0	5.0	10.0	20.0	25.0	35.0		- Royalties on partner sales ex-US
Total Revenues	**$0.0**	**$0.0**	**$0.0**	**$15.0**	**$65.0**	**$110.0**	**$170.0**	**$225.0**	**$300.0**		- Assumes 12-15% share for Iluvien
% Change	**nm**	**nm**	**nm**	**nm**	**+333%**	**+69%**	**+55%**	**+32%**	**+33%**		
Gross Margin	100.0%	100.0%	100.0%	85.0%	84.9%	83.9%	84.9%	84.8%	84.7%		- Could be upside to GPM estimates
R&D	$43.8	$15.1	$15.7	$14.5	$17.5	$22.0	$25.5	$33.5	$40.5	+15%	- Iluvian in AMD; NADPH program
% Revenues	nm	nm	nm	96.7%	26.9%	20.0%	15.0%	14.9%	13.5%		
SG&A	$6.3	$4.2	$10.0	$23.5	$29.0	$35.0	$40.0	$45.0	$54.0	+44%	- Hiring 40-rep sales force in H2:2010
% Revenues	nm	nm	nm	156.7%	44.6%	31.8%	23.5%	20.0%	18.0%		Plan to expand over time
Operating Income	**($50.1)**	**($19.2)**	**($25.7)**	**($25.3)**	**$8.7**	**$35.3**	**$78.9**	**$112.3**	**$159.5**		**- Iluvien margin drives P&L leverage**
% Growth	**nm**	**nm**	**nm**	**nm**	**nm**	**+306%**	**+124%**	**+42%**	**+42%**		
% Revenues	**nm**	**nm**	**nm**	**nm**	**13.4%**	**32.1%**	**46.4%**	**49.9%**	**53.2%**		**- High operating margin, incl. R&D**
Total Non-Operating Income	($8.2)	($10.1)	($2.8)	$0.3	$0.2	$0.4	$0.8	$1.2	$1.8		- Note retired in Q2:2010
Tax Rate	0.0%	0.0%	0.0%	0.0%	35.0%	35.0%	35.0%	35.0%	35.0%		
Net Income - Operations	**($58.3)**	**($29.3)**	**($28.5)**	**($25.0)**	**$5.8**	**$23.2**	**$51.8**	**$73.7**	**$104.8**		**- Profits estimated in 2012**
% Growth	**nm**	**nm**	**nm**	**nm**	**nm**	**+301%**	**+123%**	**+42%**	**+42%**		
% Revenues	**nm**	**nm**	**nm**	**nm**	**9%**	**21%**	**30%**	**33%**	**35%**		
EPS -Operations*	**($2.20)**	**($1.30)**	**($0.95)**	**($0.75)**	**$0.15**	**$0.60**	**$1.30**	**$1.80**	**$2.50**	**nm**	**- EPS breakout forecast in 2013-14**
% Change	**nm**	**nm**	**nm**	**nm**	**nm**	**+291%**	**+118%**	**+39%**	**+39%**		
Shares (MM) - Diluted	26.5	22.5	30.0	33.1	38.0	39.0	40.0	41.0	42.0	+9%	- Steady increase for stock-based comp

Source: Company reports, Cowen and Company estimates
** EPS estimates include stock-based compensation expense, exclude one-time charges*

…And An Attractive Valuation

At the current share price, Alimera is trading at a $320MM enterprise value, 2.9 times our 2013 revenue estimate, and 9.1 times our 2013 EBITDA estimate. Assuming Iluvien gains FDA approval – and we will gain improved visibility on the regulatory status over the next 6-7 months, ALIM shares are very attractively valued. Based on our DCF and sum-of-the-parts valuation analyses, and rising visibility on the Iluvien regulatory outlook, we believe ALIM shares can outperform the market by 30-40% over the next 12 months.

Investment Risks:

ALIM Is A Single-Product Story

While Alimera is developing NADPH oxidase inhibitor candidates for the treatment of dry AMD and other ophthalmology applications, this program is in pre-clinical stages: R&D investment has been focused on Iluvien for DME and the follow-on indications (wet and dry AMD and RVO). As a 36-month, non-erodible polymer implant, Iluvien presents safety issues, including a high rate of cataract formation and a relatively high rate of intra-ocular pressure elevations requiring surgical intervention (see below). Should the FDA significantly delay or refuse approval of Iluvien, ALIM shares likely would trade down to near the company's net cash value of $1.50-1.60 per share.

Long-Term Implant May Pose Safety Concerns

Iluvien is a tiny polyimide (non-erodible polymer) tube with erodible membrane caps. The tube contains 190mcg of fluocinolone acetonide (FA) in a polyvinyl alcohol matrix, which releases the drug steadily into the back of the eye at a sub-micron daily rate. A similar drug-eluting insert, using the same polymer materials and also developed by pSivida, is commercialized in Bausch & Lomb's Retisert for the treatment of chronic non-infectious posterior uveitis, so the technology has been FDA-approved. FA is a non-proprietary corticosteroid, also used in Retisert. As a potent corticosteroid, FA has strong anti-inflammatory activity in the eye, but also has known side-effects, including cataract formation and elevated intra-ocular pressure (IOP), which increases glaucoma risk. Among the 65% of FAME study patients that had not undergone previous cataract surgery, 80.0% of those in the low-dose Iluvien arm, 87.5% of those in the high-dose Iluvien arm, and 46.3% of those in the control arm (sham injection) reported cataract formation through month 24. Elevated IOP also is an issue with Iluvien: in the FAME study, 16.3% of low-dose Iluvien patients, 21.6% of high-dose Iluvien patients, and 2.7% of control group patients reported IOP levels above 30mmHg, and 3.7% of the low-dose Iluvien patients and 7.4% of the high-dose Iluvien patients required surgical intervention to alleviate their IOP elevations. Our clinical consultants believe that the relatively high rate of IOP requiring surgical intervention, combined with the 36-month life of the Iluvien implant, may be a concern to retina specialists and could impede Iluvien's ability to capture market share from intravitreal steroid injections.

FAME Efficacy Data Has A Statistical Issue

The FAME study protocol specified the exclusion of efficacy data collected for patients subsequent to their use of adjunctive DME treatments (laser photocoagulation, intravitreal steroid injections, and anti-VEGF agents). When these patients are excluded from the analysis database (Modified All Randomized and Treated data set), statistical significance was not achieved on the primary endpoint for either Iluvien dose in Trial A, although the pooled data set does achieve statistical significance. When the full intent-to-treat data set is used (the Full Analysis Set), which does not exclude patients using adjunctive DME therapies over the 24 months of the analysis, Iluvien achieves statistically significant efficacy for both doses in Trials A and B.

Alimera plans to file an NDA for the lower dose of Iluvien only (0.23mcg/day), using the Full Analysis Data Set, despite the fact that the clinical trial protocol called for the exclusion of adjunctive DME treatments. Our regulatory and clinical consultants believe that the FDA will accept the Full Analysis Data Set, as it is a broader, intent-

to-treat (ITT) data set and is more reflective of real-world use of Iluvien in combination with other DME treatments.

Competition Is Rising In DME

In April, results of a National Eye Institute-sponsored trial of Roche/Novartis's Lucentis as add-on therapy to laser photocoagulation in DME were published in the journal *Ophthalmology*. The data showed that Lucentis plus laser photocoagulation generates similar incremental BCVA improvements over 24 months to Iluvien, with a lower rate of cataract formation and IOP elevations. In May, Novartis reported one-year data from its RESTORE trial of Lucentis in DME. The RESTORE efficacy data were comparable to Iluvien's 12-month data. And Roche currently is conducting the 24-month RIDE and RISE trials of Lucentis in DME: data from those trials are expected to report in H1:2011, followed by a likely sNDA filing for the DME indication. Lucentis may prove to be a formidable competitor to Iluvien, but Lucentis has two distinct disadvantages: frequency of injections (monthly injections are used in the trials); and cost (estimated at ~$15,000 per year for Lucentis).

Allergan is conducting clinical trials of Ozurdex in DME and anticipates completion in 2011. Ozurdex is an erodible ocular implant carrying the corticosteroid dexamethasone and was approved in July 2009 for the treatment of macular edema related to retinal vein occlusion (RVO). Ozurdex was launched in September 2009 and has gotten off to a slow start. Our clinical consultants have been disappointed with the duration of efficacy observed with Ozurdex (3-4 months), which is similar to intravitreal triamcinolone injections. They expect Iluvien to outperform Ozurdex on efficacy.

Allergan (Trivaris) and Alcon (Triesence) also are rolling out branded formulations of triamcinolone intravitreal injections. Both are indicated for retinal diseases such as sympathetic ophthalmia, temporal arteritis, uveitis, and ocular inflammatory conditions unresponsive to topical corticosteroids – but neither are explicitly approved for treatment of DME. Nonetheless, we expect these formulations to gradually capture DME treatment share from generic triamcinolone injections. Given their relatively low cost (estimated at $500-1,500 per year, depending on the number of injections required) and broad physician experience with triamcinolone injections, we expect these agents to pose the toughest competition to Iluvien. Iluvien's primary advantages over Trivaris and Triesence will be Iluvien's lower injection frequency (Trivaris and Triesence need to be administered 3-6 times per year) and the explicit DME indication.

Early Adoption May Be Protracted

We forecast a relatively gradual adoption curve for Iluvien, influenced by:

1. Managed care reimbursement may take a few months to secure, given the expected high up-front cost of Iluvien (estimated at $15,000-20,000 for the 2-3 year implant). Our clinical consultants indicate that the up-front cost issue has been an impediment to Retisert acceptance.
2. Our clinical consultants indicate that the relatively high rate of serious IOP elevations requiring surgical intervention (3.7% of low-dose Iluvien patients in the FAME study) may be an impediment to early adoption.
3. Iluvien is inserted into the back of the eye via a proprietary inserter employing a 25-gauge (relatively small) needle. The procedure is very simple, but may involve an initial training period before it is broadly adopted.

ESTIMATED DME MARKET BUILDUPS ($MM)

ESTIMATED U.S. DME MARKET BUILDUP ($MM)*

	2009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	CGR	
# Diagnosed diabetes patients US (MM)	18.3	19.0	19.8	20.6	21.4	22.3	23.2	24.1	+4%	- assumes annual growth rate of 4%
# DME patients US - annual incidence (MM)	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	+4%	- assumes 1.9% incidence rate
% Treated	50%	50%	50%	50%	50%	50%	50%	50%		- Patients treated with drug therapy
# DME patients treated (MM)	0.17	0.18	0.18	0.19	0.20	0.21	0.22	0.22	+4%	
% Treated with Laser Photocoagulation	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**		- ~50% of all treated DME patients receive laser therapy
# DME patients treated with LPT (MM)	0.09	0.09	0.09	0.10	0.10	0.10	0.11	0.11		- laser therapy remains the only approved treatment for DME
Cost per patient/per year ($)	$4,120	$4,244	$4,371	$4,502	$4,637	$4,776	$4,919	$5,067		- patients receiving laser therapy are at risk for night vision loss
Laser Photocoagulation Sales ($MM)	**$350**	**$375**	**$402**	**$430**	**$461**	**$494**	**$529**	**$567**	**+7%**	
Iluvien (ALIM) Patient Share			**1.2%**	**4.4%**	**6.8%**	**9.6%**	**12.0%**	**13.5%**		- sustained-release corticosteroid fluocinolone acetonide
# DME patients treated with Iluvien (MM)			0.00	0.01	0.01	0.02	0.03	0.03		- 36-month intravitreal implant for DME
Cost per patient/per year ($)			$7,000	$7,175	$7,354	$7,538	$7,727	$7,920		
Iluvien Sales ($MM)			**$15**	**$60**	**$100**	**$150**	**$200**	**$240**		
Ozurdex (AGN) Patient Share	**1.2%**	**3.8%**	**6.2%**	**7.7%**	**8.9%**	**10.0%**	**10.1%**	**10.2%**		- 3-5 month bioerodable dexamethasone intravitreal impant
# DME patients treated with Osurdex (MM)	0.00	0.01	0.01	0.01	0.02	0.02	0.02	0.02		- approved for macular edema following RVO in mid-'09
Cost per patient/per year ($)	$5,000	$5,150	$5,305	$5,464	$5,628	$5,796	$5,970	$6,149		
Ozurdex Sales ($MM)	**$10**	**$35**	**$60**	**$80**	**$100**	**$120**	**$130**	**$140**	**+46%**	
Lucentis (Roche) Patient Share	**1.2%**	**1.7%**	**2.0%**	**2.4%**	**3.6%**	**4.6%**	**5.1%**	**5.5%**		- monoclonal antibody (mAb) ranibizumab
# DME patients treated with Lucentis (MM)	0.00	0.00	0.00	0.00	0.01	0.01	0.01	0.01		- currently in Phase III for DME
Cost per patient/per year ($)	$14,280	$14,566	$14,857	$15,154	$15,457	$15,766	$16,082	$16,403		- off-label use for DME
Lucentis Sales ($MM)	**$30**	**$45**	**$55**	**$70**	**$110**	**$150**	**$175**	**$200**	**+31%**	
Avastin (Roche) Patient Share	**1.2%**	**1.4%**	**1.6%**	**1.8%**	**1.9%**	**2.0%**	**2.3%**	**2.6%**		- monoclonal antibody (mAb) bevacizumab
# DME patients treated with Avastin (MM)	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01		- currently in Phase II for DME
Cost per patient/per year ($)	$9,690	$9,884	$10,081	$10,283	$10,489	$10,699	$10,913	$11,131		- off-label use for DME
Avastin Sales ($MM)	**$20**	**$25**	**$30**	**$35**	**$40**	**$45**	**$55**	**$65**	**+18%**	
Trivaris (AGN) Patient Share	**2.0%**	**7.4%**	**8.7%**	**11.5%**	**13.9%**	**16.1%**	**17.9%**	**19.5%**		- Injectable corticosteroid triamcinolone acetonide for uveitis
# DME patients treated with Trivaris (MM)	0.00	0.01	0.02	0.02	0.03	0.03	0.04	0.04		- used in the treatment of uveitis and other ocular disorders
Cost per patient/per year ($)	$1,500	$1,530	$1,561	$1,592	$1,624	$1,656	$1,689	$1,723		- expected off-label use for DME
Trivaris Sales ($MM)	**$5**	**$20**	**$25**	**$35**	**$45**	**$55**	**$65**	**$75**	**+47%**	
Triesence (ACL) Patient Share	**1.4%**	**7.4%**	**10.5%**	**13.1%**	**15.5%**	**17.5%**	**19.3%**	**20.8%**		- Injectable corticosteroid triamcinolone acetonide for uveitis
# DME patients treated with Trivaris (MM)	0.00	0.01	0.02	0.03	0.03	0.04	0.04	0.05		- used in the treatment of uveitis and other ocular disorders
Cost per patient/per year ($)	$1,499	$1,529	$1,560	$1,591	$1,623	$1,655	$1,689	$1,722		- preservative free synthetic corticosteroid
Triesence Sales ($MM)	**$4**	**$20**	**$30**	**$40**	**$50**	**$60**	**$70**	**$80**	**+56%**	- expected off-label use for DME
Triamcinolone Generic Patient Share	**43.0%**	**32.0%**	**25.0%**	**15.0%**	**10.0%**	**8.0%**	**7.0%**	**6.0%**		- synthetic corticosteroid triamcinolone
# DME patients treated with Kenalog (MM)	0.07	0.05	0.05	0.05	0.05	0.05	0.04	0.04		- off-label use for DME
Cost per patient/per year ($)	$206	$212	$219	$225	$232	$239	$246	$253		
Kenalog Sales ($MM)	**$15**	**$11**	**$11**	**$12**	**$12**	**$11**	**$11**	**$9**	**-7%**	
Other Treatments Patient Share	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**		- other synthetic corticosteroids and versions of triamcinolone
# DME patients treated with Other (MM)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Cost per patient/per year ($)	$515	$530	$546	$563	$580	$597	$615	$633		
Other Sales ($MM)	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**		
Total Estimated DME Market ($MM)	**$434**	**$531**	**$628**	**$762**	**$918**	**$1,085**	**$1,235**	**$1,376**	**+18%**	- New corticosteroids and anti-VEGFs could drive upside
% Change	+20%	+22%	+18%	+21%	+20%	+18%	+14%	+11%		

* Note: Patient share percentages add to more than 100% given broad combination use of treatments

Source: IMS; Cowen and Company estimates

ESTIMATED EX-U.S. DME MARKET BUILDUP ($MM)*

	2009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	CGR	
# Diagnosed diabetes patients Ex US (MM)	19.2	19.7	20.2	20.7	21.2	21.7	22.3	22.8	+3%	- assumes 2.5% annual growth rate
# DME patients Ex US - annual incidence (MM)	0.70	0.72	0.74	0.75	0.77	0.79	0.81	0.83	+3%	- assumes 3.645% incidence rate
% Treated	50%	50%	50%	50%	50%	50%	50%	50%		
# DME patients treated (MM)	0.35	0.36	0.37	0.38	0.39	0.40	0.41	0.42	+3%	
Iluvien (ALIM) Patient Share				**0.8%**	**1.6%**	**3.0%**	**3.6%**	**4.8%**		- will be marketed via partner(s)
# DME patients treated with Iluvien (MM)				0.00	0.01	0.01	0.01	0.02		
Cost per patient/per year ($)				$6,250	$6,438	$6,631	$6,830	$7,034		- 2.5% price increase Y/Y
Iluvien Sales ($MM)				**$20.0**	**$40.0**	**$80.0**	**$100.0**	**$140.0**		

Source: IMS; Cowen and Company estimates

ALIMERA SCIENCES - VALUATION PERSPECTIVES

ALIMERA SCIENCES - CURRENT VALUATION PARAMETERS

ALIMERA Share Price:	$10.90		
Diluted Shares Outstanding (MM):	34.3		- Includes in-the-money options and employee shares
Equity Market Capitalization ($MM):	$374	117%	- Post-money valuation
Plus: LT Debt ($MM)	$0	0%	- $15MM obligation to pSivida repaid post IPO
Less Cash: ($MM)	$53		- Includes net IPO proceeds of $66.3MM
Total Enterprise Value ($MM):	$321		- Net enterprise value (EV)

	2009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	Comments
Implied Multiples:									
Estimated Revenues (MM)	$0.0	$0.0	$15.0	$65.0	$110.0	$170.0	$225.0	$300.0	
Implied EV/Revenue			21.4x	4.9x	2.9x	1.9x	1.4x	1.1x	
Estimated EBITDA (MM)	($19.2)	($25.7)	($25.3)	$8.7	$35.3	$78.9	$112.3	$159.5	
Implied EV/EBITDA				36.9x	9.1x	4.1x	2.9x	2.0x	
Estimated Net Income (MM)	($29.3)	($28.5)	($25.0)	$5.8	$23.2	$51.8	$73.7	$104.8	
Implied Equity Value/Earnings (P/E)				55.4x	13.8x	6.2x	4.3x	3.1x	

Source: Company reports, Cowen and Company estimates

ALIMERA - SUM OF THE PARTS VALUATION ANALYSIS ($MM)

	2009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	Comments
Product Sales ($MM)									
Iluvien - US Sales	$0.0	$0.0	$15.0	$60.0	$100.0	$150.0	$200.0	$265.0	- 24-36 month fluocinolone acetonide implant
Est'd Gross Margin			85.0%	84.0%	83.0%	84.0%	84.0%	83.9%	- Net of Psivida profit share (20%)
Est'd Operating Margin				13.4%	32.1%	46.4%	49.9%	53.2%	- High margin contribution
Est'd EBIT			($25.3)	$8.0	$32.1	$69.6	$99.8	$140.9	
Terminal Multiple	8.0								- NDA to be filed June 2010; priority review
Discount Rate	25%								- Marketed in US, Canada by Alimera
Present Value	**$364**								- Phase II for dry AMD
Per Share Valuation	**$10.61**								
Royalties	$0.0	$0.0	$0.0	$5.0	$10.0	$20.0	$25.0	$35.0	- Assume 25% average royalty on ex-US sales
Terminal Multiple	10.0								- EMEA filing in Q3:2010
Discount Rate	25%								- Will partner in Europe
Present Value	**$102**								
Per Share Valuation	**$2.97**								
Pipeline/Other	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	- early-stage programs/other revenues
Terminal Multiple	6.0								
Discount Rate	35%								
Present Value	**$0**								
Per Share Valuation	**$0.00**								
TOTAL VALUATION ($MM)	**$466**								
Less: Debt	$0								- $15MM obligation to pSivida repaid post IPO
Plus: Cash & Investments	$53								- Includes net IPO proceeds of $66.3MM
Net Equity Value	**$519**								
Per Share Value	**$15.13**								

Source: Company reports, Cowen and Company estimates

ALIMERA SCIENCES - DISCOUNTED CASH FLOW VALUATION ANALYSIS

ALIMERA SCIENCES - DISCOUNTED CASH FLOW ANALYSIS

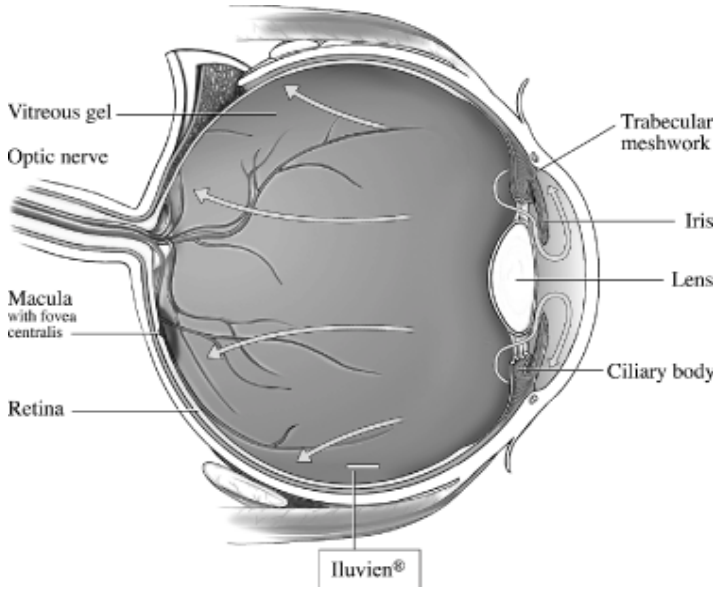
Inputs:		*Output:*	
Current Share Price	$10.90	**Equity Value**	**$518.9**
WACC	12.0%	**Estimated Share Price**	**$15.14**
Discount Rate	17.0%	Long-Term Debt	$0
Diluted Shares Outstanding	34.3	Cash & Equivalents	$53
WC Inv as % of Sales Change	25.0%	Enterprise Value	$465.9

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Terminal
Iluvien - DME U.S. Sales ($MM)	$0	$0	$15	$60	$100	$150	$200	$240	$275	$300	$320	$340	
% Growth				+300%	+67%	+50%	+33%	+20%	+15%	+9%	+7%	+6%	
Iluvien - Other Indications U.S. Sales ($MM)								$25	$80	$150	$200	$250	
NADPH Oxidase Inhibitors											$20	$50	
Royalties on Ex-US Sales			$0	$5	$10	$20	$25	$35	$46	$58	$66	$73	
Total Revenues	**$0**	**$0**	**$15**	**$65**	**$110**	**$170**	**$225**	**$300**	**$401**	**$508**	**$606**	**$713**	
% Growth	**nm**	**nm**	**nm**	**+333%**	**+69%**	**+55%**	**+32%**	**+33%**	**+34%**	**+26%**	**+19%**	**+18%**	
Cost of Goods	$0.0	$0.0	$2.3	$7.2	$10.0	$12.0	$14.0	$17.2	$68	$73	$79	$85	
Gross Profit	$0.0	$0.0	$12.8	$55.2	$92.3	$144.4	$190.8	$254.0	$333.0	$421.2	$503.2	$591.4	
Gross Margin - Total	100.0%	100.0%	85.0%	84.9%	83.9%	84.9%	84.8%	84.7%	83.0%	83.0%	83.0%	83.0%	
SG&A	$4.2	$10.0	$23.5	$29.0	$35.0	$40.0	$45.0	$54.0	$60.2	$71.1	$81.8	$92.6	
% of Revs	nm	nm	156.7%	44.6%	31.8%	23.5%	20.0%	18.0%	15.0%	14.0%	13.5%	13.0%	
R&D	$15.1	$15.7	$14.5	$17.5	$22.0	$25.5	$33.5	$40.5	$51.4	$60.9	$69.7	$78.4	
% of Revs	nm	nm	96.7%	26.9%	20.0%	15.0%	14.9%	13.5%	12.8%	12.0%	11.5%	11.0%	
Operating Expenses	$19.2	$25.7	$38.0	$46.5	$57.0	$65.5	$78.5	$94.5	$111.5	$132.0	$151.6	$171.0	
% of Revenues	nm	nm	253.3%	71.5%	51.8%	38.5%	34.9%	31.5%	27.8%	26.0%	25.0%	24.0%	
Operating Income	($19.2)	($25.7)	($25.3)	$8.7	$35.3	$78.9	$112.3	$159.5	$221.5	$289.3	$351.6	$420.4	
% Operating Margin	nm	nm	nm	13.4%	32.1%	46.4%	49.9%	53.2%	55.2%	57.0%	58.0%	59.0%	
Total Non-Operating Income	($10.1)	($2.8)	$0.3	$0.2	$0.4	$0.8	$1.2	$1.8	$2.3	$2.8	$3.3	$3.8	
EBIT	($19.2)	($25.7)	($25.3)	$8.7	$35.3	$78.9	$112.3	$159.5	$221.5	$289.3	$351.6	$420.4	
% of Revs	nm	nm	nm	13.4%	32.1%	46.4%	49.9%	53.2%	55.2%	57.0%	58.0%	59.0%	
Pre-Tax Income	($29.3)	($28.5)	($25.0)	$8.9	$35.7	$79.7	$113.5	$161.3	$223.8	$292.1	$354.9	$424.2	
Taxes	$0.0	$0.0	$0.0	$3.0	$12.4	$27.6	$39.3	$55.8	$77.5	$101.2	$123.1	$147.1	
Income Tax Rate	0%	0%	0%	35%	35%	35%	35%	35%	35%	35%	35%	35%	
Net Income	($29.3)	($28.5)	($25.0)	$5.9	$23.3	$52.1	$74.2	$105.5	$146.3	$190.8	$231.9	$277.0	
% of Revs	nm	nm	nm	9%	21%	31%	33%	35%	36%	38%	38%	39%	
% Change	nm	nm	nm	nm	+299%	+123%	+42%	+42%	+39%	+30%	+21%	+19%	
NOPAT	($19.2)	($25.7)	($25.3)	$5.7	$22.9	$51.3	$73.0	$103.7	$144.0	$188.0	$228.6	$273.2	$1,607.3
Adjustments:													
Capex	$0.1	$0.2	$0.4	$0.5	$0.6	$0.8	$1.0	$1.0	$1.2	$1.4	$1.6	$1.8	
Depreciation & Amortization	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.3	1.5	1.7	1.9	
Stock-Based Compensation	0.6	0.8	1.1	1.2	1.3	1.5	1.7	1.9	2.2	2.5	2.8	3.2	
Change In Working Capital	1.6	0.4	(2.9)	(16.3)	(13.2)	(15.6)	(15.2)	(20.4)	(25.3)	(26.6)	(24.7)	(26.6)	
Operating Free Cash Flow	($26.1)	($26.4)	($26.0)	($8.7)	$11.9	$38.3	$60.8	$87.1	$123.3	$166.9	$210.1	$253.8	**$1,492.8**
Invested Capital:													
Total Assets	$16.6	$35.9	$20.4	$49.1	$66.2	$121.6	$199.7						
- Cash & Equivalents	14.9	34.0	13.0	24.3	26.0	64.1	124.4						
- Long-term investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0						
- Non-interest bearing current liabilities	4.5	4.5	5.7	5.6	6.3	6.6	7.1						
Net Capital	($2.8)	($2.6)	$1.7	$19.2	$33.9	$51.0	$68.3						
ROIC	nm	nm	nm	29.4%	67.6%	100.6%	106.9%						
ROE	nm	nm	nm	37.9%	55.0%	62.7%	49.6%						
Du Pont Analysis:													
Margin (Net Income/Sales)	nm	nm	nm	9.0%	21.2%	30.6%	33.0%						
Turnover (Sales/Total Assets)*	0.0%	0.0%	73.5%	132.5%	166.1%	139.8%	112.7%						
Leverage (Total Assets/Equity)*	-307.7%	125.5%	2360.6%	169.5%	121.4%	111.6%	107.7%						
Du Pont calculated ROE	nm	nm	nm	20.2%	42.8%	47.8%	40.0%						

Source: Company reports, Cowen and Company, LLC estimates

Iluvien: A New Approach To DME Treatment

Iluvien is a tiny non-bioerodible polyimide tube filled with 190mcg of fluocinolone acetonide (FA) suspended in a polyvinyl alcohol matrix. Iluvien was developed by pSivida (PSDV) and licensed by Alimera in 2005. The FA is released via a proprietary membrane and is delivered to the back of the eye at a steady, sub-micron rate (as low as 0.23mcg/day) for up to 36 months. Both the implant and the FA have been previously approved by the FDA in Bausch & Lomb's Retisert (also developed by pSivida) for the treatment of chronic non-infectious posterior uveitis. Iluvien is inserted into the back of the eye via a proprietary inserter employing a 25-gauge (relatively small) needle, and exploits the natural currents of the eye to deliver the very low-dose corticosteroid to the retina. The insertion creates a small incision that is self-healing following delivery of Iluvien.



Source: Company reports

Corticosteroids, such as FA and triamcinolone acetonide (TA), have been shown to inhibit inflammation cytokines and leukostasis, suppress VEGF secretion, and up-regulate the integral plasma membrane protein occludin, all of which are associated with inflammatory eye diseases including DME, dry and wet forms of AMD, and RVO. Despite the benefits of corticosteroids in treating ocular diseases, treatment with both TA and FA has been associated with increased intraocular pressure (IOP), which leads to greater risk of glaucoma and cataracts. As a slow-release 24-36 month intravitreal implant targeting the back of the eye, Iluvien therapy aims to reduce the adverse events associated with the more frequent intravitreal injection of corticosteroids, which target both the front and back of the eye.

Iluvien May Provide Advantages Over Intravitreal Steroid Injections

As a long-acting insert delivering sub-micron doses of FA, Iluvien may provide important safety and convenience advantages over intravitreal triamcinolone injections commonly used to treat inflammatory eye diseases. These potential advantages include:

1. The low-dose Iluvien delivers just 0.23mcg of FA daily to the back of the eye. This compares to the 1-4mg (1,000-4,000mcg) of triamcinolone injected 2-4

times per year, or 5.6-44.4mcg/day for the intravitreal injections of triamcinolone. Ozurdex delivers 300mcg of dexamethasone at the low dose and 700mcg at the high dose, which translates to approximately 3.3-5.8mcg/day. Iluvien's lower corticosteroid volume should yield fewer long-term steroid-related adverse events.

2. Iluvien delivers the FA directly to the back of the eye, exploiting a natural flow of aqueous humor to the retina, while avoiding the tribecular meshwork in the front of the eye. IOP elevations associated with ocular corticosteroid use may be partly due to the interaction of the corticosteroid with the tribecular meshwork, so Iluvien's placement may yield a lower rate of IOP elevation.
3. Iluvien is inserted into the back of the eye with a single procedure using a 25-guage needle and delivers an effective dose of FA for up to 36 months. Intravitreal triamcinolone injections are administered 3-6 times per year (sometimes more frequently), and DME patients may be prone to infections (endophthalmitis). Intravitreal anti-VEGF injections (Lucentis, Avastin) are delivered even more frequently (once-monthly).

Alimera Licensed Iluvien Rights From pSivida

Alimera licensed the Iluvien development and commercialization rights and patents from pSivida in February 2005. Alimera is allowed to sell and market Iluvien for the treatment of DME and other disorders of the eye, excluding uveitis and non-ocular indications. The agreement also includes worldwide rights to develop, deliver, and market other corticosteroids to the back of the eye, but in an implant no smaller than the Iluvien implant. Alimera and pSivida initially agreed to equally split the development costs and profits generated by Iluvien in the DME indication, but the contract was modified in March 2008 to improve Alimera's economics in return for bearing 100% of the development costs. Under the modified agreement, Alimera will pay pSivida $25MM upon Iluvien approval; Alimera keeps 80% of Iluvien net profits and will pay pSivida 20% of net profits on Iluvien (equivalent to a 7-10% royalty); and pSivida supplies Iluvien product for the ongoing pharmacokinetic study and Phase II dry and wet AMD studies.

Iluvien Phase III Trials In DME (FAME) A Success

Alimera initiated two Phase III trials (collectively, the FAME study) in September 2005 designed to evaluate the safety and efficacy of Iluvien in DME. Enrolled patients had received at least one laser treatment at least three months prior to initiating the trial. Trial A enrolled patients in Canada and northern regions of the U.S., Europe, and India, while Trial B enrolled patients in southern regions of the U.S., Europe, and India. Inclusion criteria for enrollment in the FAME Phase III program included patients with DME with BCVA between 20/50 (68 letters on the ETDRS chart) and 20/400 (19 letters on ETDRS). Patients who had received steroids to treat DME within three months of enrollment or anti-VEGF injections within two months of enrollment were excluded from the study. Patients with glaucoma, ocular hypertension, intraocular pressure of greater than 21mmHg, and patients on IOP lowering agents at the time of enrollment also were excluded from the study. The FAME study completed enrollment of 956 patients in the two double-blind, sham-injection controlled trials in October 2007.

For DME registration trials, the FDA requires responders to be defined as patients achieving an improvement in best corrected visual acuity (BCVA) of at least 15 letters (three lines) from baseline on the Early Treatment Diabetic Retinopathy Study

(ETDRS) eye chart. The FDA-required primary endpoint is the difference in responder rates between treatment and control groups over a 24-month period. The FDA also requires a comparison of response rates at month 18 and month 24 to ensure that response improves over time of treatment.

24-Month FAME Results Released In December 2009

In December 2009, Alimera and pSivida announced 24-month results from the FAME study. These data will comprise the primary efficacy and safety data for the NDA package, although the trial will continue through 36 months (expected to complete in October 2010). FAME is evaluating two doses of Iluvien (0.23mcg/day and 0.45mcg/day) relative to a sham insert for the treatment of DME. Based on the 24-month data, management has decided to pursue FDA approval only of the Iluvien 0.23mcg dose.

Full Analysis Data Set (ITT) Yields Strong Efficacy Results…

In the pooled FAME 24-month data, 28.7% of patients on low-dose Iluvien and 28.6% of patients on the high-dose Iluvien achieved at least a 15-point improvement over baseline on the ETDRS eye chart, compared to 16.2% in the placebo group. The differences relative to the placebo group were highly statistically significant in the full analysis dataset, with p-values of 0.002. (See the table below).

ILUVIEN DEMONSTRATES STRONG VISUAL ACUITY RESPONSE AT 24 MONTHS

ILUVIEN - FAME PHASE III EFFICACY SUMMARY

	TRIAL A			TRIAL B			POOLED DATA		
	ILUVIEN		CONTROL	ILUVIEN		CONTROL	ILUVIEN		CONTROL
ENDPOINT	**(0.23mcg)**	**(0.45mcg)**	**GROUP**	**(0.23mcg)**	**(0.45mcg)**	**GROUP**	**(0.23mcg)**	**(0.45mcg)**	**GROUP**
Primary:									
FULL ANALYSIS DATASET									
	n=190	n=196	n=95	n=186	n=199	n=90	n=376	n=395	n=185
Patients Gaining ≥ 15 Letters at Month 24	**26.8%**	**26.0%**	**14.7%**	**30.6%**	**31.2%**	**17.8%**	**28.7%**	**28.6%**	**16.2%**
	(p=0.029)	(p=0.034)		(p=0.030)	(p=0.027)		(p=0.002)	(p=0.002)	
ALL-RANDOMIZED AND TREATED DATASET (ART)									
	n=190	n=195	n=95	n=185	n=198	n=90	n=375	n=393	n=185
Patients Gaining ≥ 15 Letters at Month 24	**26.8%**	**26.2%**	**14.7%**	**30.8%**	**31.3%**	**17.8%**	**28.8%**	**28.8%**	**16.2%**
	(p=0.029)	(p=0.032)		(p=0.028)	(p=0.026)		(p=0.002)	(p=0.002)	
MODIFIED ALL-RANDOMIZED AND TREATED DATASET (MODIFIED ART)									
	n=190	n=195	n=95	n=186	n=199	n=90	n=375	n=393	n=185
Patients Gaining ≥ 15 Letters at Month 24	**22.6%**	**24.1%**	**12.6%**	**29.7%**	**29.3%**	**13.3%**	**26.1%**	**26.7%**	**13.0%**
	(p=0.057)	(p=0.026)		(p=0.004)	(p=0.005)		(p=0.001)	(p=0.001)	
Secondary:							n=375	n=393	n=185
Mean Change In Visual Acuity (BCVA letter score)							**4.4**	**5.4**	**1.7**
							(p=0.020)	(p=0.016)	
Mean Decrease In Excess Fovial Thickness (microns)							**156.1**	**NA**	**100.5**
							NA	NA	

Definitions:

FULL ANALYSIS DATASET: Includes all 956 patients randomized to FAME study. LOCF used to impute data for patient discontinuations

ALL RANDOMIZED AND TREATED DATASET: Includes 953 patients randomized to FAME study: 3 patients enrolled but untreated are excluded. LOCF used to impute data for patient discontinuations.

MODIFIED ART: Includes 953 patients randomized to FAME study: 3 patients enrolled but untreated are excluded. Excludes data collected subsequent to use of treatments prohibited by protocol (steroids, anti-VEGF's, laser). LOCF used to impute data for patient discontinuations.

Source: Company Reports; Cowen and Company

...But Protocol-Defined Data Set Missed Statistical Significance In Trial A

The FAME study protocol specified the exclusion of efficacy data collected for patients subsequent to their use of adjunctive DME treatments prohibited in the trial (laser photocoagulation, intravitreal steroid injections, and anti-VEGF agents). When these patients are excluded from the analysis database (Modified All Randomized and Treated data set or Modified ART), statistical significance was not achieved on the primary endpoint for either Iluvien dose in Trial A, although the pooled data set does achieve statistical significance. Note that, per the statistical analysis plan, if statistical significance ($p \leq 0.05$) is not achieved for one dose arm, the other arm needs to hit a p-value of $p \leq 0.025$. In the Modified ART data set for Trial A, the p-value for the low dose Iluvien arm was 0.057 and the p-value for the high-dose arm was 0.026: the statistical significance was influenced by a single patient.

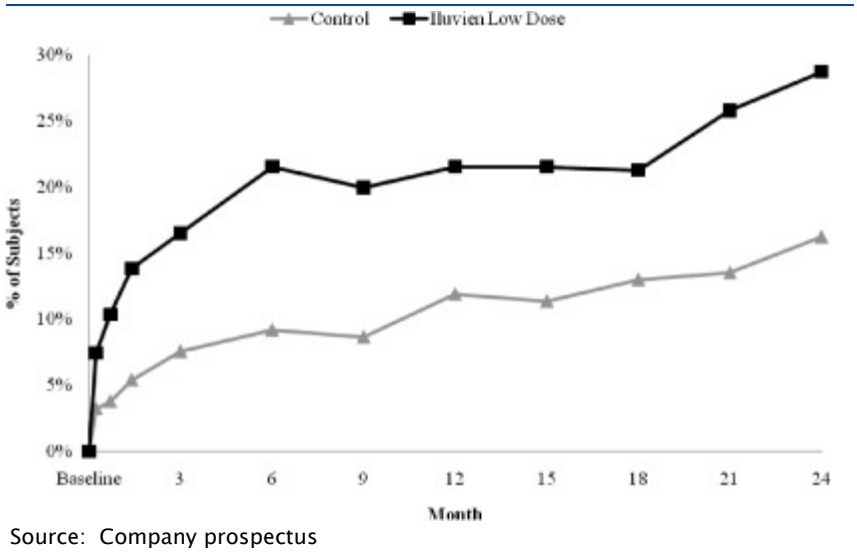
Our Regulatory Consultants Believe FDA Will OK The Full Analysis Set

When the full intent-to-treat data set is analyzed (the Full Analysis Set), which does not exclude patients for use of adjunctive therapies over the 24 months of the analysis, Iluvien achieves statistically significant efficacy for both doses in Trials A and B. Alimera plans to file an NDA for the lower dose of Iluvien only (0.23mcg/day), using the Full Analysis Data Set, despite the fact that the clinical trial protocol called for the exclusion of adjunctive DME treatments. Our regulatory and clinical consultants believe that the FDA will accept the Full Analysis Data Set, as it is a broader, intent-to-treat (ITT) data set and is more reflective of real-world use of Iluvien in combination with other DME treatments.

Secondary Efficacy Endpoints Also Positive

The number of patients assessed with improved BCVA of 15 letters or more ("responders") at each follow up visit demonstrated statistical significance for low-dose Iluvien over the control group as early as week 3 of the patient follow up period, and this difference was maintained throughout the 24 months of the study. Patients with improved BCVA of 15 letters or more at any time point were evaluated through the course of the 24-month period: 43.9% of patients in the low-dose Iluvien treatment group showed a 15 letter or more BCVA improvement at any time point through month 24, compared to 25.4% in the control group.

ILUVIEN RESPONDER RATE SEPARATES EARLY FROM CONTROL



Source: Company prospectus

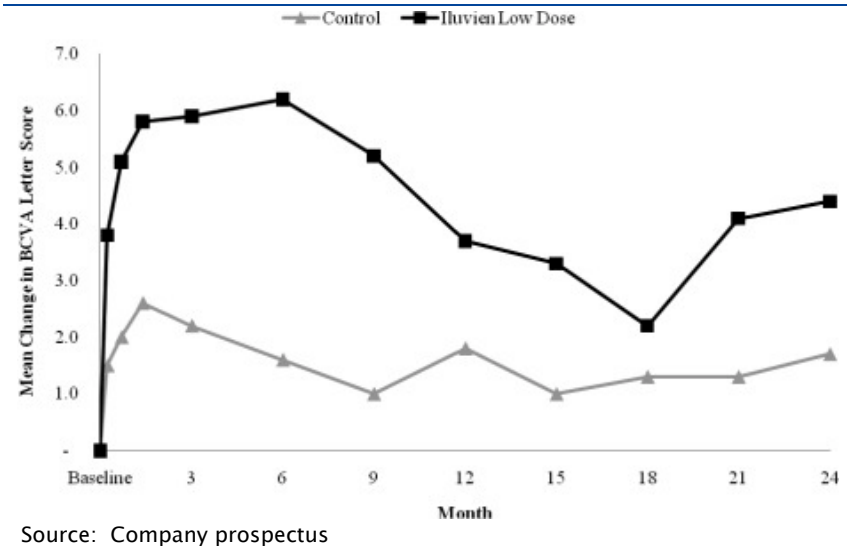
Other levels of BCVA improvement at month 24 also were assessed, including responder rates for 1-letter, 5-letter, and 10-letter improvements for the low-dose Iluvien group versus the control group:

- 66.8% of patients on low-dose Iluvien achieved a 1-letter improvement at month 24 compared to 54.1% of patients in the control group (p=0.005);
- 52.1% of patients on low-dose Iluvien achieved a statistically significant 5-letter improvement at month 24 compared to 40.0% of patients in the control group (p=0.010); and
- 38.3% of patients on low-dose Iluvien achieved a statistically significant 10-letter improvement at month 24 compared to 26.5% of patients in the control group (p=0.009).

Mean BCVA Letter Score Improvements Comparable To Lucentis

Mean change in BCVA letter score assessments showed that patients on low dose Iluvien achieved a mean net improvement in BCVA letter score from baseline of 4.4 letters at month 24 compared to a net improvement of 1.7 letters in the control group (p=0.020). Peak net improvement of 6.0 letters was achieved at month 6 for the low-dose Iluvien group vs. a peak net improvement of 2.6 letters at month 6 for the control group.

BCVA LETTER SCORE IMPROVEMENT PEAKS AT 6 MONTHS



Source: Company prospectus

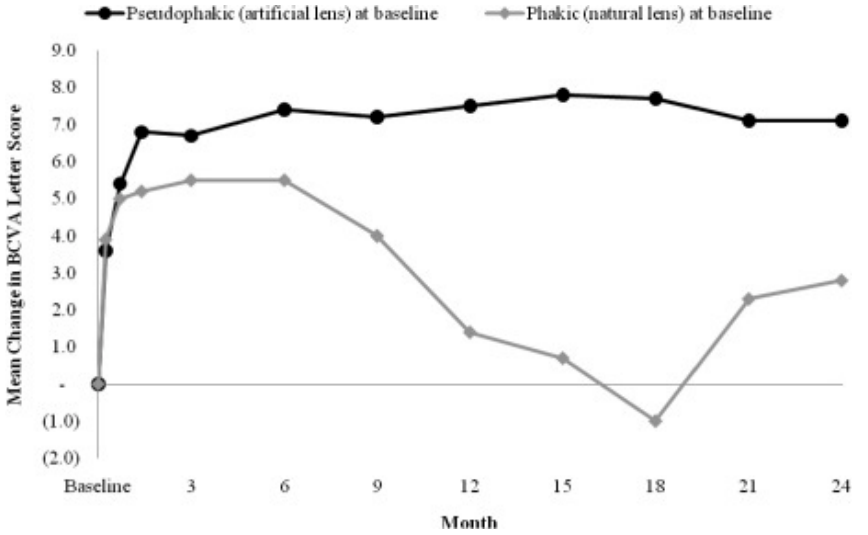
Phakic, Pseudophakic Analyses Show Efficacy Impact Of Cataracts

77.4% of phakic patients on low-dose Iluvien in the FAME studies, defined as having a natural lens and no prior cataract surgery at baseline, reported cataract formation through month 24. That compares to 41.3% of phakic patients in the control group reporting cataract formation during the study. 66.0% of the low-dose Iluvien patients and 19.8% of the control group underwent cataract surgery during the trial. Median time to cataract surgery was 18 months.

The period between the reported cataract formation and cataract surgery resulted in a decrease in mean change in BCVA in the low-dose Iluvien group from month 6 to month 18, as illustrated on the previous graph.

The low-dose Iluvien pseudophakic group (n=140), defined as having an artificial lens, would not have experienced a similar cataract-related vision impairment during the trial. In contrast to the low-dose Iluvien phakic patient group (77.4% of which had a cataract during the trial), the low-dose Iluvien pseudophakic patients, achieved a mean change in BCVA of above 7 letters at month 6 and that level was maintained through month 24.

CATARACT FORMATION IMPACTED BCVA IMPROVEMENT



Source: Company prospectus

The FAME study also assessed the effect of Iluvien treatment on excess foveal thickness by evaluating optical coherence tomography (OCT). Patients on low dose Iluvien achieved a statistically significant mean decrease in excess foveal thickness of 156.1 microns at 24 months, compared to 100.5 microns achieved in the control group. The effect was sustained for patients on low-dose Iluvien from week 1 of patient follow up through month 24 of the study.

Iluvien Safety Profile Comparable To Steroid Injections

The safety data from the FAME study demonstrates that Iluvien's safety profile is similar to that seen with intravitreal triamcinolone injections, a modest disappointment given the low daily doses. However, over the longer term, the lower steroid burden may yield safety benefits relative to bolus intravitreal injections. The two most common adverse events associated with ocular use of corticosteroids are increased intraocular pressure (IOP), which raises glaucoma risk, and cataract formation, which requires surgery to remove.

IOP Elevations Comparable, But Serious IOP May Be A Concern

Patients treated with low and high doses of Iluvien showed a higher incidence of elevated IOP (defined as IOP > 30mmHg) relative to the control group: 16.3% of patients on low-dose Iluvien and 21.6% of patients on high-dose Iluvien reported

elevated IOP, versus 2.7% of patients in the control group. Our clinical consultants indicate that this elevated IOP incidence is acceptable in the DME patient population, which is susceptible to elevated IOP.

In the FAME study, 3.7% of patients on low-dose Iluvien and 7.4% of patients on high-dose Iluvien required at least one surgical intervention to alleviate their elevated IOP, compared to just 0.5% in the control group. While this surgical intervention rate is far lower than that for Retisert patients, some of our clinical consultants indicated that it may cause them to initially reserve Iluvien for third-line treatment of DME.

Cataract Rates Are High, But Manageable

Among the FAME study patients without a previous cataract at baseline (65% or 621 of 953 patients), 80.0% of those in the low-dose Iluvien arm, 87.5% of those in the high-dose Iluvien arm, and 46.3% of those in the control arm (sham injection) reported cataract formation through month 24. In the same group of patients who did not have a prior cataract at baseline, 74.9% of patients in the Iluvien low-dose group and 84.5% of patients in the Iluvien high-dose group underwent cataract surgery during the study, compared to 23.1% of patients in the control group. Our clinical consultants view these cataract rates as high, but not materially higher than they would expect for two years of steady (3-6 injections annually) intravitreal triamcinolone injections. They also note that cataracts are anticipated and readily manageable in DME patients.

ILUVIEN IOP ELEVATIONS AND CATARACT FORMATION IN-LINE WITH OTHER OCULAR STEROIDS

IOP/CATARACT AE SUMMARY FROM POOLED FAME PHASE III TRIALS

IOP AND CATARACT ADVERSE EVENTS	ILUVIEN (0.23mcg)	ILUVIEN (0.45mcg)	CONTROL GROUP
Patients	n=375	n=393	n=185
Elevated IOP (IOP>30mmHg)	**16.3%**	**21.6%**	**2.7%**
Surgical Interventions:			
Trabeculoplasty	1.3%	2.5%	0.0%
Trabeculectomy (filtration)	2.1%	5.1%	0.0%
Vitrectomy	0.3%	0.5%	0.0%
Other Surgery	1.6%	2.5%	0.5%
Total Requiring ≥1 IOP-Lowering Surgery	**3.7%**	**7.4%**	**0.5%**
Phakic Patients* Reporting Cataract Formation	**80.0%**	**87.5%**	**46.3%**
Phakic Patients Reporting Cataract Surgery	74.9%	84.5%	23.1%

Phacik = Natural lens; no previous cataract surgery. 621 of the 953 FAME study patients (65.2%) were phacik at trial start.
Source: Company reports, Cowen and Company

Iluvien Shows Continued Improvement At 27- And 30-Month Analyses

Alimera continues to analyze FAME data through completion of the 36-month treatment period in October 2010. Interim data analyses at 27 and 30 months are "observed cases" only: no LOCF data imputations have been applied to account for patients discontinuing treatment. Analyses of preliminary pooled data for patients completing 27 months and 30 months of low-dose Iluvien treatment yielded statistically significantly higher responder rates for 1-letter, 5-letter, 10-letter, and 15-letter score improvements for Iluvien-treated patients relative to control arm patients. Iluvien-treated patients also continued to show statistically significant improvements in mean letter score gains relative to control arm patients. The data are summarized in the table and graph below. Note that the 27- and 30-month data

sets include only observed cases, and exclude any LOCF imputations for patients discontinuing treatment. Therefore, the 27-month and 30-month data sets are not directly comparable to the broader 24-month data set.

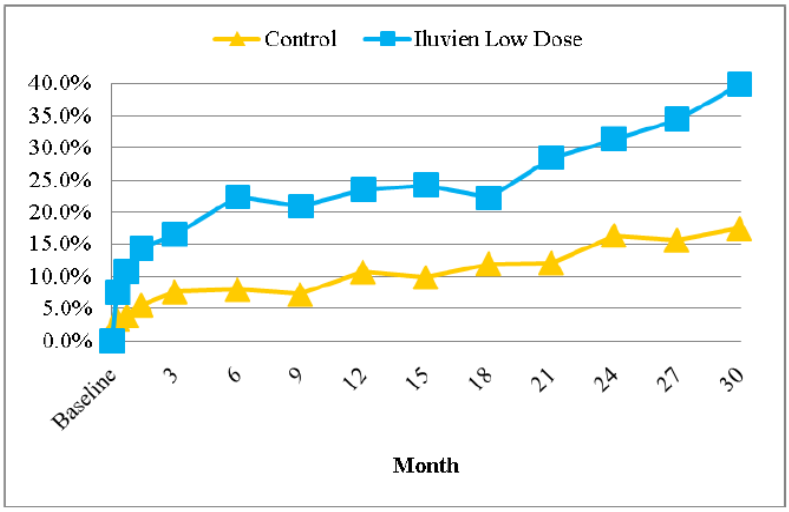
ILUVIEN EFFICACY SHOWS CONTINUED IMPROVEMENT TO 30 MONTHS (PRELIMINARY)

FAME STUDY - 24-, 27- AND 30-MONTH LOW-DOSE ILUVIEN DATA SUMMARY

	POOLED FAME STUDY DATA					
	24-MONTH DATA		27-MONTH DATA (1)		30-MONTH DATA (1)	
BCVA NET IMPROVEMENT VS BASELINE	ILUVIEN 0.23mcg/day	CONTROL GROUP	ILUVIEN 0.23mcg/day	CONTROL GROUP	ILUVIEN 0.23mcg/day	CONTROL GROUP
	n=376	n=185	n=125	n=64	n=123	n=63
BCVA mean change in letter score	+4.4 letters p=0.020	+1.7 letters	+8.7 letters p=0.014	+2.9 letters	+10.2 letters p=0.001	+0.9 letters
% achieving ≥1 letter	66.8% p=0.005	54.1%	76.8% p=0.008	57.8%	81.3% p<0.001	54.0%
% achieving ≥5 letters	52.1% p=0.010	40.0%	68.8% p=0.007	48.4%	70.7% p=0.009	50.8%
% achieving ≥10 letters	38.3% p=0.009	26.5%	49.6% p=0.002	26.6%	54.5% p=0.004	31.7%
% achieving ≥15 letters	**28.7% p=0.002**	**16.2%**	**34.4% p=0.005**	**15.6%**	**39.8% p=0.002**	**17.5%**

(1) 27- and 30-Month data sets include only "observed cases" at the clinical visit. No data imputations have been applied.
Source: Cowen and Company; Company Data

ILUVIEN BCVA IMPROVEMENT RESPONDER RATES



Source: Company press release 5/27/2010

Registration Pharmacokinetic Trial Ongoing: No Issues Observed

In August 2007, Alimera initiated a 37-patient open-label Phase II pharmacokinetic study (which completed enrollment in February 2008) to evaluate the systemic exposure and plasma levels of FA released by both high-dose (n=17) and low-dose (n=20) Iluvien. An 18-month analysis in September 2009 indicated that plasma levels of FA in patients treated with high-dose and low-dose Iluvien were below 100pcg/mL, resulting in no detectable systemic exposure. PK measurements at 24, 30, and 36 months also will be reported. Alimera plans to file a carcinogenicity waiver with the FDA based on the 18- and 24-month exposure data, in order to avoid running a lengthy carcinogenicity study for a sub-microgram steroid exposure.

NDA Nearing Completion And EMEA Filing Planned In Q3

Alimera plans to submit the Iluvien NDA for the DME indication later this month (June 2010) and request a priority review designation. The NDA will be based on the 24-month data from the FAME study, plus interim results from the 36-month pharmacokinetic study (37 patients) which has demonstrated no systemic exposure of fluocinolone acetonide from the Iluvien implant. In our projections, we have assumed a 10-12-month review cycle at FDA, so a 6-month review cycle via a priority review designation would be upside. Alimera plans to file similar data packages with the EMEA (European Union) and Canadian regulatory authorities in Q3. If approved, Iluvien will be the first FDA-approved pharmaceutical treatment for DME, although other agents (triamcinolone and anti-VEGF injections) currently are used off-label.

Iluvien Marketing Plan In Place: Sales Force May Come Soon

Alimera plans to build a proprietary specialty sales force to market and sell Iluvien in the U.S. and Canada. Alimera plans to hire a field sales force of approximately 40-50 reps to cover the ~1,600 retina specialists located in 900 centers in the U.S. and Canada, and will expand that sales platform as necessary. Assuming Iluvien is granted priority review status by the FDA, sales force recruiting is expected to begin in Q4:2010 in anticipation of a potential December FDA approval and a commercial launch of Iluvien in early-2011. Alimera's management team brings strong commercial experience in the ophthalmology field: the senior executives were together at Novartis Ophthalmics where they successfully commercialized seven prescription ophthalmology drugs and five OTC agents. Alimera will seek marketing partner(s) for the promotion of Iluvien outside North America.

DME Is An Attractive Target Market

Diabetic retinopathy is the most prevalent cause of vision loss in working-aged adults. Diabetic macular edema (DME), the most common complication of diabetic retinopathy, refers to a swelling of the retina caused by fluid leakage from capillaries in the macula. DME results from chronically elevated blood sugar levels, which cause structural changes in the endothelium of retinal blood vessels, leading to vascular dysfunction and eventually vascular occlusion. It is believed that upregulation of growth factors in the retina, such as IL-6 and VEGF, induce vascular permeability. That vascular permeability leads to a breakdown of the blood-retina barrier, allowing fluid and proteins to leak into the retina, thickening the macula and distorting nerve cells. The result is a reversible decrease in visual acuity which becomes permanent if left untreated.

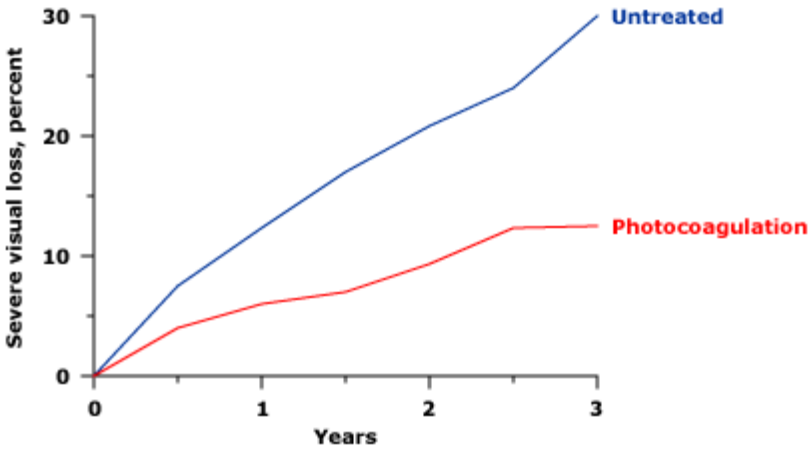
The diabetes epidemic has made the diagnosis of DME increasingly common. The medical literature indicates that up to 1-2 million Americans might be affected by DME, and an estimated 340,000 cases are diagnosed annually. Our consultants estimate that roughly 180,000 patients are treated for DME each year. We estimate the current U.S. market for DME treatments (primarily laser photocoagulation and generic triamcinolone intravitreal injections) at $500-600MM annually, but off-label use of other ocular anti-inflammatory agents is common for the treatment of DME and these agents are not included in our sales estimate.

Laser Photocoagulation The Standard Of Care In DME

The current standard of treatment for DME is laser photocoagulation. Laser photocoagulation therapy directs light into the eye where heat is used to cauterize abnormal blood vessels to cut off sites of leakage. The cauterization slows the progression of vision loss by burning off patches of edema close to the macula. Our clinical consultants estimate that approximately 50% of treated DME patients are treated with laser photocoagulation therapy, as it provides good, generally durable efficacy. And as the only currently-approved treatment for clinically significant macular edema, laser photocoagulation often is performed following initial DME diagnosis. Moreover, the reimbursement economics of laser photocoagulation treatment are favorable to physicians.

Efficacy of laser photocoagulation was demonstrated in The Early Treatment Diabetic Retinopathy Study, in which 1,490 eyes with DME were randomized to receive either focal laser photocoagulation or observation. This study demonstrated that laser photocoagulation reduced moderate visual loss by over 50%, with the greatest benefits seen in eyes with clinically significant macular edema. However 12% of eyes in the study still experienced vision loss of 3 or more lines within 3 years, and only 3% of patients experienced a gain of 3 or more lines of vision. While laser photocoagulation generally halts long-term vision loss, it rarely restores vision.

LASER PHOTOCOAGULATION SLOWS RATE OF VISION LOSS



Source: Early Treatment Diabetic Retinopathy Study Research Group, 1991.

Laser is usually given at intervals of 3-4 months to reduce fluid leakage from vessels into the macula. Because laser is effective in slowing the rate of deterioration in DME patients (as opposed to restoring vision), it is often 2-3 years before the benefits of therapy become apparent.

Most DME patients require adjunctive therapy to laser photocoagulation to adequately treat their edema (84% of DME patients required such treatment according to a 2008 Preferences and Trends survey). Intravitreal injections of the corticosteroid triamcinolone currently are used most frequently as add-on therapy. In patients for whom laser may be inappropriate (for example patients presenting with severe edema, where laser often does not penetrate the retina), off-label

intravitreal treatments usually are used in the first-line. But the required frequency of injections (3-6 injections per year) and the risk of infection in the immune compromised diabetes population create a market opportunity for a steroid based therapy that is administered less frequently.

We Project $400MM+ WW Iluvien Sales In 2016

Our clinical consultants project that Iluvien may be used in approximately 15% of patients currently treated for DME in the U.S. and 10% of DME patients in Europe, primarily patients not responding to or not appropriate for laser photocoagulation therapy. That patient share translates to a $300-400MM U.S. sales opportunity, and a $200-300MM sales opportunity in Europe. We estimate WW Iluvien sales of $15MM in H2:2011 (U.S. only), $80MM in 2012, $140MM in 2013, and $405MM in 2016.

ESTIMATED WW DME TREATMENT MARKET BUILDS ($MM)

ESTIMATED U.S. DME MARKET BUILDUP ($MM)*

	2009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	CGR	
# Diagnosed diabetes patients US (MM)	18.3	19.0	19.8	20.6	21.4	22.3	23.2	24.1	+4%	- assumes annual growth rate of 4%
# DME patients US - annual incidence (MM)	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	+4%	- assumes 1.9% incidence rate
% Treated	50%	50%	50%	50%	50%	50%	50%	50%		- Patients treated with drug therapy
# DME patients treated (MM)	0.17	0.18	0.18	0.19	0.20	0.21	0.22	0.22	+4%	
% Treated with Laser Photocoagulation	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**		- ~50% of all treated DME patients receive laser therapy
# DME patients treated with LPT (MM)	0.09	0.09	0.09	0.10	0.10	0.10	0.11	0.11		- laser therapy remains the only approved treatment for DME
Cost per patient/per year ($)	$4,120	$4,244	$4,371	$4,502	$4,637	$4,776	$4,919	$5,067		- patients receiving laser therapy are at risk for night vision loss
Laser Photocoagulation Sales ($MM)	**$350**	**$375**	**$402**	**$430**	**$461**	**$494**	**$529**	**$567**	**+7%**	
Iluvien (ALIM) Patient Share			**1.2%**	**4.4%**	**6.8%**	**9.6%**	**12.0%**	**13.5%**		- sustained-release corticosteroid fluocinolone acetonide
# DME patients treated with Iluvien (MM)			0.00	0.01	0.01	0.02	0.03	0.03		- 36-month intravitreal implant for DME
Cost per patient/per year ($)			$7,000	$7,175	$7,354	$7,538	$7,727	$7,920		
Iluvien Sales ($MM)			**$15**	**$60**	**$100**	**$150**	**$200**	**$240**		
Ozurdex (AGN) Patient Share	**1.2%**	**3.8%**	**6.2%**	**7.7%**	**8.9%**	**10.0%**	**10.1%**	**10.2%**		- 3-5 month bioerodable dexamethasone intravitreal impant
# DME patients treated with Osurdex (MM)	0.00	0.01	0.01	0.01	0.02	0.02	0.02	0.02		- approved for macular edema following RVO in mid-'09
Cost per patient/per year ($)	$5,000	$5,150	$5,305	$5,464	$5,628	$5,796	$5,970	$6,149		
Ozurdex Sales ($MM)	**$10**	**$35**	**$60**	**$80**	**$100**	**$120**	**$130**	**$140**	**+46%**	
Lucentis (Roche) Patient Share	**1.2%**	**1.7%**	**2.0%**	**2.4%**	**3.6%**	**4.6%**	**5.1%**	**5.5%**		- monoclonal antibody (mAb) ranibizumab
# DME patients treated with Lucentis (MM)	0.00	0.00	0.00	0.00	0.01	0.01	0.01	0.01		- currently in Phase III for DME
Cost per patient/per year ($)	$14,280	$14,566	$14,857	$15,154	$15,457	$15,766	$16,082	$16,403		- off-label use for DME
Lucentis Sales ($MM)	**$30**	**$45**	**$55**	**$70**	**$110**	**$150**	**$175**	**$200**	**+31%**	
Avastin (Roche) Patient Share	**1.2%**	**1.4%**	**1.6%**	**1.8%**	**1.9%**	**2.0%**	**2.3%**	**2.6%**		- monoclonal antibody (mAb) bevacizumab
# DME patients treated with Avastin (MM)	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01		- currently in Phase II for DME
Cost per patient/per year ($)	$9,690	$9,884	$10,081	$10,283	$10,489	$10,699	$10,913	$11,131		- off-label use for DME
Avastin Sales ($MM)	**$20**	**$25**	**$30**	**$35**	**$40**	**$45**	**$55**	**$65**	**+18%**	
Trivaris (AGN) Patient Share	**2.0%**	**7.4%**	**8.7%**	**11.5%**	**13.9%**	**16.1%**	**17.9%**	**19.5%**		- Injectable corticosteroid triamcinolone acetonide for uveitis
# DME patients treated with Trivaris (MM)	0.00	0.01	0.02	0.02	0.03	0.03	0.04	0.04		- used in the treatment of uveitis and other ocular disorders
Cost per patient/per year ($)	$1,500	$1,530	$1,561	$1,592	$1,624	$1,656	$1,689	$1,723		- expected off-label use for DME
Trivaris Sales ($MM)	**$5**	**$20**	**$25**	**$35**	**$45**	**$55**	**$65**	**$75**	**+47%**	
Triesence (ACL) Patient Share	**1.4%**	**7.4%**	**10.5%**	**13.1%**	**15.5%**	**17.5%**	**19.3%**	**20.8%**		- Injectable corticosteroid triamcinolone acetonide for uveitis
# DME patients treated with Trivaris (MM)	0.00	0.01	0.02	0.03	0.03	0.04	0.04	0.05		- used in the treatment of uveitis and other ocular disorders
Cost per patient/per year ($)	$1,499	$1,529	$1,560	$1,591	$1,623	$1,655	$1,689	$1,722		- preservative free synthetic corticosteroid
Triesence Sales ($MM)	**$4**	**$20**	**$30**	**$40**	**$50**	**$60**	**$70**	**$80**	**+56%**	- expected off-label use for DME
Triamcinolone Generic Patient Share	**43.0%**	**32.0%**	**25.0%**	**15.0%**	**10.0%**	**8.0%**	**7.0%**	**6.0%**		- synthetic corticosteroid triamcinolone
# DME patients treated with Kenalog (MM)	0.07	0.05	0.05	0.05	0.05	0.05	0.04	0.04		- off-label use for DME
Cost per patient/per year ($)	$206	$212	$219	$225	$232	$239	$246	$253		
Kenalog Sales ($MM)	**$15**	**$11**	**$11**	**$12**	**$12**	**$11**	**$11**	**$9**	**-7%**	
Other Treatments Patient Share	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**		- other synthetic corticosteroids and versions of triamcinolone
# DME patients treated with Other (MM)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Cost per patient/per year ($)	$515	$530	$546	$563	$580	$597	$615	$633		
Other Sales ($MM)	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**		
Total Estimated DME Market ($MM)	**$434**	**$531**	**$628**	**$762**	**$918**	**$1,085**	**$1,235**	**$1,376**	**+18%**	- New corticosteroids and anti-VEGFs could drive upside
% Change	+20%	+22%	+18%	+21%	+20%	+18%	+14%	+11%		

* Note: Patient share percentages add to more than 100% given broad combination use of treatments

Source: IMS; Cowen and Company estimates

ESTIMATED EX-U.S. DME MARKET BUILDUP ($MM)*

	2009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	CGR	
# Diagnosed diabetes patients Ex US (MM)	19.2	19.7	20.2	20.7	21.2	21.7	22.3	22.8	+3%	- assumes 2.5% annual growth rate
# DME patients Ex US - annual incidence (MM)	0.70	0.72	0.74	0.75	0.77	0.79	0.81	0.83	+3%	- assumes 3.645% incidence rate
% Treated	50%	50%	50%	50%	50%	50%	50%	50%		
# DME patients treated (MM)	0.35	0.36	0.37	0.38	0.39	0.40	0.41	0.42	+3%	
Iluvien (ALIM) Patient Share				**0.8%**	**1.6%**	**3.0%**	**3.6%**	**4.8%**		- will be marketed via partner(s)
# DME patients treated with Iluvien (MM)				0.00	0.01	0.01	0.01	0.02		
Cost per patient/per year ($)				$6,250	$6,438	$6,631	$6,830	$7,034		- 2.5% price increase Y/Y
Iluvien Sales ($MM)				**$20.0**	**$40.0**	**$80.0**	**$100.0**	**$140.0**		

Source: IMS; Cowen and Company estimates

Next Steps: Iluvien Being Developed In AMD And RVO

Alimera currently is conducting clinical trials to evaluate the efficacy and safety of Iluvien in treating dry and wet AMD and RVO. In December 2008, Alimera initiated a pilot Phase II trial of Iluvien in patients with bilateral geographic atrophy secondary to dry AMD. This trial will compare low- and high-doses of Iluvien against a control sham insert, measuring the change in geographic atrophy size from baseline over 24 months.

An investigator-sponsored pilot Phase II study currently is ongoing to evaluate Iluvien in patients with wet AMD. This trial is enrolling patients previously treated with Lucentis for at least six months and who have achieved a plateau in visual acuity. Patients will receive either low-dose or high-dose Iluvien in conjunction with Lucentis therapy. The study will evaluate BCVA change for both doses of Iluvien and an average number of Lucentis injections over the six month treatment period, relative to the previous six month Lucentis-alone treatment period.

In September 2009, Alimera initiated a pilot Phase II study to evaluate the safety and efficacy of low- and high-doses of Iluvien in patients with macular edema secondary to RVO. The study is designed to compare the safety and efficacy of Iluvien at both doses in RVO patients.

We have included a 'placeholder' estimate of Iluvien sales in the dry AMD indication in 2016 of just $25MM and no sales projections in the other indications. In the meantime, should retina specialists experience favorable clinical results with Iluvien in the DME population, off-label use is likely, particularly in RVO. Material off-label use could provide significant upside to our Iluvien sales estimates.

ILUVIEN BEING TESTED IN OTHER INFLAMMATORY EYE DISEASES

ILUVIEN - CLINICAL STUDIES SUMMARY

INDICATION	TRIAL	STATUS	EFFICACY OBJECTIVE	PATIENT ENROLLMENT	DATA REPORTED
DME	Phase III FAME A	In Process	36-Month Visual Acuity	n=481 (completed)	12/09, 12/10
DME	Phase III FAME B	In Process	36-Month Visual Acuity	n=475 (completed)	12/09, 12/10
DME	Phase II PK Study	In Process	36-Month FA Plasma Exposure	n=37 (completed)	9/09, 9/10
Dry AMD	Phase II MAP GA	In Process	24-Month Geographic Atrophy Baseline Change	n=40 (targeted)	2011
Wet AMD	Phase II MAP	In Process	6-Month Visual Acuity	n=30 (targeted)	2011
RVO	Phase II FAVOR	In Process	3-Month Visual Acuity	n=20 (targeted)	2011

Source: Company reports; Cowen and Company

Iluvien IP Coverage Appears Solid: Licensed From pSivida

Alimera has licensed from pSivida rights to three issued U.S. method-of-use patents covering Iluvien (#6,217,895, #6,548,078, #6,375,972); a design patent for the Iluvien inserter (USD592,746S); an insert device patent (#6,367,592); and six pending patent applications in the U.S. (10/096,877) with foreign equivalents (EP01927200, JP20010577925). The three method-of-use patents for Iluvien expire between March 2019 and April 2020 and the design patent covering the Iluvien inserter expires in 2023. pSivida retains responsibility for Iluvien patent maintenance and prosecution.

Competition Is Gaining Visibility In DME

Intravitreal Triamcinolone (IVTA) Is Iluvien's Primary Competition

Intravitreal triamcinolone (IVTA; BMY's Kenalog, multiple generics) is used frequently as an off-label treatment for DME. Triamcinolone has potent anti-inflammatory, anti-permeability, anti-angiogenic, and anti-fibrotic effects. Most of the evidence supporting its effectiveness in macular edema has come from small, physician-sponsored studies, although the Diabetic Retinopathy Clinical Research Network (DRCR.net) is conducting a number of more formal studies to compare triamcinolone with laser treatment.

A small randomized controlled trial evaluated triamcinolone (4mg) in 43 diabetic patients (69 eyes) with relatively mild visual loss from macular edema, comparing treatment and placebo-treated eyes at two years. Visual acuity improved by 5 letters in 56% of steroid-treated eyes, versus 26% of placebo-treated eyes. However, significant side effects have been noted with triamcinolone, including elevated intraocular pressure in up to half of eyes, increased risk of cataract formation, and increased risk of endophthalmitis (infection).

Given the relatively short-lasting effects of intravitreal triamcinolone injections, there is concern regarding recurrence of DME as the drug's effect wears off. Our physician consultants believe that combining intravitreal triamcinolone (or anti-VEGF treatments) with laser therapy provides patients with the short-term benefit of the intravitreal triamcinolone, and long-term reduction in fluid leakage as a result of photocoagulation. Several NEI studies are evaluating combinations of laser and intravitreal treatments, and should provide further clarity on the optimal combinations and frequencies of treatment.

AGN's Ozurdex Has Disappointed Clinicians

Ozurdex is an extended-release biodegradable ocular implant containing the corticosteroid dexamethasone, developed for the treatment of macular edema. In July 2009, the FDA approved Ozurdex for the treatment of macular edema following branch retinal vein occlusion (BRVO) or central retinal vein occlusion (CRVO). Our physician consultants note that the leading cause of macular edema is diabetic retinopathy (DME), with BRVO and CRVO considerably less prevalent. Therefore, we would anticipate a fairly limited initial response to the introduction until Allergan completes its Phase III DME program and secures the broader indication, which is not expected until 2011-2012.

Our clinical consultants have been disappointed with the duration of efficacy observed with Ozurdex (3-4 months), which is similar to intravitreal triamcinolone injections. They expect Iluvien to outperform Ozurdex on efficacy and convenience.

AGN's Trivaris And ACL's Triesence May Capture IVTA Share

Allergan (Trivaris) and Alcon (Triesence) are rolling out branded formulations of triamcinolone intravitreal injections. Trivaris (triamcinolone 80mg/mL) was approved in 2008 and is indicated for retinal diseases such as sympathetic ophthalmia, temporal arteritis, uveitis, and ocular inflammatory conditions unresponsive to topical corticosteroids. Triesence (triamcinolone 40mg/mL) was approved in November 2007 for the treatment of sympathetic ophthalmia, temporal arteritis, uveitis, and other inflammatory ocular conditions deemed unresponsive to

topical corticosteroids. Similar to Trivaris, Triesence is not explicitly approved for the treatment of DME, AMD, or RVO, although we expect off-label use in those indications to be prevalent.

We expect these formulations to gradually capture market share from generic triamcinolone intravitreal injections. Given their relatively low cost (estimated at $500-1,500 per year, depending on the number of injections required) and broad physician experience with triamcinolone injections, we expect these agents to pose the toughest competition to Iluvien. Iluvien's primary advantages over Trivaris and Triesence will be Iluvien's lower injection frequency (Trivaris and Triesence require administration 3-6 times per year) and the explicit DME indication.

VEGF Emerging As An Important Therapeutic Target In DME

There is a growing body of evidence suggesting that VEGF is implicated in the pathogenesis of DME. Studies have shown VEGF-A levels to be significantly higher in DME patients versus patients with non-diabetic eye disease. Further studies have shown that DME patients with extensive macular leakage have significantly higher levels of VEGF-A compared with patients showing minimal leakage. It is thought that VEGF is up-regulated in DME patients in response to the retinal hypoxia that results from hyperglycemic changes in retinal vasculature. In addition to being a potent stimulator of angiogenesis, VEGF also is known to induce vascular permeability, causing fluid and proteins to leak into the central retina.

National Eye Institute Study Supports Lucentis Use In DME

The results from a National Eye Institute-sponsored Phase III trial of Lucentis in DME were published in the April 2010 edition of the journal *Ophthalmology*. The trial was conducted by the Diabetic Retinopathy Clinical Research Network (DRCRN) and enrolled 854 study eyes in 691 participants with DME. The study evaluated the efficacy and safety of intravitreal 0.5mg Lucentis therapy followed by deferred (≥ 24 weeks later) or prompt (within 3-10 days) laser photocoagulation therapy: These treatment protocols were compared to the efficacy and safety of Allergan's Trivaris (4mg intravitreal triamcinolone) with prompt laser photocoagulation therapy, and sham injections with prompt laser photocoagulation therapy. The efficacy and safety measures were assessed over 12-months and 24-months.

The 12-month efficacy results favored Lucentis plus prompt or deferred laser photocoagulation therapy:

- Patients treated with **0.5mg Lucentis and deferred laser therapy** achieved a 9-letter mean BCVA improvement over baseline and a net improvement of 6.0 letters compared to laser therapy/sham injections ($p<0.001$) at 12 months. 28% of patients in this treatment arm achieved a mean BCVA improvement of ≥15 letters at 12 months.
- Patients treated with **0.5mg Lucentis plus prompt laser therapy** demonstrated similar efficacy results: a 9-letter mean BCVA improvement over baseline and a net improvement of 5.8 letters compared to laser therapy/sham injections ($p<0.001$) at 12 months. 30% of patients in this treatment arm achieved a mean BCVA improvement of ≥15 letters at 12 months.
- Patients treated with **4mg triamcinolone (Trivaris) plus prompt laser therapy** demonstrated a 4-letter mean BCVA improvement over baseline and a net improvement of 1.1 letters without statistical significance compared to laser

therapy/sham injections (p=0.31) at 12 months. 21% of patients in this treatment arm achieved a mean BCVA improvement of ≥15 letters at 12 months.

– Patients treated with **laser therapy/sham injections alone** demonstrated a 3-letter mean BCVA improvement over baseline at 12 months. 15% of patients in this treatment arm achieved a mean BCVA improvement of ≥15 letters at 12 months.

The 24-month efficacy results favored Lucentis plus deferred laser photocoagulation therapy:

– Patients treated with **0.5mg Lucentis and deferred laser therapy** achieved a 10-letter mean BCVA improvement over baseline and a net improvement of 7.2 letters compared to laser therapy/sham injections (p<0.001) at 24 months. 29% of patients in this treatment arm achieved a mean BCVA improvement of ≥15 letters at 24 months.

– Patients treated with **0.5mg Lucentis plus prompt laser therapy** demonstrated similar efficacy results: a 7-letter mean BCVA improvement over baseline and a net improvement of 5.0 letters compared to laser therapy/sham injections (p<0.001) at 24 months. 26% of patients in this treatment arm achieved a mean BCVA improvement of ≥15 letters at 24 months.

– Patients treated with **4mg triamcinolone (Trivaris) plus prompt laser therapy** demonstrated no mean BCVA improvement over baseline and a net decline of 1.6 letters compared to laser therapy/sham injections (p<0.001) at 24 months. 19% of patients in this treatment arm achieved a mean BCVA improvement of ≥15 letters at 24 months.

– Patients treated with **laser therapy/sham injections alone** demonstrated a 2-letter mean BCVA improvement over baseline at 24 months. 17% of patients in this treatment arm achieved a mean BCVA improvement of ≥15 letters at 24 months.

At 12 months, those patients receiving 4mg intravitreal triamcinolone injections (IVTA) showed a higher rate of elevated IOP and cataract formation adverse events than the patients receiving either Lucentis or laser treatment alone. 38% of patients in the IVTA arm experienced an IOP increase ≥ 10mmHg, and 15% underwent cataract surgery during the 12-month treatment phase. In the 0.5mg Lucentis plus deferred laser treatment arm, only 3% suffered IOP elevations and 6% underwent cataract surgery: in the 0.5mg Lucentis plus prompt laser treatment arm, 5% suffered IOP elevations and 5% underwent cataract surgery. Of those patients treated with laser photocoagulation therapy alone, 5% suffered IOP elevations and 6% underwent cataract surgery.

DRCRN TRIAL OF LUCENTIS IN DME YIELDS POSITIVE RESULTS

LUCENTIS NIH SPONSORED PHASE III STUDY LOCF DATA SUMMARY

	DIABETIC RETINOPATHY CRN PHASE III DATA			
	0.5mg LUCENTIS + DEFERRED LASER	0.5mg LUCENTIS + PROMPT LASER	4mg TRIAMCINOLONE + PROMPT LASER	SHAM + PROMPT LASER
12-Month LOCF Patient Population	n=188	n=187	n=186	n=293
24-Month Observed Patient Population	n=112	n=106	n=103	n=163
Efficacy:				
Mean BCVA improvement - 12 mos.	**+9 letters**	**+9 letters**	**+4 letters**	**+3 letters**
Net BCVA improvement vs. laser - 12 mos.	**+6.0 p<0.001**	**+5.8 p<0.001**	**+1.1 p=0.31**	------
Mean BCVA improvement - 24 mos.	**+10 letters**	**+7 letters**	**+0 letters**	**+2 letters**
Net BCVA improvement vs. laser - 24 mos.	**+7.2 p<0.001**	**+5.0 p<0.001**	**-1.6 p<0.001**	------
Responder Analyses:				
BCVA improvement ≥15 letters - 12 mos.	**28% (n=52)**	**30% (n=57)**	**21% (n=39)**	**15% (n=43)**
BCVA improvement ≥15 letters - 24 mos.	**29% (n=33)**	**26% (n=28)**	**19% (n=20)**	**17% (n=28)**
Safety Findings (AEs) - 12 mos.	n=188	n=187	n=186	n=293
Total number of injections	1,613	1,497	541	------
endophthalmitis	1%	1%	0%	<1%
vitreous hemorrhage	2%	2%	1%	5%
elevated intraocular pressure (IOP)/glaucoma				
IOP increase ≥10mmHg	**3%**	**5%**	**38%**	**5%**
IOP ≥30mmHg	2%	1%	25%	1%
requiring glaucoma surgery	0%	0%	0%	0%
requiring cataract surgery - phakic at baseline	**6%**	**5%**	**15%**	**6%**

Source: Ophthalmology, April 2010

Low Dose Iluvien Responder Rates Comparable To Lucentis

A rough cross-trial comparison of the efficacy data from the DRCRN trial of Lucentis and Alimera's ongoing FAME study shows that Iluvien achieves efficacy that is comparable to modestly superior to that of Lucentis, although enrollment, treatment and data analyses protocols differ across the two trials. Accepting those trial design differences, the BCVA responder rates (≥ 15 letter gain) achieved by low-dose Iluvien at 24-months are equivalent to those for 0.5mg Lucentis plus deferred laser therapy, and the Iluvien data improve significantly through 30 months. Comparable DME efficacy data for Lucentis at 30-months are not available for comparison.

ILUVIEN EFFICACY COMPARABLE TO LUCENTIS AT 12 AND 24 MONTHS

LUCENTIS VS. ILUVIEN - PRELIMINARY EFFICACY COMPARISON

	DIABETIC RETINOPATHY CRN PHASE III DATA				FAME POOLED DATA
	0.5mg LUCENTIS + DEFERRED LASER	0.5mg LUCENTIS + PROMPT LASER	4mg TRIAMCINOLONE + PROMPT LASER	CONTROL + PROMPT LASER	ILUVIEN 0.23mcg
Patient Populations:					
12-Month	n=188	n=187	n=186	n=293	n=376
24-Month **(1)**	n=112	n=106	n=103	n=163	n=287
30-Month **(1)**	NA	NA	NA	NA	n=123
Responder Analyses:					
BCVA improvement ≥15 letters - 12 mos.	**28%**	**30%**	**21%**	**15%**	**21.0%**
BCVA improvement ≥15 letters - 24 mos. (1)	**29%**	**26%**	**19%**	**17%**	**28.7%**
BCVA improvement ≥15 letters - 30 mos. (1)	**NA**	**NA**	**NA**	**NA**	**39.8%**

(1) 24- and 30-Month data sets include only "observed cases" at the clinical visit. No data imputations have been applied.

Source: Cowen and Company; Company Data; Ophthalmology 2010

RESTORE Phase III One-Year Data Positive

In May 2010, Novartis reported one-year data from the 345-patient Phase III RESTORE study of Lucentis in DME. In RESTORE, Lucentis achieved the primary endpoint of mean change in BCVA from baseline over 12 months. At one year, 37% of patients treated with 0.5mg Lucentis and 43% of patients treated with 0.5mg Lucentis plus laser therapy achieved a BCVA improvement of 10 letters or more compared to 16% of patients achieving the same letter improvement score on laser therapy alone.

The RESTORE one-year data also demonstrated that patients treated with 0.5mg Lucentis achieved a statistically significant 6.1 letter improvement over the 12-month period ($p<0.0001$ vs. laser therapy alone), compared to a statistically significant 5.9 letter improvement observed with patients treated with 0.5mg Lucentis on top of laser therapy ($p<0.0001$ vs. laser therapy alone), and a 0.8 letter improvement for patients receiving laser therapy alone.

Lucentis was well-tolerated in the RESTORE study with an adverse event profile consistent with the safety findings in other trials, which included a less than 1% incidence of IOP elevations, 5-8% incidence of hypertension, 3-4% incidence of arterial thromboembolic events, and no incidents of endophthalmitis across Lucentis treatment groups.

The RESTORE trial will run for 24 months, and the final efficacy and safety data will be included in Novartis's planned European regulatory filing for Lucentis in DME.

Lucentis Being Evaluated In Pivotal Trials For DME

Roche is conducting two 24-month registration trials of Lucentis in DME. The RIDE and RISE trials have enrolled a total of 732 patients (across 70 U.S. sites) with clinically significant macular edema (CSME), including patients failing laser treatment. Patients will be randomized to receive 24 monthly intravitreal injections of Lucentis (0.5mg) or placebo.

The primary endpoint for both trials is percentage of patients gaining at least 15 letters of vision vs. baseline, as measured by the ETDRS eye chart. Several secondary endpoints will be assessed in the trial, including mean change in retinal thickness (as measured by OCT) and mean number of focal laser treatments. Both trials were initiated in late 2007: RISE completed enrollment in Q4:08 and RIDE completed enrollment in Q1:09. Data from both studies is expected in to be reported in H1:11 and 1-year interim data may be reported this year. Positive anecdotal experience and strong efficacy and safety data from the DRCRN and RESTORE trials indicate that the RIDEA and RISE trials are likely to succeed. But our clinical consultants are less optimistic that Lucentis will gain broad use in the treatment of DME given the required injection frequency (once monthly) and high cost.

Avastin May Be Less Of A Competitive Threat In DME

Many of our physician consultants have used Avastin in DME patients, particularly in patients with poor responses to laser or steroids, where no other medical treatment options remain. In contrast to wet AMD, physicians' use of off-label Avastin in DME has been somewhat tempered, owing to both modest efficacy and specialists' reluctance to use an off-label agent with known thrombosis risk in a younger patient population.

Interestingly, while most retina specialists would posit that Lucentis and Avastin have somewhat similar efficacy in wet AMD, there is some thought among consultants that Lucentis might be more efficacious than Avastin in DME. It may be that Lucentis's smaller size and more specific, higher-binding-affinity for VEGF provides it with an advantage over Avastin, though this has yet to be proven.

Alimera Is Building An Early Pipeline Behind Iluvien

Alimera has licensed rights to two classes of nicotinamide adenine dinucleotide phosphate (NADPH) oxidase inhibitors from Emory University. Inhibition of NADPH oxidase in the eye has been associated with slowing the progression of retinal degeneration, retinal neovascularization, choroidal neovascularization and uveitis. The two classes of NADPH oxidase inhibitors licensed by Alimera are fulvene and triphenylmethane. Alimera scientists are assessing pre-clinical candidates from this program initially for activity in geographic atrophy associated with dry AMD, but also plan to evaluate candidates for the treatment of wet AMD, diabetic retinopathy, and posterior uveitis. Under the terms of the agreements, Emory is to receive low-to-mid single digit royalties.

Alimera plans to pursue additional strategic in-licensing and acquisitions of products and delivery technologies to expand its ophthalmology pipeline. We have included only Iluvien sales in our projections.

ALIMERA SCIENCES - R&D PIPELINE

Therapeutic Class/Product	P-C	I	II	III	NDA	MKT	Comments
DME							
Iluvien				•	Q2:10	Q1:11	Sustained-release fluocinolone acetonide non-bioerodible intravitreal implant for the treatment of DME evaluated in 2 registration Phase III studies – FAME; 36-month Phase III readouts expected in H2:10; targeted NDA filing in Q2:10; targeted MAA filing in Q3:10 based on 24-month data
Age-Related Macular Edema							
Iluvien			•				Geographic atrophy associated with dry AMD (MAP GA Phase II currently enrolling); as an adjunctive therapy to Lucentis in wet AMD (MAP Phase II currently enrolling)
NADPH Oxidase Inhibitor Program	•						Geographic atrophy associated with dry AMD
Retinal Vein Occlusion							
Iluvien			•				Phase II FAVOR study in retinal vein occlusion (RVO) currently enrolling
Other Ocular Diseases							
NADPH Oxidase Inhibitor Program	•						Allergic conjunctivitis, wet AMD, and diabetic retinopathy
Total Drugs In Development	**1**	**0**	**1**	**1**			**2**

Source: Company reports; Cowen and Company

Focused Iluvien Strategy Drives Strong P&L Leverage…

Alimera's management team brings very strong ophthalmology regulatory and commercial experience from Novartis Ophthalmics where the team launched seven prescription ophthalmology drugs and five OTC agents. Management plans to price Iluvien at a premium to Allergan's Ozurdex (3-5 month bioerodible dexamethasone implant for treatment of RVO), which carries a $5,000+ annual price tag. At an assumed annual price of approximately $7,000 per year, we estimate that Iluvien will yield a gross margin of 88-90% by 2012-13, and 82-84% net of the 20% net profit payout to pSivida. Alimera plans to promote Iluvien to the approximately 1,600 retinal specialists in the U.S. and Canada via a 40-50 rep specialty sales force. We estimate the direct sales force and promotional costs at approximately $15MM, so Iluvien DME achieves operating breakeven at $20MM of net sales, excluding R&D spending on the AMD and RVO indications. And a modest pipeline, dominated by follow-on indications for Iluvien (wet and dry AMD, RVO), will keep R&D investment relatively low. We currently project that Alimera will reach profitability on $35-40MM of Iluvien sales in H2:2012, and leverage $100MM of Iluvien sales to a 30%+ operating margin and $20-25MM of net income (fully-taxed) in 2013. We currently peg operating earnings at $105MM ($2.50 per share) in 2016, on projected Iluvien sales of $265MM and total revenues of $300MM.

Alimera is obligated to pay pSivida a $25MM milestone payment upon FDA approval of Iluvien. We project that the current proforma cash balance ($53MM) will be insufficient to fund that payment plus operating cash burn through profitability in H2:2012, so a financing likely will be required in 2011.

ILUVIEN DRIVES EARNINGS BREAKOUT IN 2012-13

ALIMERA - ESTIMATED 2009-2016 P&L BUILDUP ($MM)

	2008	2009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	CGR	Comments
Product Sales	$0.0	$0.0	$0.0	$15.0	$60.0	$100.0	$150.0	$200.0	$265.0		- Alimera's U.S. sales of Iluvien
Royalties	0.0	0.0	0.0	0.0	5.0	10.0	20.0	25.0	35.0		- Royalties on partner sales ex-US
Total Revenues	**$0.0**	**$0.0**	**$0.0**	**$15.0**	**$65.0**	**$110.0**	**$170.0**	**$225.0**	**$300.0**		- Assumes 12-15% share for Iluvien
% Change	**nm**	**nm**	**nm**	**nm**	**+333%**	**+69%**	**+55%**	**+32%**	**+33%**		
Gross Margin	100.0%	100.0%	100.0%	85.0%	84.9%	83.9%	84.9%	84.8%	84.7%		- Could be upside to GPM estimates
R&D	$43.8	$15.1	$15.7	$14.5	$17.5	$22.0	$25.5	$33.5	$40.5	+15%	- Iluvian in AMD; NADPH program
% Revenues	nm	nm	nm	96.7%	26.9%	20.0%	15.0%	14.9%	13.5%		
SG&A	$6.3	$4.2	$10.0	$23.5	$29.0	$35.0	$40.0	$45.0	$54.0	+44%	- Hiring 40-rep sales force in H2:2010
% Revenues	nm	nm	nm	156.7%	44.6%	31.8%	23.5%	20.0%	18.0%		Plan to expand over time
Operating Income	**($50.1)**	**($19.2)**	**($25.7)**	**($25.3)**	**$8.7**	**$35.3**	**$78.9**	**$112.3**	**$159.5**		**- Iluvien margin drives P&L leverage**
% Growth	**nm**	**nm**	**nm**	**nm**	**nm**	**+306%**	**+124%**	**+42%**	**+42%**		
% Revenues	**nm**	**nm**	**nm**	**nm**	**13.4%**	**32.1%**	**46.4%**	**49.9%**	**53.2%**		**- High operating margin, incl. R&D**
Total Non-Operating Income	($8.2)	($10.1)	($2.8)	$0.3	$0.2	$0.4	$0.8	$1.2	$1.8		- Note retired in Q2:2010
Tax Rate	0.0%	0.0%	0.0%	0.0%	35.0%	35.0%	35.0%	35.0%	35.0%		
Net Income - Operations	**($58.3)**	**($29.3)**	**($28.5)**	**($25.0)**	**$5.8**	**$23.2**	**$51.8**	**$73.7**	**$104.8**		**- Profits estimated in 2012**
% Growth	**nm**	**nm**	**nm**	**nm**	**nm**	**+301%**	**+123%**	**+42%**	**+42%**		
% Revenues	**nm**	**nm**	**nm**	**nm**	**9%**	**21%**	**30%**	**33%**	**35%**		
EPS -Operations*	**($2.20)**	**($1.30)**	**($0.95)**	**($0.75)**	**$0.15**	**$0.60**	**$1.30**	**$1.80**	**$2.50**	**nm**	**- EPS breakout forecast in 2013-14**
% Change	**nm**	**nm**	**nm**	**nm**	**nm**	**+291%**	**+118%**	**+39%**	**+39%**		
Shares (MM) - Diluted	26.5	22.5	30.0	33.1	38.0	39.0	40.0	41.0	42.0	+9%	- Steady increase for stock-based comp

Source: Company reports, Cowen and Company estimates
** EPS estimates include stock-based compensation expense, exclude one-time charges*

…And An Attractive Valuation

At the current share price, Alimera is trading at a $320MM enterprise value, 2.9 times our 2013 revenue estimate, and 9.1 times our 2013 EBITDA estimate. Assuming Iluvien gains FDA approval – and we will gain improved visibility on the regulatory status over the next 6-7 months, ALIM shares are very attractively valued. Based on our DCF and sum-of-the-parts valuation analyses, and rising visibility on the Iluvien regulatory outlook, we believe ALIM shares can outperform the market by 30-40% over the next 12 months.

ALIMERA - VALUATION PERSPECTIVES

ALIMERA SCIENCES - CURRENT VALUATION PARAMETERS

ALIMERA Share Price:	$10.90		
Diluted Shares Outstanding (MM):	34.3		- Includes in-the-money options and employee shares
Equity Market Capitalization ($MM):	$374	117%	- Post-money valuation
Plus: LT Debt ($MM)	$0	0%	- $15MM obligation to pSivida repaid post IPO
Less Cash: ($MM)	$53		- Includes net IPO proceeds of $66.3MM
Total Enterprise Value ($MM):	$321		- Net enterprise value (EV)

	2009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	Comments
Implied Multiples:									
Estimated Revenues (MM)	$0.0	$0.0	$15.0	$65.0	$110.0	$170.0	$225.0	$300.0	
Implied EV/Revenue			21.4x	4.9x	2.9x	1.9x	1.4x	1.1x	
Estimated EBITDA (MM)	($19.2)	($25.7)	($25.3)	$8.7	$35.3	$78.9	$112.3	$159.5	
Implied EV/EBITDA				36.9x	9.1x	4.1x	2.9x	2.0x	
Estimated Net Income (MM)	($29.3)	($28.5)	($25.0)	$5.8	$23.2	$51.8	$73.7	$104.8	
Implied Equity Value/Earnings (P/E)				55.4x	13.8x	6.2x	4.3x	3.1x	

Source: Company reports, Cowen and Company estimates

ALIMERA - SUM OF THE PARTS VALUATION ANALYSIS ($MM)

	2009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	Comments
Product Sales ($MM)									
Iluvien - US Sales	$0.0	$0.0	$15.0	$60.0	$100.0	$150.0	$200.0	$265.0	- 24-36 month fluocinolone acetonide implant
Est'd Gross Margin			85.0%	84.0%	83.0%	84.0%	84.0%	83.9%	- Net of Psivida profit share (20%)
Est'd Operating Margin				13.4%	32.1%	46.4%	49.9%	53.2%	- High margin contribution
Est'd EBIT			($25.3)	$8.0	$32.1	$69.6	$99.8	$140.9	
Terminal Multiple	8.0								- NDA to be filed June 2010; priority review
Discount Rate	25%								- Marketed in US, Canada by Alimera
Present Value	**$364**								- Phase II for dry AMD
Per Share Valuation	**$10.61**								
Royalties	$0.0	$0.0	$0.0	$5.0	$10.0	$20.0	$25.0	$35.0	- Assume 25% average royalty on ex-US sales
Terminal Multiple	10.0								- EMEA filing in Q3:2010
Discount Rate	25%								- Will partner in Europe
Present Value	**$102**								
Per Share Valuation	**$2.97**								
Pipeline/Other	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	- early-stage programs/other revenues
Terminal Multiple	6.0								
Discount Rate	35%								
Present Value	**$0**								
Per Share Valuation	**$0.00**								
TOTAL VALUATION ($MM)	**$466**								
Less: Debt	$0		- $15MM obligation to pSivida repaid post IPO						
Plus: Cash & Investments	$53		- Includes net IPO proceeds of $66.3MM						
Net Equity Value	**$519**								
Per Share Value	**$15.13**								

Source: Company reports, Cowen and Company estimates

ALIMERA - DISCOUNTED CASH FLOW ANALYSIS

ALIMERA SCIENCES - DISCOUNTED CASH FLOW ANALYSIS

Inputs:		*Output:*	
Current Share Price	$10.90	**Equity Value**	**$518.9**
WACC	12.0%	**Estimated Share Price**	**$15.14**
Discount Rate	17.0%	Long-Term Debt	$0
Diluted Shares Outstanding	34.3	Cash & Equivalents	$53
WC Inv as % of Sales Change	25.0%	Enterprise Value	$465.9

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Terminal
Iluvien - DME U.S. Sales ($MM)	$0	$0	$15	$60	$100	$150	$200	$240	$275	$300	$320	$340	
% Growth				+300%	+67%	+50%	+33%	+20%	+15%	+9%	+7%	+6%	
Iluvien - Other Indications U.S. Sales ($MM)								$25	$80	$150	$200	$250	
NADPH Oxidase Inhibitors											$20	$50	
Royalties on Ex-US Sales			$0	$5	$10	$20	$25	$35	$46	$58	$66	$73	
Total Revenues	**$0**	**$0**	**$15**	**$65**	**$110**	**$170**	**$225**	**$300**	**$401**	**$508**	**$606**	**$713**	
% Growth	**nm**	**nm**	**nm**	**+333%**	**+69%**	**+55%**	**+32%**	**+33%**	**+34%**	**+26%**	**+19%**	**+18%**	
Cost of Goods	$0.0	$0.0	$2.3	$7.2	$10.0	$12.0	$14.0	$17.2	$68	$73	$79	$85	
Gross Profit	$0.0	$0.0	$12.8	$55.2	$92.3	$144.4	$190.8	$254.0	$333.0	$421.2	$503.2	$591.4	
Gross Margin - Total	100.0%	100.0%	85.0%	84.9%	83.9%	84.9%	84.8%	84.7%	83.0%	83.0%	83.0%	83.0%	
SG&A	$4.2	$10.0	$23.5	$29.0	$35.0	$40.0	$45.0	$54.0	$60.2	$71.1	$81.8	$92.6	
% of Revs	nm	nm	156.7%	44.6%	31.8%	23.5%	20.0%	18.0%	15.0%	14.0%	13.5%	13.0%	
R&D	$15.1	$15.7	$14.5	$17.5	$22.0	$25.5	$33.5	$40.5	$51.4	$60.9	$69.7	$78.4	
% of Revs	nm	nm	96.7%	26.9%	20.0%	15.0%	14.9%	13.5%	12.8%	12.0%	11.5%	11.0%	
Operating Expenses	$19.2	$25.7	$38.0	$46.5	$57.0	$65.5	$78.5	$94.5	$111.5	$132.0	$151.6	$171.0	
% of Revenues	nm	nm	253.3%	71.5%	51.8%	38.5%	34.9%	31.5%	27.8%	26.0%	25.0%	24.0%	
Operating Income	($19.2)	($25.7)	($25.3)	$8.7	$35.3	$78.9	$112.3	$159.5	$221.5	$289.3	$351.6	$420.4	
% Operating Margin	nm	nm	nm	13.4%	32.1%	46.4%	49.9%	53.2%	55.2%	57.0%	58.0%	59.0%	
Total Non-Operating Income	($10.1)	($2.8)	$0.3	$0.2	$0.4	$0.8	$1.2	$1.8	$2.3	$2.8	$3.3	$3.8	
EBIT	($19.2)	($25.7)	($25.3)	$8.7	$35.3	$78.9	$112.3	$159.5	$221.5	$289.3	$351.6	$420.4	
% of Revs	nm	nm	nm	13.4%	32.1%	46.4%	49.9%	53.2%	55.2%	57.0%	58.0%	59.0%	
Pre-Tax Income	($29.3)	($28.5)	($25.0)	$8.9	$35.7	$79.7	$113.5	$161.3	$223.8	$292.1	$354.9	$424.2	
Taxes	$0.0	$0.0	$0.0	$3.0	$12.4	$27.6	$39.3	$55.8	$77.5	$101.2	$123.1	$147.1	
Income Tax Rate	0%	0%	0%	35%	35%	35%	35%	35%	35%	35%	35%	35%	
Net Income	($29.3)	($28.5)	($25.0)	$5.9	$23.3	$52.1	$74.2	$105.5	$146.3	$190.8	$231.9	$277.0	
% of Revs	nm	nm	nm	9%	21%	31%	33%	35%	36%	38%	38%	39%	
% Change	nm	nm	nm	nm	+299%	+123%	+42%	+42%	+39%	+30%	+21%	+19%	
NOPAT	($19.2)	($25.7)	($25.3)	$5.7	$22.9	$51.3	$73.0	$103.7	$144.0	$188.0	$228.6	$273.2	$1,607.3
Adjustments:													
Capex	$0.1	$0.2	$0.4	$0.5	$0.6	$0.8	$1.0	$1.0	$1.2	$1.4	$1.6	$1.8	
Depreciation & Amortization	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.3	1.5	1.7	1.9	
Stock-Based Compensation	0.6	0.8	1.1	1.2	1.3	1.5	1.7	1.9	2.2	2.5	2.8	3.2	
Change In Working Capital	1.6	0.4	(2.9)	(16.3)	(13.2)	(15.6)	(15.2)	(20.4)	(25.3)	(26.6)	(24.7)	(26.6)	
Operating Free Cash Flow	($26.1)	($26.4)	($26.0)	($8.7)	$11.9	$38.3	$60.8	$87.1	$123.3	$166.9	$210.1	$253.8	**$1,492.8**
Invested Capital:													
Total Assets	$16.6	$35.9	$20.4	$49.1	$66.2	$121.6	$199.7						
- Cash & Equivalents	14.9	34.0	13.0	24.3	26.0	64.1	124.4						
- Long-term investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0						
- Non-interest bearing current liabilities	4.5	4.5	5.7	5.6	6.3	6.6	7.1						
Net Capital	($2.8)	($2.6)	$1.7	$19.2	$33.9	$51.0	$68.3						
ROIC	nm	nm	nm	29.4%	67.6%	100.6%	106.9%						
ROE	nm	nm	nm	37.9%	55.0%	62.7%	49.6%						
Du Pont Analysis:													
Margin (Net Income/Sales)	nm	nm	nm	9.0%	21.2%	30.6%	33.0%						
Turnover (Sales/Total Assets)*	0.0%	0.0%	73.5%	132.5%	166.1%	139.8%	112.7%						
Leverage (Total Assets/Equity)*	-307.7%	125.5%	2360.6%	169.5%	121.4%	111.6%	107.7%						
Du Pont calculated ROE	nm	nm	nm	20.2%	42.8%	47.8%	40.0%						

Source: Company reports, Cowen and Company, LLC estimates

ALIMERA - ESTIMATED 2009-2016 P&L BUILDUP ($MM)

	2008	2009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	CGR	Comments
Product Sales	$0.0	$0.0	$0.0	$15.0	$60.0	$100.0	$150.0	$200.0	$265.0		- Alimera's U.S. sales of Iluvien
Royalties	0.0	0.0	0.0	0.0	5.0	10.0	20.0	25.0	35.0		- Royalties on partner sales ex-US
R&D Revenues/Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Total Revenues	**$0.0**	**$0.0**	**$0.0**	**$15.0**	**$65.0**	**$110.0**	**$170.0**	**$225.0**	**$300.0**		- Assumes 12-15% share for Iluvien
% Change	**nm**	**nm**	**nm**	**nm**	**+333%**	**+69%**	**+55%**	**+32%**	**+33%**		
Cost of Product Sales	$0.0	$0.0	$0.0	$2.3	$7.2	$10.0	$12.0	$14.0	$17.2		- Iluvien @ 90%+ GPM
Est'd Profit Share to pSivida			0.0	0.0	2.6	7.7	13.6	20.3	28.8		- pSivida gets 20% of Iluvien profits
Gross Profit	$0.0	$0.0	$0.0	$12.8	$55.2	$92.3	$144.4	$190.8	$254.0		
Gross Margin - Product Sales	0.0%	0.0%	0.0%	85.0%	88.0%	90.0%	92.0%	93.0%	93.5%		- Low COGS, including injector device
Net Cost of pSivida Profit Share					4.0%	7.0%	8.0%	9.0%	9.6%		- Assumes 40-48% net operating margin
Gross Margin - Royalties, Other	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		
Gross Margin	100.0%	100.0%	100.0%	85.0%	84.9%	83.9%	84.9%	84.8%	84.7%		- Could be upside to GPM estimates
R&D	$43.8	$15.1	$15.7	$14.5	$17.5	$22.0	$25.5	$33.5	$40.5	+15%	- Iluvian in AMD; NADPH program
% Revenues	nm	nm	nm	96.7%	26.9%	20.0%	15.0%	14.9%	13.5%		
SG&A	$6.3	$4.2	$10.0	$23.5	$29.0	$35.0	$40.0	$45.0	$54.0	+44%	- Hiring 40-rep sales force in H2:2010
% Revenues	nm	nm	nm	156.7%	44.6%	31.8%	23.5%	20.0%	18.0%		Plan to expand over time
Total Operating Expenses	$50.1	$19.2	$25.7	$38.0	$46.5	$57.0	$65.5	$78.5	$94.5	+26%	
% Growth	+300%	nm	+34%	+48%	+22%	+23%	+15%	+20%	+20%		
Operating Income	**($50.1)**	**($19.2)**	**($25.7)**	**($25.3)**	**$8.7**	**$35.3**	**$78.9**	**$112.3**	**$159.5**		**- Iluvien margin drives P&L leverage**
% Growth	**nm**	**nm**	**nm**	**nm**	**nm**	**+306%**	**+124%**	**+42%**	**+42%**		
% Revenues	**nm**	**nm**	**nm**	**nm**	**13.4%**	**32.1%**	**46.4%**	**49.9%**	**53.2%**		**- High operating margin, incl. R&D**
Interest Income	$0.6	$0.0	$0.2	$0.3	$0.2	$0.4	$0.8	$1.2	$1.8		- $53MM cash at 4/30/10 - pro forma
Interest Expense	(1.5)	(1.9)	(0.6)	0.0	0.0	0.0	0.0	0.0	0.0		- Interest on $15MM note to pSivida
Other	(7.3)	(8.2)	(2.4)	0.0	0.0	0.0	0.0	0.0	0.0		- Preferred stock accretion and dividends
Total Non-Operating Income	($8.2)	($10.1)	($2.8)	$0.3	$0.2	$0.4	$0.8	$1.2	$1.8		- Note retired in Q2:2010
Pretax Income	($58.3)	($29.3)	($28.5)	($25.0)	$8.9	$35.7	$79.7	$113.5	$161.3		
% Revenues	nm	nm	nm	nm	13.7%	32.5%	46.9%	50.4%	53.8%		
Taxes	$0.0	$0.0	$0.0	$0.0	$3.1	$12.5	$27.9	$39.7	$56.4		- Assume fully taxed for valuation
Tax Rate	0.0%	0.0%	0.0%	0.0%	35.0%	35.0%	35.0%	35.0%	35.0%		
Extraordinary Items	($10.5)	($23.1)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0		- Payments to pSivida
Net Income - Operations	**($58.3)**	**($29.3)**	**($28.5)**	**($25.0)**	**$5.8**	**$23.2**	**$51.8**	**$73.7**	**$104.8**		**- Profits estimated in 2012**
% Growth	**nm**	**nm**	**nm**	**nm**	**nm**	**+301%**	**+123%**	**+42%**	**+42%**		
% Revenues	**nm**	**nm**	**nm**	**nm**	**9%**	**21%**	**30%**	**33%**	**35%**		
Net Income - Reported	**($68.8)**	**($52.4)**	**($28.5)**	**($25.0)**	**$5.8**	**$23.2**	**$51.8**	**$73.7**	**$104.8**		
EPS -Operations*	**($2.20)**	**($1.30)**	**($0.95)**	**($0.75)**	**$0.15**	**$0.60**	**$1.30**	**$1.80**	**$2.50**	**nm**	**- EPS breakout forecast in 2013-14**
% Change	**nm**	**nm**	**nm**	**nm**	**nm**	**+291%**	**+118%**	**+39%**	**+39%**		
EPS - Reported	**($13.39)**	**($10.27)**	**($0.95)**	**($0.75)**	**$0.15**	**$0.60**	**$1.30**	**$1.80**	**$2.50**	**nm**	
Shares (MM) - Diluted	26.5	22.5	30.0	33.1	38.0	39.0	40.0	41.0	42.0	+9%	- Steady increase for stock-based comp

Source: Company reports, Cowen and Company estimates

** EPS estimates include stock-based compensation expense, exclude one-time charges*

ALIMERA - ESTIMATED 2009-2016 REVENUE BUILDUP ($MM)

Product/*Indication*	Revenue Source		2009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	Comments
Iluvien											
Fluocinolone acetonide implant											
Diabetic Macular Edema	***U.S./Canadian Market***			NDA	Launch						- 24-36 month fluocinolone acetonide implant
	Product Sales			$0.0	$15.0	$60.0	$100.0	$150.0	$200.0	$240.0	- NDA to be filed Q2:10; 20% profits to pSivida
											- Marketed in US, Canada by Alimera
	Europe, Other Markets					*$20.0*	*$40.0*	*$80.0*	*$100.0*	*$140.0*	- Marketed internationally via partners
	Royalty Rate	25%									- Assume 25% average royalty on ex-US sales
	Royalty to Alimera			$0.0	$0.0	$5.0	$10.0	$20.0	$25.0	$35.0	
Dry AMD	***U.S./Canadian Market***		P1	P2	P2	P3	P3	P3	P3/NDA	Launch	- 24-36 month fluocinolone acetonide implant
	Product Sales									$25.0	- Phase 2 trials starting 2010
											- Also will be developed for wet AMD,
											macular edema w/non-ischemic RVO
	Europe, Other Markets										
	Royalty Rate	25%									
	Royalty to Alimera			$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	
NADPH Oxidase Inhibitors					P1	P1	P2	P2	P3	P3	- IP licensed from Emory U. in mid-'09
Dry AMD											- NADPH oxidase inhibitors target oxidative stress
											- Multiple potential indications; dry AMD the lead
R&D revenues/Other			$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	
Product Sales			$0.0	$0.0	$15.0	$60.0	$100.0	$150.0	$200.0	$265.0	
Royalties			0.0	0.0	0.0	5.0	10.0	20.0	25.0	35.0	
Other			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total Alimera Revenues			**$0.0**	**$0.0**	**$15.0**	**$65.0**	**$110.0**	**$170.0**	**$225.0**	**$300.0**	**- U.S. sales of Iluvien**
% Change				**nm**	**nm**	**+333%**	**+69%**	**+55%**	**+32%**	**+33%**	

Source: Company reports, Cowen and Company, LLC estimates

ALIMERA - ESTIMATED QUARTERLY P&L BUILDUP ($MM)

	2009					2010E					2011E				
	Q1	Q2	Q3	Q4	Total	Q1	Q2E	Q3E	Q4E	Total	Q1E	Q2E	Q3E	Q4E	Total
Product Sales	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$5.0	$10.0	$15.0
Royalties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
R&D Revenues/Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Revenue	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$5.0**	**$10.0**	**$15.0**
% Change	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**
Cost of Goods Sold	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$1.0	$1.3	$2.3
Gross Profit	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$4.0	$8.8	$12.8
Gross Margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	100.0%	100.0%	80.0%	87.5%	85.0%
R&D	$4.5	$3.4	$3.5	$3.6	$15.1	$3.1	$4.2	$4.0	$4.4	$15.7	$3.9	$3.4	$3.5	$3.7	$14.5
% Revenues	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	96.7%
SG&A	$1.0	$0.9	$1.1	$1.2	$4.2	$1.2	$2.0	$2.3	$4.5	$10.0	$5.2	$5.5	$6.0	$6.8	$23.5
% Revenues	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	156.7%
Total Operating Expenses	$5.5	$4.3	$4.6	$4.8	$19.2	$4.2	$6.2	$6.3	$9.0	$25.7	$9.1	$8.9	$9.5	$10.5	$38.0
% Revenues	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	47.9%
Operating Income	**($5.5)**	**($4.3)**	**($4.6)**	**($4.8)**	**($19.2)**	**($4.2)**	**($6.2)**	**($6.3)**	**($9.0)**	**($25.7)**	**($9.1)**	**($8.9)**	**($5.5)**	**($1.8)**	**($25.3)**
% Revenues	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**
Interest Income	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.1	$0.1	$0.2	$0.1	$0.1	$0.1	$0.0	$0.3
Interest Expense	(0.5)	(0.5)	(0.5)	(0.5)	(1.9)	(0.5)	(0.1)	0.0	0.0	(0.6)	0.0	0.0	0.0	0.0	0.0
Other	(4.2)	(1.5)	(1.5)	(1.0)	(8.2)	(2.4)	0.0	0.0	0.0	(2.4)	0.0	0.0	0.0	0.0	0.0
Total Non-Operating Income	($4.7)	($2.0)	($2.0)	($1.4)	($10.1)	($2.9)	($0.1)	$0.1	$0.1	($2.8)	$0.1	$0.1	$0.1	$0.0	$0.3
Pretax Income	($10.2)	($6.3)	($6.6)	($6.3)	($29.3)	($7.1)	($6.3)	($6.2)	($8.9)	($28.5)	($9.0)	($8.8)	($5.4)	($1.8)	($25.0)
Taxes	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income - Operations	**($10.2)**	**($6.3)**	**($6.6)**	**($6.3)**	**($29.3)**	**($7.1)**	**($6.3)**	**($6.2)**	**($8.9)**	**($28.5)**	**($9.0)**	**($8.8)**	**($5.4)**	**($1.8)**	**($25.0)**
% Change	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Extraordinary Items	($4.2)	($0.4)	($0.8)	($17.7)	($23.1)	$7.3	$0.0	$0.0	($7.3)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
EPS -Operations*	**($0.45)**	**($0.28)**	**($0.29)**	**($0.28)**	**($1.30)**	**($0.29)**	**($0.20)**	**($0.19)**	**($0.27)**	**($0.95)**	**($0.28)**	**($0.27)**	**($0.16)**	**($0.05)**	**($0.75)**
EPS - Reported	($0.64)	($0.30)	($0.33)	($1.06)	($2.33)	$0.01	($0.20)	($0.19)	($0.50)	($0.95)	($0.28)	($0.27)	($0.16)	($0.05)	($0.75)
Shares (MM) - Diluted	22.5	22.5	22.5	22.5	22.5	24.5	31.1	32.0	32.3	30.0	32.6	32.9	33.2	33.5	33.1

Source: Company reports, Cowen and Company estimates

** EPS estimates include stock-based compensation expense, exclude one-time charges*

ALIMERA SCIENCES - ESTIMATED 2009-2016 BALANCE SHEET BUILDUP ($MM)

	2008	2009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	Comments
Assets:										
Cash & Equivalents	$17.9	$14.9	$34.0	$13.0	$24.3	$26.0	$64.1	$124.4	$210.8	- Good cash generation post 2013
Marketable Securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Accounts Receivable	0.0	0.0	0.0	2.1	8.9	15.1	23.3	30.8	41.1	
Inventories	0.0	0.0	0.0	2.3	4.8	6.7	6.0	7.0	8.6	
Prepaids & Other Current Assets	1.6	1.4	1.4	2.3	9.8	16.5	25.5	33.8	45.0	
Total Current Assets	$19.5	$16.3	$35.5	$19.5	$47.7	$64.3	$118.8	$196.0	$305.6	
Property, Plant & Equipment	$0.8	$0.3	$0.5	$0.9	$1.4	$2.0	$2.8	$3.8	$4.8	
Other Long-Term Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total Long-Term Assets	$0.8	$0.3	$0.5	$0.9	$1.4	$2.0	$2.8	$3.8	$4.8	
Total Assets	**$20.3**	**$16.6**	**$35.9**	**$20.4**	**$49.1**	**$66.2**	**$121.6**	**$199.7**	**$310.3**	
Liabilities:										
Accounts Payable	$1.6	$1.8	$2.1	$3.1	$3.8	$4.7	$5.4	$6.5	$7.8	- Modest working capital needs
Accrued & Other Liabilities	3.3	4.5	4.5	5.7	5.6	6.3	6.6	7.1	8.5	
Total Current Liabilities	$4.9	$6.2	$6.6	$8.8	$9.4	$11.0	$11.9	$13.5	$16.3	
Long-Term Debt	$15.0	$15.0	$0.0	$10.0	$10.0	$0.0	$0.0	$0.0	$0.0	- Debt financing assumed to pay
Other Long-Term Liabilities	13.2	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	PSDV milestone
Total Liabilities	**$33.1**	**$21.9**	**$7.3**	**$19.5**	**$20.1**	**$11.7**	**$12.6**	**$14.2**	**$17.0**	
Net Equity	**($12.9)**	**($5.4)**	**$28.6**	**$0.9**	**$28.9**	**$54.6**	**$109.0**	**$185.5**	**$293.3**	
Net Working Capital										
Excl. Cash & S.T. Debt	($6.6)	($9.3)	($9.6)	($8.0)	$8.5	$21.0	$36.3	$51.0	$69.9	
Current Ratio	4.0	2.6	5.4	2.2	5.1	5.9	10.0	14.5	18.8	
Long-Term Debt/Equity	nm	nm	nm	nm	nm	nm	nm	nm	nm	

ALIMERA SCIENCES - ESTIMATED 2009-2016 CASH FLOW BUILDUP ($MM)

	2008	2009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	Comments
Cash Flows From Operating Activities										
Net Income (Loss)	($58.3)	($29.3)	($28.5)	($25.0)	$5.8	$23.2	$51.8	$73.7	$104.8	
Depreciation & Amortization	0.2	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	
Other	17.8	0.3	0.0	(25.0)	0.0	0.0	0.0	0.0	0.0	- $25MM milestone pmt to PSDV
Stock Based Compensation	0.8	0.6	0.8	1.1	1.2	1.3	1.5	1.7	1.9	upon Iluvien approval
Net Working Capital Accounts	0.1	1.6	0.4	(2.9)	(16.3)	(13.2)	(15.6)	(15.2)	(20.4)	
Net Cash Used By Operating Activities	($39.5)	($25.7)	($26.2)	($50.6)	($8.2)	$12.4	$38.8	$61.3	$87.4	
Cash Flows From Investing Activities										
Investments (net)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	
Property & Equipment (net)	(0.6)	(0.1)	(0.2)	(0.4)	(0.5)	(0.6)	(0.8)	(1.0)	(1.0)	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net Cash Provided By Investing Activities	($0.6)	($0.1)	($0.2)	($0.4)	($0.5)	($0.6)	($0.8)	($1.0)	($1.0)	
Cash Flows From Financing Activities										
Common Stock (net)	$29.9	$4.9	$68.4	$20.0	$20.0	$0.0	$0.0	$0.0	$0.0	
Convertible Preferred	0.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Notes Payable (net)	0.0	0.0	(15.0)	10.0	0.0	(10.0)	0.0	0.0	0.0	- Funding required to pay PSDV
Other	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	milestone
Net Cash Provided By Financing Activities	$29.8	$14.9	$53.4	$30.0	$20.0	($10.0)	$0.0	$0.0	$0.0	
Net Change in Cash	**($10.3)**	**($10.8)**	**$27.0**	**($21.0)**	**$11.3**	**$1.8**	**$38.0**	**$60.3**	**$86.4**	
Ending Cash	**$17.9**	**$7.0**	**$34.0**	**$13.0**	**$24.3**	**$26.0**	**$64.1**	**$124.4**	**$210.8**	

COWEN SUMMARY

	2008	2009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	Comments
Cash Flow From Operations	($39.5)	($25.7)	($26.2)	($50.6)	($8.2)	$12.4	$38.8	$61.3	$87.4	
Capital Spending	(0.6)	(0.1)	(0.2)	(0.4)	(0.5)	(0.6)	(0.8)	(1.0)	(1.0)	
Owner's Cash Flow	($40.1)	($25.8)	($26.4)	($51.0)	($8.7)	$11.8	$38.0	$60.3	$86.4	
Financing	$29.8	$14.9	$53.4	$30.0	$20.0	($10.0)	$0.0	$0.0	$0.0	
Non-Recurring Items	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	
Beginning Cash & Equivalents	$28.1	$17.9	$7.0	$34.0	$13.0	$24.3	$26.0	$64.1	$124.4	
Change In Cash & Equivalents	(10.3)	(10.8)	27.0	(21.0)	11.3	1.8	38.0	60.3	86.4	
Ending Cash & Equivalents	$17.9	$7.0	$34.0	$13.0	$24.3	$26.0	$64.1	$124.4	$210.9	

Source: Company reports, Cowen and Company, LLC estimates

Addendum

STOCKS MENTIONED IN IMPORTANT DISCLOSURES

Ticker	Company Name
ALIM	Alimera Sciences

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Each author of this research report hereby certifies that (i) the views expressed in the research report accurately reflect his or her personal views about any and all of the subject securities or issuers, and (ii) no part of his or her compensation was, is, or will be related, directly or indirectly, to the specific recommendations or views expressed in this report.

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(a) Assumptions: Time horizon is 12 months; S&P 500 is flat over forecast period.

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