

Our markets

The healthcare markets in which the Group operates are forecast to continue to exhibit long-term stable and manageable growth

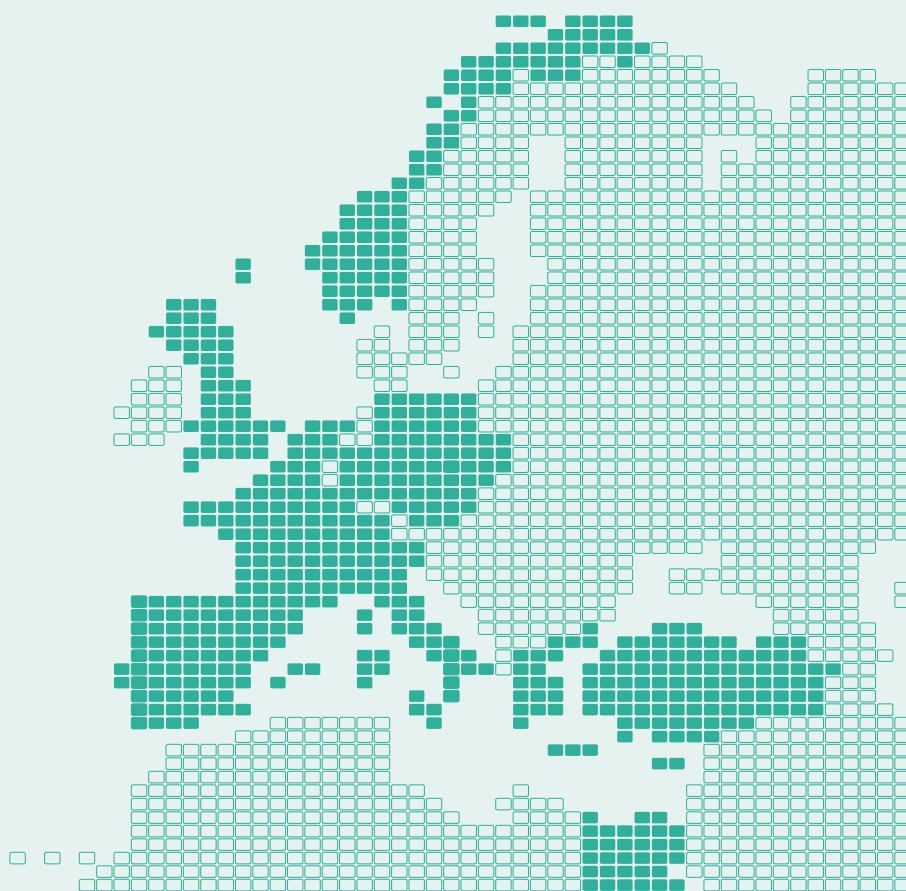
This reflects socio-demographic trends across Europe which show an ageing population and rising quality of life expectations in old age.

These trends are placing increasing financial and operational demands on healthcare systems, resulting in continuing growth in prescription medicine volumes.

Alliance UniChem is well placed to work in partnership with manufacturers of pharmaceutical products and governments to help them achieve their respective goals.

The Group helps manufacturers optimise the economic and therapeutic performance of their pharmaceutical products through the provision of value added services. Examples of these include capture and supply of data, patient monitoring and advice to ensure compliance with drug regimes, and supply chain management to facilitate a regular and orderly market for their products.

Once products reach the end of their patent life, the Group can work with manufacturers to facilitate the effective introduction of lower priced generic products. Governments see increasing the proportion of generic drugs used as one of the most effective ways of controlling growth in drug expenditure. Regulatory controls on generic drugs allow us to use our scale and expertise to work with suppliers and payers to achieve their objectives, while typically earning a cash margin equal to or better than that on the more expensive



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comparable branded drug. We also offer suppliers the opportunity to use "Almus", our branded product range for generics, as a further channel to penetrate the market.

Other mechanisms used by governments to manage growth in expenditure include controlling drug reimbursement prices, cutting maximum wholesale margins, increasing clawbacks of discounts from pharmacies, delisting products from reimbursement lists and increasing demands on manufacturers to prove and monitor the therapeutic performance of their branded pharmaceutical products.

Price cuts on medicines most directly affect manufacturers. When this happens the manufacturers have an additional impetus to seek other ways of maximising their earnings. This provides us with additional opportunities to assist them in logistics, marketing and in other areas of their businesses.

Cuts in maximum wholesaler margins and increases in clawback can have a short-term impact on our businesses, but typically we are able to counter these by managing our commercial relationships and expanding our range of value added services, aimed at improving pharmacists' margins and enhancing their earnings.

In many cases, delisting products from reimbursement lists does not reduce overall prescription volumes, as doctors simply move patients to a comparable prescription item rather than encouraging them to purchase what has become a non-prescription product. We are then able to work with a manufacturer of the comparable product to promote its usage, while at the same time actively supporting the marketing of the delisted product as a non-prescription item through our owned and virtual chains of pharmacies.

Governments across Europe are increasingly seeking ways to ease the pressure on overstretched community doctors' services, through the enhanced use of pharmacists to advise patients and manage their medicines' regime. As a result, a range of new opportunities and revenue streams is opening up to our owned pharmacies, virtual chains and other pharmacy customers.

Full line pharmaceutical wholesalers and community pharmacies play a vital role in the supply and dispensing of medicines. The quality of service and professional advice delivers significant benefits to customers, patients, payer governments and to the community as a whole.

