

May 7, 2010

Market Outperform / Speculative Risk

SCLN: 1Q10 UPDATE – THE ZADAXIN MACHINE IN CHINA KEEPS CHURNING OUT PROFITS

MARKET DATA 5/6/2010

Price	\$3.90
Exchange	NASDAQ
Target Price	\$8.00
52 Wk Hi - Low	\$5.33 - \$1.64
EV(MM)	\$145.5
Market Cap(MM)	\$184.6
Shares Out (MM)	47.3
Public Mkt Float (MM)	36.8
Avg. Daily Vol (000)	472.2

BALANCE SHEET METRICS

Cash (MM)	\$39.1
LTD (MM)	\$0.0
Debt/Capital	0.0%
Cash/Share	\$0.83
Book Value(MM)	\$62.2
Book Value/Share	\$1.32

EARNINGS DATA (\$)

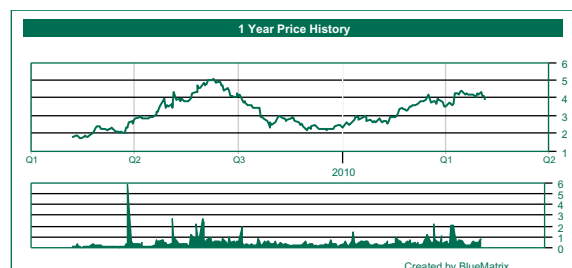
FY - Dec	2009A	2010E	2011E
Q1 (Mar)	0.00	0.09A	--
Q2 (Jun)	0.16	0.08	--
Q3 (Sep)	0.04	0.09	--
Q4 (Dec)	0.05	0.10	--
Full Year EPS	0.25	0.35	0.42
Revenue (MM)	72.4	82.0	96.2
Net Income (MM)	11.9	17.2	20.7

VALUATION METRICS

Price/Earnings	15.6x	11.1x	9.3x
EV/Revenue	2.0x	1.8x	1.5x
Y/Y EPS Growth	NM	40.0%	20.0%

INDICES

DJIA	10,520.3
SP-500	1,128.2
NASDAQ	2,319.6
BTK	1,080.3
NBI	877.3
Nasdaq Neurotech Index	116.1



1Q10 FINANCIAL RESULTS For 1Q10, SciClone reported a net income of \$4.2 MM or \$0.09 per diluted share, higher than our net income estimate of \$3.2 MM or \$0.06 per diluted share, primarily as a result of lower than anticipated R&D expenses. At 1Q10, the company had approximately \$39 MM in cash, an increase of \$7 MM from the previous quarter, due to net positive cash flow. We believe the company has sufficient cash to fund operations, barring any large acquisitions, for the foreseeable future.

GOVERNMENT REIMBURSEMENT IN CHINA TO BOOST SALES We believe that one of the key drivers for continued sales growth of Zadaxin® in China could be the 3Q10 approval of government reimbursement for Zadaxin. A reimbursement program would be expected to broaden the potential market to those unable to pay retail prices, and should in our opinion enhance Zadaxin sales in China. Additionally, SciClone's increasing sales presence in Tier 2 cities for Class II and Class III hospitals, with a 200-person strong sales force, represents another key growth driver.

TRIAL OF ZADAXIN AS VACCINE ADJUVANT SHOWS PROMISE SciClone and partner Sigma-Tau (Privately Owned) are evaluating Zadaxin® as an adjuvant to the H1N1 influenza monovalent vaccine Focetria for seasonal influenza. At 42 days following vaccination, 93% of patients in the 3.2 mg Zadaxin arm achieved seroconversion and 94% of patients in the 6.4 mg Zadaxin arm achieved seroconversion, versus only 77% of patients in the Focetria-only arm (p-value = 0.04). Long-term durability of immune response data are anticipated in 2Q10.

EU RAPIDFILM APPROVAL PAVES WAY FOR REVENUE BOOST In March 2010, SciClone reported that BioAlliance Pharma S.A. (Privately Owned) received approval for the anti-nausea drug ondansetron RapidFilm in 16 major EU countries, a product that SciClone exclusively in-licensed to commercialize in China and Vietnam. SciClone is preparing to file a clinical trial application to conduct a bioequivalency study in China, leading to a potential launch in late 2011.

INVESTMENT OPINION We are reiterating our Market Outperform / Speculative Risk rating and our 12-month target price of \$8. Our target price is derived based on a 2014 discounted revenues and earnings per share projections of approximately \$113 MM and diluted EPS of \$0.58, respectively. SciClone's revenues are driven by the flagship immunomodulatory agent Zadaxin®, which is marketed in China and a variety of other foreign countries. SciClone has a promising pipeline of products including SCV-07 for oral mucositis and Hepatitis C infection, DC Bead™ for liver cancer, and RapidFilm™ for nausea. In our opinion, the mix of growing revenues, proven execution on guidance and corporate strategy, solid and increasing cash position, and potential to secure additional in-licensing agreements and report key data milestones from ongoing trials could generate significant value for the risk-oriented, long-term investor.

INVESTMENT SUMMARY

SciClone Pharmaceuticals, based in Foster City, CA, focuses on the development and commercialization of immunomodulatory and oncology drugs for serious unmet medical needs. SciClone markets the immunomodulatory agent Zadaxin® in a variety of foreign markets, through a wholly-owned subsidiary, SciClone Pharmaceuticals International Ltd. (SPIL). The product is marketed for a variety of indications including Hepatitis C (HCV), Hepatitis B (HBV), liver cancer, and as a chemotherapeutic and vaccine enhancer. SciClone has achieved impressive Zadaxin® sales growth in the past several years, with additional growth forecasted by management, potentially reaching \$82 - \$85 MM in sales in 2010. The company has executed on management guidance and achieved the corporate strategy of full-year 2009 profitability, for the first time in the company's corporate history. Sales of Zadaxin® are becoming increasingly more central to the SciClone story as the company aims to leverage Zadaxin® revenue to develop the company's mid-stage clinical asset, notably the synthetic peptide SCV-07 for oral mucositis and Hepatitis C infection (HCV). The company also owns exclusive Chinese marketing rights to the drug-eluting agent DC Bead™, a product that has the potential to block blood vessel supply or deliver a sustained dose of chemotherapy directly to a tumor site. In our opinion, by leveraging the company's existing sales and marketing organization of over 200 employees, SciClone could successfully launch DC Bead™ in China for the treatment of liver cancer and boost the company's revenues in 2011. SciClone has also followed through on a corporate strategy of acquiring additional products for the Chinese healthcare market by in-licensing ondansetron RapidFilm™, an oral medication to suppress nausea caused by chemotherapy, radiation and surgery, with the potential for launch in China in 2011. Finally, the company had approximately \$39 MM in cash at 1Q10, which according to our projections, should be sufficient to fund ongoing clinical trials and daily operations for the foreseeable future.

ZADAXIN® UPDATE

Trial of Zadaxin as H1N1 Shows Early Promise

SciClone and partner Sigma-Tau (Privately Owned) reported additional top-line results of a clinical trial in Italy evaluating Zadaxin's ability to enhance the immune response to the MF59 adjuvanted H1N1 influenza monovalent vaccine, Focetria, developed by Novartis (NVS, Not Rated).

Of significance, at 42 days following vaccination, 93% of patients in the 3.2 mg Zadaxin arm achieved seroconversion (i.e., a four-fold or greater change in titers from baseline) and 94% of patients in the 6.4 mg Zadaxin arm achieved seroconversion, as compared to only 77% of patients in the vaccine-only arm (p-value = 0.04). Of note, the improvement in titers seen in Zadaxin-treated patients at 21 days was maintained at 42 days. The continued robustness of the immune response seen today at 42 days post-vaccination in elderly and immune-compromised patients highlights the potential of Zadaxin to markedly enhance H1N1 vaccine activity, especially in a vaccine that is already adjuvanted with MF-59.

These promising additional results continue to suggest that the 3.2 mg Zadaxin dose is sufficient to achieve high levels of seroconversion; however, as the absolute antibody titers have yet to be reported, it remains to be seen whether differences exist between the 3.2 mg and 6.4 mg doses with respect to absolute immune protection. As a reminder, at 21 days following vaccination, 89% of patients in the 3.2 mg Zadaxin arm achieved seroconversion and 88% of patients in the 6.4 mg Zadaxin arm achieved seroconversion, as compared to only 56% of patients in the vaccine-only arm (p-value < 0.01). Top-line data pertaining to the durability of immune responses are anticipated in 2Q10, once all patients have reached 168 days post vaccination.

Trial Design

The 1:1:1 randomized, 3 arm open-label study enrolled approximately 120 immune-compromised patients with end-stage renal disease (ESRD) on hemodialysis. One control cohort of patients received the H1N1 vaccine only, while 2 other cohorts received either 2 low-dose injections of 3.2 mg Zadaxin 7 days prior to vaccination and on the day of vaccination, or 2 higher dose injections of 6.4 mg Zadaxin, according to the same schedule. Of note, the primary efficacy endpoint is the proportion of patients who achieve seroconversion. As a reminder, immune-compromised patients may exhibit difficulty developing protective antibody titers against H1N1 pandemic flu vaccines adjuvanted with MF59 alone. Additionally, immune-compromised patients who can achieve protective titers with an MF59-adjuvanted vaccine may be unable to sustain protection, making these patients susceptible to revaccination or boosters.

Background on Zadaxin as Vaccine Enhancer

Of note, SciClone has regulatory approval in Italy and 12 other European countries for Zadaxin® as a vaccine enhancer for seasonal influenza in the elderly patient population and hemodialysis patients. However the clinical studies supporting the label, which were conducted by Roche (RO.SW, Not Rated), evaluated 6 to 8 injections over 3 to 4 weeks, which is impractical for widespread vaccination using 1 or 2 doses. The Roche studies in seasonal influenza demonstrated increased titers and a reduced viral attack rate. Of note, the original approved dosing in Italy was at 1.6 mg per injection. SciClone is aiming to raise the dose to 3.2 or 6.4 mg/ml to deliver a comparable quantity of Zadaxin® over fewer injections in the current trial.

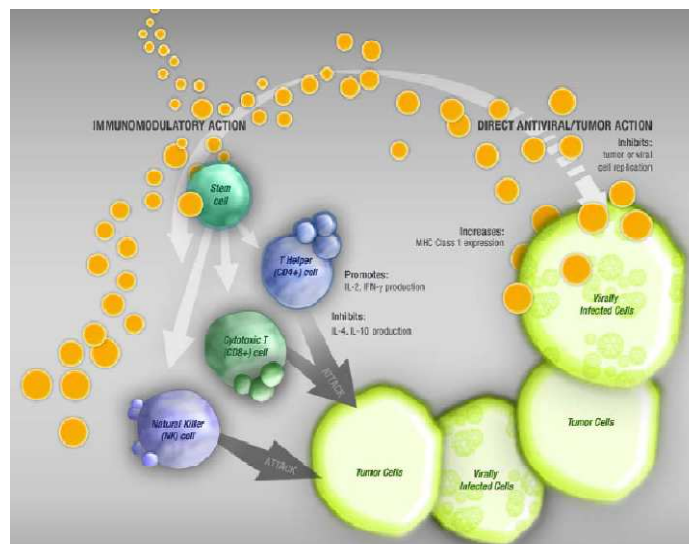
Regulatory Landscape for Vaccine Enhancer

The company plans to specifically target immune compromised patients for the vaccine adjuvant, because they are most likely to benefit from an immunomodulatory adjuvant such as Zadaxin. Additionally, by restricting the target population, SciClone will be able to keep Zadaxin® pricing intact. Of further significance, the hurdle for approval in Italy will be relatively low as only an amendment to the existing label is required. SciClone is also in discussions with various agencies in the EU with respect to emergency procedures for a vaccine and may seek approvals in additional European countries. The company has already begun preparing Zadaxin® inventory for use as vaccine adjuvant, should approval be granted in Italy and other EU countries, with the potential for commercialization in 2010.

Background on Thymosin alpha-1

Zadaxin® is a synthetic preparation of a thymic peptide called Thymosin Alpha-1 which circulates in the blood naturally, and is instrumental in generating an immune response to certain cancers and viral infections. Thymosin alpha-1 acts as an immunomodulator and stimulates the immune system's T cells and natural killer cells. In particular, the peptide has been shown to induce the production of certain subsets of white blood cells and their differentiation into CD-4 helper-cells, specifically towards differentiation into the Th1 subset of CD-4 helper cells (Th1 cells secrete cytokines such as interleukin-2 (IL-2) and gamma interferon). In addition, thymosin alpha-1 stimulates several other components of the immune response that help the body attack and kill virally-infected cells, including the ability to upregulate MHC class I expression (Figure 1) and potentiate an antiviral effect. Published studies have shown that thymosin alpha-1 helps stimulate and direct the body's immune response to eradicate infectious diseases like HCV and HBV, as well as certain cancers. Thymosin alpha-1 appears to be well tolerated with few reports of significant side effects or toxicities associated with its use.

FIGURE 1: MECHANISM OF ACTION FOR ZADAXIN®



Source: SciClone Reports

Zadaxin®, SciClone's brand of thymosin alpha-1, was first launched in China in 1996 for the treatment of Hepatitis B virus (HBV) infection, is currently approved in more than 30 countries worldwide (Figure 2) to treat a variety of indications including Hepatitis B, Hepatitis C, certain cancers, and as a vaccine enhancer. In clinical studies, more than 4,000 patients have been treated with thymosin alpha-1.

FIGURE 2: ZADAXIN® WORLDWIDE MARKETING STATUS

Location	Indication	Status
Argentina, Azerbaijan, Bahrain, Brunei, Cambodia, China, Dominican Republic, Hong Kong, India, Indonesia, Kuwait, Kazakhstan, Kyrgyzstan, Laos, Malaysia, Maldives, Malta, Mexico, Moldova, Pakistan, Peru, Philippines, Russia, Singapore, Sri Lanka, Thailand, Ukraine, United Arab Emirates, Uzbekistan, Venezuela, Vietnam	Chronic Hepatitis B	Registration Approved
Argentina, Dominican Republic, Mexico, Peru, Philippines, Russia, Singapore, Sri Lanka, Thailand, Ukraine	Chronic Hepatitis C	Registration Approved
Philippines, Sri Lanka, Thailand	Cancer Adjuvant	Registration Approved
Argentina, China, Dominican Republic, Hong Kong, Italy, Mexico, Philippines, South Korea, Thailand	Vaccine Enhancer	Registration Approved
Brazil, Georgia, Myanmar, Peru	Immunostimulant	Registration Approved

Source: SPIL

SCV-07 UPDATE

Phase 2 Results of SCV-07 in Oral Mucositis Show Activity in High Dose Cohort

In March, SciClone reported top-line results from a randomized, double-blind, placebo-controlled Phase 2 clinical trial evaluating SCV-07 for the prevention of severe (Grade 3 or 4) oral mucositis in 59 patients receiving standard chemoradiation therapy for treatment of head and neck cancer. The study demonstrated activity in delaying the onset of severe oral mucositis in the high dose cohort of 0.1 mg/kg. In the lower dose cohort of 0.02 mg/kg, no activity was observed. Although the result for the high dose cohort did not meet statistical significance versus placebo, investors should be aware that the trial was not powered to demonstrate a statistically significant effect and was primarily aimed as a proof-of-concept trial to guide the design of future, larger studies. Of note, the safety and tolerability profile of SCV-07 was good, with no drug-related serious adverse events documented. There exists potential for SciClone to present these results at the 2010 American Society of Clinical Oncology Annual Meeting.

Trial Design

The study was conducted at approximately 15 to 20 centers in the United States, and includes three treatment cohorts of 20 patients each. Each cohort received either placebo, SCV-07 at a dose of 0.02 mg/kg, or SCV-07 at a dose of 0.10 mg/kg daily from Monday to Friday for 7 weeks. Patients received radiation Monday to Friday for 7 weeks. The treatment period was approximately 7 weeks depending on the patient's prescribed chemotherapy plan, with a follow-up visit approximately 30 days following the last day of radiation therapy. Specifically, approximately 60% of patients enrolled obtained a cisplatin based regimen 3 times weekly and 40% of patients obtained a cisplatin based regimen once weekly. The primary efficacy endpoint is delay of onset of severe oral mucositis and the secondary endpoint is severity of symptoms (pain, erythema, ulcerations). Of significance, oral mucositis was evaluated weekly by experts specifically trained to detect and grade oral lesions characteristic of the condition. The trial commenced in December 2008. Of note, there are very few treatment options available for oral mucositis. Currently, there is no approved intervention for oral mucositis induced by radiation or radio-chemotherapy, and there is only a single approved therapy for oral mucositis associated with the administration of conditioning regimens prior to stem cell transplant for the treatment of cancer.

Subset Analysis Guides Design of Next Phase 2 Trial

A subset analysis of patients graded with ulcerative oral mucositis, a broader measure of oral mucositis that includes Grade 2 lesions, demonstrated a stronger activity profile in delaying the natural history of the onset of ulcerative mucositis. According to key opinion leaders, the extension of biological activity to the ulcerative oral mucositis setting is significant, as ulceration is the predominant cause of morbidity seen with oral mucositis, occurring in approximately 90% of oral mucositis cases. Given this exploratory analysis, SciClone intends to incorporate the delay of onset of ulcerative oral mucositis as a formal endpoint in a second Phase 2 study. Additionally, given the good safety profile, higher doses are expected to be evaluated in a trial powered appropriately to demonstrate a statistically significant treatment effect. Discussions with FDA are anticipated this summer regarding the design of a second Phase 2 study, which we believe could initiate by YE10 or early 2011.

Phase 2 Trial of SCV-07 and Ribavirin Underway

SciClone initiated in October 2009 a multi-dose, open-label Phase 2 trial of SCV-07 and ribavirin for the treatment of non-cirrhotic genotype 1 hepatitis C infected patients who relapsed after at least 44 weeks of treatment with pegylated interferon and ribavirin. We are anticipating enrollment to complete in 1H10 and data in 2H10. The trial design calls for a 4 week monotherapy regimen of SCV-07 followed by another 4 week combination therapy regimen of SCV-07 and ribavirin, with 3 follow-up visits during the 7 weeks after completion of treatment. The FDA approved the trial design in May 2009. The trial will test the hypothesis that SCV-07, as an immunomodulator, is synergistic with ribavirin. The dosing will commence at 0.1 mg/kg and escalate to 1.0 mg/kg but could include higher doses of SCV-07 as well. Current plans call for a target enrollment of 40 patients, 20 at the 0.1 mg/kg dose and 20 at the 1.0 mg/kg dose. While safety is the primary focus of the study, biomarkers of immune activation and viral load reductions will be monitored and reported.

Phase 2a Trial of SCV-07 for the Treatment of Hepatitis C Infection

In September 2008, SciClone reported results from a proof-of-concept Phase 2 clinical trial using its proprietary, immunomodulatory compound SCV-07 as a sole agent administered to patients chronically infected with the Hepatitis C virus (HCV). The trial was designed to evaluate the effect of SCV-07 on Hepatitis C viral load, as well as on other measures of immune response. SCV-07 demonstrated activity in some treated patients in the higher dosage groups, and the decrease in viral load in these patients was accompanied by an increase in an immunological biomarker which is usually correlated with response against HCV. Additionally, SCV-07 was shown to be generally safe and well-tolerated with no dose limiting toxicities or serious adverse events reported.

The randomized, placebo-controlled trial enrolled 34 non-cirrhotic patients infected with the difficult to treat genotype 1 strain of HCV, who had previously responded to treatment with interferon alpha and ribavirin but subsequently relapsed. Patients were randomized into three cohorts of escalating doses (0.01 mg/kg, 0.1 mg/kg or 1.0 mg/kg) and received daily subcutaneous injections of SCV-07 (N = 8 per cohort) or placebo (N = 2 per cohort). After completing seven days of therapy, all patients were monitored for a further 7 days and patients in the highest dosage group were monitored for 30 days following end of treatment.

The primary objective of the trial was to assess the antiviral effect of SCV-07 on Hepatitis C viral load and the pharmacodynamic effect as assessed by various biomarkers. In chronically infected patients, without treatment, variations in the amount of circulating HCV typically do not vary by more than 0.3 log. Subjects had relapsed to previous treatment with PEGylated interferon and ribavirin; therefore any change in HCV viral load of greater than 0.5 log₁₀ was considered a significant response. An independent safety review committee approved each dose escalation. In the trial, reductions of greater than 0.6 log₁₀ were seen in more than 10% of treated patients. The results demonstrated viral load reductions up to 1.2 log₁₀ at a dose of 1.0 mg/kg as well as increases in the biomarker neopterin that is indicative of immune activation (Figure 3). The findings were presented in a poster at the meeting of the European Association for the Study of the Liver (EASL) in April, 2009.

FIGURE 3: SCV-07 RESULTS OF PHASE 2A PROOF-OF-CONCEPT TRIAL

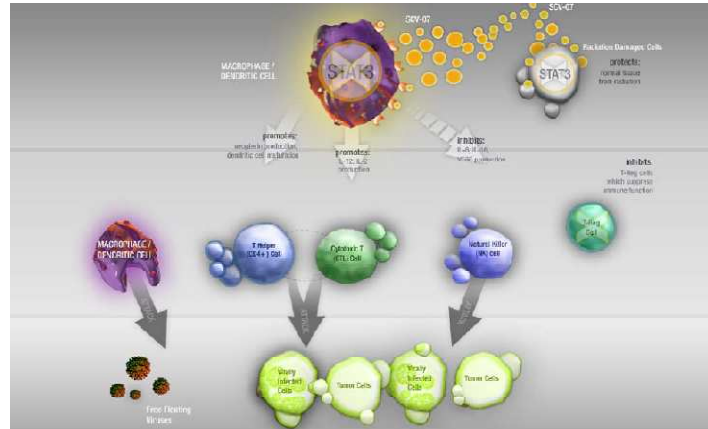
Cohort	Dose (Mg/kg)	Gender	Age	Reduction in HCV Viral Load (Log ₁₀)	Neopterin (nmol/L)
1 (n=8)	0.01	7M, 3F	39-69		
2 (n=9)	0.10	6M, 5F	48-59	0.9, 0.6	32, 12
3 (n=11)	1.0	9M, 4F	48-68	1.2	33

Source: SciClone 2009 EASL abstract

Background on SCV-07

SciClone's proprietary drug candidate SCV-07 (Figure 4) is a synthetic peptide (half life of 7 hours) with proven immune stimulating effects, including stimulation of T-helper 1 cells (Th1) and inhibition of STAT3 signaling. T-cells and STAT transcription factors play significant functional roles in a range of biological processes that are particularly relevant to oral mucositis as a clinical indication for SCV-07. Radiation- and chemotherapy-associated toxicities have been associated with a shift in Th1 to Th2 helper cell ratios to highly favor Th2 cells and increases in STAT3; SCV-07 has been shown to shift the Th1 to Th2 ratio back to favor the Th1 state and to inhibit STAT3-dependant responses. SCV-07 has shown efficacy in treating various viral and bacterial infections. In June 2007, SciClone reported that SCV-07 also inhibits melanoma tumor growth, a cancer known to be sensitive to immune modulation, in an animal model study.

FIGURE 4: SCV-07 POSSESSES MULTIPLE IMMUNE MODULATING EFFECTS



Source: SciClone Reports

DC BEAD™ FOR LIVER CANCER IN CHINA

SMALL TRIAL IN CHINA FOR DC BEAD™ UNDERWAY

The State Food and Drug Administration of China (SFDA) has requested that SciClone conduct a small clinical trial evaluating DC Bead, a drug-eluting agent for the treatment of liver cancer, to support an application for approval. The reasoning provided by the SFDA was that the original studies supporting the application were conducted in Hong Kong and another study in mainland China patients is necessary. According to management's remarks on the 1Q10 call, the company is not planning to report the detailed results of this confirmatory study and will rather focus on updating investors on the overall timeline for approvability of DC Bead in China. Eventually, the result of the study will likely be made available at a relevant scientific conference. The trial is being conducted at 3 SFDA-certified liver cancer treatment sites in China and is enrolling 40 advanced liver cancer patients that will each undergo 2 transarterial chemoembolization (TACE) procedures, with 4 months of follow-up, a primary endpoint of safety, and secondary endpoint of tumor response. On the 1Q10 call, the company noted that enrollment was proceeding slower than had been anticipated.

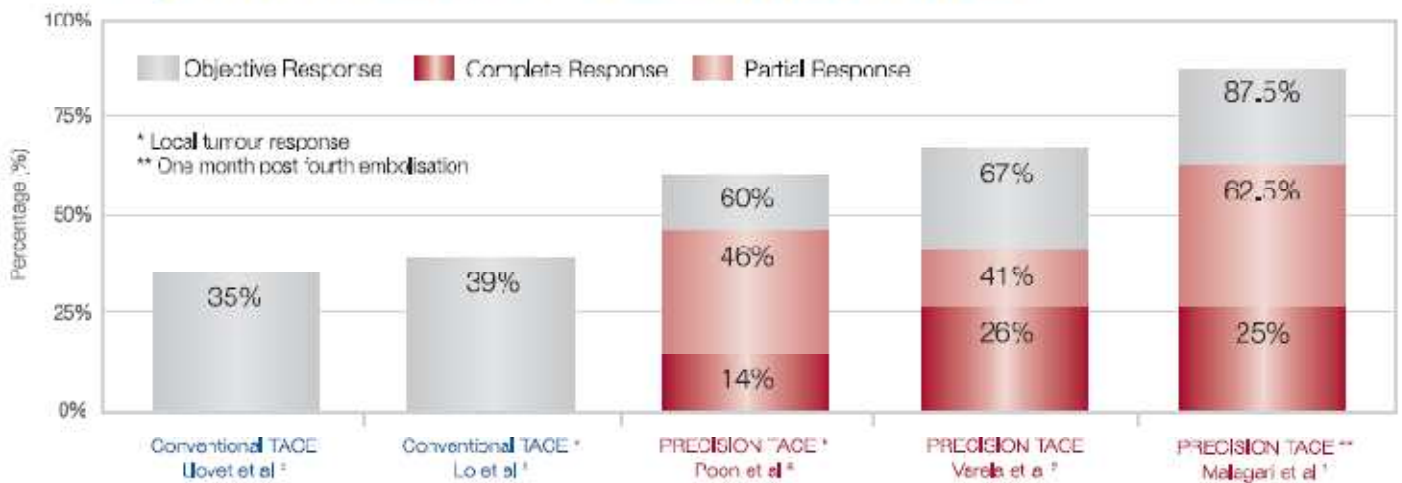
SciClone reiterated on the 1Q10 call that the company could gain Chinese regulatory approval by 1H11 and we believe that a launch of DC Bead™ could occur in 2H11. DC Bead™ will be launched initially as embolic agent, with the goal of running additional trials to expand the label in liver cancer to include doxorubicin and in colon cancer with Irinotecan.

Background on DC Bead™

DC Bead™ is designed to deliver doxorubicin and potentially can deliver other chemotherapy drugs, such as irinotecan. DC Bead™ received CE mark approval in 2003 and is indicated for the treatment of malignant hypervascularised tumors and loading with doxorubicin. In June 2006, SciClone acquired the exclusive Chinese marketing rights to DC Bead™ from BioCompatibles International plc. DC Bead™ is comprised of tiny beads, which when administered by catheter into a blood vessel blocks the supply of nutrients and blood to a tumor. While the blockage of the blood vessel itself can have an anti-tumor effect, chemotherapeutic agents can be added to the beads for a more targeted anti-tumor effect. This controlled delivery of an anti-tumor drug concentrates the toxic effect of the drug directly on the tumor and minimizes systemic side-effects.

A number of studies have demonstrated that DC Bead™, which delivers doxorubicin to the tumor in a controlled slow-release fashion with minimal systemic absorption, is superior in terms of response rates to conventional TACE, which rapidly releases doxorubicin leading to systemic toxicities (Figure 5).

FIGURE 5: RESPONSE RATES – CONVENTIONAL TACE VS PRECISION TACE



Source: BioCompatibles Sales Brochure

ONDANSETRON RAPIDFILM™ FOR NAUSEA

RapidFilm Approval in the EU Paves Way for Revenue Boost in China

In March 2010, SciClone reported that BioAlliance Pharma S.A. (Privately Owned) received approval for the anti-nausea drug ondansetron RapidFilm in 16 major EU countries, under the EU decentralized approval pathway. As a reminder, ondansetron RapidFilm was developed by APR Applied Pharma Research S.A. (Privately Owned) and Labtec GmbH (Privately Owned) and licensed to BioAlliance for EU countries. In 2009, SciClone entered into an exclusive licensing agreement with APR for the rights to commercialize and distribute ondansetron RapidFilm in the Chinese and Vietnamese markets. With European approval for RapidFilm in place, SciClone is preparing to file a clinical trial application in 2Q10 to conduct a bioequivalency study in China, leading to a potential launch in late 2011, bringing another marquee product into the hands of the experienced and knowledgeable Zadaxin sales force.

According to SciClone management, the approvals in the EU should facilitate discussions regarding the design of a bioequivalency trial with the SFDA. Of note, investors should be aware that SciClone has had multiple interactions with the SFDA regarding the regulatory approval of DC Bead, a drug-eluting bead for liver cancer. In our opinion, the company’s regulatory expertise should also help to streamline the path forward for RapidFilm in China.

A Long-Term Strategy Continues to Unfold: Leveraging the China Sales Force

The ondansetron RapidFilm agreement highlights SciClone’s long-term corporate strategy of expanding the company’s presence in China via in-licensing deals that can leverage SciClone’s 200-person sales force. We believe that the expertise of SciClone’s sales force as well as Zadaxin’s reputation for quality and purity have the potential to be leveraged for the commercialization of ondansetron RapidFilm. According to SciClone’s estimates, 2008 sales of serotonin 5-HT3 receptor antagonists in China, such as ondansetron, were approximately \$110 MM. Given RapidFilm’s unique profile, we anticipate that SciClone has the potential to take market share from the tablet formulations currently on the market in China.

SciClone Leverages Sales Force With Ondansetron Licensing Agreement

By way of background, earlier in 2009, SciClone entered into an exclusive licensing agreement with APR Applied Pharma Research S.A. (Privately Owned) for the rights to commercialize APR's anti-nausea drug ondansetron RapidFilm™ in the Chinese and Vietnamese markets. Ondansetron RapidFilm™ is a rapidly dissolving, oral thin-film water-soluble formulation of the generic drug ondansetron (branded name Zofran, manufactured by GlaxoSmithKline (GSK, Not Rated)) which is widely used to treat common side effects of nausea and vomiting, following surgery, chemotherapy, and radiotherapy, as well as during pregnancy. Although specific terms of the deal were not disclosed, the agreement is for a 10-year period following regulatory approval in China. The agreement also called for SciClone to make a \$1 MM upfront payment to APR.

As a reminder, ondansetron is a serotonin 5-hydroxytryptamine 3 receptor antagonist. When RapidFilm™ comes into contact with water or saliva, the formulation disintegrates and releases the drug in the mouth promoting both buccal and gastrointestinal absorption. The RapidFilm™ dosage form was specifically designed to address patient compliance with existing tablet formulations of ondansetron. Given that patients suffering from nausea and vomiting may have problems swallowing liquids and difficulty retaining tablets in the gastrointestinal tract, an alternative formulation of ondansetron could prove beneficial to patients.

FIGURE 6: ONDANSETRON RAPIDFILM™



Source: www.labtec-pharma.com/index.php?article_id=38

SCICLONE'S THERAPEUTIC PIPELINE PORTFOLIO

Drug	Phase	Potential Indications	Rights
Zadaxin® / Thymosin alpha-1	Marketed	HBV/HCV, Liver Cancer and other indications	SciClone - Partnered with Sigma Tau in EU
	Phase 2 Complete	Metastatic Melanoma	SciClone - Seeking a Partner
DC Bead™	Launch in China Anticipated by 2H11	Liver Cancer	SciClone (Exclusive License in China from BioCompatibles)
Ondansetron RapidFilm™	Launch in China Anticipated by YE11	Prevent nausea caused by chemotherapy, radiation, & surgery	SciClone (Exclusive license in China & Vietnam from Applied Pharma Research)
SCV-07	Phase 2	Oral Mucositis in Head and Neck Cancer HCV	SciClone (License ex- Russia from Verta. Ltd)

Source: SciClone Reports, Rodman & Renshaw

EXPECTED NEWSWORTHY EVENTS/MILESTONES FOR 2010 / 2011

Zadaxin®

- Potential to report 6-month follow-up data on clinical trial of Zadaxin® as vaccine adjuvant for H1N1 (2Q10)
- Potential for Chinese government to approve reimbursement program for Zadaxin (3Q10)

SCV-07 in Oral Mucositis

- Potential to meet with FDA to discuss design of new Phase 2 trial (2Q10 / 3Q10)
- Potential to initiate second Phase 2 trial evaluating SCV-07 in ulcerative oral mucositis (2H10)

SCV-07 in Chronic HCV Infection

- Potential to complete enrollment in Phase 2 trial evaluating SCV-07 (1H10)
- Potential to report data for Phase 2 trial evaluating SCV-07 in combination with ribavirin (2H10)

DC Bead™

- Potential for marketing approval in China (1H11)
- Potential to launch product in China (2H11)

RapidFilm™

- Potential to file clinical trial application for bioequivalency study with SFDA (2Q10)
- Potential for marketing approval and launch in China (YE11)

- ✓ *completed milestones*
- *milestones to be completed*

INVESTMENT OPINION

We are reiterating our Market Outperform / Speculative Risk rating and our 12-month target price of \$8. Our target price is derived based on a 2014 discounted revenues and earnings per share projections of approximately \$113 MM and diluted EPS of \$0.58, respectively. SciClone’s revenues are driven by the flagship immunomodulatory agent Zadaxin®, which is marketed in China and a variety of other foreign countries. SciClone has a promising pipeline of products including SCV-07 for oral mucositis and Hepatitis C infection, DC Bead™ for liver cancer, and RapidFilm™ for nausea. In our opinion, the mix of growing revenues, proven execution on guidance and corporate strategy, solid and increasing cash position, and potential to secure additional in-licensing agreements and report key data milestones from ongoing trials could generate significant value for the risk-oriented, long-term investor.

INVESTMENT PROS AND CONS

The major investment pros and cons, as we see them, are summarized in the following table:

POSITIVES	NEGATIVES
Two pipeline products have potential to address serious unmet medical needs	All pipeline products are currently at very early / intermediate stage
Zadaxin® is un-partnered; Partnership to bring in cash and offer validation	Small cap/low share volume
Management has experience licensing & developing drugs	
Revenue-generating company addressing a large China market, with overall profitability guided for and achieved in 2009, coupled with growing cash position	

Source: Rodman & Renshaw

FINANCIAL PROJECTIONS

Revenues

Revenues for 1Q10 were \$18.0 MM, slightly lower than our estimate of \$19.1 MM. At this time, based on the 1Q10 performance, we are slightly decreasing our 2010 revenues estimate to \$82.0 MM from our prior estimate of \$83.0 MM, reflecting continued incremental penetration in the Chinese marketplace (Tier 2 hospitals) for Zadaxin as well as revenues commencing via the planned government reimbursement program for Zadaxin. For DC Bead™, we believe that initial sales will likely be under \$10 MM in the first year of launch (likely 2H11) and we will include future projections for DC Bead™ in our model once regulatory approval is won in China, a decision which is now anticipated by 1H11. Additionally, we will include revenues for the newly in-licensed RapidFilm™ anti-nausea treatment once regulatory approval is won in China, anticipated in 1H11.

Research and Development Expenses

R&D expenses in 1Q10 were \$2.7 MM, lower than our estimate of \$4.2 MM, primarily a result of the discontinuation of the RP101 study. As a result of these changes, we are lowering our 2010 R&D estimate to \$15.1 MM from our prior estimate of \$17.4 MM. Of note, we believe that R&D will increase in 2010 given the potential to initiate a new Phase 2 trial in ulcerative oral mucositis in 2H10.

Sales & Marketing and General & Administrative Expenses

SG&A expenses in 1Q10 were \$8.2 MM, lower than our estimate of \$9.0 MM. Based on the 1Q10 performance, we are lowering our 2010 SG&A estimate to \$36.2 MM from our prior estimate of \$37.4 MM, reflecting expenses in connection with 200 person sales and marketing organization in China. We are modeling sales and marketing expenses at a fixed 27.5% of quarterly revenues.

Net Income and EPS

Net income for 1Q10 was \$4.2 MM or \$0.09 per diluted share, higher than our net income estimate of \$3.2 MM or \$0.06 per diluted share, primarily a result of lower than anticipated R&D expenses. The company reiterated guidance for earnings per share for the full year 2010 to be between \$0.31 and \$0.35 per share. We project net income of \$17.2 MM corresponding to FY10 earnings of \$0.35 per diluted share. For 2011, we are projecting net income of \$20.7 MM or \$0.42 per diluted share.

Cash

As of March 31, 2010, SciClone had cash and cash equivalents of approximately \$39 MM. SciClone has reiterated guidance for a YE10 cash position of greater than \$35 MM, which assumes continued profitability. The lower year end cash position relative to the current higher cash position of \$39 MM, despite projected quarterly profitability for the rest of 2010, reflects potential timing issues associated with the pull-down of the accounts receivable balance as well as the potential to convert cash to inventory, in our opinion. Given that SciClone has achieved full-year profitability, we believe the company has sufficient cash to fund operations for the foreseeable future.

INVESTMENT RISKS

SciClone faces risks similar to other companies involved in drug discovery and commercialization, including clinical trial failure, delays in regulatory approval, changes in regulatory and healthcare policies, patent infringements, and insufficient funds for product pipeline development.

Clinical Risk: Due to the inherent risk associated with drug development, the current programs may fail to demonstrate sufficient efficacy in clinical studies. The probability of success of early stage preclinical products is significantly lower than that of the late clinical stage. In addition, Zadaxin® had to be discontinued from development for HCV due to underwhelming efficacy in a Phase 3 trial.

Competitive Environment: A number of generic manufacturers sell a non-branded version of Zadaxin® in China. Although Zadaxin® commands a five-fold price premium at present, that premium has the potential to erode as generic competition intensifies.

Regulatory Risk: SciClone may not obtain regulatory or marketing approval for the company products for any cancer or HCV indications even if the clinical data is promising. There exists particular regulatory risk in China for DC Bead™ and RapidFilm™, where regulatory procedures are substantially less transparent than in the US.

Financial Risk: SciClone may not have sufficient funds to complete the development and commercialization strategy for the existing pipeline. The company currently had approximately \$39 MM in cash and cash equivalents at 1Q10. Although sales of Zadaxin® have the potential to support the company in 2010 and beyond, a need to obtain additional capital to support ongoing pipeline development from either the capital markets or partnerships remains a possibility.

SCICLONE HISTORICAL BALANCE SHEET

<i>Figures in thousands \$ except per share data</i>		
	<i>FY09</i>	<i>Q110</i>
ASSETS		
Cash and cash equivalents	29,687	37,539
Restricted short-term investments	71	*
Other short-term investments	1,646	1,154
Accounts receivable	21,394	16,913
Inventories	10,149	11,118
Prepaid expenses and other current assets	1,518	*
Total Current Assets	64,465	*
Property and equipment, net	771	*
Intangible assets, net	-	*
Long-term investments	-	391
Restricted long-term investments	415	*
Other assets	1,249	*
TOTAL ASSETS	66,900	70,234
LIABILITIES		
Accounts payable	2,339	*
Accrued liabilities	6,048	*
Deferred revenue	141	*
Total Current Liabilities	8,528	7,085
Long Term liabilities	979	987
TOTAL LIABILITIES	9,507	8,072
Commitments and contingencies		
Common stock; \$0.001 par value	47	*
Additional paid-in capital	222,229	*
Accumulated other comprehensive income	22	*
Accumulated deficit	(164,905)	*
Total stockholders' equity	57,393	62,162
Total liabilities and stockholders' equity	66,900	70,234
Rodman & Renshaw, LLC	Ren Benjamin, Ph.D.	
	(212) 430-1743	
	Yigal D. Nochomovitz, Ph.D.	
	(212) 430-1796	
* To be completed upon release of 10-Q		

Source: Company Report, Rodman & Renshaw LLC.

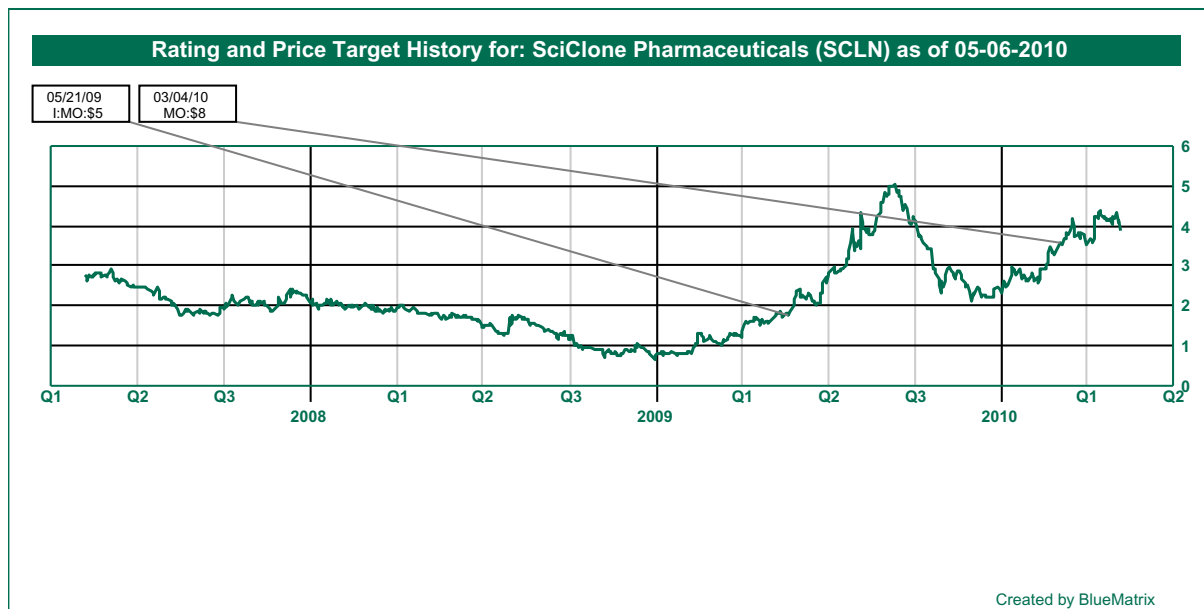
RODMAN & RENSHAW RATING SYSTEM: Rodman & Renshaw employs a three tier rating system for evaluating both the potential return and risk associated with owning common equity shares of rated firms. The expected return of any given equity is measured on a RELATIVE basis of other companies in the same sector, as defined by First Call. The price objective is calculated to estimate the potential movement in price a given equity could achieve given certain targets are met over a defined time horizon. Price objectives are subject to exogenous factors including industry events and market volatility. The risk assessment evaluates the company specific risk and accounts for the following factors, maturity of market, maturity of technology, maturity of firm, cash utilization, and valuation considerations. Potential factors contributing to risk: relatively undefined market, new technologies, immature firm, high cash burn rates, intrinsic value weighted toward future earnings or events.

RETURN ASSESSMENT

- Market Outperform (Buy): The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector, as defined by First Call.
- Market Perform (Hold): The common stock of the company is expected to mimic the performance of a passive index comprised of all the common stock of companies within the same sector, as defined by First Call.
- Market Underperform (Sell): The common stock of the company is expected to underperform a passive index comprised of all the common stock of companies within the same sector, as defined by First Call.

RISK ASSESSMENT

- Speculative - The common stock risk level is significantly greater than market risk. The stock price of these equities is exceptionally volatile.
- Aggressive - The common stock risk level is materially higher than market level risk. The stock price is typically more volatile than the general market.
- Moderate - The common stock is moderately risky, or equivalent to stock market risk. The stock price volatility is typically in-line with movements in the general market.



RATING SUMMARY

Rating	Count	Percent	IB Serv./Past 12 Mos	
			Count	Percent
Market Outperform(MO)	126	68.90%	39	30.95%
Market Perform(MP)	46	25.10%	5	10.87%
Market Underperform(MU)	5	2.70%	0	0.00%
Under Review(UR)	6	3.30%	1	16.67%
Total	183	100%	45	100%

Investment Banking Services include, but are not limited to, acting as a manager/co-manager in the underwriting or placement of

securities, acting as financial advisor, and/or providing corporate finance or capital markets-related services to a company or one of its affiliates or subsidiaries within the past 12 months.

ADDITIONAL DISCLOSURES

Rodman & Renshaw, LLC. (the "Firm") is a member of FINRA and SIPC and a registered U.S. Broker-Dealer.

ANALYST CERTIFICATION

I, Reni Benjamin, Ph.D., hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities.

None of the research analysts or the research analyst's household has a financial interest in the securities of SciClone Pharmaceuticals (including, without limitation, any option, right, warrant, future, long or short position).

As of Mar 31 2010 neither the Firm nor its affiliates beneficially own 1% or more of any class of common equity securities of SciClone Pharmaceuticals.

Neither the research analyst nor the Firm has any material conflict of interest with SciClone Pharmaceuticals, of which the research analyst knows or has reason to know at the time of publication of this research report.

The research analyst principally responsible for preparation of the report does not receive compensation that is based upon any specific investment banking services or transaction but is compensated based on factors including total revenue and profitability of the Firm, a substantial portion of which is derived from investment banking services.

The Firm or its affiliates did not receive compensation from SciClone Pharmaceuticals for any investment banking services within twelve months before, but intends to seek compensation from the companies mentioned in this report for investment banking services within three months, following publication of the research report.

Neither the research analyst nor any member of the research analyst's household nor the Firm serves as an officer, director or advisory board member of SciClone Pharmaceuticals.

The Firm does make a market in SciClone Pharmaceuticals securities as of the date of this research report.

Any opinions expressed herein are statements of our judgment as of the date of publication and are subject to change without notice.

Reproduction without written permission is prohibited. The closing prices of securities mentioned in this report are as of May 6 2010. Additional information is available to clients upon written request. For complete research report on SciClone Pharmaceuticals, please call (212) 356-0500.

Readers are advised that this analysis report is issued solely for informational purposes and is not to be construed as an offer to sell or the solicitation of an offer to buy. The information contained herein is based on sources which we believe to be reliable but is not guaranteed by us as being accurate and does not purport to be a complete statement or summary of the available data. Past performance is no guarantee of future results.