

Continuous growth since flotation



Alliance UniChem

Interim Report 2004

Alliance UniChem is committed to improving the quality of health in the communities we serve



Alliance UniChem

- Acceleration of earnings per share growth
- All divisions reporting higher sales, operating profits and operating margins
- Year on year improvements in working capital efficiency of approximately £55 million
- Sharp increase in interest cover
- Increased pace of pharmacy acquisitions with a net 38 new pharmacies added in the half year and a further 20 since

Our track record of continuous growth since flotation in 1990 clearly shows our ability to meet the challenges we face year after year

Continuous growth since flotation

2004 interim highlights

for the six months ended 30 June 2004

2003

2004

Growth

Turnover*

£4,283.4 million

£4,480.4 million

£4,480.4 million

+4.6%

Total operating profit

before amortisation of intangible assets**

£122.5 million

£137.4 million

£137.4 million

+12.2%

Profit before tax

before amortisation of intangible assets**

£95.8 million

£115.5 million

£115.5 million

+20.6%

Diluted earnings per share

before amortisation of intangible assets**

19.1 pence

21.8 pence

21.8 pence

+14.1%

Diluted earnings per share

17.0 pence

19.6 pence

19.6 pence

+15.3%

Interim dividend per share

5.70 pence

6.25 pence

6.25 pence

+9.6%

* Turnover growth rate is based on 2003 published interim figures adjusted for the accounting policy change made at the end of 2003 following the amendment to the accounting standard FRS 5.

** Figures are calculated before amortisation of intangible assets of £7.7 million (2003: £7.4 million) since the Directors consider that this gives a useful additional indication of underlying performance.

Chairman's statement

"Our results demonstrate that we have been able to step up the rate of growth from businesses in our portfolio" Jeff Harris, Chairman



Overview and financial results

In the first half of 2004 the Group accelerated its rate of earnings growth, achieving a stronger financial performance than we expected at the time of the 2003 preliminary results announcement in February 2004. Our key measure, diluted earnings per share before amortisation of intangible assets, increased by 14.1% on the first half of last year, the fastest rate of increase we have seen for many years. This result builds upon the 11.7% year on year growth achieved in the full year 2003. Cash generation from operating activities was again strong.

This performance has been largely achieved through organic sales growth and an ongoing focus on margin management, cost control and working capital efficiency.

Our wholesale division performed well, all businesses increasing sales, operating margins and operating profits. France and The Netherlands responded to regulatory changes at the start of the year, actions taken including further initiatives to improve efficiencies. Trading performance in our retail division continues to be excellent with a significant increase in sales and operating profit, reflecting our efforts to increase revenue from enhanced patient and manufacturer services and improve efficiencies. As a result, overall operating margins increased, despite reductions in margins on medicines, particularly in the UK and The Netherlands. The performance of our associates was held back by high inflation and currency depreciation in Turkey, but benefited from the inclusion of five months' results from Andreae-Noris Zahn AG ("ANZAG") in Germany.

Group turnover was £4,480.4 million (€6,617.6 million) for the six months ended 30 June 2004, an increase of 4.6% on the first half of last year (up 6.0% on a constant currency basis), after restating the comparative figures for a change of accounting policy resulting from the amendment to the accounting standard FRS 5 in December 2003. Group operating margin before amortisation of intangible assets increased by 19 basis points to 2.66%. Total operating profit before amortisation of intangible assets increased by 12.2% to £137.4 million (€202.9 million). Profit before taxation and amortisation of intangible assets increased by 20.6%

to £115.5 million (€170.6 million) with interest costs down 18.0% due to lower interest rates and the benefits from the ongoing working capital efficiency programme. Diluted earnings per share before amortisation of intangible assets increased by 14.1% to 21.8 pence per share (32.2 cents), the effective tax rate increasing by 2.0 percentage points and the average number of shares on a diluted basis increasing by 2.4%.

Net cash inflow from operating activities at £88.5 million (€130.7 million) benefited from an estimated £25 million inflow from improved trade working capital ratios, building upon the efficiencies achieved last year. Year on year, on a balance sheet basis, the improvement in trade working capital efficiency was approximately £55 million.

Dividend

The Board has declared an interim dividend of 6.25 pence per share (9.23 cents), an increase of 9.6% on the comparable dividend last year. The interim dividend will be paid on 11 October 2004 to shareholders on the register at the close of business on 6 August 2004. The Board will, as in previous years, offer shareholders a share alternative.

Board and organisational changes

Ian Meakins is to join the Group and the Board later this year as Chief Executive. He succeeds Stefano Pessina, who will become Executive Deputy Chairman with responsibility for strategic development, including acquisitions. Ian is currently President, Major Markets and Global Supply for Diageo PLC, the world's largest premium drinks business. Geoff Cooper, Deputy Chief Executive, has resigned from the Board and will leave the Group in early 2005.

Group development

In our retail division we acquired 35 pharmacies and opened a further four in the first half of 2004, including two in total in associate businesses. One pharmacy was sold. This brought our retail portfolio to 1,130 pharmacies at 30 June 2004, including 103 operated by associates.

In late January the Group completed the purchase of 19% of the equity of ANZAG, the third largest wholesaler in Germany, for a consideration of £41.7 million (€60.5 million), taking our shareholding

to 29.99%. This transaction represents a significant step forward for the Group in Germany, the largest single pharmaceutical market in Europe. ANZAG has been accounted for as an associate from the beginning of February. During the period we also sold our interest in our Greek wholesale associate, whose performance had fallen short of our expectations.

In early July, agreement was reached to sell Eldon, a small UK producer of specialist pharmaceutical products, which is a non-core activity. This transaction, which is conditional upon regulatory approval, is expected to be completed shortly.

Outlook

Our overall strategy for the Group remains unchanged, the success of which is demonstrated by our long established track record of delivering strong earnings per share growth which has accelerated for the first half of 2004.

We continue to drive enhanced financial performance from our core wholesale and retail businesses and seek opportunities to expand, both in countries in which we operate and beyond. As anticipated, we are seeing more opportunities to add to our pharmacy chains as the year progresses. Since the beginning of July we have acquired a further 20 pharmacies and expect the total number of acquisitions for the year to be significantly above the figure achieved in 2003.

Our results demonstrate that we have been able to step up the rate of growth from businesses in our portfolio. The regulatory outlook for the remainder of 2004 appears stable, and we expect to continue to enjoy a very strong rate of growth in the second half.



Jeff Harris
Chairman
29 July 2004

Operating review

Divisional highlights

for the six months ended 30 June 2004

	Turnover £million	Operating profit* £million	Growth over first half of 2003	
			Turnover %	Operating profit* %
Wholesale – Northern Europe	1,475.0	42.9	+6.0	+8.3
– Southern Europe	2,858.1	38.1	+3.6	+12.4
Retail – Europe	579.5	45.5	+11.4	+26.0
Corporate	–	(7.3)	–	–
Intra-group	(432.2)	–	–	–
Group	4,480.4	119.2	+4.6	+12.9
Share of operating profit of associates	–	18.2	–	+7.7
Total	4,480.4	137.4	+4.6	+12.2

* before amortisation of intangible assets.

The turnover growth rate is based on 2003 published interim figures adjusted for the accounting policy change made at the end of 2003 following the amendment to the accounting standard FRS 5.

Our wholesale division performed well, all businesses increasing sales, operating margins and operating profits

Markets

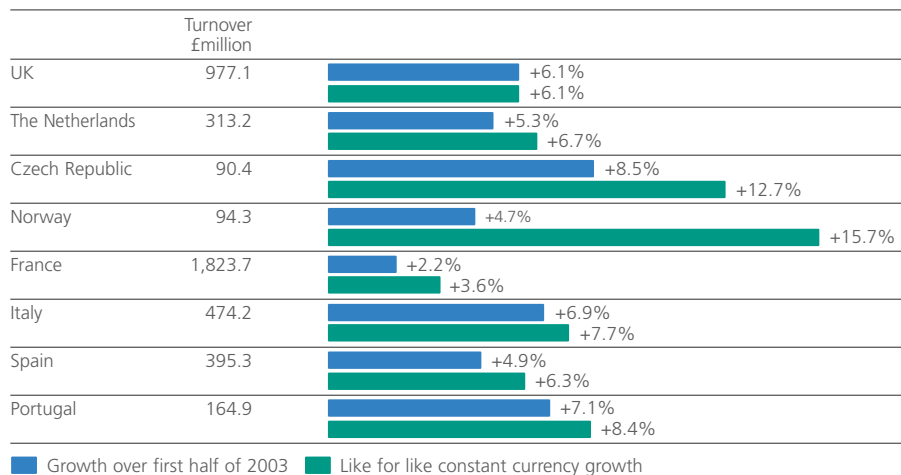
The wholesale markets in which our businesses operate grew, we estimate, by 6% against the first half of last year, this growth being weighted on the basis of our wholesale turnover. This was ahead of our forecast at the beginning of 2004. The principal factors determining market growth rates in individual countries continue to be regulatory actions and demographics.

Generic prescribing continues to increase, reducing wholesale market growth as more expensive brands come off patent and are replaced by cheaper generic medicines which typically offer higher trading margins to us.

The growth of parallel trade slowed further during the period as a result of manufacturers' efforts to curtail it through the implementation of quota systems on products, the restriction of product supply in certain markets and patent expiry of some high volume products.

Wholesale

for the six months ended 30 June 2004



Wholesale

Northern Europe

Operating profit before amortisation of intangible assets was £42.9 million (€63.4 million), an increase of 8.3% on the first half of last year, on turnover up 6.0% to £1,475.0 million (€2,178.6 million). Overall market growth was better than predicted, primarily as a result of higher growth in the UK. Sales were up 7.3% on a constant currency basis, market share gains being achieved in every country. Operating margins increased by 6 basis points to 2.91%, improvements being achieved in every country, reflecting the success of the Group-wide performance improvement programme.

In the UK, turnover increased by 6.1% to £977.1 million (€1,443.2 million), reflecting gains in market share, with estimated market growth of 4% being higher than we had predicted at the start of the year. We continue to focus on increasing the proportion of higher margin product categories and on the more effective management of customer and supplier relationships. This, together with productivity gains achieved in implementing the results of our Group-wide benchmarking project, resulted in higher operating margins and good profit growth.

Progress continues on rolling out the Group-wide benchmarking initiative designed to increase warehouse productivity. Projects at the Preston and Livingston warehouses were completed in February with Letchworth scheduled for completion by the year end.

We significantly improved our service and availability levels for non-prescription medicines during the period. We also continue to develop our portfolio of added value services and industry-acclaimed loyalty schemes to independent community pharmacies.

Our range of generic drugs, branded "Almus", continues to grow, with just under 100 products now being available. The running rate of sales is currently around £30 million per annum.

In The Netherlands, turnover increased by 5.3% to £313.2 million (€462.6 million), up 6.7% on a constant currency basis, compared to a market which we estimate grew by 4%, this rate reflecting the price cuts of generics at the beginning of March. We continue to win market share by providing our customers with excellent customer service. Operating efficiencies, including the closure of the Rotterdam warehouse in March, more than compensated for lower gross margins due to regulatory changes, resulting in higher operating margins and good profit growth.

In the Czech Republic, turnover increased by 8.5% to £90.4 million (€133.5 million), an increase of 12.7% on a constant currency basis, compared to a market which we estimate grew by around 12%. As in The Netherlands, operational efficiencies more than compensated for increased customer discounts, resulting in higher operating margins and profits.

In Norway, turnover increased by 4.7% to £94.3 million (€139.3 million), up 15.7% on a constant currency basis, compared to a market which we estimate grew by 7%. Operational efficiencies again more than compensated for a reduction in gross margins as a result of the retail deregulation of what were primarily pharmacy-only medicines. As a result, operating margins and profits increased.

Operating review (continued)

Southern Europe

Operating profit before amortisation of intangible assets was £38.1 million (€56.3 million), an increase of 12.4% on the first half of last year on turnover up 3.6% to £2,858.1 million (€4,221.4 million). Like for like sales growth was 4.9% on a constant currency basis. Operating margins increased by 10 basis points to 1.33%, improvements being achieved in every country, as in Northern Europe.

In France, turnover increased by 2.2% to £1,823.7 million (€2,693.6 million) compared to the first half of last year. Sales growth was 3.6% on a constant currency basis, compared to estimated market growth of 5% in the wholesaling sector. We estimate that the total market grew in value by 6.5% with the proportion of products which manufacturers distribute direct to pharmacies continuing to increase. This reflects the growing importance of generic products. We continue to work closely with a number of generic manufacturers to increase our market share in this category.

At the start of the year the French government introduced tough regulatory changes aimed at reducing its expenditure on medicines. In response to this we implemented necessary actions, including launching further initiatives to improve efficiencies. We also benefited marginally from the introduction of a new, fairer methodology for determining ACOSS healthcare taxes. In common with our other businesses, in France we have seen an increase in participation by our pharmacy customers in collective buying arrangements, which we offer as a key component of our commercial strategy.

We continue to enhance other aspects of our commercial offering in France, including the development of new added value services for independent pharmacies which are members of Alphega, our virtual pharmacy network. During the half year, the number of Alphega members increased by 32 to 214. These factors meant that, despite the government reducing its expenditure on drugs, we were able to increase operating margins and profits compared to the first half of last year.

In Italy, turnover increased by 6.9% to £474.2 million (€700.4 million), an increase of 7.7% on a like for like constant currency basis. This compares with a market which we estimate grew by 5.5%, market share gains being achieved for the first time in a number of years. Operating margins and profits increased compared to the first half of last year due to an improved commercial performance and the benefits of minor restructuring in the first half of last year. Good progress was made during the period in establishing our new virtual chain of pharmacies. By the end of the half year 35 pharmacies had joined, with a further 16 signed up to join shortly.

We continue to review operational strategy in Italy, to determine how best to improve longer term business performance in what continues to be a particularly difficult market from a regulatory and commercial perspective.

In Spain, turnover increased by 4.9% to £395.3 million (€583.9 million), up 6.3% on a constant currency basis, with domestic sales growth of 7.1%. This compares with a domestic market which we estimate grew overall by 8%, but with significant regional variations. Operating margins improved, mainly due to currency related improvements in gross margins and lower operating costs, resulting in increased operating profits.

Turnover in Portugal increased by 7.1% to £164.9 million (€243.6 million), up 8.4% on a constant currency basis, with domestic sales growth of 10.4% in line with our estimate of market growth. Operating margins and profits increased compared to the first half of last year, mainly due to productivity improvements resulting from the closure of a warehouse last year.

The Alliance UniChem network

Country	Wholesale depots at 30 June 2004	Country	Retail pharmacies at 30 June 2004
UK	11	UK	838
The Netherlands	4	The Netherlands	56
Czech Republic	6	Norway	113
Norway	1	Italy (including associates)	28
France	57	Switzerland*	95
Italy (including associates)	48	Total	1,130
Spain	26		
Portugal	7		
Turkey*	58		
Switzerland*	3		
Germany*	23		
Total	244		

* Associate interest

* Associate interest



Operating review (continued)

Trading performance in our retail division continues to be excellent, resulting in a significant overall increase in sales, operating margin and operating profit



Retail

for the six months ended 30 June 2004

	Turnover £million		
UK	415.0		+12.0%
Norway	106.4		+8.2%
The Netherlands	46.5		+16.5%
Italy	11.6		+4.5%

■ Growth over first half of 2003 ■ Like for like constant currency growth

Retail

Operating profit before amortisation of intangible assets was £45.5 million (€67.2 million), an increase of 26.0% on the first half of last year, on turnover up 11.4% to £579.5 million (€855.9 million). Like for like sales on a constant currency basis increased by 5.4%. Overall retail operating margins at 7.85% were 91 basis points higher than in the first half of last year, as a result of operating margin improvements in the UK and Norway.

In the UK, turnover increased by 12.0% to £415.0 million (€613.0 million), like for like sales growing by 6.4%. Our National Health Service prescription income increased by 13.3%. Operating margins were higher than in the first half of last year as a result of increased revenue from enhanced patient and manufacturer services and improved efficiencies. During the period, 21 pharmacies were acquired, two opened and one sold. Six branches were relocated and four pharmacies refitted, the latter being at a lower rate than normal due to uncertainties over the exact government requirements for new private consultation areas. The total UK chain, as at 30 June 2004, comprised 838 pharmacies and 52 other healthcare related retail outlets.

Moss Pharmacy continues to play a leading role in the development and implementation of pharmacy services in the UK. Our strategy is to develop services in close liaison with local healthcare authorities and the pharmaceutical industry. This ensures that we develop our business in a way that is aligned with local healthcare objectives,

enabling us to earn a return on our investment in training and facilities. Today our branches offer a tailored range of services, which can include lifestyle assessments, supervised methadone treatments, blood pressure testing, nicotine replacement schemes and full cardiac risk assessments.

We still await the detailed procedures on implementation of the government's policy on the control of entry regulations for new pharmacy contracts. This policy recognises the vital role that community pharmacies, such as Moss Pharmacy, play in providing primary care and patient services. The Pharmaceutical Services Negotiating Committee and the Department of Health have also not yet reached agreement on the proposed new contract covering reimbursement for prescriptions and services. As soon as it becomes clear what requirements pharmacies will have to meet, in terms of training and physical facilities, in order to be reimbursed under the new contract, we will accelerate the roll out of our services strategy.

Work continues on the programme to install advanced branch EPOS and pharmacy management systems, linked into new head office systems. This investment, which is on target to be completed in 2005, will facilitate the delivery of new pharmacy services and enable us to manage the business even more effectively.

In Norway, turnover increased by 8.2% to £106.4 million (€157.2 million), up 19.6% on a constant currency basis, like for like sales increasing by 3.6%. Three pharmacies were acquired during the period and one opened, bringing our total chain to 113 at

30 June 2004. Operating margins continue to grow as the business benefits from increased scale, both in terms of commercial and cost leverage. In June the management teams of our retail and wholesale businesses were combined, recognising that the Norwegian retail market is now highly concentrated into three major chains, each with their own wholesaler. This change will lead to further operational synergies between the two businesses.

In The Netherlands, turnover increased by 16.5% to £46.5 million (€68.7 million), an increase of 18.3% on a constant currency basis, reflecting the expansion of the chain. Like for like sales increased by only 0.2%, due to generic price cuts and changes to the clawback system introduced in March 2004. Like for like prescription volumes increased by over 4%. During the period ten pharmacies were acquired, increasing the chain size to 56. Operating profits increased, but operating margins were lower due to regulatory changes.

In Italy, turnover increased by 4.5% to £11.6 million (€17.1 million), an increase of 5.8% on a constant currency like for like basis. No pharmacies were acquired during the period, leaving a total of 28 at 30 June 2004, including eight in associate businesses. Operating margins and profit were lower due to costs incurred in strengthening the management team mid-way through last year.

Through other associate retail businesses, the Group operated 95 pharmacies and six other retail outlets at 30 June 2004, one pharmacy being acquired during the period and one opened.

Operating review (continued)

Corporate

Net corporate costs totalled £7.3 million (€10.8 million), a £3.3 million increase on the first half of last year, but at a similar level to the second half. This increase was primarily due to a strengthening of the corporate office management team to run pan-European business improvement projects, the results of which are increasingly being shown through improved operational performance.

Associates

Associates contributed £18.2 million (€26.9 million) to total operating profit before amortisation of intangible assets, a 7.7% increase over the first half of last year.

Hedef Alliance in Turkey contributed £5.9 million (€8.7 million), compared to £7.5 million in the first half of last year. Business operating profits before amortisation of intangible assets reduced by 9.3% on an inflation adjusted basis, high inflation in the first four months of the year impacting Hedef Alliance's inflation adjusted results. The Turkish Lira also depreciated by 9.3% against Sterling over the first six months of the year. Six satellite warehouses were opened during the period.

Contributions from other associate businesses increased by 30.9% in total to £12.3 million (€18.2 million), the Group accounting for its 29.99% investment in ANZAG as an associate from the beginning of February this year. Excluding ANZAG and other changes to associate investments, contributions were at a similar level to the first half of last year on a constant currency basis.

Interest

Net interest payable was £21.9 million (€32.3 million), an 18.0% decrease on the first half of last year due to lower interest rates and the benefits from the ongoing working capital efficiency programme. Interest cover, calculated before the amortisation of intangible assets, was 6.3 times, compared to 4.6 times in the first half of last year.

Taxation

The Group's effective rate of tax, based on profit before taxation and amortisation of intangible assets, was 33.7%, an increase of 2.0 percentage points on the first half of last year. This increase is primarily due to the addition of ANZAG, German tax rates being relatively high, and a higher effective tax rate in Turkey, inflation accounting monetary adjustments not currently being tax deductible, partially offset by a higher proportion of profits in the UK.

Cash flow and balance sheet

Net cash inflow from operating activities at £88.5 million (€130.7 million) benefited from an estimated £25 million inflow from improved trade working capital ratios, building upon the efficiencies achieved last year. Working capital net outflow was £47.3 million (€69.9 million), of which just over £45 million was the usual half year timing difference on UK prescription receipts, five monthly payments normally being received in each first half. Year on year, on a balance sheet basis, the improvement in trade working capital efficiency was approximately £55 million.

Cash inflow from lower stocks in the first half was £93.8 million (€138.5 million), part of which was seasonal, stock levels at 30 June reducing year on year by 2.0 days. Cash outflow from debtors was £14.2 million (€21.0 million), trade debtors at 30 June reducing year on year by 0.8 days. Cash outflow from creditors was £126.9 million (€187.4 million), mainly reflecting seasonal variations in stock levels and the timing difference on prescription receipts for previously securitised receivables. Trade creditors at 30 June reduced year on year by 0.4 days, due to variations in the timing of discounts.

Net capital expenditure on tangible fixed assets was £26.9 million (€39.7 million), including £13.4 million (€19.8 million) of gross expenditure on replacement fixed assets.

Total cash paid for the purchase of businesses was £36.6 million (€54.1 million). This expenditure was mainly on the acquisition of retail pharmacies. In addition, £54.0 million (€79.8 million) of cash was spent on associates, the major elements being the purchase of 19% of the equity of ANZAG for a consideration of £41.7 million (€60.5 million) and the cash element of the balance of the consideration for the second 25% shareholding in Hedef Alliance, half being satisfied by the issue of equity.

Under FRS 17, the net pension liability reflected in the balance sheet was £28.0 million (€41.7 million) at the end of June compared to £34.3 million at the end of December 2003. The movement in liability is principally due to an actuarial gain arising from an increase in the discount rate applied to the liabilities, partially offset by deferred tax thereon. The total charge against profit before taxation was £4.3 million (€6.4 million), a decrease of £0.2 million on the first half of last year.

At 30 June 2004, net borrowings were £854.9 million (€1,274.7 million) compared to £827.2 million at the end of last year. This increase was primarily due to the acquisition programme and seasonal working capital variations, partially offset by a £42.6 million (€62.9 million) currency translation gain on borrowings hedging continental European assets.

Shareholders' funds at the half year were £979.2 million (€1,460.0 million), compared to £929.8 million at the end of last year.

International financial reporting standards

The Group's international financial reporting standards implementation programme has continued throughout the first half of 2004 and the Group remains on track to meet the requirements to prepare its financial statements on this basis from 2005 onwards.

Independent review report to the members of Alliance UniChem Plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2004 which comprises the Group profit and loss account, the Group balance sheet, the Group cash flow statement, the Group statement of total recognised gains and losses, the reconciliation of movements in Group shareholders' funds and related notes one to seven. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for any conclusions we have formed.

Directors' responsibilities

The Interim Report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual financial statements except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review, we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2004.

Deloitte & Touche LLP
Chartered Accountants
London
29 July 2004

Group profit and loss account

for the six months ended 30 June 2004

2004 Six months to 30 June proforma €million		Note	2004 Six months to 30 June £million	2003 Six months to 30 June restated £million	2003 Year to 31 December £million
6,617.6	Turnover – continuing operations	3	4,480.4	4,283.4	8,799.3
168.5	Group operating profit – continuing operations	3	114.1	100.5	217.7
23.0	Share of operating profit in associated undertakings		15.6	14.6	32.1
191.5	Total operating profit	3	129.7	115.1	249.8
(32.3)	Net interest payable and similar charges		(21.9)	(26.7)	(53.5)
170.6	Profit on ordinary activities before taxation and amortisation of intangible assets		115.5	95.8	209.9
159.2	Profit on ordinary activities before taxation		107.8	88.4	196.3
(57.5)	Tax on profit on ordinary activities	4	(38.9)	(30.4)	(67.2)
101.7	Profit on ordinary activities after taxation		68.9	58.0	129.1
(0.1)	Equity minority interests		(0.1)	–	(0.6)
101.6	Profit for the period		68.8	58.0	128.5
(32.2)	Dividends		(21.8)	(19.5)	(57.1)
69.4	Retained profit for the period		47.0	38.5	71.4
	Earnings per share	5			
	Basic		19.8p	17.1p	37.6p
	Diluted		19.6p	17.0p	37.3p
	Basic, before amortisation of intangible assets		22.0p	19.3p	41.6p
	Diluted, before amortisation of intangible assets		21.8p	19.1p	41.2p
	Dividends per share		6.25p	5.70p	16.70p

Group balance sheet

as at 30 June 2004

2004 30 June proforma €million		2004 30 June £million	2003 30 June restated £million	2003 31 December £million
	Fixed assets			
1,184.9	Intangible assets	794.7	756.1	784.7
443.6	Tangible assets	297.5	291.2	304.9
564.6	Investments	378.7	331.0	347.9
2,193.1		1,470.9	1,378.3	1,437.5
	Current assets			
914.0	Stocks	613.0	599.3	728.8
668.1	Securitised receivables	448.1	439.3	448.8
(575.8)	Non-recourse receipts	(386.2)	(395.8)	(399.5)
92.3	Net securitised receivables	61.9	43.5	49.3
1,630.1	Other debtors	1,093.3	1,092.6	1,128.6
115.2	Cash at bank and in hand	77.3	50.8	117.2
2,751.6		1,845.5	1,786.2	2,023.9
	Creditors: amounts falling due within one year			
(316.5)	Borrowings	(212.3)	(280.1)	(257.5)
(2,009.2)	Other creditors	(1,347.5)	(1,284.1)	(1,523.8)
(2,325.7)		(1,559.8)	(1,564.2)	(1,781.3)
425.9	Net current assets	285.7	222.0	242.6
2,619.0	Total assets less current liabilities	1,756.6	1,600.3	1,680.1
	Creditors: amounts falling due after more than one year			
(1,073.4)	Borrowings	(719.9)	(675.0)	(686.9)
(28.3)	Provisions for liabilities and charges	(19.0)	(12.5)	(18.6)
1,517.3	Net assets excluding net pension liabilities	1,017.7	912.8	974.6
(41.7)	Net pension liabilities	(28.0)	(26.8)	(34.3)
1,475.6	Net assets including net pension liabilities	989.7	886.0	940.3
	Capital and reserves			
53.1	Called up share capital	35.6	34.8	35.1
706.4	Share premium account	473.8	434.6	444.2
–	Shares to be issued	–	18.1	25.1
(27.0)	Investment in own shares	(18.1)	(27.0)	(23.1)
4.0	Capital reserve	2.7	2.5	2.6
723.5	Profit and loss account	485.2	413.9	445.9
1,460.0	Equity shareholders' funds	979.2	876.9	929.8
15.6	Minority interests	10.5	9.1	10.5
1,475.6		989.7	886.0	940.3

Group cash flow statement

for the six months ended 30 June 2004

2004 Six months to 30 June proforma €million		Note	2004 Six months to 30 June £million	2003 Six months to 30 June £million	2003 Year to 31 December £million
130.7	Net cash inflow from operating activities	6a	88.5	138.1	322.3
6.4	Dividends received from associated undertakings		4.3	3.2	3.3
(29.7)	Returns on investments and servicing of finance	6b	(20.1)	(26.9)	(50.7)
(26.0)	Taxation		(17.6)	(18.2)	(46.2)
(26.3)	Capital expenditure and financial investment	6c	(17.8)	(34.5)	(42.8)
(128.4)	Acquisitions and disposals	6d	(86.9)	(19.8)	(46.8)
(29.5)	Equity dividends paid		(20.0)	(19.4)	(30.8)
(102.8)	Cash (outflow)/inflow before financing		(69.6)	22.5	108.3
	Financing				
–	Issue of ordinary share capital		–	–	2.0
13.0	Net cash inflow/(outflow) from increase/(decrease) in debt and lease financing	7	8.8	(81.7)	(80.3)
13.0	Net cash inflow/(outflow) from financing		8.8	(81.7)	(78.3)
(89.8)	(Decrease)/increase in cash in the period		(60.8)	(59.2)	30.0
	Reconciliation of net cash flow to movement in net borrowings				
	(Decrease)/increase in cash in the period		(60.8)	(59.2)	30.0
	Cash (inflow)/outflow from (increase)/decrease in debt and lease financing		(8.8)	81.7	80.3
	(Increase)/decrease in net borrowings resulting from cash flows		(69.6)	22.5	110.3
	Borrowings acquired with businesses		–	(0.2)	(0.3)
	Loan notes issued for non cash consideration		(0.7)	(0.4)	(0.4)
	Currency translation differences		42.6	(46.0)	(56.6)
	(Increase)/decrease in net borrowings for the period		(27.7)	(24.1)	53.0
	Net borrowings at 1 January		(827.2)	(880.2)	(880.2)
	Net borrowings at end of period		(854.9)	(904.3)	(827.2)

Group statement of total recognised gains and losses

for the six months ended 30 June 2004

	2004 Six months to 30 June £million	2003 Six months to 30 June £million	2003 Year to 31 December £million
Profit for the period	68.8	58.0	128.5
Actuarial gain/(loss) on defined benefit pension schemes	4.2	(3.2)	(17.1)
Deferred tax associated with defined benefit pension schemes	(1.3)	0.9	5.0
Currency translation differences on foreign currency net investments	(10.4)	5.1	13.8
Tax on currency translation differences on foreign currency borrowings	–	–	0.4
Total recognised gains and losses relating to the period	61.3	60.8	130.6

Reconciliation of movements in Group shareholders' funds

for the six months ended 30 June 2004

	2004 Six months to 30 June £million	2003 Six months to 30 June restated £million	2003 Year to 31 December £million
At 1 January, as previously reported		847.1	
Prior year adjustment for UITF 38		(26.1)	
At 1 January, as restated	929.8	821.0	821.0
Total recognised gains and losses for the period	61.3	60.8	130.6
Dividends	(21.8)	(19.5)	(57.1)
Shares issued	17.7	15.1	25.0
(Decrease)/increase in estimate of shares to be issued on acquisitions	(12.7)	0.4	7.4
Net consideration received/(paid) on sale/(purchase) of own shares	4.9	(0.9)	2.9
At end of period	979.2	876.9	929.8

Notes to the financial information

for the six months ended 30 June 2004

(1) BASIS OF PREPARATION

The interim financial information was approved by the Directors on 29 July 2004. It has been prepared on the same basis as that included in the 2003 Annual Report. The comparatives for the interim 2003 have been restated for the following changes in accounting policies adopted in the second half of 2003:

- (a) in accordance with the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 and UITF Abstract 38 "Accounting for ESOP Trusts", both issued in 2003, the Group's investment in its own shares via its Employee Share Ownership Plan Trust has been reclassified from fixed asset investments to shareholders' funds; and
- (b) changes to the Group's policy on the classification of items included within turnover following an amendment to FRS 5 "Reflecting the Substance of Transactions" in December 2003.

The interim financial information is unaudited but has been reviewed by the Group's auditors, and does not constitute statutory accounts as defined in section 240 Companies Act 1985. The comparative figures for the year ended 31 December 2003 are not statutory financial statements for that financial year but have been extracted from them. The statutory financial statements for the year ended 31 December 2003, which received an unqualified report from the Group's auditors and did not include a statement under section 237(2) or (3) of the Companies Act 1985, have been filed with the Registrar of Companies.

An unreviewed memorandum disclosure has been made on the face of the primary financial statements to show the Euro equivalents, using an average exchange rate for translating the Group profit and loss account and Group cash flow statement, and the period end exchange rate for the Group balance sheet.

(2) EXCHANGE RATES

The significant exchange rates relative to Sterling used in the preparation of the financial statements are as follows:

	Average			Period end		
	2004 Six months to 30 June	2003 Six months to 30 June	2003 Year to 31 December	2004 As at 30 June	2003 As at 30 June	2003 As at 31 December
Euro	1.477	1.462	1.443	1.491	1.437	1.419
Czech Koruna	48.03	46.21	46.01	47.45	45.39	45.97
Norwegian Kroner	12.48	11.34	11.59	12.57	11.91	11.91
Swiss Franc	2.299	2.183	2.198	2.271	2.235	2.214
Turkish Lira ('000)				2,706	2,343	2,476

(3) SEGMENTAL ANALYSIS

	Turnover			Total operating profit		
	2004 Six months to 30 June £million	2003 Six months to 30 June restated £million	2003 Year to 31 December £million	2004 Six months to 30 June £million	2003 Six months to 30 June £million	2003 Year to 31 December £million
Wholesale Northern Europe						
Before amortisation of intangible assets	1,475.0	1,391.6	2,899.8	42.9	39.6	84.3
Amortisation of intangible assets	–	–	–	(3.2)	(3.1)	(5.0)
	1,475.0	1,391.6	2,899.8	39.7	36.5	79.3
Wholesale Southern Europe						
Before amortisation of intangible assets	2,858.1	2,758.6	5,618.9	38.1	33.9	74.4
Amortisation of intangible assets	–	–	–	(1.7)	(1.7)	(3.5)
	2,858.1	2,758.6	5,618.9	36.4	32.2	70.9
Retail – Europe						
Before amortisation of intangible assets	579.5	520.0	1,107.4	45.5	36.1	79.3
Amortisation of intangible assets	–	–	–	(0.2)	(0.3)	(0.4)
	579.5	520.0	1,107.4	45.3	35.8	78.9
Corporate	–	–	–	(7.3)	(4.0)	(11.4)
Intra-group	(432.2)	(386.8)	(826.8)	–	–	–
Group						
Before amortisation of intangible assets	4,480.4	4,283.4	8,799.3	119.2	105.6	226.6
Amortisation of intangible assets	–	–	–	(5.1)	(5.1)	(8.9)
	4,480.4	4,283.4	8,799.3	114.1	100.5	217.7
Share of operating profit in associated undertakings						
Before amortisation of intangible assets	–	–	–	18.2	16.9	36.8
Amortisation of intangible assets	–	–	–	(2.6)	(2.3)	(4.7)
	–	–	–	15.6	14.6	32.1
Total						
Before amortisation of intangible assets	4,480.4	4,283.4	8,799.3	137.4	122.5	263.4
Amortisation of intangible assets	–	–	–	(7.7)	(7.4)	(13.6)
	4,480.4	4,283.4	8,799.3	129.7	115.1	249.8

The analysis of turnover by destination is not materially different from the analysis of turnover by origin.

(4) TAXATION

	2004 Six months to 30 June £million	2003 Six months to 30 June £million	2003 Year to 31 December £million
UK corporation tax	15.4	8.6	19.6
Overseas tax	15.7	15.5	31.4
Associated undertakings – current tax	6.7	4.8	8.4
Deferred tax	1.1	1.5	7.8
	38.9	30.4	67.2

Notes to the financial information (continued)

for the six months ended 30 June 2004

(5) EARNINGS PER SHARE

Earnings per share were calculated by dividing the earnings by the weighted average number of shares in issue during the period. The diluted earnings per share were calculated by dividing the earnings by the weighted average number of shares in issue added to the dilutive potential shares assuming that they had converted to issued shares at the beginning of the period.

Earnings per share are also calculated before amortisation of intangible assets and exceptional items, if any, since the Directors consider that this gives a useful additional indication of underlying performance.

The diluted earnings per share calculations include the shares issued to meet the deferred consideration for the acquisition of Hedef Alliance. These shares were included as shares to be issued until the settlement of the consideration. The discount on this deferred acquisition consideration is therefore adjusted when computing the relevant profit for the financial period.

	2004 Profit for six months to 30 June £million	2004 Weighted average number of shares to 30 June million	2004 Earnings per share to 30 June pence	2003 Profit for six months to 30 June £million	2003 Weighted average number of shares to 30 June million	2003 Earnings per share to 30 June pence
Basic	68.8	347.5	19.8	58.0	338.9	17.1
Share options	–	1.8	(0.1)	–	1.1	–
Deferred acquisition consideration	0.2	2.6	(0.1)	0.4	3.7	(0.1)
Diluted	69.0	351.9	19.6	58.4	343.7	17.0
Basic	68.8	347.5	19.8	58.0	338.9	17.1
Amortisation of intangible assets	7.7	–	2.2	7.4	–	2.2
Basic, before amortisation of intangible assets	76.5	347.5	22.0	65.4	338.9	19.3
Share options	–	1.8	(0.1)	–	1.1	(0.1)
Deferred acquisition consideration	0.2	2.6	(0.1)	0.4	3.7	(0.1)
Diluted, before amortisation of intangible assets	76.7	351.9	21.8	65.8	343.7	19.1

(6) CASH FLOW STATEMENT

	2004 Six months to 30 June £million	2003 Six months to 30 June £million	2003 Year to 31 December £million
(a) Reconciliation of Group operating profit to net cash inflow from operating activities			
Group operating profit	114.1	100.5	217.7
Depreciation	20.3	20.4	41.2
Amortisation of goodwill	5.0	4.9	8.6
Amortisation of pharmacy licences	0.1	0.2	0.3
Profit on disposal of fixed assets	–	(7.3)	(9.7)
Decrease/(increase) in stocks	93.8	80.0	(39.4)
Increase in debtors	(14.2)	(24.2)	(60.3)
(Decrease)/increase in creditors	(126.9)	(36.1)	168.3
Decrease in net pension liabilities	(3.7)	(0.3)	(4.4)
Net cash inflow from operating activities	88.5	138.1	322.3
(b) Returns on investments and servicing of finance			
Interest received	3.8	5.2	9.5
Interest paid	(23.7)	(31.7)	(59.4)
Dividends paid to minority shareholders	–	(0.1)	(0.4)
Interest element of finance lease payments	(0.2)	(0.3)	(0.4)
Net cash outflow from returns on investments and servicing of finance	(20.1)	(26.9)	(50.7)
(c) Capital expenditure and financial investment			
Purchase of fixed assets	(29.0)	(18.0)	(47.9)
Disposal of fixed assets	2.1	2.1	9.9
Loans to associated undertakings	–	(17.4)	(22.2)
Loans repaid by associated undertakings	4.3	0.1	14.9
Other investments (net)	4.8	(1.3)	2.5
Net cash outflow from capital expenditure and financial investment	(17.8)	(34.5)	(42.8)
(d) Acquisitions and disposals			
Purchase of businesses	(36.6)	(25.8)	(59.2)
Net cash/(overdrafts) of businesses acquired	1.6	0.3	(0.1)
Purchase of shares in associated undertakings	(54.0)	(1.2)	(1.2)
Disposal of businesses	0.2	–	–
Net overdrafts of businesses sold	–	0.3	0.3
Disposal of investments in associated undertakings	1.9	6.6	13.4
Net cash outflow from acquisitions and disposals	(86.9)	(19.8)	(46.8)

(7) NET CASH INFLOW/(OUTFLOW) FROM INCREASE/(DECREASE) IN DEBT AND LEASE FINANCING

	2004 Six months to 30 June £million	2003 Six months to 30 June £million	2003 Year to 31 December £million
Debt due within one year:			
Net movement in money market borrowings maturing within one week	(17.9)	(54.4)	(35.4)
Decrease in short-term borrowings	(35.4)	(13.2)	(65.1)
Borrowings due after one year:			
Increase in borrowings	64.1	2.5	32.4
Repayment of borrowings	(1.2)	(15.8)	(10.5)
Capital element of finance lease rental payments	(0.8)	(0.8)	(1.7)
Net cash inflow/(outflow) from increase/(decrease) in debt and lease financing	8.8	(81.7)	(80.3)

Shareholder information

2004 financial calendar

29 July	2004 interim results and interim dividend announced
6 August	Record date for interim dividend
20 September	Deadline for receipt of elections to receive the 2004 interim dividend in shares
11 October	2004 interim dividend paid to shareholders
24 February 2005*	Preliminary announcement of results for year ending 31 December 2004

* Provisional date.

Shareholding enquiries

Enquiries or information concerning existing shareholdings should be directed to the Company's registrars, Lloyds TSB Registrars, either:

- in writing to The Causeway, Worthing, West Sussex BN99 6DA, UK;
- by telephone from within the UK on 0870 600 3970 (or 0870 600 3950 for those with hearing difficulties);
- by telephone from outside the UK on +44 (0) 121 433 8000; or
- through the website www.shareview.co.uk.

If you use the shareview website you will be required to enter your name, postcode and shareholder reference number, which can be found on your share certificate(s) and on correspondence from Lloyds TSB Registrars.

Changes of address should be promptly notified to the registrars.

Amalgamation of shareholdings

If you have received more than one copy of this report, your shareholding may be registered under more than one shareholder reference number. To amalgamate your accounts please contact Lloyds TSB Registrars with the details of the accounts concerned.

Dividend mandate

Shareholders who have their dividends paid directly into a bank or building society avoid the risk of delay or loss of dividend cheques in the post and ensure that their account is credited on the dividend payment date. Dividend mandate forms are available from Lloyds TSB Registrars.

Corporate nominee

Shareholders can hold their shares electronically through a dedicated nominee service, which has many advantages over the traditional paper based procedures involving share certificates. Further information on this service is available from Lloyds TSB Registrars.

Electronic shareholder communication

Shareholders can elect to receive shareholder documents, such as Annual and Interim Reports and notices of general meetings, electronically from the Company's website rather than in hard copy through the mail. This has the advantage of improving the speed of communications and reducing administrative costs of printing and postage. Any shareholder wishing to take advantage of this free service may do so by registering their details on the Lloyds TSB Registrars shareview website at www.shareview.co.uk.

Website

Press releases, the share price and other information on the Group is available on the Company's website www.alliance-unichem.com.

Share listings

The Company's shares are listed on the London and Paris stock exchanges. They are listed under EPIC – AUN, SEDOL – 916572 and ISIN – GB0009165720.

Further information on both these markets, their trading systems and current trading in Alliance UniChem Plc shares can be found on both the London Stock Exchange website www.londonstockexchange.com and the EuroNext markets website www.euronext.com.

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