

## Chairman's statement



**Kenneth Clarke**  
Chairman

This has been an excellent year for Alliance UniChem, with strong sales growth, further advances in profits and earnings and significant business developments, both geographically and in our e-business activities.

Overall Group sales were up by 14 per cent to £6.1 billion / €9.3 billion (1998: £5.4 billion / €7.9 billion). Before goodwill amortisation, profits before tax were £123.1 million / €186.9 million, an increase of 11 per cent, and diluted Group earnings per share grew by 11 per cent to 27.6 pence per share. These results have been adversely affected by the strengthening of sterling in the latter half of 1999 and before goodwill amortisation and at constant currency rates, profits before tax were up by 12.4 per cent and earnings were up by 10.6 per cent. In Euro terms these increases, in profits before tax and in earnings, were 14 per cent. A final dividend of 7.7 pence per share is proposed, giving a full year cash dividend of 11.7 pence, an increase of 10 per cent over last year. The final dividend, payable to qualifying shareholders on the register at 7 April 2000, will be paid on 6 June 2000.

The rapid pace of our expansion has not slackened, with further significant acquisitions in 1999. The widening of the geographical coverage of our wholesaling businesses has included our strategic alliance with Galenica, the leading wholesaler in Switzerland, which has a 50 per cent market share; and our acquisition of three wholesalers in the Czech Republic and a major Spanish wholesaler in Andalusia. We have also agreed terms with a further 33 pharmacies in the United Kingdom, which, together with the pharmacies managed by AURI, takes our total portfolio to over 700 units.

Our retail division acquired 74 shops in the period, which, together with 42 further acquisitions since the period end, brings the total number of shops trading in the UK up to 676 units. The division also began operations outside the UK with the acquisition of pharmacies in Italy, and now also operates in Switzerland following our corporate development activities which have taken us into those countries for the first time.

We have also advanced our Group's strategy and strengthened our position in healthcare markets by significant developments in our e-business activities. A new company with an independent management team has been formed to coordinate our investments and development of internet and technology businesses. In 1999 we added to our existing portfolio of technology businesses, comprising the market leaders in the provision of software for pharmacies in Italy, France and Spain, and of pharmaceutical databases in France, through the acquisition of businesses, providing front-end surgery systems for doctors in France, and the market leading pharmacy system in the UK. Our new division will pursue a three pronged strategy, which will enable us to take the leading position in on-line business-to-business in the healthcare sector; establish a comprehensive healthcare knowledge website for consumers, linked to a platform for our pharmacist customers; and provide on-line healthcare community to network the key professionals involved in healthcare provision, including doctors, pharmacists and manufacturers.

## Pharmacists

The concerns and needs of pharmacists are at the centre of our business activities across Europe. All our businesses are built upon the value of the continuing close relationships we have with pharmacists. We continue to explore new ways to develop those relationships further, through a pan-European representative forum for our pharmacist customers, our national consultative committees, annual business conventions, board representation in both an executive and non-executive capacity, and much more. The Pharmacists' Forum met on three occasions in 1999 and is currently working on an agenda of topics, including e-commerce, single European prescription systems, and issues concerning the wider sale of OTC medicines.

## Shareholders

In total, 2.24 million new shares were issued in respect of the acceptance of scrip dividends by mainly private shareholders, and also the exercise of employee share options and for pharmacy acquisitions.

Pharmacist shareholders continue to be strongly represented on our share register through our listings in London and Paris, and in addition many pharmacists across Europe have an equity interest in the wider Group. We believe the Company is strengthened significantly by the participation of its pharmacist shareholders, which reinforces the mutuality of interest between the Company and its customers. Our associate company, Galenica, is quoted on the Swiss Exchange and enjoys the support of 1,665 pharmacist shareholders.

## People

The job we do every working day, of delivering medicines and healthcare products to over 53,000 pharmacies, hospitals and other healthcare sites providing medical support to millions of patients across Europe, is a vital link in the maintenance of a healthy quality of life for the European population. This could not be achieved without the dedication and hard work of all our staff in every one of our business units.

I am also pleased to report that over 1,200 of our employees are shareholders in the Group through various share ownership schemes. On behalf of shareholders, I thank all my colleagues for their contribution.

## Directors

During 1999 Michael Bardsley, a non-executive director from the time of our flotation as a public company in 1990, retired from the Board having reached the maximum permitted age for directors. Michael made an exceptional contribution to the Company over his ten year tenure on the Board, both as a director and as chairman of the audit committee. We wish him well on his retirement. Following our strategic alliance with Galenica we welcome Etienne Jornod, chairman and managing director of Galenica, onto our Board as a non-executive director. Etienne has been the driving force behind the strong performance of Galenica since his appointment in 1996 and we look forward to his contribution to the Board.

## Outlook

The Group continues to prosper by building on its strengths in existing markets and expanding into new territories. Long term trends in our markets continue to be favourable and whilst all governments will continue to control healthcare costs tightly, we are demonstrating continuing success in increasing our profits and our returns. We have also demonstrated our ability to find and capture opportunities to grow by acquisition, and successfully to integrate and merge companies in to our Group, gaining synergies as we grow. We look forward to the future with confidence.



*Kenneth Clarke*  
Chairman  
21 March 1999