

“The first six months of 2002 have shown once again that overall our markets are maintaining the robust growth trend that have enabled us to expand our business and grow earnings consistently over many years.”

Jeff Harris, Chairman, Alliance UniChem Plc.

Chairman's statement



Overview and financial results

The Group continued its well-established track record of delivering strong and stable growth in financial performance during the first six months of the year, despite varying trading patterns in our wholesale and retail businesses. This strong financial performance further demonstrates the inherent quality of our businesses and the benefits of a diverse geographical and commercial portfolio.

In wholesale, our Northern European businesses continued to perform well. In Southern Europe we experienced a more mixed environment, the Italian and French markets being impacted particularly by government actions to control growth in national drug expenditure.

Our retail division once again delivered strong sales and profit growth, both organically and through its continuing

acquisition programme.

Group turnover for the six months ended 30 June 2002 was £3,895.2 million (€6,271.3 million), an increase of 7.9% on the first half of last year.

Group operating profit before amortisation of intangible assets grew by 11.3% to £95.7 million (€154.1 million). Profit before taxation and amortisation of intangible assets increased by 9.8% to £83.1 million (€133.8 million). Diluted earnings per share before amortisation of intangible assets grew by 10.3% on a comparable basis to 17.1 pence per share (27.5 cents), last year's half year figures having been restated for FRS 19, the new accounting standard on deferred taxation.

Dividend

The Board has declared an interim dividend of 5.2 pence per share (8.4 cents) which will be paid on 10 December 2002 to shareholders on the register →

- 1 Underpinning our business is a focus on service and excellence to our customers, be they patients, pharmacists, pharmaceutical companies or governments.
- 2 Reliability and accuracy are vital to our business. We strive to consistently provide the highest service levels available to our customers.
- 3 We work tirelessly to provide our pharmacist customers with the support and facilities they need to offer their customers the best advice and care possible.



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at the close of business on 27 September 2002. This represents an 8.3% increase on last year's interim dividend. As in previous years, shareholders will be offered a stock alternative.

Board structure

George Fairweather, our Group Finance Director, joined in April 2002, succeeding Geoff Cooper who has become Deputy Chief Executive. Under George's leadership we are launching a programme to further enhance our management information as part of our continuing drive to maintain the growth in financial performance of our businesses.

Group development

Our retail division continues to invest in high quality pharmacies, maintaining our focus on strict investment criteria. During the first half of the year we acquired a net 46 pharmacies, including

17 in associate businesses. This brings our retail portfolio to 975 pharmacies and 73 other healthcare-related outlets, including 75 operated by associate businesses.

In June we completed the acquisition of Holtung, the third largest Norwegian pharmaceutical wholesaler; this follows our successful entry into the Norwegian retail market in 2001. The transfer of most of our retail supply business into Holtung has largely been completed, significantly improving sales, market share and the underlying financial performance of Holtung.

In July following the end of the period, we announced an agreement to exercise our option to acquire a further 25% of Hedef, the largest pharmaceutical wholesaler in Turkey, taking our interest to 50%. This investment reflects our confidence in the company and its markets following an extremely robust performance

despite the economic difficulties in Turkey. Hedef is performing in line with our initial forecasts for that business, despite the devaluation of the Turkish currency, and as economic conditions stabilise it should deliver strong financial growth.

In June we completed two financing initiatives totalling approximately £345 million (€530 million), as part of our strategy to diversify sources of capital and to lengthen the maturity of borrowings. The proceeds of these issues have been used to repay existing short-term bank debt.

Outlook

The first six months of 2002 have shown once again that overall our markets are maintaining the robust growth trends that have enabled us to expand our business and grow earnings consistently over many years. Regulatory and commercial pressures are ever

present in our sector, but our track record demonstrates our consistent ability to overcome these challenges.

We continue to seek opportunities to expand the Group, both in countries in which we currently operate and beyond, and to drive enhanced financial performance from our core businesses. We believe that the trends that we have seen during the first half of the year will continue for the year as a whole and remain confident of being able to continue our strong performance as a Group. ◦

Jeff Harris, Chairman
12 September 2002