



Dutton Associates Announces Investment Opinion: A.P. Pharma Maintained At Strong Speculative Buy Rating By Dutton Associates

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EL DORADO HILLS, Calif., Jun 27, 2006 (BUSINESS WIRE) -- Dutton Associates updates its coverage of A.P. Pharma (Nasdaq:APPA) maintaining a Strong Speculative Buy rating and a \$3.00 price target. The 8-page report by Dutton senior analyst Stephen Handley is available at www.jmdutton.com as well as from First Call, Bloomberg, Zacks, Reuters, Knobias, and other leading financial portals.

A.P. Pharma is a small, specialty pharmaceutical company seeking to develop and commercialize products utilizing its proprietary polymer-based delivery systems. Its primary focus is on bioerodible systems, either injectable or implantable, that incorporate its proprietary Biochronomer(TM) technology. We recently visited with management at the Company's headquarters in Redwood City, California, and reviewed in considerable detail the clinical data and ongoing development plans for the product APF530. Recall that this compound is being developed for the prevention of acute and delayed chemotherapy-induced nausea and vomiting (CINV), and virtually all of the Company's resources are now being dedicated to clinical trials and regulatory documentation necessary for its commercialization. Rights to future royalties on sales of two licensed products were sold in January for up to \$30 million. This will enable A.P. Pharma to completely fund the pivotal Phase III clinical trials of APF530, which began in late April, even if a suitable agreement is not obtained during this period with a development and marketing partner. Management is clearly pursuing a higher risk/higher reward strategy, and we believe that this is the correct move because we judge that the risk of not eventually achieving commercialization of APF530 is very low, while the probability of this compound ultimately achieving great commercial success is quite high.

About Dutton Associates

Dutton Associates is one of the largest independent investment research firms in the U.S. Its 31 senior analysts are primarily CFAs and have expertise in many industries. Dutton Associates provides continuing analyst coverage of over 140 enrolled companies, and its research, estimates, and ratings are carried in all the major databases serving institutions and online investors.

The cost of enrollment in our one-year continuing research program is US \$35,000 prepaid for 4 Research Reports, typically published quarterly, and requisite Research Notes. Dutton Associates received \$55,000 from the Company for 8 Research Reports with coverage commencing on 12/5/2003. We do not accept payment of our fees in company stock. Our principals and analysts are prohibited from owning or trading in securities of covered companies. The views expressed in this research report accurately reflect the analyst's personal views about the subject securities or issuer. Neither the analyst's compensation nor the compensation received by us is in any way related to the specific ratings or views contained in this research report or note. Please read full disclosures and analyst background at www.jmdutton.com before investing.

SOURCE: A.P. Pharma

Dutton Associates, LLC

John M. Dutton, 916-941-8119