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Emerging Company Research

Alimera Sciences — Outperform (1)

Iluvien NDA Granted Priority Review, Bolstering Conviction In The Outlook

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Summary: Late yesterday, Alimera and partner pSivida (PSDV) announced that the FDA has granted the Iluvien NDA a 6-month priority review for the diabetic macular edema (DME) indication, setting an FDA action date in the final week of December. Iluvien is an intravitreal insert which delivers sub-micron levels of the corticosteroid fluocinolone acetonide to the back of the eye over a 24-36 month period. The Iluvien NDA was submitted in late-June based on an interim analysis of 24-month data from the ongoing 36-month studies. The 36-month data will be reported in December 2010, which could delay final FDA approval by a few months. We project a mid-2011 U.S. launch for Iluvien, followed by E.U. launches in H2:2011-2012, and $400-450MM WW sales potential by 2016 assuming 10-15% share of the WW DME treatment market. As visibility rises on Iluvien's market potential 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 40-50% over the next 12 months.

- **Priority Review Designation A Positive Step For Iluvien.** Iluvien is a priority candidate as the first pharmaceutical treatment to be filed for the DME indication: other agents (intravitreal triamcinolone and anti-VEGF injections) currently are used off-label. The NDA includes 24-month efficacy data from the 36-month, 956-patient FAME study and a 36-month PK trial. The 24-month data demonstrated statistically significant improvement in responder rate (patients achieving at least a 3-line improvement in visual acuity) for the low- and high-doses of Iluvien based on the full-analysis (ITT) dataset, but missed on the prospectively-defined MITT dataset. Our consultants believe the FDA will review Iluvien on the ITT dataset.

- **Consultants Project Use In 10-20% Of DME Patients.** ~15% share of the 180K U.S. DME patients and 10% of E.U. DME patients yields a $500-700MM WW sales opp'y. Additional indications could drive upside.

ALIM (08/31)	**$8.71**
Mkt cap	**$211.7MM**
Dil shares out	24.3MM
Avg daily vol	89.1K
52-wk range	$6.3-11.3
Dividend	Nil
Dividend yield	Nil
BV/sh	$2.32
Net cash/sh	$2.48
Debt/cap	NA
ROIC (LTM)	NA
5-yr fwd growth (Norm)	NA
S&P 500	**1053.5**

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	—	0.0A	0.0	3.0	—	—
Q3	0.0	—	0.0	5.0	8.0	—	—
Q4	0.0	—	0.0	10.0	14.0	—	—
Year	**0.0**	**—**	**0.0**	**15.0**	**25.0**	**90.0**	**140.0**
EV/S	—	—	—	—	6.2x	1.7x	1.1x

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)	(0.20)	—	—
Q2	(0.28)	—	(0.27)A	(0.27)	(0.09)	—	—
Q3	(0.29)	(0.19)	(0.24)	(0.16)	0.02	—	—
Q4	(0.28)	(0.27)	(0.26)	(0.05)	0.16	—	—
Year	**(1.30)**	**(0.95)**	**(1.05)**	**(0.75)**	**(0.10)**	**1.15**	**1.35**
P/E	—	—	—	—	—	7.6x	6.5x

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

Please see addendum of this report for important disclosures.

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 submitted the Iluvien NDA for the DME indication based on the 24-month data in late-June 2010, followed by European Union (EMEA) and Canadian regulatory filings in Q3: the NDA submission received a 6-month priority review designation by the FDA. 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 $25MM in 2011 (U.S. only), $105MM in 2012 (includes sales via partner(s) in the E.U.), $185MM in 2013, and $400-450MM 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 launch timing and market potential 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 40-50% over the next 12 months.

Positives

1. 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. 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, now that the FDA has granted Iluvien a priority review, 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 40-50% over the next 12 months.

Negatives

1. We forecast a relatively gradual adoption curve for Iluvien, influenced by:
   - 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.
   - 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.
   - 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.
2. 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.

We Project $400-450MM 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 PROJECT THAT ILUVIEN CAPTURES 14-15% 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**	**$567**	**+7%**	
Iluvien (ALIM) Patient Share			**1.9%**	**6.2%**	**8.5%**	**10.9%**	**12.6%**	**14.1%**		- sustained-release corticosteroid fluocinolone acetonide
# DME patients treated with Iluvien (MM)			0.00	0.01	0.02	0.02	0.03	0.03		- 36-month intravitreal implant for DME
Cost per patient/per year ($)			$7,000	$7,175	$7,354	$7,538	$7,727	$7,920		
Iluvien Sales ($MM)			**$25**	**$85**	**$125**	**$170**	**$210**	**$250**		
Ozurdex (AGN) Patient Share	**1.2%**	**3.8%**	**6.2%**	**7.7%**	**8.9%**	**10.0%**	**10.1%**	**10.2%**		- 3-5 month bioerodable dexamethasone intravitreal impant
# DME patients treated with Osurdex (MM)	0.00	0.01	0.01	0.01	0.02	0.02	0.02	0.02		- approved for macular edema following RVO in mid-'09
Cost per patient/per year ($)	$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**	**$638**	**$787**	**$943**	**$1,105**	**$1,245**	**$1,386**	**+18%**	- New corticosteroids and anti-VEGFs could drive upside
% Change	+20%	+22%	+20%	+23%	+20%	+17%	+13%	+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%**	**2.4%**	**3.8%**	**5.1%**	**6.2%**		- will be marketed via partner(s)
# DME patients treated with Iluvien (MM)				0.00	0.01	0.02	0.02	0.03		
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**	**$60.0**	**$100.0**	**$140.0**	**$180.0**		

Source: IMS; Cowen and Company estimates

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 comprise the primary efficacy and safety data for the NDA filing, although the trial will continue through 36 months (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 is pursuing 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.

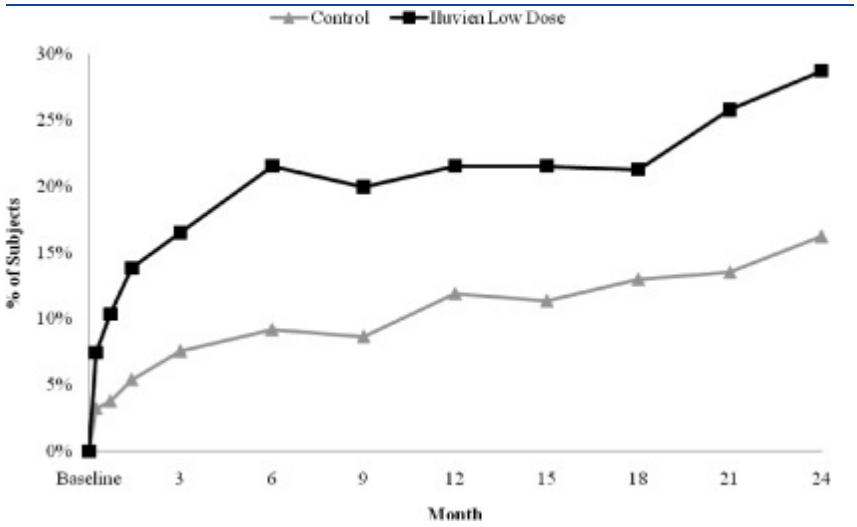
Our Regulatory Consultants Believe FDA Will OK The Full Analysis Set

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

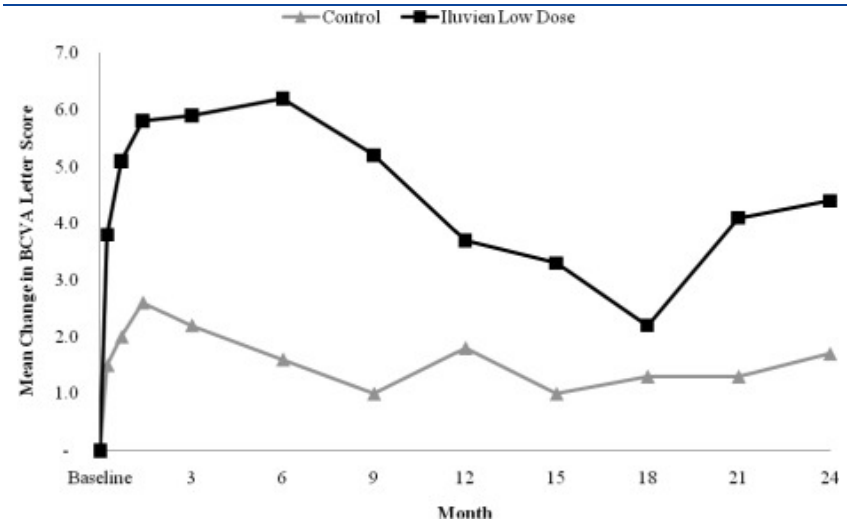
Other levels of BCVA improvement at month 24 also were assessed, including responder rates for 1-letter, 5-letter, and 10-letter improvements for the low-dose Iluvien group versus the control group:

- 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

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.

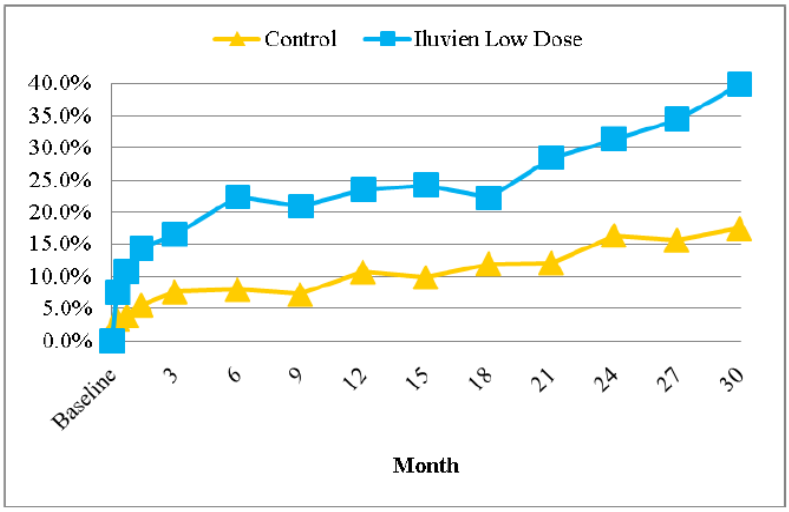
ILUVIEN EFFICACY SHOWS CONTINUED IMPROVEMENT TO 30 MONTHS (PRELIMINARY)

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

	24-MONTH DATA		POOLED FAME STUDY 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 has filed 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.

ILUVIEN DEVELOPMENT MILESTONES

Event	Projected Timing
NDA submission - low-dose Iluvien √	**June**
Priority review notification (60 days) - granted August 30th √	**August**
Projected regulatory filings in Europe, Canada √	**Q3:2010**
FAME Phase III 36-month data readouts - on track	**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

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

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

ALIMERA - VALUATION PERSPECTIVES

ALIMERA SCIENCES - CURRENT VALUATION PARAMETERS

ALIMERA Share Price:	$8.61		
Diluted Shares Outstanding (MM):	30.7		- Includes in-the-money options and employee shares
Equity Market Capitalization ($MM):	$264	129%	- Post-money valuation
Plus: LT Debt ($MM)	$0	0%	- $15MM obligation to pSivida repaid post IPO
Less Cash: ($MM)	$60		- Includes net IPO proceeds of $66.3MM
Total Enterprise Value ($MM):	$204		- Net enterprise value (EV)

	2009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	Comments
Implied Multiples:									
Estimated Revenues (MM)	$0.0	$0.0	$25.0	$90.0	$140.0	$195.0	$245.0	$320.0	
Implied EV/Revenue			8.2x	2.3x	1.5x	1.0x	0.8x	0.6x	
Estimated EBITDA (MM)	($19.2)	($25.5)	($3.7)	$41.0	$74.2	$112.3	$140.3	$188.4	
Implied EV/EBITDA				5.0x	2.8x	1.8x	1.5x	1.1x	
Estimated Net Income (MM)	($29.3)	($29.1)	($3.4)	$41.5	$52.5	$73.8	$92.3	$124.0	
Implied Equity Value/Earnings (P/E)				4.9x	3.9x	2.8x	2.2x	1.6x	

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	$25.0	$85.0	$125.0	$170.0	$210.0	$275.0	- 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				45.6%	53.0%	57.6%	57.2%	58.9%	- High margin contribution
Est'd EBIT			($3.7)	$38.7	$66.3	$97.9	$120.2	$161.9	
Terminal Multiple	5.0								- NDA to be filed June 2010; priority review
Discount Rate	30%								- Marketed in US, Canada by Alimera
Present Value	**$318**								- Phase II for dry AMD
Per Share Valuation	**$10.36**								
Royalties	$0.0	$0.0	$0.0	$5.0	$15.0	$25.0	$35.0	$45.0	- Assume 25% average royalty on ex-US sales
Terminal Multiple	6.0								- EMEA filing in Q3:2010
Discount Rate	25%								- Will partner in Europe
Present Value	**$97**								
Per Share Valuation	**$3.15**								
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)	**$415**								
Less: Debt	$0								- $15MM obligation to pSivida repaid post IPO
Plus: Cash & Investments	$60								- Includes net IPO proceeds of $66.3MM
Net Equity Value	**$475**								
Per Share Value	**$15.48**								

Source: Company reports, Cowen and Company estimates

ALIMERA - DISCOUNTED CASH FLOW ANALYSIS

ALIMERA SCIENCES - DISCOUNTED CASH FLOW ANALYSIS

Inputs:		*Output:*	
Current Share Price	$8.61	**Equity Value**	**$513.5**
WACC	14.0%	**Estimated Share Price**	**$16.73**
Discount Rate	18.0%	Long-Term Debt	$0
Diluted Shares Outstanding	30.7	Cash & Equivalents	$60
WC Inv as % of Sales Change	30.0%	Enterprise Value	$453.3

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Terminal
Iluvien - DME U.S. Sales ($MM)	$0	$0	$25	$85	$125	$170	$210	$250	$275	$300	$320	$340	
% Growth				+240%	+47%	+36%	+24%	+19%	+10%	+9%	+7%	+6%	
Iluvien - Other Indications U.S. Sales ($MM)								$25	$80	$150	$200	$250	
NADPH Oxidase Inhibitors											$20	$50	
Royalties on Ex-US Sales			$0	$5	$15	$25	$35	$45	$46	$58	$66	$73	
Total Revenues	**$0.0**	**$0.0**	**$25.0**	**$90.0**	**$140.0**	**$195.0**	**$245.0**	**$320.0**	**$401.3**	**$507.5**	**$606.3**	**$712.5**	
% Growth	**nm**	**nm**	**nm**	**+260%**	**+56%**	**+39%**	**+26%**	**+31%**	**+25%**	**+26%**	**+19%**	**+18%**	
Cost of Goods	$0.0	$0.0	$3.8	$10.2	$12.5	$13.6	$14.7	$17.9	$68	$73	$79	$85	
Gross Profit	$0.0	$0.0	$21.3	$76.2	$117.7	$165.8	$208.3	$271.4	$333.0	$421.2	$503.2	$591.4	
Gross Margin - Total	100.0%	100.0%	85.0%	84.7%	84.1%	85.0%	85.0%	84.8%	83.0%	83.0%	83.0%	83.0%	
SG&A	$4.2	$11.0	$19.5	$27.2	$32.0	$37.5	$46.0	$54.0	$62.2	$73.6	$84.9	$96.2	
% of Revs	nm	nm	78.0%	30.2%	22.9%	19.2%	18.8%	16.9%	15.5%	14.5%	14.0%	13.5%	
R&D	$15.1	$14.5	$5.4	$8.0	$11.5	$16.0	$22.0	$29.0	$51.4	$60.9	$69.7	$78.4	
% of Revs	nm	nm	21.6%	8.9%	8.2%	8.2%	9.0%	9.1%	12.8%	12.0%	11.5%	11.0%	
Operating Expenses	$19.2	$25.5	$24.9	$35.2	$43.5	$53.5	$68.0	$83.0	$113.6	$134.5	$154.6	$174.6	
% of Revenues	nm	nm	99.6%	39.1%	31.1%	27.4%	27.8%	25.9%	28.3%	26.5%	25.5%	24.5%	
Operating Income	($19.2)	($25.5)	($3.7)	$41.0	$74.2	$112.3	$140.3	$188.4	$219.5	$286.7	$348.6	$416.8	
% Operating Margin	nm	nm	nm	45.6%	53.0%	57.6%	57.2%	58.9%	54.7%	56.5%	57.5%	58.5%	
Total Non-Operating Income	($10.1)	($3.6)	$0.3	$0.5	$0.8	$1.2	$1.7	$2.3	$2.8	$3.3	$3.8	$4.3	
EBIT	($19.2)	($25.5)	($3.7)	$41.0	$74.2	$112.3	$140.3	$188.4	$219.5	$286.7	$348.6	$416.8	
% of Revs	nm	nm	nm	45.6%	53.0%	57.6%	57.2%	58.9%	54.7%	56.5%	57.5%	58.5%	
Pre-Tax Income	($29.3)	($29.1)	($3.4)	$41.5	$75.0	$113.5	$142.0	$190.7	$222.3	$290.0	$352.4	$421.1	
Taxes	$0.0	$0.0	$0.0	$0.0	$22.3	$39.3	$49.1	$65.9	$76.8	$100.4	$122.0	$145.9	
Income Tax Rate	0%	0%	0%	0%	30%	35%	35%	35%	35%	35%	35%	35%	
Net Income	($29.3)	($29.1)	($3.4)	$41.5	$52.7	$74.2	$92.9	$124.8	$145.5	$189.7	$230.4	$275.2	
% of Revs	nm	nm	nm	46%	38%	38%	38%	39%	36%	37%	38%	39%	
% Change	nm	nm	nm	nm	+27%	+41%	+25%	+34%	+17%	+30%	+21%	+19%	
NOPAT	($19.2)	($25.5)	($3.7)	$41.0	$51.9	$73.0	$91.2	$122.5	$142.7	$186.4	$226.6	$270.9	$1,505.2
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	0.3	(35.3)	(20.4)	(14.6)	(12.9)	(12.9)	(20.5)	(24.4)	(31.9)	(29.6)	(31.9)	
Operating Free Cash Flow	($26.1)	($27.1)	($36.8)	$22.9	$39.9	$63.1	$81.7	$106.2	$123.4	$160.4	$203.7	$246.7	**$1,370.3**
Invested Capital:													
Total Assets	$16.6	$35.3	$38.3	$103.5	$149.6	$227.4	$324.4						
- Cash & Equivalents	14.9	33.4	26.6	69.5	99.2	161.9	243.0						
- 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	3.7	4.2	4.8	5.4	6.1						
Net Capital	($2.8)	($2.6)	$8.0	$29.8	$45.7	$60.2	$75.3						
ROIC	nm	nm	nm	137.8%	113.7%	121.3%	121.1%						
ROE	nm	nm	nm	76.3%	45.9%	40.8%	34.5%						
Du Pont Analysis:													
Margin (Net Income/Sales)	nm	nm	nm	46.1%	37.7%	38.0%	37.9%						
Turnover (Sales/Total Assets)*	0.0%	0.0%	65.2%	87.0%	93.6%	85.8%	75.5%						
Leverage (Total Assets/Equity)*	-307.7%	126.0%	175.5%	120.8%	106.5%	104.8%	104.0%						
Du Pont calculated ROE	nm	nm	nm	48.5%	37.5%	34.2%	29.8%						

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	$25.0	$85.0	$125.0	$170.0	$210.0	$275.0		- Alimera's U.S. sales of Iluvien
Royalties	0.0	0.0	0.0	0.0	5.0	15.0	25.0	35.0	45.0		- 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**	**$25.0**	**$90.0**	**$140.0**	**$195.0**	**$245.0**	**$320.0**		- Assumes 12-15% share for Iluvien
% Change	**nm**	**nm**	**nm**	**nm**	**+260%**	**+56%**	**+39%**	**+26%**	**+31%**		
Cost of Product Sales	$0.0	$0.0	$0.0	$3.8	$10.2	$12.5	$13.6	$14.7	$17.9		- Iluvien @ 90%+ GPM
Est'd Profit Share to pSivida			0.0	0.0	3.6	9.8	15.6	22.1	30.7		- pSivida gets 20% of Iluvien profits
Gross Profit	$0.0	$0.0	$0.0	$21.3	$76.2	$117.7	$165.8	$208.3	$271.4		
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%	84.7%	84.1%	85.0%	85.0%	84.8%		- Could be upside to GPM estimates
R&D	$43.8	$15.1	$14.5	$5.4	$8.0	$11.5	$16.0	$22.0	$29.0	+10%	- Iluvian in AMD; NADPH program
% Revenues	nm	nm	nm	21.6%	8.9%	8.2%	8.2%	9.0%	9.1%		
SG&A	$6.3	$4.2	$11.0	$19.5	$27.2	$32.0	$37.5	$46.0	$54.0	+44%	- Hiring 40-rep sales force in H2:2010
% Revenues	nm	nm	nm	78.0%	30.2%	22.9%	19.2%	18.8%	16.9%		Plan to expand over time
Total Operating Expenses	$50.1	$19.2	$25.5	$24.9	$35.2	$43.5	$53.5	$68.0	$83.0	+23%	
% Growth	+300%	nm	+33%	-2%	+41%	+24%	+23%	+27%	+22%		
Operating Income	**($50.1)**	**($19.2)**	**($25.5)**	**($3.7)**	**$41.0**	**$74.2**	**$112.3**	**$140.3**	**$188.4**		**- Iluvien margin drives P&L leverage**
% Growth	**nm**	**nm**	**nm**	**nm**	**nm**	**+81%**	**+51%**	**+25%**	**+34%**		
% Revenues	**nm**	**nm**	**nm**	**nm**	**45.6%**	**53.0%**	**57.6%**	**57.2%**	**58.9%**		**- High operating margin, incl. R&D**
Interest Income	$0.6	$0.0	$0.2	$0.3	$0.5	$0.8	$1.2	$1.7	$2.3		- $60.2MM at 6/20/10
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)	(3.2)	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)	($3.6)	$0.3	$0.5	$0.8	$1.2	$1.7	$2.3		- Note retired in 4/2010
Pretax Income	($58.3)	($29.3)	($29.1)	($3.4)	$41.5	$75.0	$113.5	$142.0	$190.7		
% Revenues	nm	nm	nm	nm	46.1%	53.6%	58.2%	57.9%	59.6%		
Taxes	$0.0	$0.0	$0.0	$0.0	$0.0	$22.5	$39.7	$49.7	$66.7		- Assume fully taxed for valuation
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	30.0%	35.0%	35.0%	35.0%		- Fully taxed beginning in 2013
Non-Recurring Gains (Charges)	($10.5)	($23.1)	$9.0	($25.0)	$0.0	$0.0	$0.0	$0.0	$0.0		- Payments to pSivida
Net Income - Operations	**($58.3)**	**($29.3)**	**($29.1)**	**($3.4)**	**$41.5**	**$52.5**	**$73.8**	**$92.3**	**$124.0**		**- Profits estimated in 2012**
% Growth	**nm**	**nm**	**nm**	**nm**	**nm**	**+27%**	**+41%**	**+25%**	**+34%**		**- Fully-taxed for valuation purposes**
% Revenues	**nm**	**nm**	**nm**	**nm**	**46%**	**38%**	**38%**	**38%**	**39%**		
Net Income - Reported	**($68.8)**	**($52.4)**	**($20.1)**	**($28.4)**	**$41.5**	**$52.5**	**$73.8**	**$92.3**	**$124.0**		
EPS -Operations*	**($2.20)**	**($1.70)**	**($1.05)**	**($0.10)**	**$1.15**	**$1.35**	**$1.80**	**$2.15**	**$2.75**	**nm**	**- EPS breakout forecast in 2012-13**
% Change	**nm**	**nm**	**nm**	**nm**	**nm**	**+17%**	**+34%**	**+19%**	**+28%**		
Non-Recurring Gains (Charges)	**($0.39)**	**($1.34)**	**$0.33**	**($0.77)**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**		
EPS - Reported	**($13.39)**	**($10.27)**	**($0.73)**	**($0.87)**	**$1.15**	**$1.35**	**$1.80**	**$2.15**	**$2.75**	**nm**	
Shares (MM) - Diluted	26.5	17.2	27.7	32.6	36.0	39.0	41.0	43.0	45.0	+15%	- 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	$25.0	$85.0	$125.0	$170.0	$210.0	$250.0	- NDA filed June 28, 2010; 20% profits to pSivida
											- Marketed in US, Canada by Alimera
	Europe, Other Markets					*$20.0*	*$60.0*	*$100.0*	*$140.0*	*$180.0*	- Marketed internationally via partners
	Royalty Rate	25%									- Assume 25% average royalty on ex-US sales
	Royalty to Alimera			$0.0	$0.0	$5.0	$15.0	$25.0	$35.0	$45.0	
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,
	Europe, Other Markets										macular edema w/non-ischemic RVO
	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	$25.0	$85.0	$125.0	$170.0	$210.0	$275.0	
Royalties			0.0	0.0	0.0	5.0	15.0	25.0	35.0	45.0	
Other			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total Alimera Revenues			**$0.0**	**$0.0**	**$25.0**	**$90.0**	**$140.0**	**$195.0**	**$245.0**	**$320.0**	**- U.S. sales of Iluvien**
% Change				**nm**	**nm**	**+260%**	**+56%**	**+39%**	**+26%**	**+31%**	

Source: Company reports, Cowen and Company, LLC estimates

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

	2009					2010E					2011E				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	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	$3.0	$8.0	$14.0	$25.0
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**	**$3.0**	**$8.0**	**$14.0**	**$25.0**
% 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	$1.5	$2.2	$3.8
Gross Profit	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$3.0	$6.5	$11.8	$21.3
Gross Margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	100.0%	78.0%	81.0%	84.1%	85.0%
R&D	$4.5	$3.8	$3.5	$3.2	$15.1	$3.1	$4.1	$3.8	$3.5	$14.5	$1.8	$1.4	$1.0	$1.2	$5.4
% Revenues	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	21.6%
SG&A	$1.0	$0.9	$1.1	$1.2	$4.2	$1.2	$1.6	$3.5	$4.8	$11.0	$4.5	$4.7	$5.0	$5.3	$19.5
% Revenues	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	62.5%	37.9%	78.0%
Total Operating Expenses	$5.5	$4.7	$4.6	$4.4	$19.2	$4.2	$5.7	$7.3	$8.3	$25.5	$6.3	$6.1	$6.0	$6.5	$24.9
% Revenues	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	-2.4%
Operating Income	**($5.5)**	**($4.7)**	**($4.6)**	**($4.4)**	**($19.2)**	**($4.2)**	**($5.7)**	**($7.3)**	**($8.3)**	**($25.5)**	**($6.3)**	**($3.1)**	**$0.5**	**$5.3**	**($3.7)**
% 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)	(1.1)	(1.5)	(1.4)	(8.2)	(2.4)	(0.7)	(0.1)	0.0	(3.2)	0.0	0.0	0.0	0.0	0.0
Total Non-Operating Income	($4.7)	($1.5)	($2.0)	($1.9)	($10.1)	($2.9)	($0.9)	$0.0	$0.1	($3.6)	$0.1	$0.1	$0.1	$0.0	$0.3
Pretax Income	($10.2)	($6.3)	($6.6)	($6.3)	($29.3)	($7.1)	($6.5)	($7.3)	($8.2)	($29.1)	($6.2)	($3.0)	$0.6	$5.3	($3.4)
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)**	**($6.5)**	**($7.3)**	**($8.2)**	**($29.1)**	**($6.2)**	**($3.0)**	**$0.6**	**$5.3**	**($3.4)**
% Change	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Non-Recurring Gains (Charges)	($4.2)	($1.9)	($0.8)	($16.2)	($23.1)	$7.3	$1.7	$0.0	$0.0	$9.0	($25.0)	$0.0	$0.0	$0.0	($25.0)
EPS -Operations*	**($0.45)**	**($4.20)**	**($0.29)**	**($0.28)**	**($1.70)**	**($0.29)**	**($0.27)**	**($0.24)**	**($0.26)**	**($1.05)**	**($0.20)**	**($0.09)**	**$0.02**	**$0.16**	**($0.10)**
Non-Recurring Gains (Charges)	**($0.19)**	**($1.25)**	**($0.04)**	**($0.72)**	**($1.34)**	**$0.30**	**$0.07**	**$0.00**	**$0.00**	**$0.33**	**($0.79)**	**$0.00**	**$0.00**	**$0.00**	**($0.77)**
EPS - Reported	**($0.64)**	**($5.46)**	**($0.33)**	**($1.00)**	**($3.04)**	**$0.01**	**($0.20)**	**($0.24)**	**($0.26)**	**($0.73)**	**($0.99)**	**($0.09)**	**$0.02**	**$0.16**	**($0.87)**
Shares (MM) - Diluted	22.5	1.5	22.5	22.5	17.2	24.5	24.3	30.7	31.2	27.7	31.5	32.0	33.0	34.0	32.6

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	$33.4	$26.6	$69.5	$99.2	$161.9	$243.0	$348.4	- 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	3.4	12.3	19.2	26.7	33.6	43.8	
Inventories	0.0	0.0	0.0	3.8	6.8	8.3	6.8	7.4	8.9	
Prepaids & Other Current Assets	1.6	1.4	1.4	3.8	13.5	21.0	29.3	36.8	48.0	
Total Current Assets	$19.5	$16.3	$34.8	$37.5	$102.1	$147.7	$224.6	$320.7	$449.2	
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**	**$35.3**	**$38.3**	**$103.5**	**$149.6**	**$227.4**	**$324.4**	**$453.9**	
Liabilities:										
Accounts Payable	$1.6	$1.8	$2.1	$2.0	$2.9	$3.6	$4.4	$5.6	$6.8	- Modest working capital needs
Accrued & Other Liabilities	3.3	4.5	4.5	3.7	4.2	4.8	5.4	6.1	7.5	
Total Current Liabilities	$4.9	$6.2	$6.6	$5.8	$7.1	$8.4	$9.7	$11.7	$14.3	
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**	**$16.5**	**$17.8**	**$9.1**	**$10.5**	**$12.4**	**$15.0**	
Net Equity	**($12.9)**	**($5.4)**	**$28.0**	**$21.8**	**$85.6**	**$140.5**	**$216.9**	**$312.0**	**$438.9**	
Net Working Capital										
Excl. Cash & S.T. Debt	($6.6)	($9.3)	($9.6)	$1.4	$21.3	$35.4	$47.7	$59.8	$79.0	
Current Ratio	4.0	2.6	5.3	6.5	14.3	17.7	23.0	27.4	31.4	
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)	($29.1)	($3.4)	$41.5	$52.5	$73.8	$92.3	$124.0	
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	0.3	(10.3)	(20.4)	(14.6)	(12.9)	(12.9)	(20.5)	
Net Cash Used By Operating Activities	($39.5)	($25.7)	($26.9)	($36.4)	$23.4	$40.3	$63.5	$82.1	$106.4	
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)**	**$26.3**	**($6.8)**	**$42.9**	**$29.7**	**$62.7**	**$81.1**	**$105.4**	
Ending Cash	**$17.9**	**$7.0**	**$33.4**	**$26.6**	**$69.5**	**$99.2**	**$161.9**	**$243.0**	**$348.4**	

COWEN SUMMARY

	2008	2009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	Comments
Cash Flow From Operations	($39.5)	($25.7)	($26.9)	($36.4)	$23.4	$40.3	$63.5	$82.1	$106.4	
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)	($27.1)	($36.8)	$22.9	$39.7	$62.7	$81.1	$105.4	
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	$33.4	$26.6	$69.5	$99.2	$161.9	$243.0	
Change In Cash & Equivalents	(10.3)	(10.8)	26.3	(6.8)	42.9	29.7	62.7	81.1	105.4	
Ending Cash & Equivalents	$17.9	$7.0	$33.4	$26.6	$69.5	$99.2	$161.9	$243.0	$348.4	

Source: Company reports, Cowen and Company, LLC estimates

Addendum

STOCKS MENTIONED IN IMPORTANT DISCLOSURES

Ticker	Company Name
ALIM	Alimera Sciences

ANALYST CERTIFICATION

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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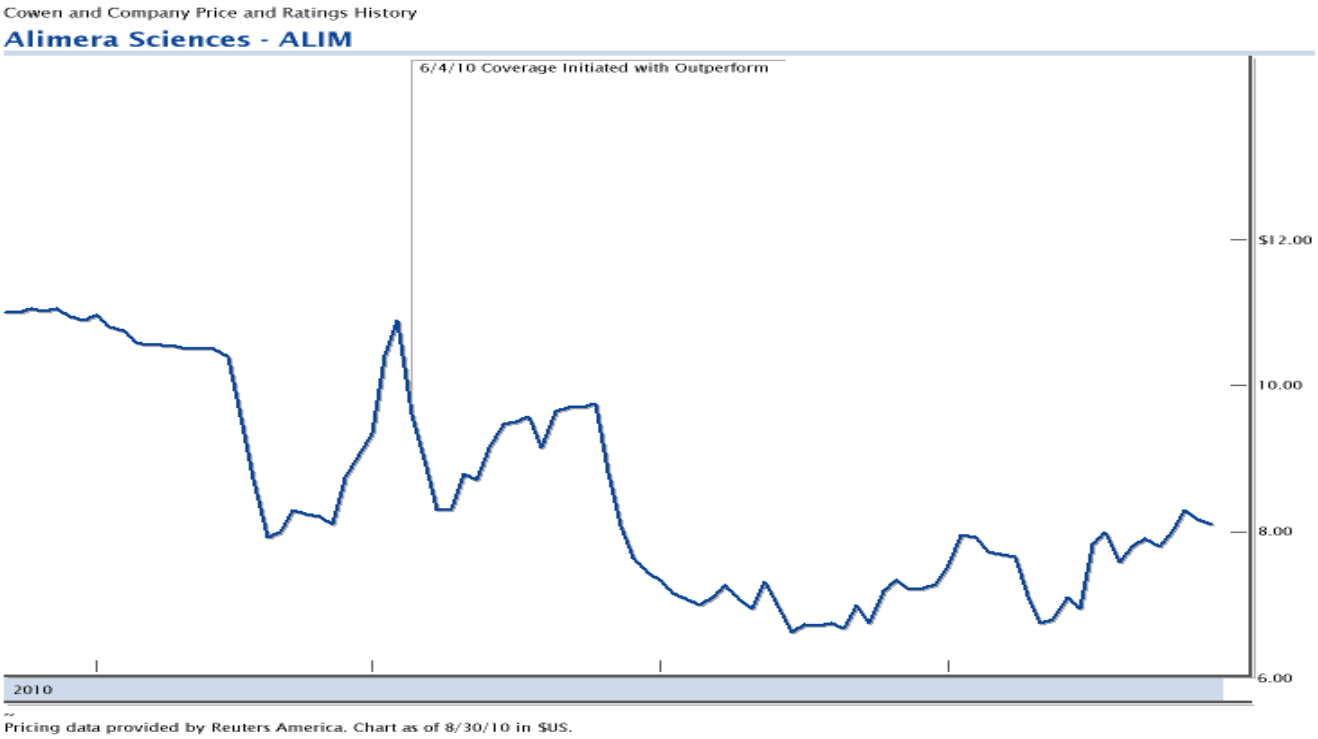
Rating	Definition
Outperform (1)	Stock expected to outperform the S&P 500
Neutral (2)	Stock expected to perform in line with the S&P 500
Underperform (3)	Stock expected to underperform the S&P 500

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

COWEN AND COMPANY RATING ALLOCATION (a)

Rating	Pct of companies under coverage with this rating	Pct for which Investment Banking services have been provided within the past 12 months
Buy (b)	47.8%	3.3%
Hold (c)	48.1%	1.0%
Sell (d)	4.1%	0.0%

(a) As of 06/30/2010. (b) Corresponds to "Outperform" rated stocks as defined in Cowen and Company, LLC's rating definitions (see above). (c) Corresponds to "Neutral" as defined in Cowen and Company, LLC's ratings definitions (see above). (d) Corresponds to "Underperform" as defined in Cowen and Company, LLC's ratings definitions (see above). Note: "Buy," "Hold" and "Sell" are not terms that Cowen and Company, LLC uses in its ratings system and should not be construed as investment options. Rather, these ratings terms are used illustratively to comply with NASD and NYSE regulations.


Cowen and Company Price and Ratings History
Alimera Sciences - ALIM
6/4/10 Coverage Initiated with Outperform
$12.00
10.00
8.00
6.00
2010
Pricing data provided by Reuters America. Chart as of 8/30/10 in $US.