Strategic Report

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ALLIANCE

Alliance Pharma plc Annual Report and Accounts 2022

Strategic Report

"As we continue on our growth trajectory journey, our portfolio continues to provide a robust platform from which to grow our consumer healthcare brands."

Peter Butterfield, Chief Executive Officer

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CHIEF EXECUTIVE'S REVIEW

TRADING PERFORMANCE

Overview

We recognise that 2022 didn't deliver the trading performance that we expected at the start of the year. This was largely due to underperformance in two discrete areas of our business, Kelo-Cote™ in the business-to-business ('B2B') channel, and Amberen™ in the bricks and mortar channel, and was set against a challenging economic backdrop with the war in Ukraine and COVID 19-related lockdowns in China creating supply disruption.

However, we were able to successfully leverage our existing infrastructure, by acquiring ScarAway™ and the US rights to Kelo-Cote™ in March 2022, to create our first truly global brand, bringing additional growth opportunities into the business. We also started to realise the benefits of our investment in innovation and development with the launch of Kelo-Cote™ Kids.

We start 2023 in a good position, having refreshed our strategy, to better align our business with the evolving dynamics of the Consumer Healthcare market. Going forward, our efforts will be focused on those market segments in which we already have a strong presence and expertise in order to drive solid organic revenue growth above that of the broader Consumer Healthcare market.

A challenging year

The implementation of rigid lockdowns in China from March prevented the movement of Kelo-Cote™ across the border from Hong Kong, effectively closing the cross-border e-commerce ('CBEC') channel and leading to declines in the CBEC scar treatment market in H1. During this period, consumer demand remained strong and the domestic online market grew, with Kelo-Cote™ gaining share.

SEE-THROUGH REVENUE

£172.0m

+1% (2021: £169.6m)

See our operational performance on page 43

Whilst the CBEC market returned to growth in H2, and Kelo-Cote™ delivered a strong performance in the business-to-consumer ('B2C') channel, winning a prestigious Tmall global award for surpassing RMB100m (c. £12m) in sales, the B2B market was slower to recover, with traders reluctant to restock Kelo-Cote™ for fear that counterfeit product would be available at a lower price. This problem was compounded by a one-off destocking decision by our CBEC distributor.

We continue to work with our CBEC distributor to further develop this channel, expand reach and optimise sales. Our B2C channel is well developed, and we have refined our strategy to increase our presence in the significant B2B channel, which incorporates additional distributor support. In light of that, we anticipate that sales will build steadily through 2023.

Amberen™ sales performance was impacted by declines in the underlying bricks and mortar market due to an increase in prevalence of cheaper, white-label alternatives and switching to online platforms, in addition to the loss of a leading discount store account. Alliance is committed to increasing the performance of Amberen™ in the higher growth e-commerce channel whilst optimising sales in bricks and mortar where appropriate. The brand's packaging has been re-launched featuring stronger claims, and advertising investment continues focused on digital, video, social media and search engine optimisation to drive share gains.

We were disappointed by the CMA's finding that four companies, including Alliance, infringed competition law in relation to the sale of prescription prochlorperazine between June 2013 and July 2018. We fundamentally disagree with the findings, and the proposed fine, and look forward to presenting our case at the Competition Appeal Tribunal, which is scheduled to commence on 5 June 2023.

Strengthening our Consumer Healthcare business

We acquired ScarAway™ and the US rights to Kelo-Cote™ in March 2022 to create the Group's first fully global brand. The integration of both assets went very smoothly, with full transition completed in just four months and post-acquisition sales in line with expectations. This successful integration was made possible by the implementation of our ERP system in 2021, and we have used the learnings from this project to create a blueprint for future acquisitions.

CHIEF EXECUTIVE'S REVIEW CONTINUED

2022 was also the year in which we finally gained full control of the remaining marketing authorisations for Nizoral™ across the APAC region, securing China in March 2022 and Vietnam in May 2022, following the acquisition of the Nizoral™ brand from Johnson & Johnson ('J&J') in 2018. The transfer of the marketing authorisation in China allowed us to transition to a new top-tier local distributor at the end of H1 2022 to service the brand's largest market. Our new distributor offers a larger sales team than the partner we inherited from J&J and has fewer products in its portfolio, which ensures more sales resources are dedicated to our account.

Progressing our innovation and development programme

Our dedicated Innovation and Development ('I&D') team was established in 2021 to support the organic growth in our Consumer Healthcare brands and in April 2022 we launched the first product from this initiative, Kelo-Cote™ Kids, into the CBEC channel. With only two other products in the children's CBEC scar treatment market in China we were able to drive market share gains to 39% in December 2022, delivering incremental growth in the brand.

The performance of this launch has exceeded our initial expectations; new product innovation approvals have been submitted to allow us to launch Kelo-Cote™ Kids in the UK and Germany in 2023.

See our **Spotlight on innovation and development** on **page 20**

We have a number of new products, line extensions and reformulations in our I&D pipeline and have since launched Canker-X, part of the Aloclair™ brand franchise, in the US in January 2023. With investment of £1m – £2m per annum in I&D we aim to achieve 10% of Consumer Healthcare sales through products developed on our I&D platform in the next five years.

Refining our Purpose, Vision and Strategy

Throughout 2022 we have worked to refine our Purpose and Vision to align with our transformation to a predominantly Consumer Healthcare company. We have also worked to evolve our strategy to better position the Company for the years ahead and in response to changing underlying market dynamics. Going forward, our aim is to drive solid organic revenue growth above that of the broader consumer healthcare market.

This updated strategy provides a more targeted approach, identifying the key global categories in which we will operate, and more clearly defines the areas in which we would consider future acquisitions. Going forward, we will focus our resources on the global priority categories of helping damaged skin and supporting healthy ageing.

See our **Strategy** on **page 12**

Continuing our sustainability journey

We made good progress against our environmental sustainability agenda in 2022, setting a target to reach net zero for all Scope 1 & 2 emissions by 2030. This year we also undertook an initial risk assessment and scenario analysis to support the publication of our first voluntary stand-alone TCFD report and more extensive voluntary TCFD disclosures on our journey to full TCFD compliance.

See our **Spotlight on developing our response to climate change** on **page 33**

We gained greater understanding of the constituents of our packaging estate, both primary and secondary, and the steps we need to take to promote recycling and reduce the use of single-use plastics. Our newly appointed sustainable sourcing lead is helping us to progress these initiatives in 2023 with a number of pilot projects planned.

See our **Spotlight on managing our packaging estate** on **page 31**

Building a strong alliance of colleagues

Our business, and the delivery of our strategy, is only possible due to our network of talented, dedicated colleagues. We currently employ more than 285 people in eight locations around the world. We created 18 new roles in 2022, across all our geographies, as we looked to meet our evolving business needs, increasing our capabilities in data analysis, sustainable sourcing and packaging, ERP and sales and marketing in the US.

We have also expanded our talent development programmes to ensure we attract and retain an appropriate mix of skilled professionals. In 2022 we launched our graduate and year in industry programmes to support those at the early stages of their career development and to complement our existing apprenticeship programme in the UK.

As COVID-19 restrictions eased around the world we were finally able to bring together colleagues from all our offices, with the exception of Shanghai, for our first global employee conference. The conference provided an opportunity for colleagues to network, share ideas and discuss our updated purpose, vision and strategy. Due to continued COVID-19 lockdowns, we organised a parallel event to allow our team in Shanghai to participate and share the experience.

Our investment in colleague engagement continues to pay dividends as evidenced by our re-certification as a Great Place to Work in the UK, China and Singapore. We were delighted to receive certification for the first time in the US and France meaning that all our qualifying offices are now certified. In the 2022 survey we were pleased to have received an overall Trust Index rating of 79% (2021: 76%) with 82% of participants globally saying that Alliance was a Great Place to Work (2021: 81%).

See our **Spotlight on culture, people and values** on **page 24**

On behalf of the Board, I would like to thank all those colleagues who helped us to deliver our achievements in 2022.

Board and executive changes

In February 2023 we welcomed Jeyan Heper to Alliance, in the newly created position of Chief Operating Officer. Jeyan has a strong track record of strategic leadership in the international consumer health market, overseeing a number of global programmes and driving growth in flagship brands. In his career

spanning more than 25 years Jeyan has held senior executive roles at Procter & Gamble, Danone Group and Ansell's sexual wellness global business, before it was spun-out to become Lifestyles Healthcare, a private equity/pharma-owned company where Jeyan became CEO.

Jeyan will help to bolster the Group's operational capabilities, identify growth opportunities, and help drive the Company's strategy to expand its consumer health presence through leveraging his experience of e-commerce in China and the US, and improving operational effectiveness.

Jeyan joined the Alliance Board, which was strengthened further by the appointment of Martin Sutherland as an additional Independent Non-Executive Director ('NED'). Martin is a senior executive with over 30 years' experience in global businesses and is currently a NED at Forterra plc and Reliance Cyber Ltd. Prior to this, Martin was CEO of De La Rue PLC. Martin has a proven track record of delivering growth through new product innovation, market diversification and international expansion.

Martin's experience will bring a new perspective to complement the strong consumer healthcare knowledge already present on the Board.

See our **Board of Directors** on **page 61**

Outlook for 2023

Our clear focus on the core Consumer Healthcare business in addition to our well-established, scalable platform across EMEA, APAC and the US, should support good organic growth in the near term. Whilst 2022 presented some challenges to the business, we have robust plans in place to drive growth in 2023 and the Board's expectations for full year performance are unchanged.

As indicated in the January trading update, Kelo-Cote™ revenues are expected to build through the year, supported by strong end-consumer demand. The China cross-border e-commerce market for Kelo-Cote™ has shown early signs of recovery with in-market demand and sales orders increasing over the first two months of the year, and we expect total revenue growth for the entire Kelo-Cote™ franchise to be above 20% in 2023. We expect to see high single-digit revenue growth from Nizoral™ in 2023, as we accelerate the roll-out of our tested strategic plan for the brand in partnership with our new distributors in China and Vietnam.

Amberen™ faced some temporary headwinds in early 2023 due to supply challenges at Amazon which are being addressed. The underlying market conditions are positive and this, together with our revised marketing plans, mean that we still anticipate double-digit revenue growth for Amberen on a like-for-like basis.

Our portfolio of other consumer brands is expected to deliver high single-digit revenue growth, substantially ahead of the broader consumer healthcare market.

Peter Butterfield
Chief Executive Officer
20 March 2023

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MARKET OVERVIEW

The macro factors shaping our business

1. Ageing global population

By 2030, c.1.4 billion people globally will be over 60 years old, with an associated increase in demand for healthcare. Education and income advancement in emerging markets will also contribute to this trend.

2. Growth in self-care

There is a growing trend towards more proactive management of health and wellbeing, rather than an individual just taking action when they feel unwell. The rising cost of providing public healthcare means governments are becoming more supportive of this, increasing the availability of OTC medicines and supporting pharmacists and nutritionists to provide more first line care and support.

3. Digital health

The increasing adoption of digital health solutions is providing consumers, health practitioners and manufacturers with greater access to information on medical conditions, treatments, and outcomes. Regular feedback from a digital device can lead to a more engaged consumer who is willing to take more actions to manage their health. By aggregating that feedback across many consumers, we can identify emerging needs or gaps in the market and develop new products and services to meet them.

4. Omni-channel retail

Whilst there has been a rise in the purchase of health products and services online, this is not the only way that consumers want to transact. A purchasing journey may include multiple or omni-channels, such as first seeking advice in a pharmacy but ultimately purchasing from a website via a mobile phone. Each channel must be optimised so that the consumer is able to find what they want and complete their purchase easily.

5. Environmental sustainability

With greater focus and scrutiny on sustainability, the way a business operates matters more than ever. Many consumers now actively seek companies and brands whose values align with their own, for example choosing products containing sustainably sourced ingredients or with environmentally friendly packaging.

6. Economic uncertainty

Businesses operate in a volatile, uncertain, complex, and ambiguous world where being agile, resilient and managing cost is essential to success. Faced with a higher cost of living, consumers tend to look for brands and services that offer the best value to them, and with proven results, rather than risk using something unknown.

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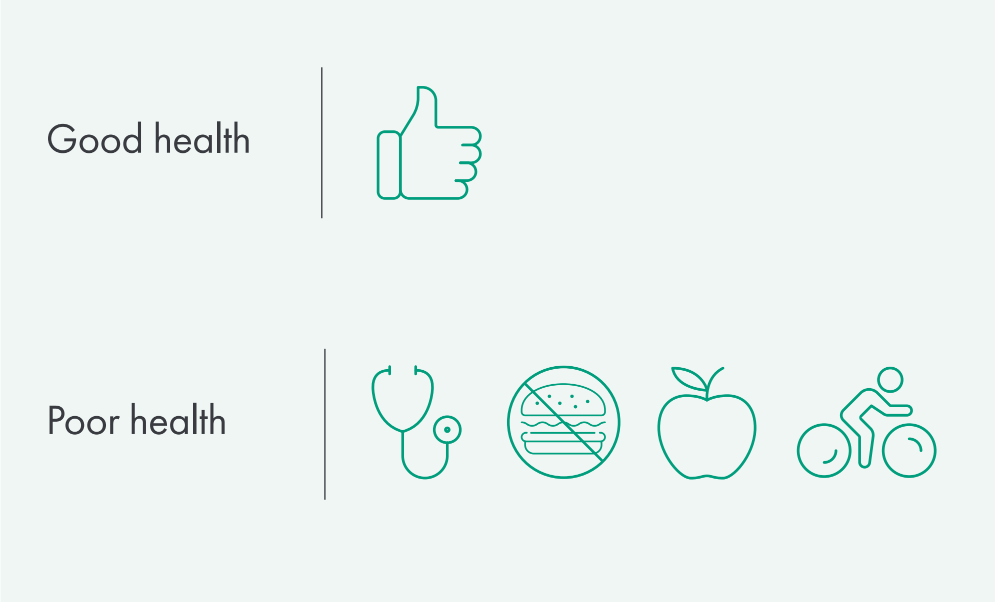
MARKET OVERVIEW CONTINUED

Former paradigm

A Reactive Patient

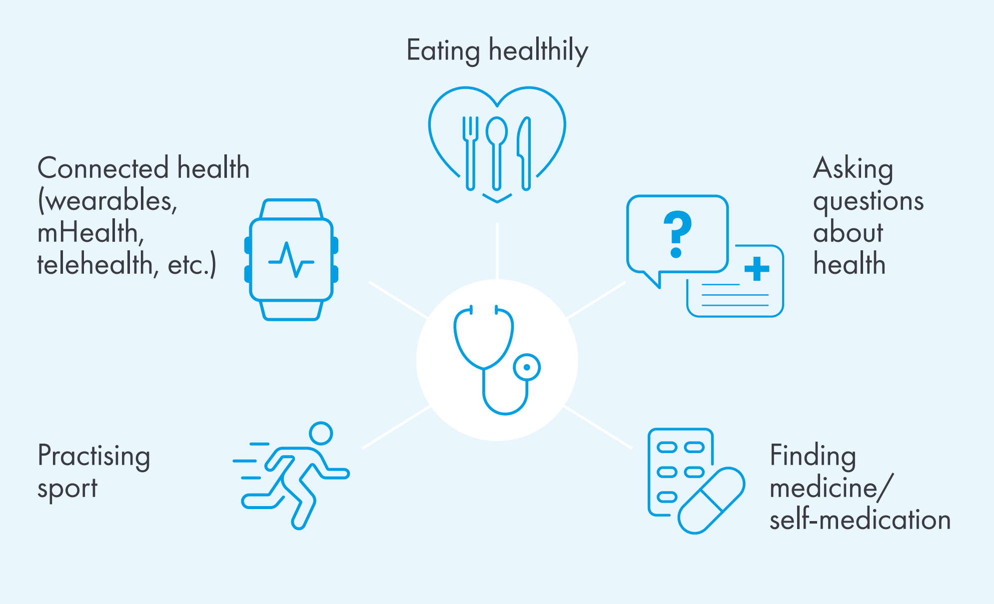
People only took action when they felt unwell.



New paradigm

A Proactive Consumer

Innovations and new technologies allow a more proactive management of health.



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MARKET OVERVIEW CONTINUED

We have considered these macro factors, in combination with our key areas of expertise, in order to refresh our purpose and refine our vision, which we believe places us in a stronger position to continue the successful evolution of our business.

Purpose

We empower people to make a positive difference to their health and wellbeing

We use the word 'empower' in recognition of the shift that we are witnessing from a reactive patient to a proactive healthcare consumer.

The words 'positive difference' refer to the maintenance, treatment or improvement of any aspect of a consumer's health & wellbeing, so that they perceive it to be better than it was before.

Vision

To be a high performing consumer healthcare company, built on a portfolio of leading, trusted and proven brands

Over 70% of our sales currently come from our consumer healthcare products. We have the ability to develop these products further and this will be our focus going forwards.

In considering our future performance we will take account of:

- the rate of growth achieved by our priority brands, relative to their respective categories;
- external expectations of our sales and profit growth;
- how we are rated by our strategic partners; and
- how we are rated by our employees.

By leading, trusted and proven brands, we mean brands with a strong point of difference, that are leaders in their field, and have a proven track record of delivering on their claims.

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OUR STRATEGY

Our vision is to be a high performing consumer healthcare company, built on a portfolio of leading, trusted and proven brands

EVOLVING OUR STRATEGY TO DELIVER AGAINST OUR REFINED VISION AND PURPOSE

Throughout this year we have refined our purpose, vision and strategy to align with our transformation to a predominantly consumer healthcare company. We have also worked to evolve our strategy to better position the Company for the years ahead, and in response to changing underlying market dynamics.

Our previous strategy focused on delivering organic growth in our key brands (broadly defined as our larger Consumer Healthcare brands) and complementary acquisitions, focused in the Consumer Healthcare space, whereas our updated strategy provides a more targeted approach. We've now identified the key categories in which we want to focus, both from a category and geographical perspective, which allows for a clearer definition of the acquisitions we will seek.

Our strategy will now focus on the global priority categories of helping damaged skin and supporting healthy ageing.

See our **evolved strategy** infographic on **page 15**

Helping damaged skin

Within the multi-billion-dollar global skincare category there are several skin health sub-categories, such as scar management, medicated anti-dandruff shampoo and dry skin – sub-categories which are both fast growing at present and have large future growth potential thanks to favourable demographics and high global prevalence of these conditions.

Alliance already has brands, products, technology, and expertise within these high-growth sub-categories – brands that are grounded in science, which we can build and develop further, to make a positive difference to more people's lives globally.

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OUR STRATEGY CONTINUED

Supporting healthy ageing

The favourable demographics of the ageing global population are expected to continue, with forecasts predicting that an additional quarter of a billion people (or 40% of the global population) will be over the age of 45 by 2030. The 65+ age group is growing consistently faster than any other age group, as medical advances facilitate longer lifespans.

As people become increasingly proactive in managing their health, we anticipate sustained growth in those healthcare categories that support healthy ageing. This includes managing conditions that arise as a result of the ageing process, such as menopause, or age-related macular degeneration ('AMD'), and also long-term conditions which can occur at any age, where we can support an individual's health and wellbeing over a longer period of time.

Brands falling within the categories of Helping damaged skin, and Supporting healthy ageing will be the focus of our innovation and future acquisition activities going forwards.

In addition, we have a number of high performing local brands and critical medicines, which are central to the delivery of our purpose.

High performing local brands

We have a number of high performing local brands which continue to provide a strong contribution to the business and so warrant specific local focus and investment. These brands deliver significant sales in a market or region and have the potential to deliver good regional growth.

Critical medicines

Critical medicines are for conditions that are life-threatening or where patients' physical or mental health would be seriously impacted without the product and there are no viable alternatives.

We see it as part of our social responsibility to ensure that our critical medicines continue to be made available to patients, and it is this, rather than financial returns or growth potential, which underpins our resource allocation decisions for this group of products.

Foundation brands

We continue to review the future of those smaller brands which have lower contribution to our bottom-line performance, and which may have higher associated risks and, if appropriate, will look to discontinue or divest these.

Core priority markets

Since 2016, and aligned with our period of expansion through acquisition, we have been building the optimal global office base to support our future growth. We remain fully committed to this global footprint.

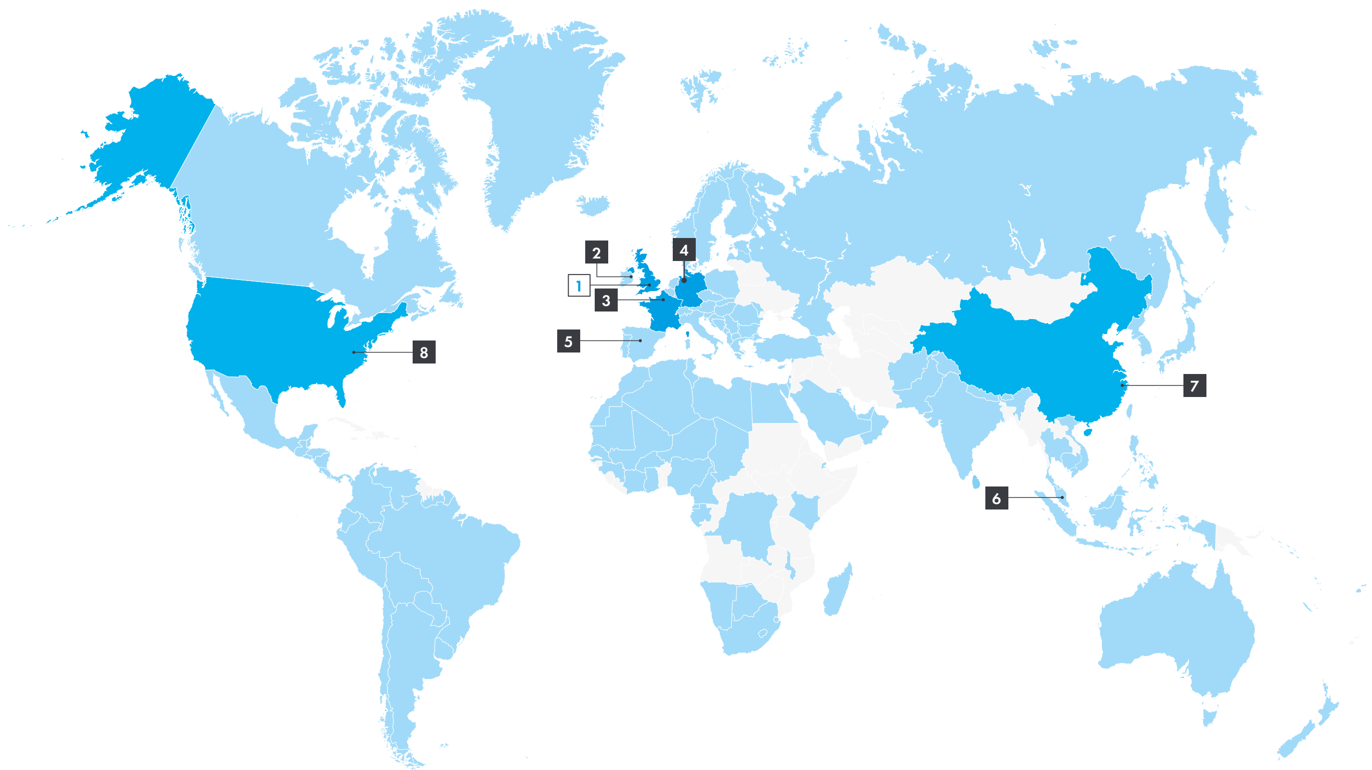
We will continue to manage and drive growth from our eight key regional offices located in Paris, Düsseldorf, Madrid, Dublin, Cary, Singapore, Shanghai, and our headquarters in Chippenham.

From this fixed base of offices, we will service and grow our business globally, with particular focus on our identified Core Priority markets:

› The US, China and UK will continue to be our highest priority geographies – these are markets where there remains significant growth potential and where we have existing scale.

› France and Germany offer attractive OTC markets, and whilst our revenue generation in these markets is relatively low at present, our direct presence and high-quality local teams provide the potential to drive both scale and growth.

Collectively, these five markets currently account for around 75% of our annual sales. Our remaining markets will continue to provide profitable incremental business.



Geographic key

Core priority markets

Other markets

International offices

1 Global Head Office: Chippenham, UK
2 Dublin, Republic of Ireland
3 Paris, France
4 Düsseldorf, Germany
5 Madrid, Spain
6 Singapore
7 Shanghai, China
8 Cary, North Carolina, USA

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THE EVOLUTION OF OUR STRATEGY

Previous strategy:

Core strategy:

- Organic growth – Key brands
- Complementary acquisitions

Underpinned by:

- Investing in people
- Sustainability

Revised strategy:

Market (category) focus:

Our revised strategy focuses on the global priority categories of helping damaged skin and supporting healthy ageing

- Helping damaged skin
- Supporting healthy ageing

Supported by:

- High performing local brands
- Critical medicines

Strategic priorities:

These are the four focus areas that will enable the successful delivery of our strategy

- Brand growth
- Commercial execution
- Strategic supply partnerships
- Organisational agility

These elements have now been embedded in our strategic priorities

Strategic Report

OUR STRATEGIC PRIORITIES

To enable the successful delivery of our new strategy, we have identified four priorities for the business over the next three to five years:

Brand growth

We will build **fast growing brands** where **consumer choice** is driven by the **positive difference** we make

We will seek to enhance the attractiveness of our high value brands, through:

- insight-led, data-driven, measurable marketing investment;
- acquisition and in-licensing of products or technologies to support our key brands; and
- innovation and development activity to keep our core brand portfolios ahead of their respective competitive sets.

In 2022, we successfully rolled out our new, reinvigorated marketing strategy for Nizoral™

See our **Spotlight on marketing excellence** on **page 18**

We also saw £1.7m of sales generated from new innovation projects, including the expansion of our Kelo-Cote™ range with the launch of Kelo-Cote™ Kids.

See our **Spotlight on innovation and development** on **page 20**

And we completed the acquisition and successful integration of ScarAway™ and the US rights to Kelo-Cote™, widening the reach of this key brand franchise and bolstering our presence in the US

See our **Spotlight on ScarAway™ and Kelo-Cote™ US acquisition** on **page 22**

Commercial execution

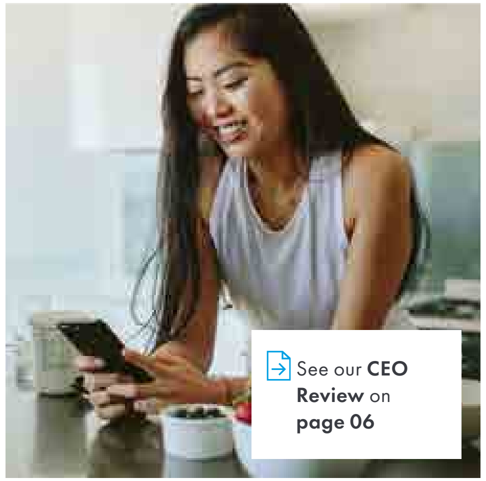
We will **increase** the **impact** of our **commercial execution**, with a major focus on **eCommerce**

We will continue to look for omni-channel presence in our core markets whilst recognising that e-commerce represents our fastest growth channels in these markets, a trend which we expect to continue for many years to come.

In 2022, more than a third of our consumer healthcare sales were via e-commerce, which is significantly more than the global average for consumer healthcare, of around 13%.

We believe that by 2027, this will have increased to around 40 – 45% of our total consumer healthcare sales.

Cross-border e-commerce ('CBEC') continues to be an important contributor to Kelo-Cote™ sales in China, both through the B2B and B2C channels.



See our **CEO Review** on **page 06**

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OUR STRATEGIC PRIORITIES CONTINUED

Strategic supply partnerships

We will **transform** our **supply chain** by investing in a network of **strategic partnerships**

2022 was a challenging year for our operational teams, with inflation and the war in Ukraine impacting the costs and availability of raw materials, componentry, and transportation. This resulted in longer lead times, and challenged our ability to ensure on-time-in-full delivery to our customers.

Going forward, we are looking to consolidate our supply chain, moving to a smaller, high-performing network of strong partners with whom we can collaborate and invest for the future.

Partners who will support us not just with the manufacture and supply of current products, but also with innovation and the delivery of our environmental sustainability strategy. A smaller network of partners will also facilitate efficiency gains.

See our **Sustainability overview** on **page 30**

Organisational agility

We will **continue to cultivate** an **agile organisation and culture** that delivers our growth

It is the diverse combination of skills, experience and energy of Alliance's people that help to create our strong culture. We will be harnessing this culture to enable the successful delivery of our new strategy with increased focus and pace.

We recognise that new technologies, approaches, and opportunities enable companies to gain competitive advantage quickly – innovation and e-commerce require us to excel in these fast-moving, competitive worlds. Change is continual and as the pace of change increases we need to ensure we maintain sufficient agility to respond appropriately.

Agile businesses are tuned in to the dynamic external world and centred on their customers' changing needs. They have a rapid cycle of ideas development – a test, learn and adapt approach, which we believe is well-suited to areas such as innovation and e-commerce.

In October 2022, we held our first ever global employee conference, at which we shared our new purpose, vision and strategy with our employees from around the world, as a precursor to the development of the detailed operational plans which will enable us to deliver our refined strategic priorities.

See our **Spotlight on culture, people & values** on **page 24**

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SPOTLIGHT ON…

Marketing excellence

Reinvigorating a heritage brand

Nizoral™, or Triatop™ as it is known in China, is a brand with over 40 years' heritage in the Asia Pacific region.

Nizoral®

c. $240m

VALUE OF THE MEDICATED ANTI-DANDRUFF MARKET IN APAC[1]

4% p.a.

FORECAST MARKET GROWTH RATE TO 2025[1]

[1] Nicholas Hall

SPOTLIGHT ON… **MARKETING EXCELLENCE** CONTINUED

When Alliance acquired Nizoral™ in the APAC region in 2018, it had been deprioritised by its former owners and had received little by way of marketing investment for several years. As a result, whilst it still had a loyal following amongst older consumers, a whole generation of younger consumers were largely unaware of the brand.

The challenge for Alliance was therefore to design a new marketing approach to target this younger demographic, which promoted the product through an appropriate channel mix and emphasised key points of differentiation over its competitors in a contemporary, culturally relevant way.

MARKET LEADER WITH

52%

SHARE IN AUSTRALIA[2]

Using the results from our extensive consumer insight research, we developed a consumer-focused regional campaign, partnering with our local distributors and agencies to tailor the execution of this by country – for example, using leading basketball players to promote the brand on social media in the Philippines, a greater reference to scientific evidence in China and a more light-hearted, humorous approach in Australia.

As a result, we have seen double-digit revenue growth this year in China, Australia and the Philippines.

[2] Iqvia

"Our deep understanding of our target consumer's attitude and behaviours allowed us to develop an effective campaign across all key markets."

Ambrose Peng, Global Marketing Manager – Nizoral™/Triatop™

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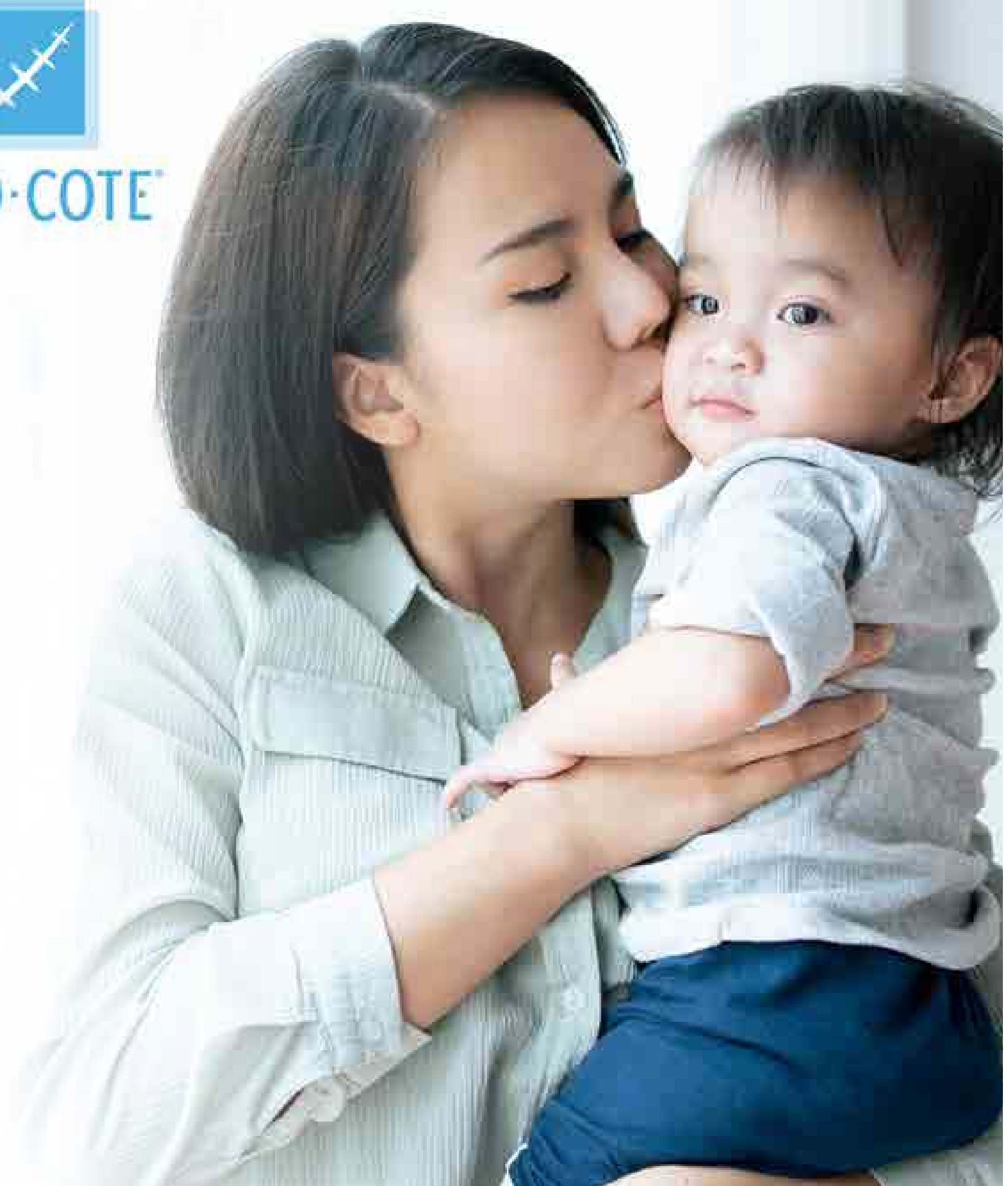
SPOTLIGHT ON...

Innovation and development

Our new I&D platform gets off to a strong start!

KELO·COTE

April 2022 saw the launch of Kelo-Cote™ Kids – the first product from our new innovation platform – and a great example of how, through thinking creatively, we were able to extend the reach of our leading brand (Kelo-Cote™ scar gel) to a new audience – parents with children.



96%

OF PARENTS IN CHINA, WITH A CHILD WHO HAS EXPERIENCED SCARS, ARE LOOKING TO TREAT[1]

39%

MARKET SHARE AT DECEMBER 2022[2]

1 CLEAR consumer research, China, September 2021.

2 Brand value share – Scar kids segment - China, Nint, December 2022.

SPOTLIGHT ON… **INNOVATION AND DEVELOPMENT** CONTINUED

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Kelo-Cote™ Kids product launch – April 2022

Through our research[1], we discovered that in China:

- 60% of parents have children who have experienced scars in the last year
- Of those, 96% are looking to treat
- Safety, quality and efficacy are the key factors in parents' purchasing decisions
- 24% of parents were already using Kelo-Cote™ to treat their children's scars

New packaging, with fun otter characters designed to appeal to parents and children, enabled us to highlight those product claims which were most relevant to this audience:

- Helps soften and flatten scars
- Helps reduce redness and itching
- Suitable for sensitive skin
- Suitable for 3+ months

[1] CLEAR consumer research, China, September 2021.
[2] Brand value share – Scar kids segment - China, Nint, December 2022.

Since its launch in April 2022, Kelo-Cote™ Kids has enjoyed rapid market share growth, to command a 39% share of the market by value[2] in December 2022, with limited cannibalisation of core product sales. It is now being marketed both through our Kelo-Cote™ CBEC flagship store in China and through local domestic channels.

In 2023, we plan to roll out the product to more markets.

This is a great example of how our new I&D platform has enabled us to deliver relevant consumer innovation, whilst also strengthening our lead brand, Kelo-Cote™.

> "Since its launch, Kelo-Cote™ Kids has enjoyed rapid market share growth, to command a 39% share of the scar kids market in China."

Natalie Bayes,
Global Senior Brand Manager – Kelo-Cote™

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SPOTLIGHT ON...

ScarAway™ and Kelo-Cote™ US acquisition

A highly strategic acquisition

Alliance's acquisition of ScarAway™, the second largest brand in the US scar treatment market, and the US rights to Kelo-Cote™ in March 2022 is a great example of how we've executed our strategy to deliver growth through selective, complementary acquisitions.

KELO-COTE SCAR PREVENTION & TREATMENT

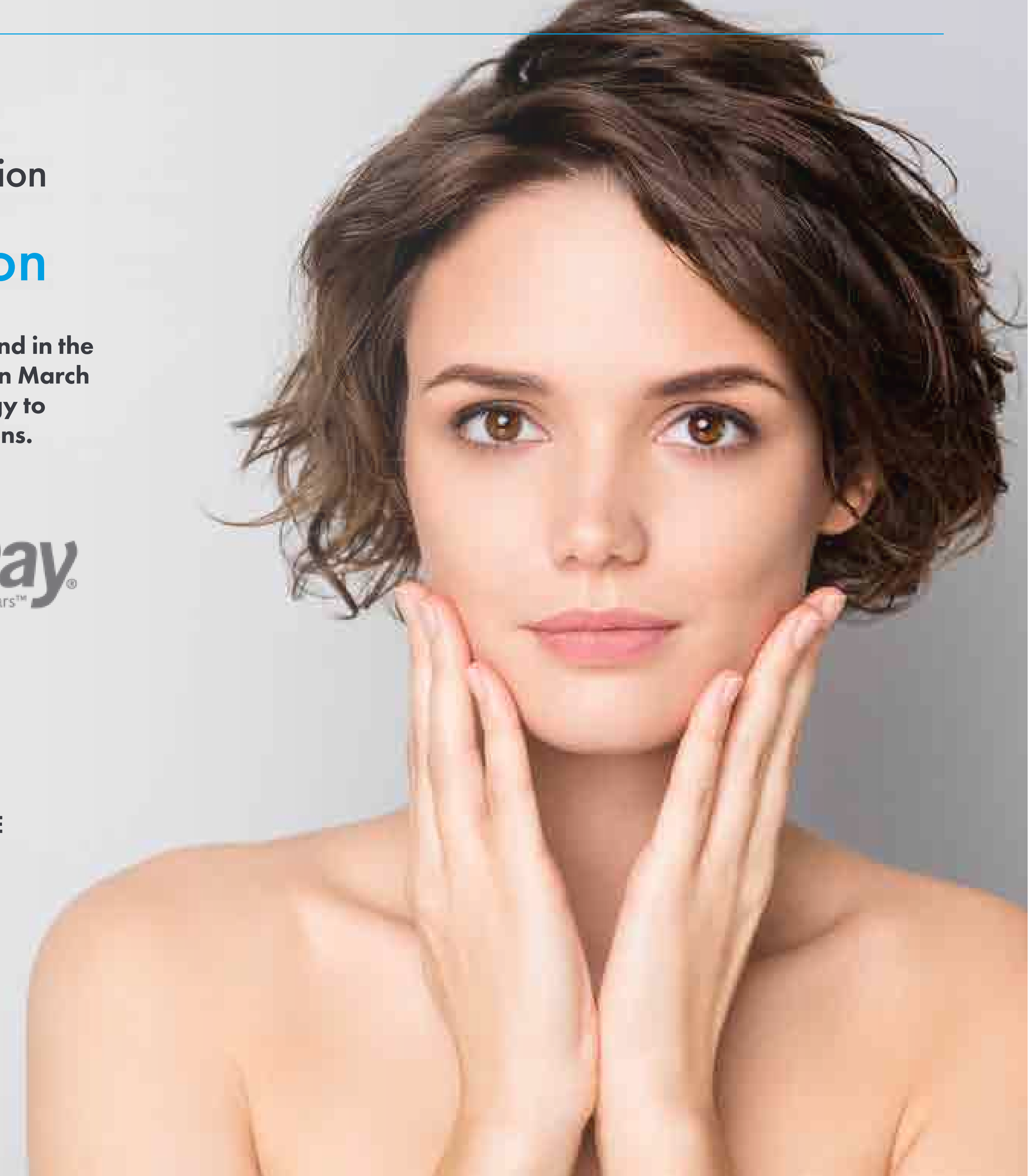
ScarAway® The Solution for Scars™

c. $90m

VALUE OF US SCAR TREATMENT MARKET[1]

28%

SCARAWAY'S™ SHARE OF THIS MARKET[1]



1 IRI and Jungle Scout.

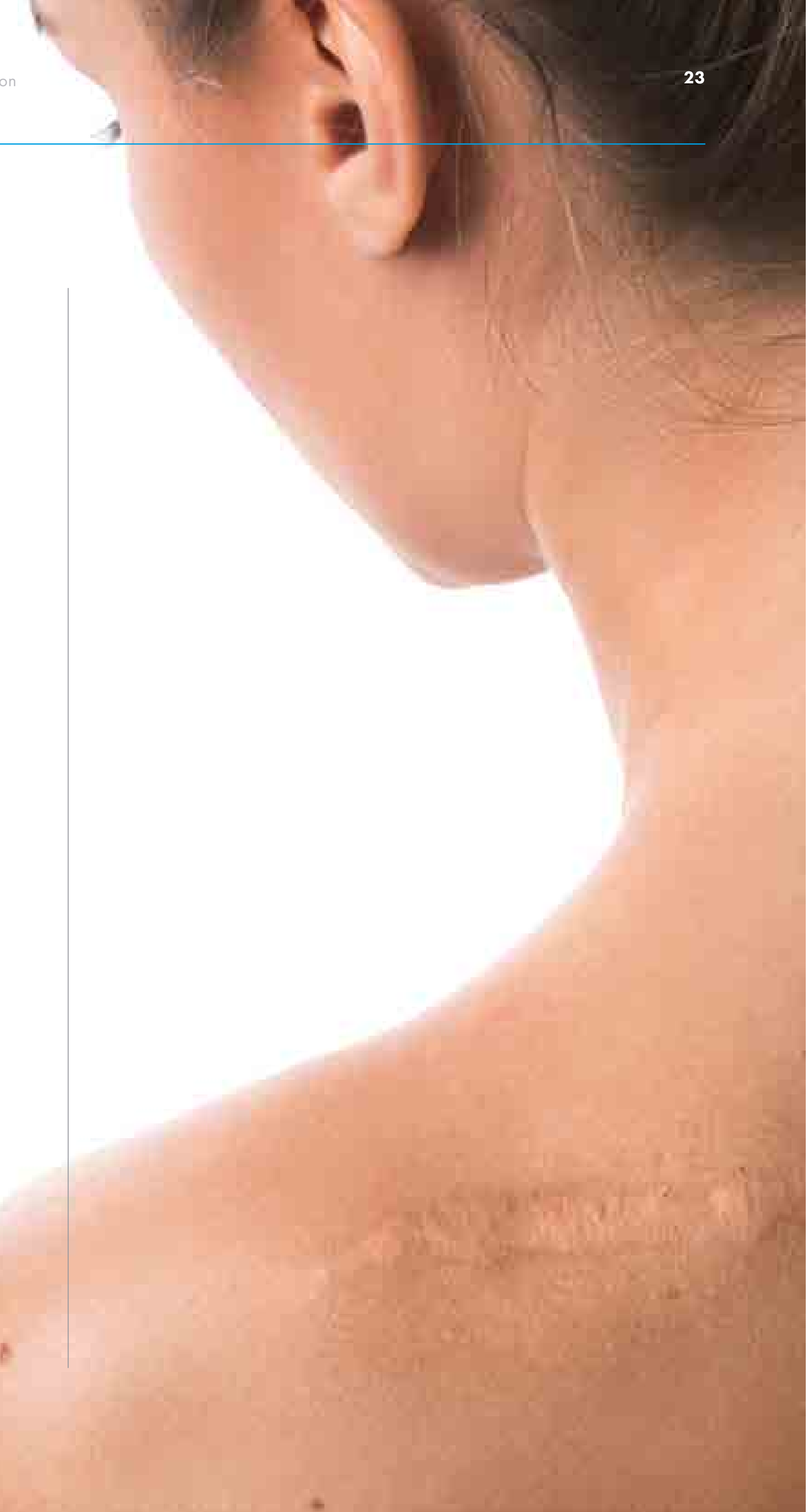
SPOTLIGHT ON… SCARAWAY™ AND KELO-COTE™ US ACQUISITION CONTINUED

This acquisition created scale in the US, the largest consumer healthcare market in the world, enabling us to leverage the operating platform we'd created following the Vamousse™ and Amberen™ acquisitions, and completed our ownership of the worldwide rights to Kelo-Cote™, thereby creating our first global brand.

ScarAway™ also provided the opportunity to offer a silicone sheet in addition to a gel formulation in the US – both of which are universally considered first-line prophylactic and treatment options for hypertrophic scars and minor keloid scars.

Following rapid integration of the acquired business in just four months, our subsequent focus has been on leveraging the brands' existing distribution network, consolidating supply-side relationships, and increasing investment to drive further growth. New, modernised packaging is in development and is scheduled for launch in 2023, alongside a comprehensive consumer marketing campaign and new product development to accelerate market share gains.

> "We were able to integrate the ScarAway™ acquisition in just four months, establishing a process which should make future integrations more efficient."
>
> **Amanda Sicvol,** Head of North America



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ALLIANCE

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SPOTLIGHT ON...

Culture, people and values

Ensuring our people and culture continue to support the business's medium-term growth ambitions

In 2022, we welcomed a record 80 new colleagues into the business, introduced new early careers schemes and held our first all-employee conference.

285

TOTAL EMPLOYEES[1]
2021: 245

82%

SAY THIS IS A GREAT PLACE TO WORK[2]
2021: 81%

[1]As at 31 December
[2]Based on findings from Great Place to Work® survey, October 2022

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SPOTLIGHT ON… **CULTURE, PEOPLE & VALUES** CONTINUED

ORGANISATIONAL DEVELOPMENT

The continued expansion of our US team through 2022, initiated in response to the Amberen™ acquisition in 2020, followed by ScarAway™ and the US rights to Kelo-Cote™ in March 2022, means that we now have an experienced multi-functional team in the US, dedicated to supporting the growth of our growing portfolio of US-based brands, with a strong focus on innovation.

We also continued to support early career development, through the launch of our graduate development programme in the UK, bringing two graduates into our Commercial and Scientific Affairs teams, along with a year in industry placement student into our Group Finance function.

STRENGTHENING OUR EMPLOYER BRAND

This has been a major focus for us during 2022, as the competition for talent has intensified, leading to challenges in filling some specialist roles. We continue to provide a compelling career proposition and attract high calibre candidates with our strong positive culture and team ethos.

EMPLOYEE ENGAGEMENT[5]

SURVEY RESPONSE RATE

87%

(2021: 74%)

OVERALL TRUST INDEX© RATING

79%

(2021: 76%)

MOVING FORWARDS

Our new focus on organisational agility as a key enabler to the delivery of our strategy will require an increase both in focus and in pace – harnessing the skills, experience and energy that exists in our business, together with our culture of resilience, teamwork and collaboration, to enable us to respond to new challenges as they arise.

Throughout 2023, we will be focusing on building our innovation capability, processes and agility.

Progress in 2022:

- 80 new joiners integrated into the business, 18 of whom joined in newly created roles
- Improved GPTW survey outcomes, with additional certifications obtained in the US and France
- Supplier selection completed for our new HR system

Focus for 2023:

- Developing agile ways of working within our Innovation and Development team
- Continuing to strengthen our employer brand to attract and retain talent
- Enhancing our internal communications, to increase connection throughout the business
- Completing the implementation of our new HR system

EMPLOYEES BY GENDER[1]

BOARD & SENIOR LEADERSHIP TEAM

78% MALE

22% FEMALE

(2021: 80% Male 20% Female)

SENIOR MANAGERS[2,3]

69% MALE

31% FEMALE

(2021: 78% Male 22% Female)

ALL EMPLOYEES[4]

42% MALE

58% FEMALE

(2021: 42% Male 58% Female)

Footnotes:
1 As at 31 December.
2 2022: n=9 (2021: n=10).
3 Defined as those running major divisions of departments, but not part of the management team; 2022: n=29 (2021: n=27).
4 Including NED and fixed-term contractors.
5 As measured by the Great Place to Work® survey.

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ALLIANCE

SPOTLIGHT ON… **CULTURE, PEOPLE & VALUES** CONTINUED

All together in Bath – reconnecting post-pandemic

Maintaining cultural cohesion and connectivity has always been really important to us – particularly following the adoption of hybrid working, which rapidly became the norm post-pandemic. It was this desire for connection which led to the decision to hold our first global employee conference in 2022.

In addition to giving all our colleagues around the world the opportunity to come together in person to network and share ideas, the conference also enabled us to discuss our updated purpose, vision, and strategy with all our employees, listen to their feedback and start to build collective understanding around some of the operational challenges we will need to address as we look to implement this revised strategy.

It was a great way to meet new colleagues and strengthen personal connections across the business, particularly given the high number of new recruits over the past couple of years, and the limited opportunities for in-person connection during the global pandemic.

Sustainability was very much front of mind, both in the conference content and organisation – from a lunchtime 'pop up' to increase employee awareness and engagement around our sustainability strategy, to the catering and travel arrangements for the conference itself.

Our first global conference was very well received by colleagues, and we're sure that the benefits in terms of increased understanding, cultural alignment and connection, will continue to prevail through the organisation for many years to come.

246
CONFERENCE ATTENDEES

>90%
OF ELIGIBLE ATTENDEES

KEY PERFORMANCE INDICATORS

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ALLIANCE

FINANCIAL KPIs

We set out here our key financial performance measures.

These are the primary measures used by management to monitor business performance, against both short-term budgets and forecasts and longer-term strategic plans.

SEE-THROUGH REVENUE[1]

£172.0m +1%
(2021: £169.6m)

2022	£172.0m
2021	£169.6m
2020	£137.5m
2019	£144.3m

GM%: (OVERALL)

59.1% -540bp[3]
(2021: 64.5%)

2022	59.1%
2021	64.5%
2020	60.2%
2019	59.7%

UNDERLYING EBITDA[1]

£39.2m -19%
(2021: £48.6m)

2022	£39.2m
2021	£48.6m
2020	£38.6m
2019	£39.4m

UNDERLYING PROFIT BEFORE TAX

£30.3m -28%
(2021: £42.2m)

2022	£30.3m
2021	£42.2m
2020	£33.5m
2019	£32.9m

UNDERLYING BASIC EPS

4.28p -33%
(2021: 6.39p)

2022	4.28p
2021	6.39p
2020	5.11p
2019	5.09p

DIVIDEND PER SHARE

1.776p +5%
(2021: 1.691p)

2022	1.776p
2021	1.691p
2020	1.610p
2019	0.536p

FREE CASH FLOW[1]

£15.8m -48%
(2021: £30.2m)

2022	£15.8m
2021	£30.2m
2020	£34.1m
2019	£29.1m

LEVERAGE[2]

2.57x
(2021: 1.73xx)

2022	2.57x
2021	1.73x
2020	2.43x
2019	1.48x

NET DEBT[1]

£102.0m +17%
(2021: £87.0m)

2022	£102.0m
2021	£87.0m
2020	£109.4m
2019	£59.2m

1 These measures constitute Alternative Performance Measures ('APMs'), as defined in note 31 to the Financial Statements.

2 Leverage is defined as: Adjusted net debt/enlarged Group EBITDA, calculated using pro forma EBITDA on a trailing 12-month basis for acquired entities, in line with our banking covenants.

3 Basis points.

Strategic Report

KEY PERFORMANCE INDICATORS CONTINUED

ADDITIONAL KPIs

WORKING CAPITAL MANAGEMENT

SUPPLIER PAYMENT DAYS[1]

58 +12 days

(2021: 46)

DAYS SALES OUTSTANDING[2]

71 +10 days

(2021: 61)

DAYS INVENTORY ON HAND[3]

154 -15 days

(2021: 169)

PORTFOLIO EVOLUTION

REVENUE: CONSUMER HEALTHCARE BRANDS[4]

£125.2m +3%

(2021: £121.8m)

CONSUMER HEALTHCARE AS A % OF TOTAL REVENUE[4]

73% +1%

(2021: 72%)

RESOURCING

TOTAL HEADCOUNT[5]

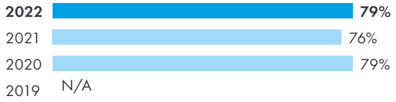
285 +16%

(2021: 245)

EMPLOYEE ENGAGEMENT: (GPTW Trust Index©)

79% +3%

(2021: 76%)



1 Month-end value of trade payables relative to the trailing 12 months cost of goods expressed as a days' equivalent, averaged over the year.

2 Month-end value of trade receivables relative to the trailing 12 months sales expressed as a days' equivalent, averaged over the year.

3 Month-end value of inventory relative to the trailing 12 months cost of goods expressed as a days' equivalent, averaged over the year.

4 See-through basis.

5 As at 31 December

Other measures

In addition to the measures disclosed above, we also employ a broad range of other measures to help us manage business performance, including but not limited to:

- Brand revenues, margins and contribution, by management region and relative to marketing and innovation investment
- Post-acquisition performance evaluation measures
- On-time in-full delivery and out-of-stocks (to ensure continuity of product supply)
- Additional detail around inventory levels, provisioning and ageing profile; trade receivables and payables levels and ageing profiles (working capital management)

We do not disclose the related metrics associated with these measures, on the basis that they are commercially sensitive and/or intended for internal use only.

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SUSTAINABILITY

Prioritising people, planet and product

Our approach

We are committed to operating our business in a responsible way, which minimises negative impacts on people and planet, makes a positive contribution to society and promotes the sustainability of our business for the longer term.

Our sustainability framework

Our sustainability framework identifies the key areas we are focusing on, to deliver our purpose and to assure the future of our business for the longer term.

Visit our Sustainability hub

Learn more about how our framework has evolved, and our approach to materiality and governance on our website
alliancepharmaceuticals.com/sustainability

Read about how we have delivered against our **sustainability commitments** on **page 30** and in our **Online Sustainability Report** on our website

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ALLIANCE

Overview

We have made good progress against our sustainability agenda in 2022 – below is a summary of our key achievements in the year and our main areas of focus for 2023.

Further detail, including relevant metrics for all the areas of focus forming part of our sustainability framework, can be found in our Online Sustainability Report.

Identified focus areas for 2022	Progress in the year	Focus for 2023
PEOPLE Continued investment in capability development, to ensure our resourcing supports our growth ambitions. Continued focus on cultural development and employee engagement. Ensuring that our employees continue to have a good understanding of, and comply with, all relevant ethical business practices.	› 80 new heads brought into the business in 2022 – 18 of which were in newly created roles › New UK graduate and industry placement schemes rolled out › High levels of employee engagement maintained with increased GPTW survey participation and trust index ratings; additional certifications achieved in US and France › First all-employee conference held › More targeted approach to online compliance training, driving an increase in course completion rates › Compliance training provision further enhanced through partnering with new external providers	› Increasing our organisational agility – developing the requisite capabilities through a combination of talent acquisition, training, and cultural change › Maintaining and enhancing our high levels of employee engagement › Launching our employee code of conduct, setting the benchmark for the ethical behaviours we expect from colleagues
PLANET Environmental strategy development – developing our carbon action plan and our response to climate change. Packaging lifecycle management – strategy development and target setting.	› Offset Scope 1 & 2 UK emissions for 2021 › Set Scope 1 & 2 net zero targets › Commenced initial engagement ('fact find') with all our contract manufacturers ('CMOs') and our top ten logistics partners to establish where they are on their climate change journeys › Undertook scenario analysis and risk assessment to support publication of first full TCFD report and disclosures › Gained greater understanding of the constituents of our packaging estate (primary and secondary) and the steps we need to take to promote circularity and reduce our use of single-use plastics; pilot projects initiated to further understanding	Continuing to work towards developing our Scope 3 emissions reduction targets, through: › embedding ownership of product-related emissions within the appropriate functional areas of the business; and › continued methodology improvements to increase the accuracy of emissions measurement across all categories Continuing to develop our packaging strategy, confirming and publishing sustainability improvement targets for both primary and secondary packaging
PRODUCT Increasing the oversight we have of our supply chain; obtaining confirmation from our contract manufacturers and other suppliers that they comply with our ethical standards.	› Partner code of conduct published, setting out the ethical expectations we have of our partners – be they CMOs, logistics service providers or distributors	› Obtaining formal confirmation from our CMOs that they comply with our ethical standards › Tightening our processes around modern slavery in our supply chain

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SPOTLIGHT ON...

Managing our packaging estate

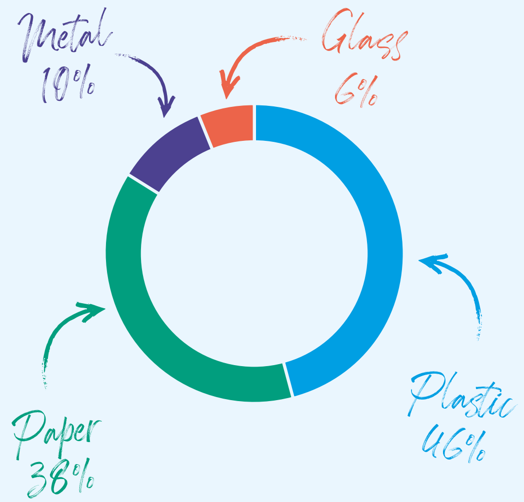
Developing and implementing a sustainable packaging strategy, supported by appropriate targets and delivery plans, was one of the key focus areas we identified for 2022 to reduce the environmental impact of our product packaging.

We have made good progress in 2022 to build a better understanding of our primary and secondary packaging estate, and the associated challenges and opportunities it presents, although we are not yet in a position to publish targets relating to packaging sustainability.

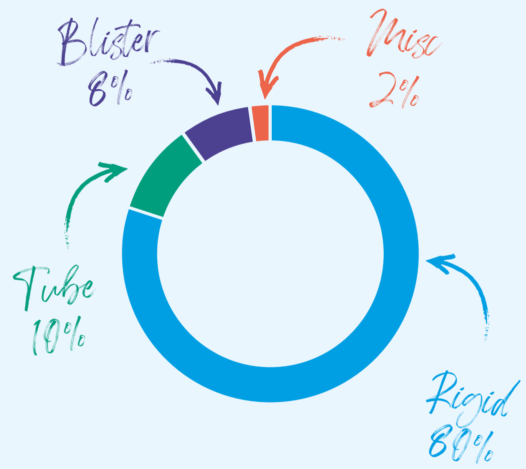
Just over half of our packaging by weight is made up of paper, metal, and glass – materials for which there are already established circularity channels. Our focus will therefore be on leveraging these channels, through better labelling of recycling instructions on packs and the use of recycled and/or FSC-certified paper for our secondary packaging and instructions for use sheets.

The remainder of our estate comprises plastics – primarily rigid plastics, such as bottles and jars. The recyclability of these varies both by product, and by country.

WHAT DOES OUR PRODUCT PACKAGING CONSIST OF?



THE DIFFERENT FORMATS THAT OUR PLASTIC PACKAGING TAKES



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ALLIANCE

Managing our packaging estate continued

We have identified a number of avenues we will be exploring in 2023 to improve the environmental credentials of the plastics used in our packaging. These include:

- reducing overall consumption through 'right sizing' of components;
- increasing component recyclability – through better labelling and the switch to materials that are more widely recycled;
- replacing PVC/PVDC plastics with alternative materials, or formats; and
- maximising the use of PCR content.

Blister packs present a particular challenge for us, and the pharmaceutical industry as a whole, as they comprise two different elements welded together, making them widely unrecyclable. These packs also contain harmful PVC.

Elimination of polyvinylchloride ('PVC') and polyvinylidene chloride ('PVDC')

PVC and PVDC are widely used in the forming material for blister packs, as they're low cost, have good barrier properties, and are easy to use. However, they are non-recyclable and their presence pollutes plastics recycling streams. When incinerated, they release chlorine into the atmosphere – or into the water table if sent to landfill.

Maximising the use of post-consumer recycled ('PCR') plastics

Whilst we will be looking to incorporate more PCR plastic in our packaging, the availability of PCR plastic suitable for use in consumer healthcare products is currently low, and what is available is of inconsistent quality and commands a higher price than the equivalent virgin material. Over time, the expectation is that progressive legislation will tax virgin materials to promote use of PCR, whilst high levels of investment in recycling technologies (mechanical and chemical) will improve the availability and competitiveness of high-quality PCR material.

We are excited by the potential to bring about positive change, through working in partnership with our suppliers to source new and better alternatives to some of our current packaging, in furtherance of our ambition to reduce our reliance on single-use plastics.

Pilot studies have been initiated to look at more sustainable packaging options for plastic tubes, rigid packaging, and blister packs. We expect these to be completed during the first half of 2023 and the outputs from these projects will then inform the future development of our strategy.

We remain mindful of the need to balance environmental benefits with broader sustainability considerations within our supply chain, including cost, security of supply, and the maturity of associated technologies.

Whilst improving the environmental credentials of our packaging will help to reduce our end-to-end Scope 3 emissions – both those associated with the end-of-life treatment of our packaging, and the more significant emissions associated with its manufacture – collectively they only account for only c.10% of our total emissions and so will be a contributor to, rather than a key driver of, our wider Scope 3 product-related emissions reduction.

Strategic Report

SPOTLIGHT ON…

Developing our response to climate change

In our 2021 Annual Report, we highlighted our ambition to progress towards full disclosure, in line with the Task Force on Climate-related Financial Disclosures ('TCFD') recommendations, in 2022.

During the year we have worked with external consultants to support us with the evaluation of our business from a TCFD perspective and to undertake the scenario analysis and risk assessment required in order to determine our exposure to climate-related risks, considering both our own operations and the locations of our key supply partners.

As part of our journey to full TCFD compliance, we are proud to publish our extended voluntary disclosures for 2022 as part of this Report, with additional detail to be provided in our first stand-alone TCFD report, to follow shortly on our website. The disclosures are being made on a voluntary basis because, as a UK-registered company, with securities admitted to AIM, with less than 500 employees, we are currently outside the scope of the mandatory disclosure requirements.

As a result of this process, and the associated climate scenario analysis and risk review, we have concluded that we should be recognising the impact of tackling climate change as a principal risk and it has therefore been added to our Principal Risks and Uncertainties coverage on pages 47-56.

The scenario analysis and risk evaluation process has been a valuable learning experience for us, as we included not just our own operational sites, but also those of our larger CMOs, enabling us to make use of insights gained in relation to the resilience of our supply chain through COVID-19, and disruptions to global supply chains as a result of the war in Ukraine in our assessment of both physical and transition risks.

In 2023, we will look to deepen our relationships with our partners, in order to support the mutual dissemination of knowledge around climate risks and opportunities, and to better understand their emissions management strategies, as a precursor to developing our Scope 3 emissions targets.

We will also be looking to extend our climate risk analysis to include other key partners in our value chain.

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SPOTLIGHT ON…

Developing our response to climate change continued

Setting (and delivering against) our Scope 1 & 2 emissions targets

Midway through 2022, we set and published our Scope 1 & 2 emissions targets:

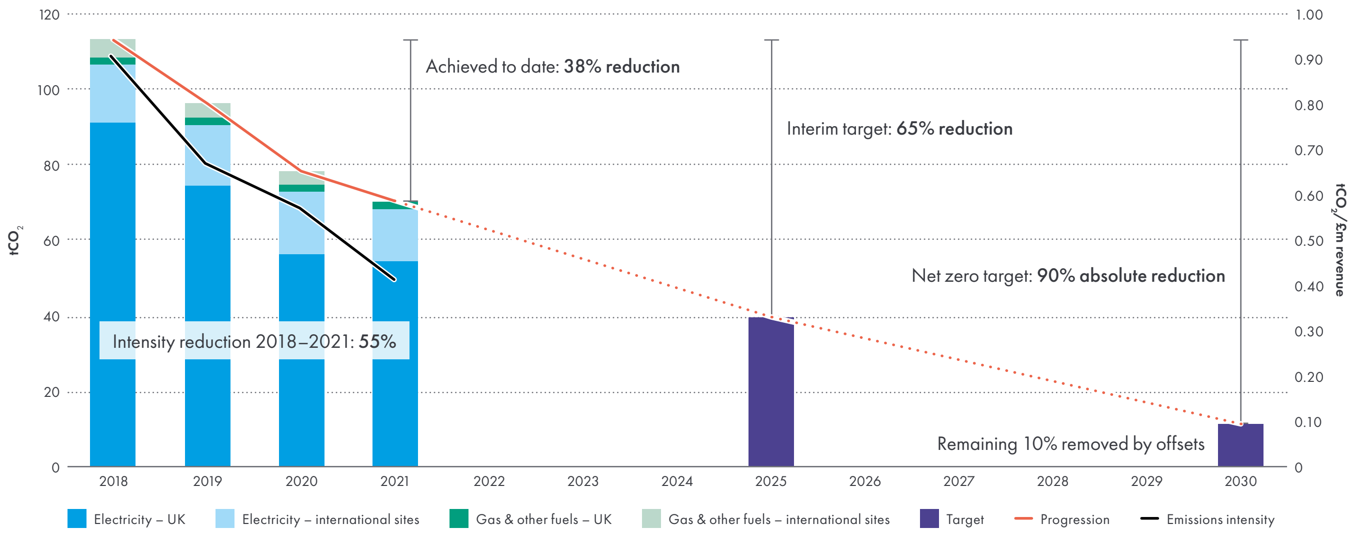
- To achieve a 65% reduction in our emissions (versus 2018 baseline) by 2025, and to achieve net zero (90% absolute reduction) by 2030.
- We used 2018 as our base year so we could demonstrate the significant reduction in emissions we've achieved already through environmental improvements to our Chippenham office HQ and to avoid using a base year in which use of the building was artificially low, due to COVID-19 restrictions.

The graphic below shows the trajectory of our emissions from 2018 through 2021 (the latest data available at the time the targets were set), and the further reductions needed to reach our targets.

Our Scope 1 & 2 emissions for 2022 were 52 tCO_2, a reduction of 26% versus those for 2021, due primarily to reduced consumption at our Chippenham HQ and the non-renewal of the lease for our leased office in Chester mid-way through the year.

We anticipate that further reductions in our UK emissions will be driven largely by own electricity generation at our Chippenham HQ, through the installation of PV roof panels, subject to receipt of all necessary consents.

Scope 1 & 2 emissions – progression and targets



Reductions in emissions at our international sites where we control the supply will be driven principally by switching to renewable tariffs.

We also expect to benefit from small reductions in consumption driven by energy-saving measures through increased colleague awareness and engagement across all our offices and from grid-driven reductions in electricity tariffs.

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ALLIANCE

TASK FORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

We recognise that we have a role to play in reducing our environmental impact and our contribution to climate change.

Whilst there is no current requirement for us to comply with the mandatory requirements of TCFD, we welcome the recommendations, and having published partial disclosures in our 2021 Annual Report, we are pleased to report voluntarily on our progress in 2022 in integrating climate considerations into our existing business strategy and risk management processes.

In addition to the disclosures below, we plan to publish our first stand-alone TCFD report on the sustainability section of our website at the end of March 2023, to provide supplementary information around the risks and opportunities we face as a business as a result of climate change and how we plan to address these.

Governance – *taking responsibility for climate-related risks and opportunities*

Climate governance has been integrated into our existing corporate governance structures, with the Board having overall responsibility for Alliance's response to climate change and providing oversight on climate-related risks and opportunities, whilst ensuring suitable management processes are integrated into future financial planning, business strategy and operations. The CEO is the Board Director responsible for sustainability and for ensuring communication between stakeholders, the Board, management, and employees around our climate action is ongoing.

The ESG Committee, which in 2022 comprised all Board members, is responsible for setting the Group's overarching sustainability strategy, and for identifying relevant ESG priorities that most significantly impact the Group, including those relating to climate change. The Committee is also responsible for ensuring that climate change priorities are anchored as an integral part of the Company's business strategy.

The ESG Committee has delegated management responsibility for climate-related risks and opportunities to the Senior Leadership Team ('SLT'), supported by the Corporate Sustainability Lead. Collectively, they ensure the development and implementation of the Company's sustainability strategy, including climate action and TCFD reporting.

Throughout the year, members of the ESG Board Committee, SLT and wider management worked with third-party ESG specialists to identify and assess the impact of climate change on our business operations. A series of workshops were held to build internal capability across all levels within the organisation, as a precursor to the creation of a climate risk register, which will be reviewed and updated annually, to ensure climate risks and opportunities continue to be properly assessed, monitored, and reported.

Strategy – *developing a resilient business strategy*

We have a clear strategy to deliver sustainable business growth, through maximising the value of our core Consumer Healthcare business. Through implementing the recommendations of the TCFD, we have been able to identify the climate risks which may prevent us from successfully delivering our business strategy, together with opportunities to strengthen our position and deliver increased value for stakeholders. This forward-looking analysis has helped us consider climate change in our long-term planning, to ensure that our business strategy remains resilient to the impacts of climate change.

Our climate risk management process identified the climate-related risks and opportunities, which could potentially impact our business. To strengthen this process, we utilised climate scenario analysis, investigating the resilience of our business strategy across differing future projections of climate events. Climate scenario analysis was conducted for all our operational sites with the exception of Dublin (due to its size), allowing us to assess the impact of climate change on our future operations.

The outsourced nature of our business means that we rely heavily on third-party partners, such as our distributors, contract manufacturers ('CMOs') and logistic service providers ('LSPs'). Any climate-related impacts on their operations could potentially present a significant risk to our business. We therefore widened our assessment of physical risks, through carrying out climate scenario analysis on 24 of our key supplier sites, to begin to understand how climate change may impact our value chain. We plan to extend this analysis further in 2023.

Climate scenarios

We considered three climate change scenarios, when evaluating the impact of each identified risk on our business operations and financial planning:

› Below 2°C
› 2–3°C
› Above 3°C

With the warming pathways modelled over three time-horizons:

› Short-term (2022–2025)
› Medium-term (2025–2035)
› Long-term (2035–2050)

TASK FORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

We considered both the short to medium-term risks and opportunities arising from the transition to a lower-carbon economy, together with our level of exposure to the longer-term physical risks associated with global warming. Through this process, we identified eight transition risks and two climate-related opportunities, which are outlined in the table below, together with their potential impacts, to the extent that we are able to quantify these. We also identified six physical risks which we will need to manage our exposure to in the longer term, which are also summarised below.

Transition risks

Area	Risk	Scenario(s)	Timeframe	Impact description	Impact
Policy & Legal	Increased regulation due to climate change	Below 2°C and 2–3°C	Short to Medium Term (2022–2035)	Expenditures – Increased operating costs (e.g. higher compliance costs)	Negligible/< £0.5m
	Increase in carbon pricing	2–3°C	Medium Term (2025–2035)	Expenditures – Increased direct costs	Negligible/< £0.5m
	Mandates on and regulation of existing products and services	Below 2°C and 2–3°C	Short to Medium Term (2022–2035)	Expenditures – Increased direct costs	Negligible/< £0.5m
Market	Increased cost of energy and materials	Below 2°C, 2–3°C and >3°C	Short to Medium Term (2022–2035)	Expenditures – Increased indirect (operating) costs	Small/£0.5m–£1.5m
	Changing consumer preferences and increased sensitivity to ESG	Below 2°C and 2–3°C	Short to Medium Term (2022–2035)	Revenue – Decreased revenue due to reduced demand for products	Small/£0.5m–£1.5m
Reputation	Increased stakeholder concern damaging our reputation	Below 2°C and 2–3°C	Short to Medium Term (2022–2035)	Capital and Financing – Decreased access to capital	Small/£0.5m–£1.5m
Technology	Substitution of existing products with lower emissions alternatives	Below 2°C and 2–3°C	Short to Medium Term (2022–2035)	Capex – Increased capital expenditure / investment	Small/£0.5m–£1.5m
	Costs to transition to lower emissions technology	Below 2°C and 2–3°C	Short to Medium Term (2022–2035)	Capex – Increased capital expenditure / investment	Negligible/< £0.5m

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TASK FORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

Climate-related opportunities

Area	Opportunity	Timeline	Impact
Products and Services	Development of new products or services through R&D and innovation	Medium (2025–2035)	Increased revenue from an increase in demand for sustainable products We are not yet in a position to quantify this opportunity
Energy resources	Use of lower-emission sources of energy	Short – Medium Term (2022–2035)	Reduction in operating expenses because of increased efficiency (for example, energy costs) Small/£0.5m – £1.5m

Physical risks

Nature	Climate-related Risk	Scenario	Timeline	Exposure
Acute	Increased frequency and severity of flooding	Above 3°C	Long Term (2035–2050)	Seven of our offices and 21 supplier sites are situated in potential high flood risk zones
	Increased frequency of heatwaves/extreme heat	Above 3°C	Long Term (2035–2050)	Seven of our offices and 20 supplier sites are situated in areas at high risk of experiencing rising temperatures
	Increased frequency of wildfires	Above 3°C	Long Term (2035–2050)	One of our offices and eight supplier sites are located in areas at high risk of wildfire impact
Chronic	Rising mean temperatures	Above 3°C	Long Term (2035–2050)	Seven of our offices and 20 supplier sites will experience a significant increase in mean temperatures
	Sea level rise	Above 3°C	Long Term (2035–2050)	Two of our offices and 11 supplier sites are potentially at risk from rising sea levels
	Water stress	Above 3°C	Long Term (2035–2050)	Four of our offices and 12 supplier sites are located in areas likely to be subject to extremely high, or high, water stress by 2030

Additional details of our climate-related risks, scenario analysis and assessment processes underpinning these can be found in our 2022 TCFD report, which will be published shortly on our website.

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TASK FORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

Risk Management – *Embedding climate into our risk management framework*

At Alliance, we have an established and comprehensive risk management framework, which informs how business risks are identified, rated, and monitored. Through our TCFD programme, and with the support of third-party consultants, we have created a stand-alone climate risk management framework, to identify and assess our climate-related risks and opportunities, and then integrated this into our wider business risk management processes.

The creation of our climate risk management framework followed four key steps, to identify our risks, consider their potential impacts and identify current and future mitigation actions, to reduce their impact.

1. Identify
› internal stakeholder engagement programme created, to identify climate-related risks which may impact our business

2. Assess
› climate scenario analysis carried out to develop our understanding of climate change and how the identified risks and opportunities could potentially impact our business over time

3. Appraise
› risk management options appraised, through a series of climate risk management workshops, to evaluate the effectiveness of the current mitigation actions

4. Address
› identification and implementation of further mitigation actions to reduce climate change risk, as required

Going forwards, we will be reviewing our climate-related risks and opportunities annually, to monitor the performance of our mitigation plans and reassess the impact as appropriate. Responsibility for maintaining the climate risk register and for ensuring that climate risks and opportunities are accurately reviewed, reported, and monitored, sits with the SLT.

Following completion of the scenario analysis necessary to enable us to determine our potential level of exposure to climate-related risks – and the impact that these may have on our business, both in the short to medium term and in the longer term – we have taken the decision to recognise the impact of tackling climate change as a principal risk this year, rather than an emerging risk, as reported in our 2021 Annual Report.

Metrics and Targets – *Measuring and managing our climate impact*

The primary metrics and targets we use to assess and manage relevant climate-related risks and opportunities are as follows:

Carbon emissions metrics

	2022 Calculated Emissions (tonnes of CO_2e)		2021 Calculated Emissions (tonnes of CO_2e)		2020 Calculated Emissions (tonnes of CO_2e)	
Emission Type	**Location-based**	**Market-based**	**Location-based**	**Market-based**	**Location-based**	**Market-based**
Scope 1 (direct)	2	2	2	2	64	–
Scope 2 (indirect)	50	52	68	16	89	–
Scope 3 (indirect)	47,973	47,973	37,648	37,648	32,243	–
Total	48,025	48,026	37,627	37,575	32,396	–
Emissions intensity*	279	279	128	128	128	

* Defined as tCO_2e per £m of revenue.

TASK FORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

Strategic Report

The increase in Scope 3 emissions from 2020 to 2021 was primarily due to increased activity levels following the easing of pandemic restrictions and the acquisition of Amberen™, coupled with an increased use of air freight versus sea freight to mitigate ongoing pandemic-related disruptions to supply chains and available logistics capacity.

The increase in Scope 3 emissions from 2021 to 2022 was driven by increases in emissions associated with contract manufacturer activity, logistics (upstream and downstream) and business travel.

Targets and progress

In September 2022, we set our Scope 1 & 2 emissions targets, to achieve net zero in 2030, with an interim target of 65% reduction by 2025, using 2018 as our baseline. More detail on our Scope 1 & 2 emissions targets and the progress we've made in delivering these can be found on page 34.

We continued to evolve our data collection processes to improve the accuracy of our Scope 3 emissions in 2022, as a precursor to setting targets for specific categories of Scope 3 emissions in 2023, as we look to further evolve our carbon action plan and climate change commitments.

Related reading:

- See **ESG Committee Report** on **page 86**
- See **Spotlight on developing our response to climate change** on **page 33**
- See **Principal Risks & Uncertainties – impact of tackling climate change climate change** on **page 48**
- See **Streamlined Energy and Carbon Reporting (SECR)** on **page 90**

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ALLIANCE

Strategic Report

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Engaging with our stakeholders

Overview

The Board recognises the importance of maintaining an engaged and motivated workforce, dependable supply chains, customer confidence in our products, close relationships with healthcare professionals, good returns for our shareholders and a positive contribution to both our local and wider communities. The Board works closely with the Senior Leadership Team to ensure we continue to understand and meet the evolving needs of all our stakeholders, whilst maintaining our relevance and ability to create long-term sustainable value.

On the following pages, we have identified our principal stakeholders, their primary requirements and how we've delivered against these in 2022.

Examples of how stakeholder interests have been considered by the Board in their decision-making are provided in the Governance section.

See **Promoting the success of the company – s.172** on **page 67**

Additional content regarding our stakeholder relationships and how we manage these can also be found on our website.

SHAREHOLDERS

Our shareholders are interested in:

- Strong financial performance
- Share price appreciation
- Dividend income
- ESG and long-term business sustainability

How we delivered for our shareholders in 2022:

- Dividend +5% vs 2021
- Share price adversely impacted by financial performance
- Refreshed purpose, vision and strategy
- Infrastructure strengthened; new people and skills brought into the business
- Portfolio broadened through ScarAway™ acquisition in the US
- Good progress made with developing and executing our sustainability strategy

EMPLOYEES

Our employees are interested in:

- Competitive reward structures
- Opportunity to share in the success of the business
- Flexible working
- Meaningful work and connection
- Learning and development opportunities

How we delivered for our employees in 2022:

- Corporate bonus paid (for FY21)
- Annual pay increase
- Share options granted to all eligible employees
- Flexible working arrangements maintained
- Monthly business briefings
- Participation in GPTW survey
- Global employee conference

CUSTOMERS

Our customers are looking for:

- Safe and effective healthcare products, which are widely available, at a reasonable cost

How we delivered for our customers in 2022:

- Safety and efficacy standards maintained (see Online Sustainability Report)
- 44m units of product supplied
- Continued channel expansion for our consumer products, particularly in e-commerce
- Pricing aligned with competitive positioning (consumer products)

STAKEHOLDER ENGAGEMENT CONTINUED

SUPPLY AND DISTRIBUTION PARTNERS

Our supply & distribution partners are looking for:

- Continued business growth opportunities

How we delivered for our supply and distribution partners in 2022:

- Supplier spend +39% vs 2021
- >£70m of sales made via distributors in 2022

HEALTHCARE PROFESSIONALS

Healthcare professionals are looking for:

- Engagement, education, information, and resources
- Therapy area expertise

How we delivered for healthcare professionals in 2022:

- Responses provided to more than 900 enquiries from HCPs

LENDERS

Our lenders are interested in:

- Strong financial performance
- Ability to service & repay borrowings

How we delivered for our lenders in 2022:

- £15.8m of free cash flow generated
- Compliance with borrowing covenants maintained

WIDER COMMUNITIES

The wider community is interested in:

- Social impact strategy
- Local engagement
- Charitable and product donations

How we delivered for the wider community in 2022:

- 12,000 units of product donated to International Health Partners, enabling 149,000 treatments to be sent to 10 countries around the world
- £50k donated to Ukraine humanitarian appeal
- Ongoing support of local charities and community events

Strategic Report

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ALLIANCE

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ALLIANCE

FINANCIAL REVIEW

"Whilst 2022 presented challenges in two discrete areas of the business, we worked hard to control costs and minimise the impact on underlying operating profit, whilst developing robust mitigation plans."

Andrew Franklin, Chief Financial Officer

UNDERLYING EBITDA*

£39.2m

(2021: £48.6m -19%)

FREE CASH FLOW*

£15.8m

(2021: £30.2m -48%)

* Non-IFRS alternative performance measures (see note 31).

Strategic Report

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ALLIANCE

FINANCIAL REVIEW CONTINUED

SUMMARY UNDERLYING INCOME STATEMENT

Year ended 31 December

	2022 £m	2021 £m	Growth
See-through revenue*	**172.0**	169.6	+1%
Statutory revenue	**167.4**	163.2	+3%
Gross profit	**101.7**	109.5	-7%
Operating costs (including share-based employee remuneration)	**62.5**	60.9	+3%
Underlying EBITDA*	**39.2**	48.6	-19%
Depreciation and underlying amortisation	**3.5**	2.9	+20%
Underlying operating profit (EBIT)	**35.7**	45.6	-22%
Finance costs	**5.4**	3.4	+57%
Underlying profit before taxation	**30.3**	42.2	-28%
Reported profit before taxation	**5.2**	18.2	-71%
Underlying basic earnings per share	**4.28p**	6.39p	-33%
Reported basic earnings per share	**0.17p**	1.37p	-88%
Proposed total dividend per share	**1.776p**	1.691p	+5%

* The performance of the Group is assessed using Alternative Performance Measures ('APMs'), which are measures that are not defined under IFRS, but are used by management to monitor ongoing business performance against both shorter-term budgets and forecasts and against the Group's longer-term strategic plans. APMs are defined in note 31.

Specifically, see-through revenue includes all sales from Nizoral™ as if they had been invoiced by Alliance as principal. For statutory accounting purposes the product margin on Nizoral™ sales made on an agency basis is included within Revenue, in line with IFRS 15.

Underlying profitability metrics are presented as we believe this provides investors with useful information about the performance of the business. In 2022, underlying results exclude the amortisation and impairment of acquired intangible assets; in 2021, underlying results exclude the amortisation and impairment of acquired intangible assets, the CMA provision and restructuring costs. Further detail can be found in note 5.

REVENUE SUMMARY

Year ended 31 December

	2022 £m	2021 £m	Growth	CER growth
Kelo-Cote™ franchise	**50.0**	48.8	+2%	-6%
Amberen™	**14.9**	19.2	-22%	-30%
Nizoral™*	**21.8**	20.6	+6%	+3%
Other consumer brands	**38.4**	33.2	+16%	+14%
Total Consumer Healthcare	**125.2**	121.8	+3%	-3%
Prescription Medicines	**46.8**	47.8	-2%	-2%
See-through revenue*	**172.0**	169.6	+1%	-3%%
LFL Consumer Healthcare see-through revenue, excl. ScarAway™ & Kelo-Cote™ US*	**118.9**	121.8	-2%	-7%
LFL see-through revenue, excluding ScarAway™ & Kelo-Cote™ US*	**165.7**	169.6	-2%	-6%
Statutory revenue – Consumer Healthcare	**120.6**	115.4	+5%	+3%
Statutory revenue – Group	**167.4**	163.2	+3%	-2%
LFL Consumer Healthcare statutory revenue, excluding ScarAway™ & Kelo-Cote™ US	**114.3**	115.4	-1%	-6%
LFL Group statutory revenue, excluding ScarAway™ & Kelo-Cote™ US	**161.1**	163.2	-1%	-5%

REVENUES

Group see-through revenue increased 1% to £172.0m (2021: £169.6m) and decreased 3% at constant exchange rates ('CER'). Like-for-like see-through revenue excluding ScarAway™ and Kelo-Cote™ US, acquired in March 2022, decreased 2% (-6% CER). Group revenue benefited from exchange rate movements in 2022, principally the weakening of Sterling against the US Dollar and HK Dollar, which increased see-through revenue by approximately £6.7m. Statutory revenue increased 3% to £167.4m (2021: £163.2m) (-2% CER).

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FINANCIAL REVIEW CONTINUED

REVENUES CONTINUED

Consumer Healthcare

Total Consumer Healthcare revenues for the year were £125.2m (2021: £121.8m), up 3% on the prior year (-3% CER) benefiting from the US acquisition in addition to currency tailwinds. On a statutory basis, reported Consumer Healthcare revenues were £120.6m, up 5% from the previous year (2021: £115.4m) and up 3% CER.

Excluding the impact of the US acquisition, like-for-like see-through Consumer Healthcare revenue fell 2% (-7% CER) to £118.9m whilst on a statutory basis, like-for-like Consumer Healthcare revenues decreased 1% to £114.3m (-6% CER).

Kelo-Cote™ franchise– scar prevention and treatment

Kelo-Cote™ franchise revenues grew 2% to £50.0m (2021: £48.8m) in the year, boosted by the US acquisition and currency gains (-6% CER). As previously reported, the cross-border e-commerce ('CBEC') scar treatment market declined during H1 2022 as rigid lockdowns in China from March prevented the movement of product across the border from Hong Kong for a number of months. However, the online domestic market grew, and Kelo-Cote™ gained share. In H2 2022, a slower recovery in B2B demand for Kelo-Cote™ in the China CBEC channel, coupled with a one-off destocking effect in that channel, meant that like-for-like global Kelo-Cote™ revenues were down 17% CER in the year.

End-consumer demand in the scar treatment market in e-commerce in China remains strong, with 7% value growth in 2022 and Kelo-Cote™ gaining share. We continue to work with our CBEC distributor to develop further this channel, expand reach and optimise sales. Our B2C channel is well developed and in September our Kelo-Cote™ flagship online store was awarded a prestigious Tmall Global award, alongside a small number of other prominent brands, for surpassing RMB100m (c.£12m) in annual sales for the first time. We have refined our strategy to increase our presence in the significant B2B channel, which incorporates additional distributor support, and have successfully reduced the level of counterfeit product in the market.

Looking ahead, we expect total Kelo-Cote™ franchise revenues to build throughout the year with overall growth anticipated to be above 20% in 2023, compensating in part for the one-off events which adversely affected revenues in 2022. This is slightly ahead of the 18% CAGR delivered for the four-year period ending 31 December 2022, excluding the US acquisition.

Nizoral™ – medicated anti-dandruff shampoo

Following the completion of the marketing authorisation transfer for Nizoral™ in China from Johnson & Johnson, we transitioned to a new top-tier local distributor at the end of H1 2022 to service the brand's largest market. However phasing of orders to the new distributor led to a 12% decline in revenues in H1 2022.

Nizoral™ revenues recovered strongly in H2 2022, growing 15% CER, partly due to the delayed orders from H1 falling into H2 and as Alliance finalised the remaining marketing authorisation transfers in Vietnam. Consequently, revenues grew 6% to £21.8m (2021: £20.6m) for the year (3% CER). The new Chinese distributor, and the completion of all marketing authorisation transfers, provides a very strong platform to drive high single-digit revenue growth for Nizoral™ in 2023, supported by new marketing initiatives and the introduction of updated packaging.

Amberen™ – vitamin mineral supplement for the relief of menopause symptoms

Amberen™ generated net revenues of £14.9m (2021: £19.2m), 22% below prior year (-30% CER). Amberen™ sales performance was impacted by declines in the underlying bricks and mortar market due to an increase in prevalence of cheaper, white-label alternatives and customer switching to online platforms, in addition to the loss of a leading discount store account. Alliance is committed to improving the performance of Amberen™ in the higher-growth e-commerce channel, whilst optimising sales in bricks and mortar where appropriate. The brand's packaging has been re-launched featuring stronger claims, and advertising investment continues, focused on digital, video, social media and search engine optimisation to drive share gains.

Amberen™ now has an enhanced platform from which to generate double-digit revenue growth on a like-for-like basis in 2023 and beyond. We are also focused on developing an innovation pipeline, to underpin the growth of the brand in the longer-term. Given the disruption to the bricks and mortar market, we now anticipate 2025 sales of c. £20m, below our original £35m expectation. As a consequence, coupled with higher interest rates, we have impaired the asset value by £12.0m.

Other Consumer Healthcare brands

Our underlying business remains strong, with Other Consumer Healthcare revenues increasing 16% to £38.4m (2021: £33.2m) and 14% CER, with particularly strong growth from Aloclair™ and Vamousse™. This solid performance in our Other Consumer Healthcare brands clearly illustrates the benefits of a diversified portfolio, and we anticipate continued high single-digit growth in this portfolio of products in 2023, substantially ahead of the broader consumer healthcare market.

Prescription Medicines

The Prescription Medicines business continues to deliver stable revenues with £46.8m (2021: £47.8m), in the year, down 2% on the prior year on both a reported and currency-adjusted basis. Key brands include Hydromol (emollient for the treatment of eczema), Forceval (nutritional supplement) and the Opus range of stoma care products, all of which performed well in the year.

We continue to actively manage this part of our portfolio, periodically discontinuing or disposing of smaller products that deliver very low sales and margins. However, the cash generation from these assets remains strong and, coupled with their limited requirement for promotional investment, this business continues to play an important part in our overall product portfolio.

Operating performance

Whilst revenues increased 1% in the year, gross profit decreased 7% to £101.7m (2021: £109.5m) due to a less favourable product mix with a lower proportion of Kelo-Cote™ and Amberen™ sales, and with Kelo-Cote™ generating a lower gross margin than in 2021 due to a less favourable channel mix. Gross margin reduced by 540 basis points to 59.1% of see-through revenue (2021: 64.5%) and gross margin relative to statutory revenue was 60.7% (2021: 67.1%).

Operating costs (defined as underlying administration and marketing expenses, excluding depreciation and underlying amortisation charges) increased 6% versus the prior year to £62.4m (2021: £58.6m) largely due to increased investment in marketing and employee costs to drive future growth, coupled with a modest increase in expenses to accommodate the US acquisition. As a result, operating costs as a percentage of sales increased 1.7% to 36.3% of see-through sales (2021: 34.6%).

With a lower share price in H2 2022 leading to a £2.2m reduction in share option charges versus prior year (2022: £0.1m, 2021: £2.3m) underlying earnings before interest, taxes, depreciation and underlying amortisation ('EBITDA') decreased 19% in the year to £39.2m (2021: £48.6m), whilst underlying operating profit ('EBIT') decreased by 22% to £35.7m (2021: £45.6m). Reported operating profit decreased by £11.0m to £10.6m (2021: £21.6m), with non-underlying items of £25.1m (2021: £24.1m).

Finance costs increased by £2.0m to £5.4m (2021: £3.4m), due to an increase in borrowing costs, reflecting both the rise in interest rates and an increase in the level of borrowings following the US acquisition.

The average interest charge on gross debt during the year (including non-utilisation fees) was 3.6% (2021: 2.2%).

The significant reduction in gross margin, in addition to the increase in operating and finance costs, led to a 28% decrease in underlying profit before tax to £30.3m (2021: £42.2m), resulting in a 730 basis point margin reduction to 17.6% of see-through revenues. Reported profit before tax decreased 71% to £5.2m (2021: £18.2m), primarily due to non-underlying amortisation and impairment charges. Further detail on non-underlying items is provided below and in note 5.

Depreciation and underlying amortisation

Depreciation and underlying amortisation charges for the year were £3.5m, up £0.6m on the prior year (2021: £2.9m), reflecting the first full year of amortisation of the ERP system.

Non-underlying items

Non-underlying items in the year principally comprised amortisation charges for Prescription Medicines and certain other brand assets, together with impairment charges identified as a result of the annual impairment review (see note 11).

For 2022, impairment charges of £18.2m include £12.0m in relation to Amberen™, reflecting both the reduction in expected future cash flows, following the loss of a leading discount store account and more challenging trading conditions in the bricks and mortar market, and the higher cost of capital through increasing market interest rates.

For the prior year, non-underlying items comprised amortisation and impairment charges, together with a provision of £7.9m in relation to the Competition and Markets Authority ('CMA') decision (see note 20) and restructuring costs relating to the closure of our offices in Milan and Los Angeles. Further detail on non-underlying items is provided in note 5.

RECONCILIATION OF UNDERLYING TO REPORTED PROFIT BEFORE TAX

Year ended 31 December

	2022 £m	2021 £m
Underlying profit before taxation	30.3	42.2
Non-underlying items:		
Amortisation of acquired intangibles	(7.2)	(7.2)
Impairment of intangible assets and goodwill	(18.2)	(6.2)
CMA provision	–	(7.9)
Restructuring costs	–	(2.4)
Other	0.4	(0.4)
Total	(25.1)	(24.1)
Reported profit before taxation	5.2	18.2

Taxation

The underlying tax charge for the year was £7.2m (2021: £8.0m), which equates to an underlying effective tax rate of 23.9% (2021: 19.0%). The total tax charge for the year was £4.3m (2021: £10.8m), equating to an effective tax rate on reported profits of 82.0% (2021: 59.7%). The prior year figure includes a £5.0m charge following the increase in the UK tax rate from 19% to 25%, relating primarily to an increase in the deferred tax balances on intangible assets.

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ALLIANCE

FINANCIAL REVIEW CONTINUED

Earnings per share

Underlying basic earnings per share, the measure used by the Board in assessing earnings performance, was 4.28p, a decrease of 33% on the prior year (2021: 6.39p), reflecting the decrease in the Group's underlying profit after tax coupled with a modest increase in the number of shares in issue.

Reported basic earnings per share decreased by 88% to 0.17p (2021: 1.37p) due to a greater impact from non-underlying items on reported earnings in 2022 versus 2021.

Dividend

The Board is proposing a final dividend payment of 1.184p per share for 2022, an increase of 5% on the final dividend payment for 2021, taking the total dividend payment for the year to 1.776p (2021: 1.691p). The Board will continue to assess the level of future cash distributions having regard to overall business performance and future outlook.

The final dividend for 2022, subject to approval at the Company's AGM on 25 May 2023, will be paid on 18 July 2023, to shareholders on the register on 23 June 2023.

Balance sheet

Intangible assets increased by £7.9m in the year to £421.6m (31 December 2021: £413.7m). Of this, £15.2m relates to the US acquisition and associated distribution rights in March 2022, the remainder comprises the acquisition of an Aloclair™ brand asset for £1.2m, upwards revaluation adjustments linked to exchange rate movements of £18.7m, underlying amortisation charges of £2.0m, non-underlying amortisation charges of £7.2m, non-underlying impairment charges of £18.2m and £0.2m of additions to computer software assets. As noted above, £12.0m of the non-underlying impairment charges related to Amberen™.

Working capital

Net working capital at 31 December 2022 was £38.0m, an increase of £16.0m on that at the start of the year (31 December 2021: £22.0m), primarily reflecting movements in payables and receivables balances.

Inventories, net of provisions, increased £3.2m to £24.3m at 31 December 2022 (31 December 2021: £21.1m). This increase was due in part to the inclusion of inventory relating to ScarAway™ and Kelo-Cote™ US, coupled with increased inventory holdings to mitigate against both inflationary pressures and supply chain disruption.

Receivables increased by £18.5m to £49.3m, reflecting the timing of sales and cash receipts in the second half of the year, versus the equivalent period in 2021. Payables increased by £5.7m to £35.6m, reflecting the phasing of invoices and payments around the year end, higher cost of sales and the increase in the year end inventory holding.

Provisions

Provisions decreased by £1.1m in the year, reflecting the utilisation of the restructuring provision for the closure of the Italy office. Of the £8.4m total provision, £7.9m relates to the CMA decision and £0.5m is the remaining restructuring provision. Further detail is provided in note 20.

Cash flow and net debt

Free cash flow (see note 31 for definition) for the year was £15.8m, in line with guidance given in the November Trading Update, but below the £30.2m reported in 2021, due to the weaker trading performance and the increase in working capital due to the timing of sales and cash receipts in the second half. Cash generated from operations decreased by 45% to £24.9m (2021: £44.9m).

Net debt increased by £15.0m to £102.0m at 31 December 2022 (31 December 2021: £87.0m), reflecting both in-year cash generation and the $19.4m (£14.8m) US acquisition of ScarAway™ and the US rights to Kelo-Cote™, with Group leverage increasing to 2.57x (31 December 2021: 1.73x) and interest rate cover decreasing to 7.39 times (31 December 2021: 14.34 times).

Net debt and Group leverage are both expected to fall during 2023, particularly in the second half, reflecting the Group's anticipated strong cash generation, with Group leverage expected to be below 2.0x by the end of 2023.

Treasury and capital management

Group risk management policy is to hedge up to 75% of estimated future foreign currency EBITDA exposure, for up to the next 18 months at any point in time. The Group uses forward foreign exchange contracts to implement this policy, which are generally designated as cash flow hedges.

The Group benefits from a £165m Revolving Credit Facility ('RCF') and a £50m Accordion Facility, expiring in July 2024. Of this RCF, £29.9m, together with the whole of the Accordion Facility, remained unutilised as at 31 December 2022.

Borrowings are denominated in Sterling, Euro and US Dollars.

The cash generated from our trading operations is applied as follows:

- in reinvesting in our current portfolio of brands, with investment being primarily targeted at our larger Consumer Healthcare brands;
- in selectively acquiring and in-licensing products or technologies that support our key brands;
- in paying down debt; and
- in paying dividends to our shareholders.

Andrew Franklin

Chief Financial Officer
20 March 2023

Strategic Report

Protecting our business

During the year, the Board reviewed the principal risks and uncertainties facing the Group and continues to focus on those which could threaten the sustainability of our business model, our reputation, future performance expectations, or in extreme cases, the solvency or liquidity of our business. The links between our principal risks and uncertainties and our strategy are set out in the table on pages 49 to 56.

Principal risks are assessed on a residual basis according to our current view of their potential severity (being the combination of impact and likelihood), and assuming that existing plans for mitigation are, and remain, effective. The current positioning of each of our principal risks, based on our assessment of their residual impact and likelihood, is shown in the graph to the right.

The identified risks are not intended to be an exhaustive list of all the risks the Group faces but are the principal risks and uncertainties which the Directors believe include all known material risks in relation to the Group and the markets and industry within which we operate.

The environment in which we operate is constantly evolving and can be affected by events that are outside of our control and which may impact on us both operationally and financially. New risks may emerge, the potential impact of known risks, including how quickly they escalate, and/or our assessment of these risks may need to change.

The links between **our principal risks and uncertainties and our strategy** are set out in the table on **pages 49 to 56**.

Analysing our identified risks

STRATEGIC RISKS

1 Organic growth: innovation and competition

2 Inorganic growth – acquisitions

OPERATIONAL RISKS

3 Product safety

4 Supply disruption

5 Impact of tackling climate change

6 Business systems

7 Cyber-security

8 People

9 Supply chain management

COMPLIANCE RISKS

10 Product regulations

11 Legal and compliance

OTHER RISKS

12 Macro-economic

13 Pandemics

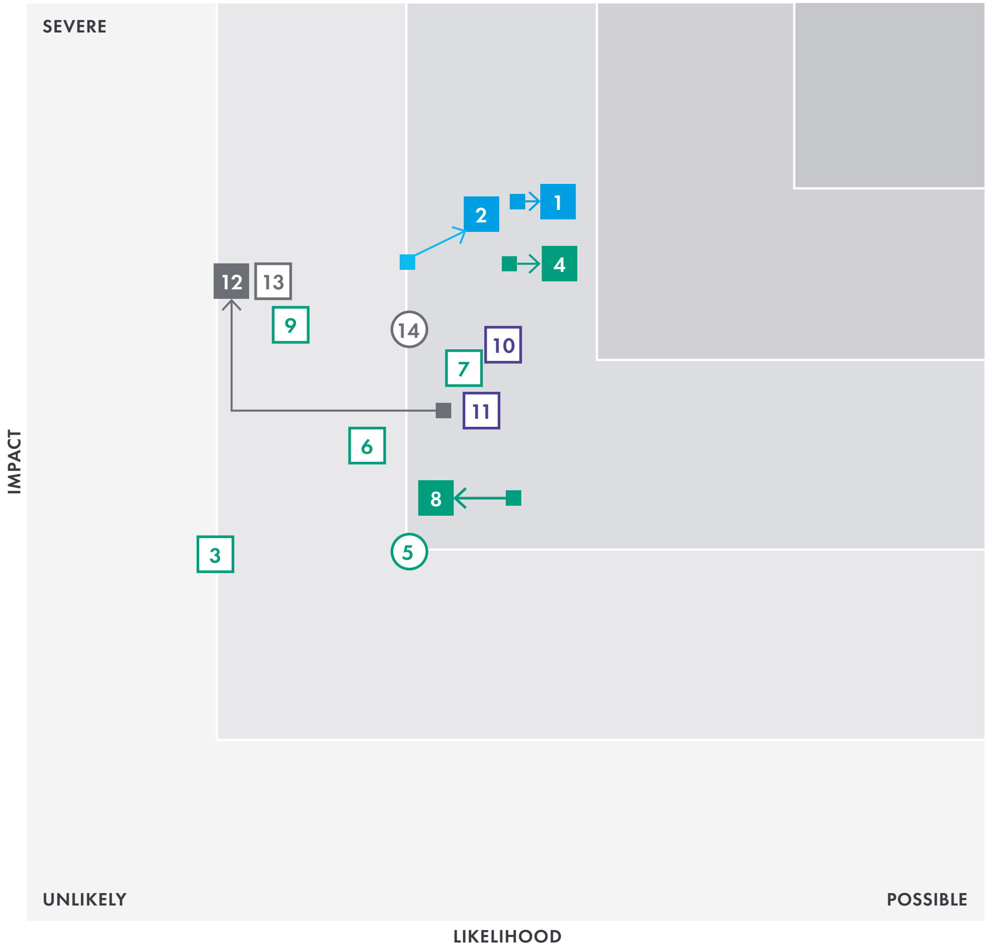
14 Geopolitical and other worldwide events

RISK MOVEMENT

No Change

Movement

New

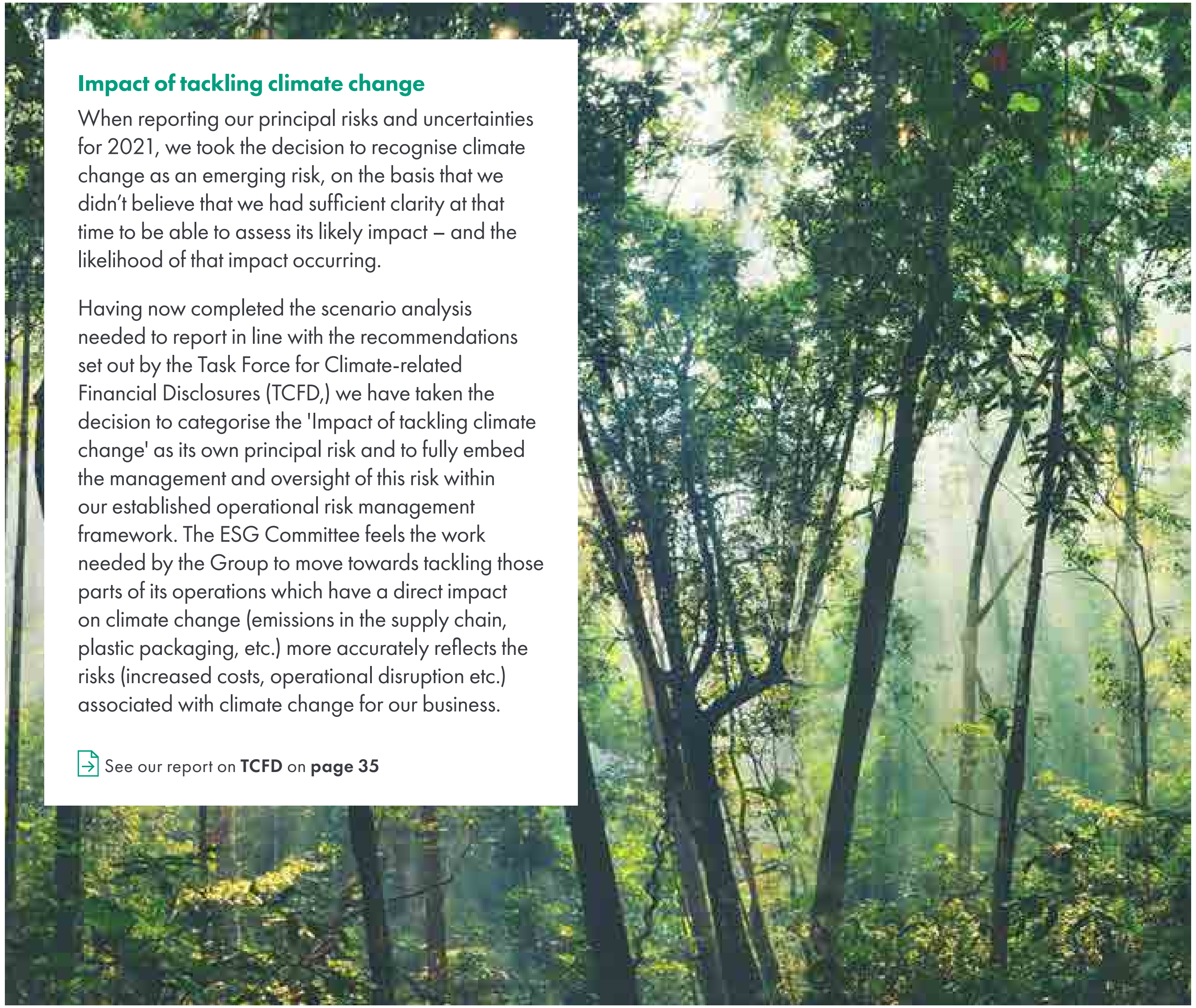


PRINCIPAL RISKS AND UNCERTAINTIES
CONTINUED

Strategic Report

The Board, with the support of the Audit and Risk Committee, monitors and reviews risks in relation to those risks that could or are impacting the Group's performance, its operations, and its stakeholders. The consideration of risks is inherent within the decision-making, and throughout the year the Board members have challenged management on key issues faced by the business.

- The Board continues to monitor, and assess the likelihood of any further impact on the Group from the demand for Kelo-Cote™ in the China B2B market, which was recovering more slowly than the Company or its distribution partners had anticipated in 2022, impacting stockholdings and sales orders – the effects of which were communicated to the market on 23 November 2022.
- The Nomination Committee accelerated its succession planning review for Executives and Senior Management – this work is ongoing and led to the appointment of Jeyan Heper as a new Chief Operating Officer. The Board was further enhanced by the appointment of Martin Sutherland, as a new independent Non-executive Director, who along with Jeyan has strengthened the Board.
- The pressure of increases on costs of goods being felt by all businesses continues to be a key consideration for the Group – active engagement with our supply partners to mitigate any such increases, whilst also managing the sale side of the supply chain, has seen a reduction in the potential impacts, and the business remains focused on this key area.
- The Board is mindful of the potential impact on the business of the Competition and Markets Authority's ('CMA') decision dated 3 February 2022, including the proposed fine of £7.9m. The Board continues to believe that the Company has a strong case and is appealing the UK CMA's decision. The date of the hearing is set for 5 June 2023.



Impact of tackling climate change

When reporting our principal risks and uncertainties for 2021, we took the decision to recognise climate change as an emerging risk, on the basis that we didn't believe that we had sufficient clarity at that time to be able to assess its likely impact – and the likelihood of that impact occurring.

Having now completed the scenario analysis needed to report in line with the recommendations set out by the Task Force for Climate-related Financial Disclosures (TCFD,) we have taken the decision to categorise the 'Impact of tackling climate change' as its own principal risk and to fully embed the management and oversight of this risk within our established operational risk management framework. The ESG Committee feels the work needed by the Group to move towards tackling those parts of its operations which have a direct impact on climate change (emissions in the supply chain, plastic packaging, etc.) more accurately reflects the risks (increased costs, operational disruption etc.) associated with climate change for our business.

See our report on **TCFD** on **page 35**

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Risk trends: Risk has increased versus last year · Risk has reduced versus last year · Risk has not changed materially since last year

Strategic risks

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
1. Organic growth: innovation and competition	Risk that we are unable to achieve our strategic growth ambitions due to a failure to keep pace with changing consumer preferences or due to a failure to identify and exploit new geographic markets for our products. The products we sell are subject to normal market forces, so demand may fall, or the price we can achieve may be reduced, as our products face new or increased competition in response to changing consumer preferences for products or sales channel. As a significant portion of our international sales are made via distributors, we are also at risk from losing a distributor or failing to secure a suitable distributor in existing or new markets. The significant proportion of sales into China via the CBEC trading route (in particular the B2B channel) leaves the Group exposed to the sensitivities of that market and the impacts of a slower than expected recovery of that market post-lockdowns. Widening sales distribution channels to include digital online sales platforms means sales could be affected should third-party systems become temporarily unavailable. We also face the risk of some of our more popular consumer products being subject to counterfeiting, where others seek to take advantage of the reputation built up in our brands for their own commercial exploitation.	› Loss of revenue, reduced profitability and reduced growth from failure to maintain our competitive positioning, or to increase or maintain market share. In particular, the risk to Kelo-Cote™ forecast sales (principally in China) due to slower than expected recovery of the B2B trading channels could result in loss of high margin sales › Loss of revenue, and potential damage to reputation from counterfeit product reaching the market, which may not have been subject to the same rigorous quality and safety testing as genuine products › Depending on its severity, this could also potentially impact our share price, cash flow and covenant compliance	› Continued focus on Marketing Excellence, to ensure we stay attuned to changing consumer preferences, and to maximise the value of our marketing campaigns › Increasing focus on innovation and development activities › Maintaining close working relationships with our distributors › Ongoing monitoring and forecasting of sales, costs, profits, and cash flows › Head of Brand Protection, brand protection strategies, support from external experts › Product or claims innovation strategies, to pre-empt patent expiration › Sustaining investment in brand promotion	Risk has increased versus last year
2. Inorganic growth – acquisitions	Risk that we are unable to deliver additional growth in excess of our strategic growth ambitions due to (i) lack of affordable funding (both debt and equity) (ii) a lack of suitable acquisition opportunities, or (iii) a failure to effectively integrate assets and maximize their potential once acquired. There can be no guarantee that the Group will be able to identify suitable targets to continue to boost its growth through acquisitions. The market for high-quality assets – whether brands or corporates – is highly competitive and the Group may find itself unable to compete if the pricing of targets proves prohibitive. This would be further impacted by an inability to source affordable debt (or any debt depending on the Groups then prevailing leverage). A lack of sensible debt option would lead the Group to look to raise equity which itself may prove difficult or too expensive depending on the prevailing market sentiment and the impact this has on the prevailing share price. As the Group looks to increase the size of acquisitions, the complexity and costs around both the acquisition itself and associated integration also increases.	› Acquisitions fail to deliver expected benefits – due to overly optimistic forecasts, unidentified risks/poor evaluation of identified risks during due diligence, or as a result of failings in the integration process, resulting in integration taking longer/costing more than was originally anticipated › Distraction cost to the business from acquisition evaluation activities	› Maintaining an active presence and continuing to grow our reputation in the M&A market, to ensure a good pipeline of opportunities › Ongoing refinements to our acquisition evaluation process › Experience gained from having completed multiple deals › Engage experienced legal, regulatory and financial experts to assist with the due diligence process	Risk has increased versus last year

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Risk trends: Risk has increased versus last year | Risk has reduced versus last year | Risk has not changed materially since last year

Operational risks

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
3. Product safety	Risk of an adverse reaction to one of our products constituting a safety risk for consumers. The Group produces and sells a wide range of medicines, medical devices, food supplements and cosmetics. There are inherent risks that some of these products could cause adverse reactions.	› Products have to be withdrawn from sale and we may have legal liability to those injured by the product, potentially damaging our reputation, and compromising our future performance. In an extreme scenario, this could impact our liquidity position or even solvency	› Adverse event reporting and signal management for all medicine products – generally, the Group's products are well tolerated, and many have been in existence for decades › Maintenance of necessary regulatory approvals for all products in the markets we trade in › Maintenance of public and products liability insurance to provide an appropriate level of protection for the Company	
4. Supply disruption	Disruption to the continuity of supply as a result of our inability to procure critical ingredients, due for example to geopolitical events, logistics failures, or reliance on a single site of manufacture.	› Manufacturing, sourcing, or distribution issues, including an inability to increase production volumes to meet demand, impinges on our potential sales and has the potential to compromise our future performance and, in an extreme scenario, cash generation	› Maintaining close working relationships with our key suppliers, to ensure we have early visibility of any potential issues › Ensuring we maintain adequate stocks of critical ingredients and of finished goods, to enable us to cushion the impacts of any disruption in the supply chain › Forward booking transportation, to minimise the impacts of any disruption to logistics provision – for example due to geopolitical and economic events › Putting in place dual sourcing arrangements for key products, to mitigate against manufacturer failure/inability to supply to meet sales demand › Where possible, and cost-effective, the potential financial impact of supply chain disruption is mitigated by insurance	

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Operational risks continued

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
5. Impact of tackling climate change	Risk to the longer-term viability of the business due to the impacts of all the changes to be made by the business to its operations in order to tackle the effects of climate change. In addition, to the operational impacts of tackling the wider impact our business has on the climate, the Group also faces challenges from the direct physical impacts of climate change itself, e.g. the severity and frequency of adverse weather events and rising sea levels, and indirect impacts, such as higher energy costs, infrastructure funding, all of which are likely to become increasingly prevalent as we implement our plans to tackle the impact of climate change by transitioning to a low-carbon economy.	As detailed on page 36 of our TCFD disclosures potential impacts during the transition phase include: Increased cost of energy and materials, in particular the increases which would come from ensuring more sustainable packaging for our products as we seek to transition away from plastics where possible. The increased costs of production and transportation associated with a more environmentally friendly supply chain, including the possible need to engage a more expensive group of selective manufacturers who meet the needs of our own ESG demands. › Changing consumer preferences and increased sensitivity to ESG with consumers potentially substituting existing products with lower emissions alternatives › Reputation damage due to a failure to respond to increased stakeholder concerns › The identified physical risks (see page 37) all have the potential to cause disruption to our business activities and supply chains in the longer term, depending on the warming pathway we find ourselves on.	› Increased business focus on environmental strategy and associated risks › Engagement of third party expert support and wider engagement with competitors/peers to ensure we are able to utilise any improvements which are made in the wider market around issues such as packaging › Creation of TCFD roadmap and emissions reduction targets	NEW

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Operational risks continued

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
6. Business systems	Failure to maintain and develop business systems and technology which adequately supports business processes, organisational infrastructure, and strategic growth ambitions, and enables us to manage any business continuity risk from unforeseen events. The business is highly dependent on multiple IT systems – and systems failure as a result of a business continuity event could have a significant impact on the business's ability to continue to operate effectively.	› Loss of income or late market reporting as a result of a business continuity event causing loss of access to key resources, systems, and/or data. This could also potentially result in compliance failure, loss of control and an inability to trade › Quality of data degrades as a result of not effectively managing data shared across multiple systems, leading to poor decision-making and increased transactional errors	› Improved change control/change management processes to better protect the integrity of our master data › IT Steering Group in place to maintain oversight of core systems and lead on changes required as a result of systems development or regulatory changes › Business continuity plans in place and under regular review	<>
7. Cyber security	Risk that the integrity, confidentiality and availability of our data and third-party information which we hold is compromised through cyber-attacks. We hold significant amounts of confidential data relating to our products, our commercial activities, our financial transactions and all other aspects of our business operations in electronic format, making it susceptible to being compromised through cyber-attacks. We also hold confidential data on our customers and employees, some of which is collected via our transaction processes, and so includes their financial information in addition to other personal data, which is similarly at risk of loss, corruption, or unauthorised dissemination as a result of a successful cyber-attack.	› Reputational impact if we suffered a major loss of personal data as a result of a successful cyber-attack › Financial loss, data loss, or reputational damage due to fraud perpetrated through a successful social engineering attack › Financial transactions being rerouted fraudulently because sensitive transactional data is given away › Data destruction or ransom as a result of a malicious link being clicked	› Use of anti-virus software, firewalls, and network segmentation › Ensuring all business software remains up to date, to provide additional in-built security › Implementation/review of incident management, business continuity and IT disaster recovery plans › Maintenance of appropriate physical and cyber security measures to prevent unauthorised access to information › Provision of training and alerts to staff to ensure that they are aware of known risks › Engagement of third parties to review and recommend ongoing improvements to enhance IT security and resilience	<>

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Operational risks continued

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
8. People	Failure to attract and retain sufficient high-quality people to deliver the business's strategic growth ambitions. By virtue of its business model, Alliance has a high level of reliance on the skills and knowledge of its employees, many of whom have considerable sector experience or other specialist expertise, making them attractive to competitors and not always easy to replace. As the business continues to scale and to expand its geographic presence, our requirements for high-calibre people continues to increase.	› The loss of key employees could potentially weaken the Group's operational/management capabilities, potentially impeding its ability to grow › Loss of continuity/loss of knowledge as a result of employee replacement, leading to operational inefficiencies › Potential lack of required skills and expertise to support the continued growth of the business, its systems, procedures, and processes	› Maintaining competitive incentive and reward structures, which remain attractive to existing employees and enable us to continue to attract high-quality applicants for new roles › Clearly defined roles and responsibilities supported by documented systems and procedures to provide a level of continuity in the event an employee leaves the Group › Maintaining relationships with a number of international and local recruitment agencies to ensure we are able to find and recruit good quality employees › Maintaining a balance between permanent and contract heads to increase flexibility, particularly for project-based work	Reduced
9. Supply chain management	The increasing globalisation of our supplier base as a result of recent acquisitions has served to increase our exposure to risks around Environmental, H&S, Business Ethics, Supply Chain Security and Climate and increases the risk of failing to maintain sufficient oversight of our end-to-end supply operations associated with these areas. This is potentially a significant risk for Alliance, as our outsourced supply model has historically afforded only limited visibility of our end-to-end supply chain.	› Potential reputational damage, loss of product supply and loss of revenues from failure to maintain sufficient oversight of our end-to-end supply operations	› Our Know Your Supplier ('KYS') programme, which provides us with visibility of potential 'red flags' in our supply chain, enabling us to align compliance and escalation processes to facilitate timely remediation of issues › Project to review contract manufacturers is underway › The publication of our Partner Code of Conduct, setting out our expectations of our Partners from a business ethics perspective	Not changed

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Compliance risks

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
10. Product regulations	Risk of non-compliance with product classification regulations and registration requirements, including relevant internal/external quality regulations and requirements, across all territories in which our products are manufactured and/or sold. Product regulations are continually being updated, new requirements introduced (e.g. Medical Device Regulations), or product classifications changed. In a number of territories our product registrations are maintained by local distributors in order to comply with local regulatory requirements, creating an added layer of complexity.	› Some of our products may not gain regulatory approval or could face the risk of having their regulatory status challenged or adversely altered. This could affect the Group's ability to launch new products or maintain sales of its current products in current jurisdictions or pursue further geographic expansion › Non-compliance with product classification regulations/registration requirements may result in product having to be withdrawn from the market, with a consequential loss of sales › If compliance issues cannot be remediated, this could lead to cessation of product supply, or limitation of market opportunities	› Allocation of sufficiently experienced internal resource to support the regulatory approval of products, including any extensions to other markets › Maintenance of regular discussions with local regulatory advisers to monitor any products that may be subject to challenge	
11. Legal and compliance management	Risk of non-compliance with relevant laws and regulations in all countries in which we operate, including anti-corruption laws, data privacy laws, competition laws, accounting, taxation and listing regulations. As the scope and scale of our business operations increases, we face an increasingly complex compliance burden. The level of legal and regulatory requirements to which we are subject continues to increase, and also the penalties for non-compliance, so it is vital that we are able to effectively manage all the various aspects of our compliance risk. As we enter new territories and overseas markets, we become exposed to increased bribery, anti-slavery, and corruption risks. Likewise, as the Group expands its operations, the VAT and general tax environment in which it operates becomes more complex and the risk of incorrectly reporting and paying relevant taxes increases.	› The Group has ongoing regulatory requirements (pharmacovigilance, etc.) which could, if not adhered to, lead to substantial fines and impact on the Group's ability to sell certain products. Likewise, we may incur penalties for non-compliance as a result of adverse findings from regulatory inspections, which may potentially impact on the sales of our products, damage our brands and our reputation › Bribery, anti-slavery, and corruption all carry their own penalties, and reputational damage › A failure to abide by data protection rules or incur a breach of data security could also pose a financial and reputational risk to the Group › Breaches of VAT and taxation rules also carry a risk of interest and penalties becoming payable › Infringement Decision by the CMA relating to alleged anti-competitive agreement would, in the event that the Company's appeal is not successful, lead to a fine of up to £7.9m	› Continuing oversight of corporate compliance by in-house Company Secretarial function › Training for all employees on anti-bribery, anti-money laundering, competition law, market abuse, modern slavery, sanctions, tax evasion and GDPR › Engagement of third-party experts in our overseas territories to help us ensure compliance with local rules and regulations › Wide-ranging induction process for new starters to ensure they understand their individual, and the Group's, obligations in relation to matters such as adverse event reporting › The filing of the notice of appeal against the CMA's infringement decision and ongoing work with expert legal team to ensure that the Company's appeal is as robust and effective as possible to give the Company the greatest chance of succeeding	

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Financial risks

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
12. Macro-economic	Movements in FX rates adversely impact financial performance. The Group earns a proportion of its revenues and profits in currencies other than Sterling (principally Euros, US Dollars and Hong Kong Dollars), but accounts for the business in Sterling. The reporting of revenues and profits is therefore subject to volatility due to changes in exchange rates Inflationary increases means that the business must ensure it adjusts its financial and commercial strategies either in the UK or overseas. Income generation could be impacted by operational and other risks, thereby increasing the Group's leverage.	› Adverse movements in Sterling exchange rates vs Euro, US Dollar, Hong Kong Dollar and other currencies increase the costs of raw material and other overheads including wages and is often linked to supply chain disruption as markets adapt. › Higher prices for goods will decrease consumer purchasing of non-essential products. › Increased leverage would impact ability of the Group's ability to implement its desired capital allocation strategy, which could in turn stifle the growth potential.	› The Group's funding structure, with borrowings denominated in Sterling, Euros and US Dollars, provides a natural hedge to some of these exposures › The Group has a risk management policy to hedge up to 75% of its estimated future foreign currency EBITDA exposure for up to 18 months at any given point in time. The Group uses forward foreign exchange contracts to implement this policy, which are generally designated as cash flow hedges › Review pricing strategies across the portfolio and look to increase flexibility with supply chain	Increased

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Other risks

	Risk description and relevance	Potential impacts	Key mitigating activities	Trend
13. Pandemics	In common with most other businesses, we will always be at risk from extreme and unexpected global events affecting our ability to operate. This could be an event that affects our people, our operational sites, our IT systems, or any other aspect of our business operations. This was the case with the COVID-19 pandemic which surfaced in 2020, the aftermath effects of which continues to impact our trading environment today, particularly in China.	› Reduction in revenues/profitability and/or failure to achieve expected growth due to reductions in demand or potential supply issues. Any significant impact on the Group's revenues and profitability could potentially affect the Group's ability to comply with its borrowing covenants › Pressure on sourcing and supply chain could lead to (i) an increase in the cost of transportation, raw materials and goods in general, or (ii) a reduction in availability of certain materials, both of which could in turn impact profitability	› Work toward less value concentration of our business in any one jurisdiction or market to try and mitigate inability to make sales in affected areas. › Move towards more on-line sales for those of our products which are permitted to be sold on-line, with a drive to increase share on those on-line channel, to help mitigate any loss of sales for physical markets are shut down.	
14. Geopolitical and worldwide events	Last year, we saw how the escalation of geopolitical events in Europe had the potential to cause supply chain disruption within the business and subject us to increased economic uncertainty. Any further escalation of the current conflicts, or any new conflicts in or connected to our major markets could have a significant impact on sales or manufacturing. Inflationary pressures globally are increasing costs of goods.	› Disruption caused by military or political conflict/tensions could cause our markets to be restricted or even close. This could lead to loss of sales and a potential inability to recover market share if/when those issues are resolved › Increased costs/reduced demand for goods due to weaker economic growth and higher inflation › General inflationary pressures being experienced by the wider business community will lead to increased pressure on workforce costs and rewards, which in turn could impact profitability › Increasing costs impact our profits and ability to remain competitive. This could also impact market share	› Regular review and updating of demand forecasts to understand and mitigate any potential adverse effects on revenues, supported by our recently improved S&OP processes › Maintenance of close working relationships with suppliers and distributors; ongoing monitoring for any signs of distress › Keeping abreast of global events and economic conditions in the territories in which we operate to ensure risks are monitored accordingly.	NEW