Alliance UniChem

Interim results announcement

Six months ended 30 June 2003

30 July 2003

Regulatory statements

Alliance UniChem

Origination of information

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Highlights

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- **Strong financial performance**
  - **Results driven by organic growth**
  - **Maintained our consistent track record of growth in earnings**
  - **All wholesale businesses achieved market share gains except Italy**
  - **All retailing businesses growing operating margins except Italy**
  - **Strong cash generation (after timing distortions in 2002)**
  - **Stable financing ratios in gearing and interest cover**

- **Continued development of the Group**
  - **Successful commercial management of slowing European markets**
  - **No material impact expected from slightly more rigorous regulatory environment**
  - **OFT regulatory uncertainty resolved favourably**
  - **Maintained conservative approach to returns criteria in quiet period for acquisitions**

2003 Interim financial performance

Alliance UniChem

- **Highlights**
- **Divisional performance**
- **Cashflow & balance sheet**

Financial highlights

six months ended 30 June

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in £'millions

	2003	2002**	Change
Turnover	**4,437.0**	**3,895.2**	**+ 13.9%**
Profit before tax *	**95.8**	**83.7**	**+ 14.5%**
Diluted EPS *	**19.1p**	**17.3p**	**+ 10.4%**
Dividend per share	**5.7p**	**5.2p**	**+ 9.6%**

* before amortisation of intangible assets
**restated for adoption of FRS17 "Retirement benefits"

Exchange Rate: 2003 = €1.462 / £ : 2002 = €1.610 / £

Wholesale – Northern Europe

six months ended 30 June 2003

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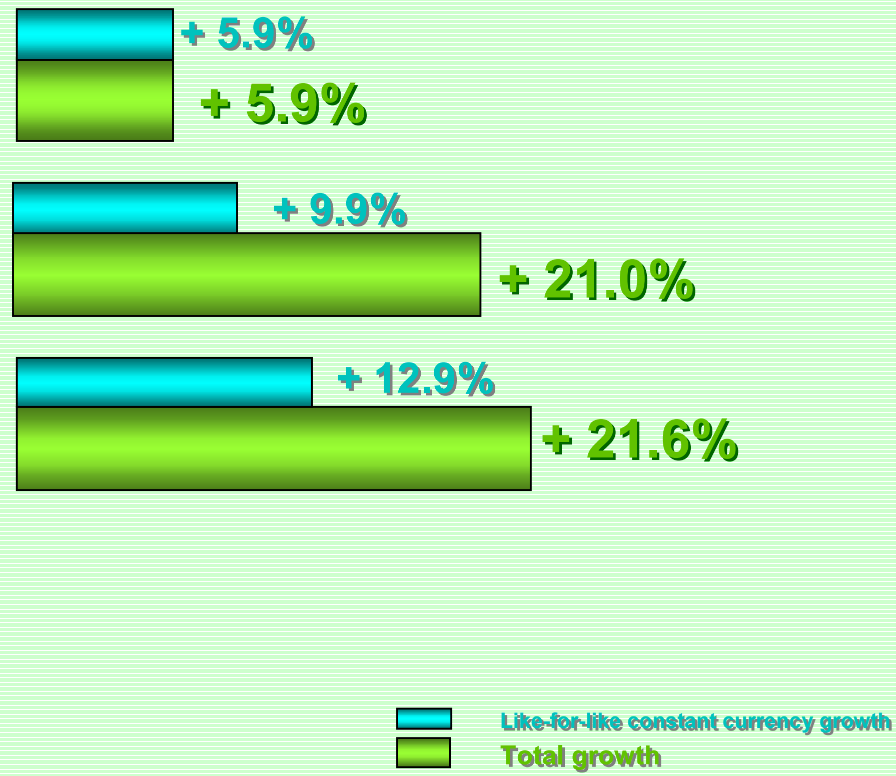
Turnover + 17.1% **(Like-for-like constant currency + 7.5%)**

UK	£986.1m
Netherlands	£355.2m
Czech Republic	£82.9m
Norway*	£89.9m
	£1,514.1m



* Norway acquired June 2002

Wholesale – Northern Europe

six months ended 30 June

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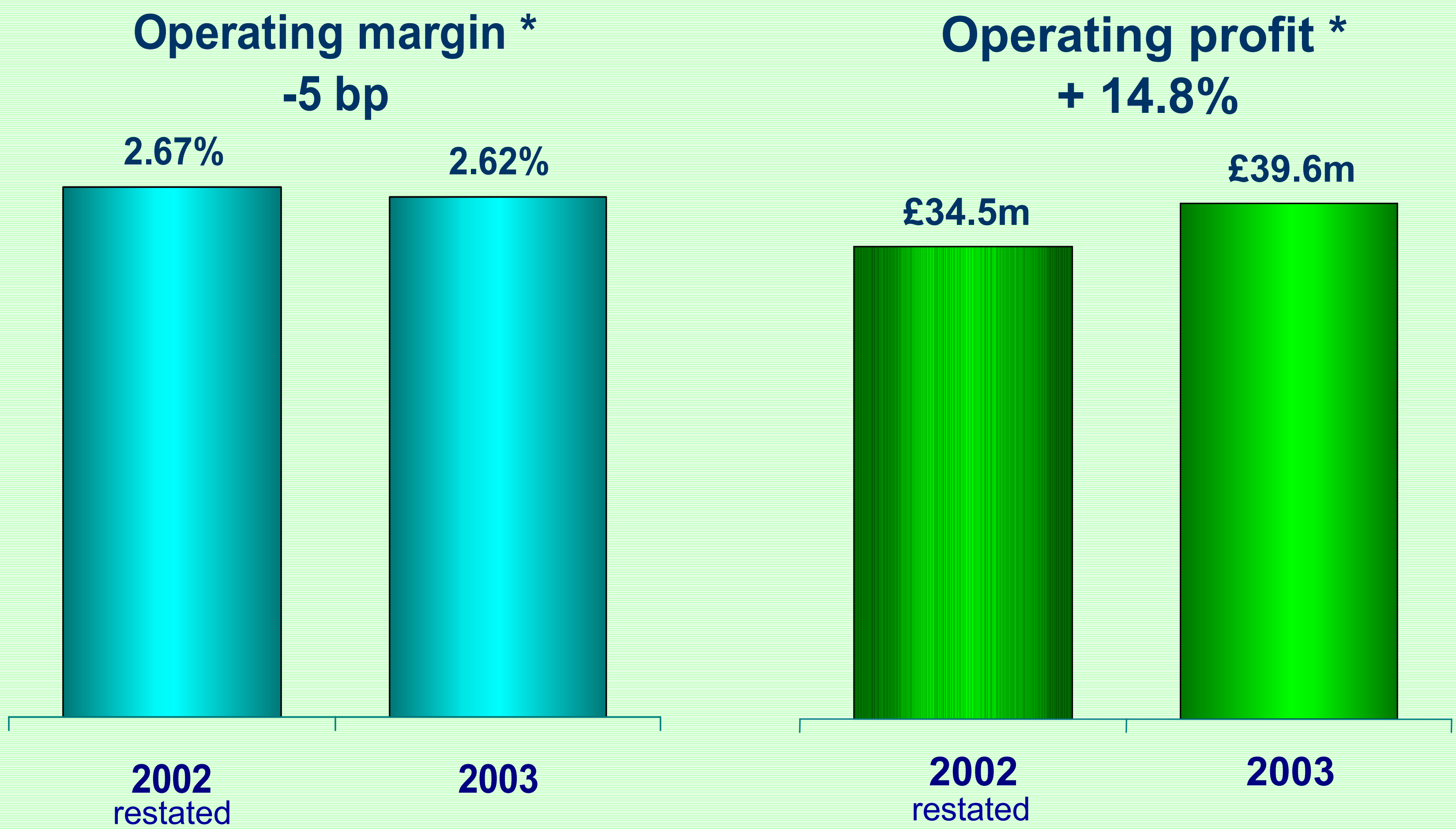

* before amortisation of intangible assets

Wholesale – Southern Europe

six months ended 30 June 2003

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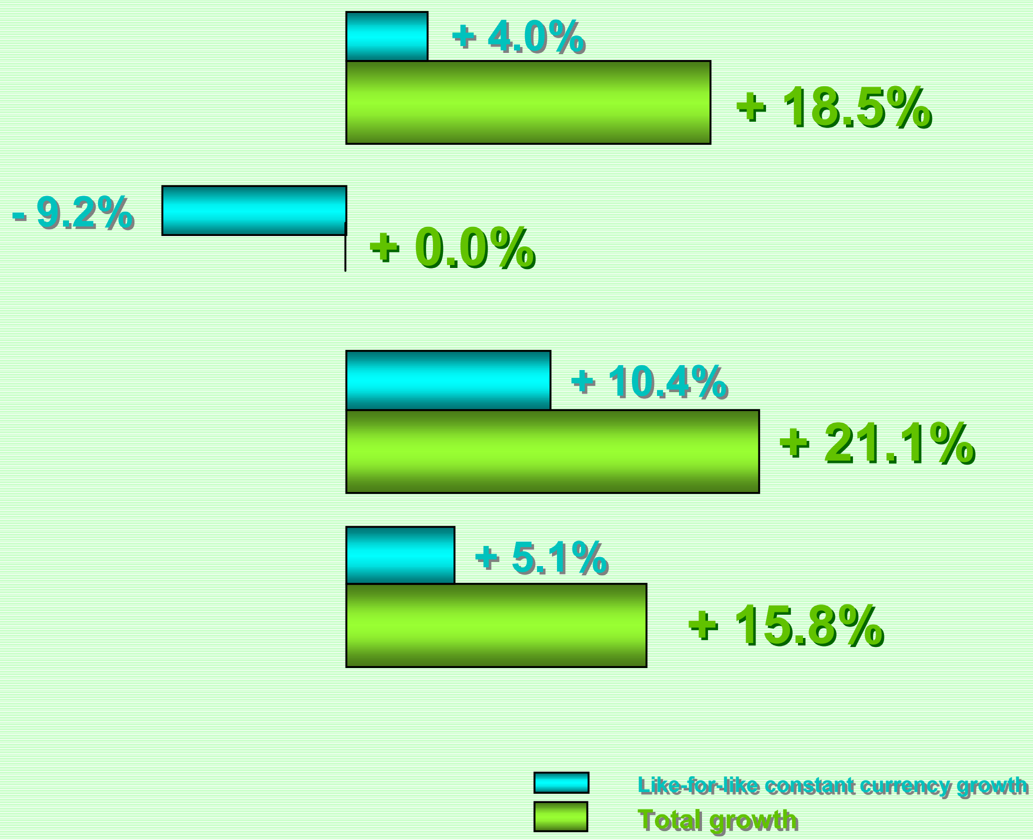
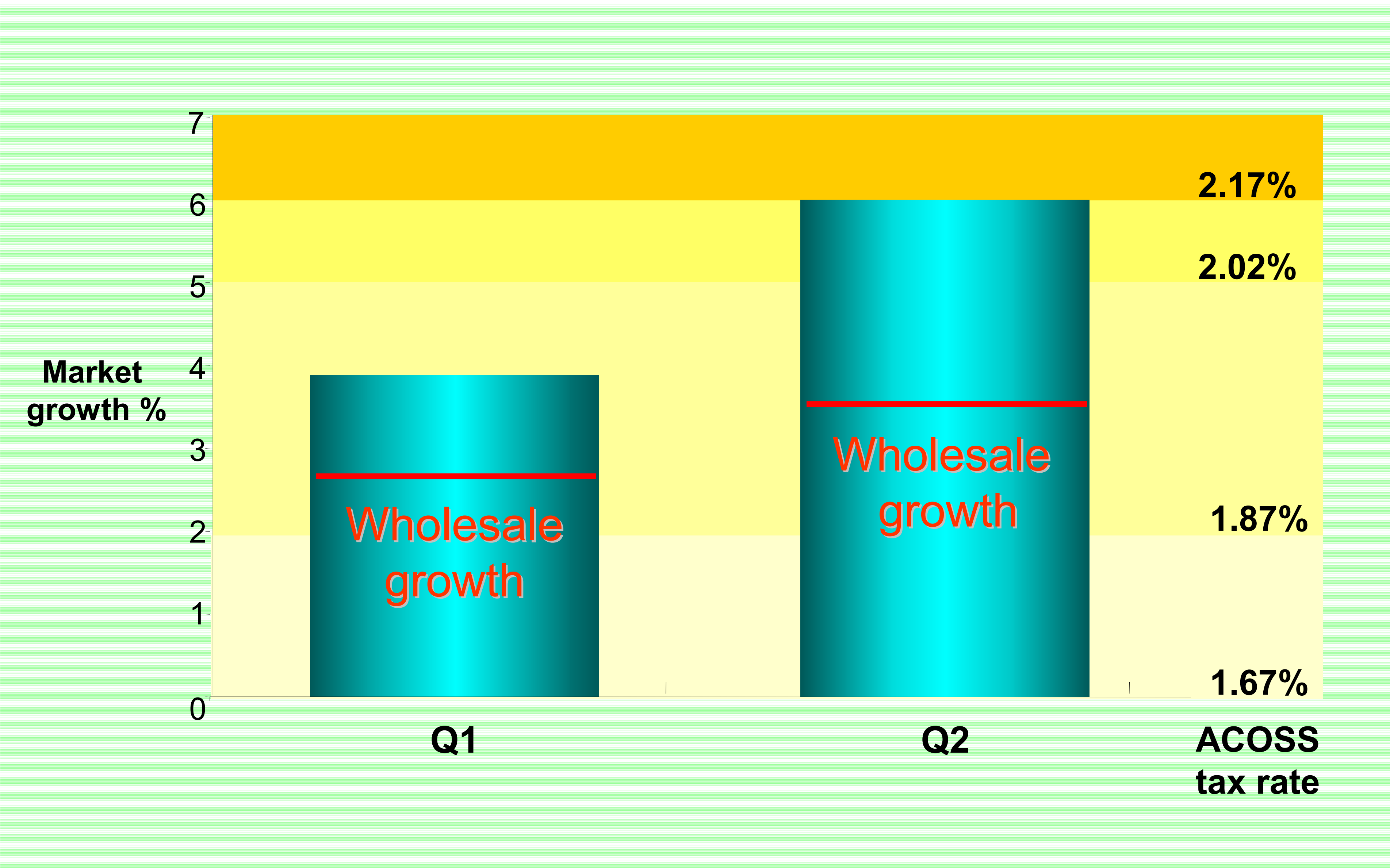
Turnover + 15.3%

France	£1,836.1m
Italy	£442.5m
Spain	£376.4m
Portugal	£166.7m
	£2,821.7m

(Like-for-like constant currency + 3.5%)

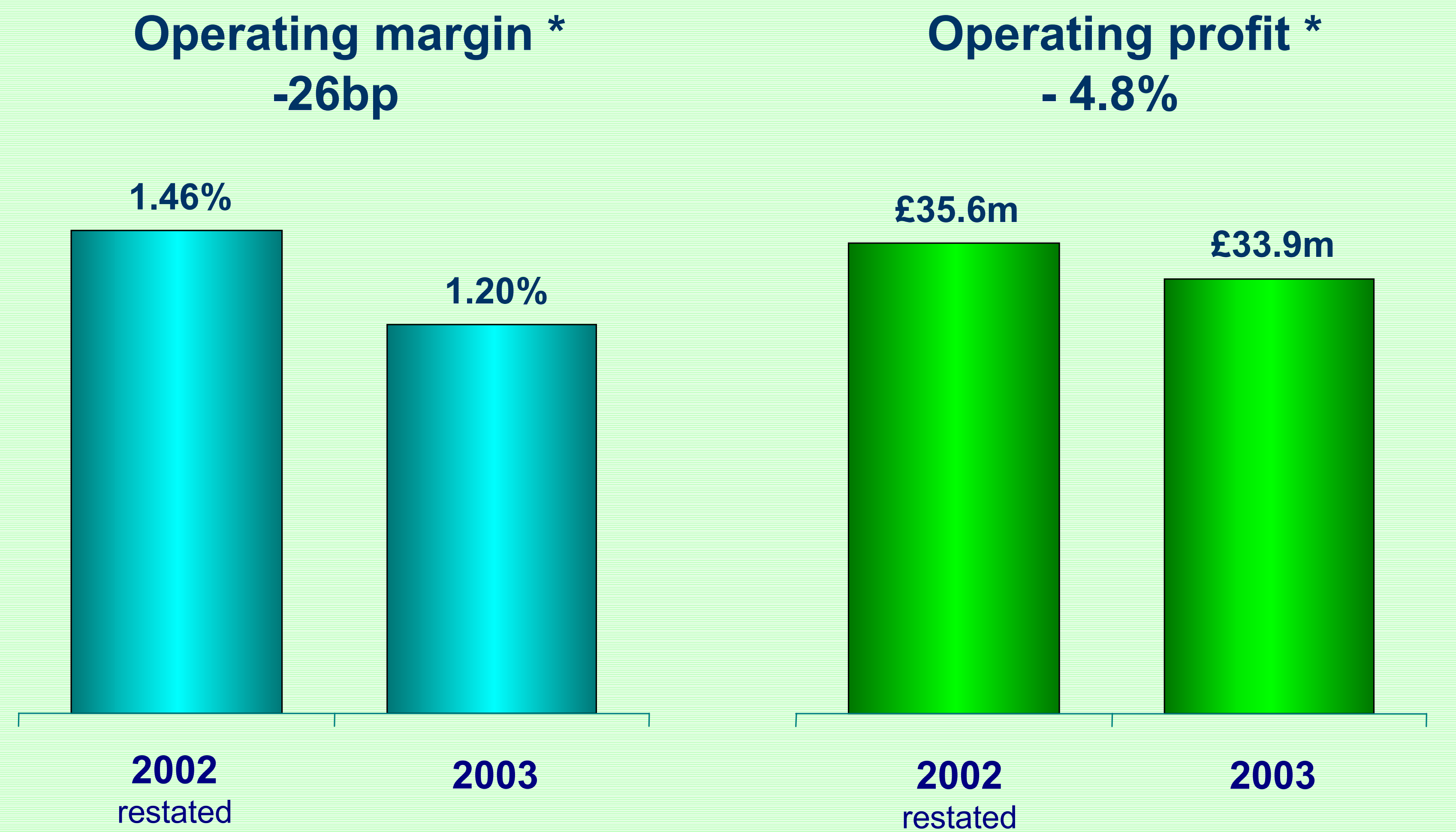


France – market growth



Wholesale – Southern Europe

six months ended 30 June



* before amortisation of intangible assets

Retail

six months ended 30 June 2003

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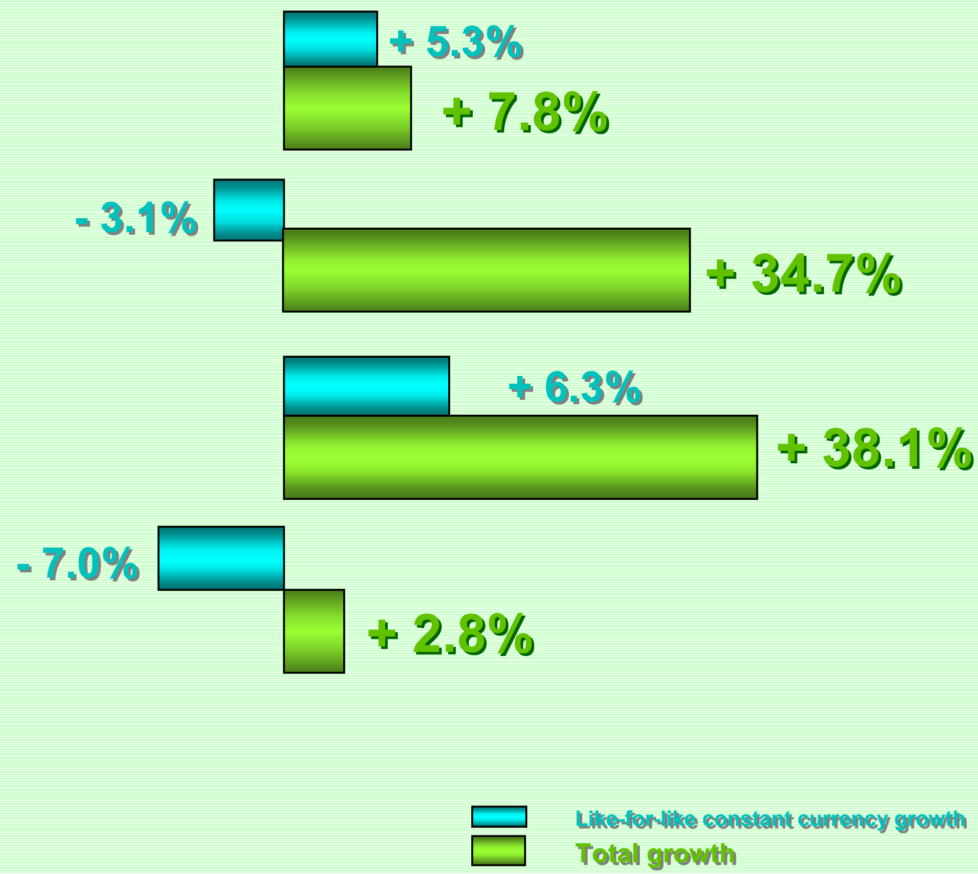
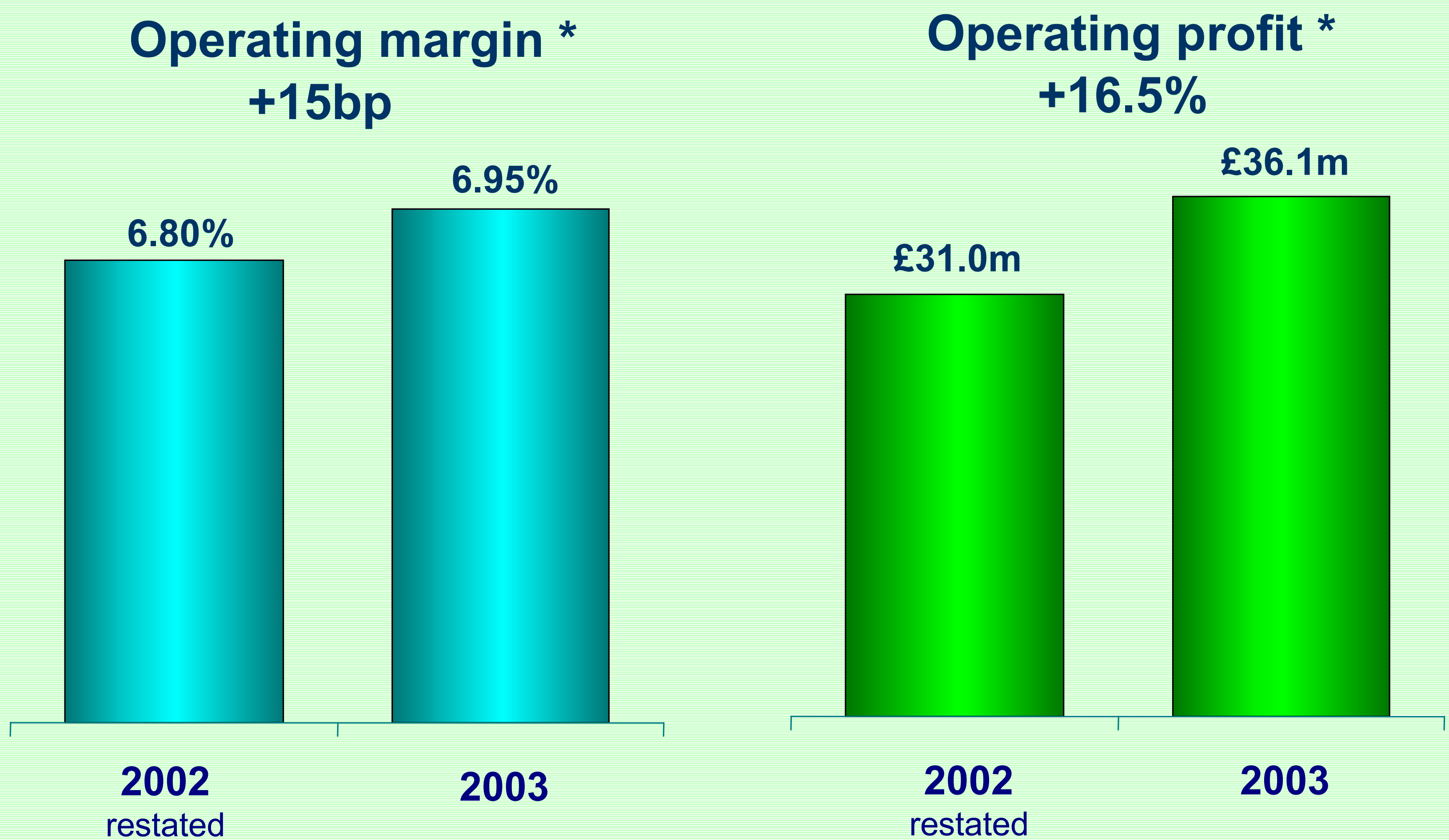
Turnover + 13.9% (Like-for-like constant currency + 3.5%)

UK	£370.3m
Norway	£98.3m
Netherlands	£39.9m
Italy	£11.1m
	£519.6m



Retail

six months ended 30 June



* before amortisation of intangible assets

Associates

six months ended 30 June 2003

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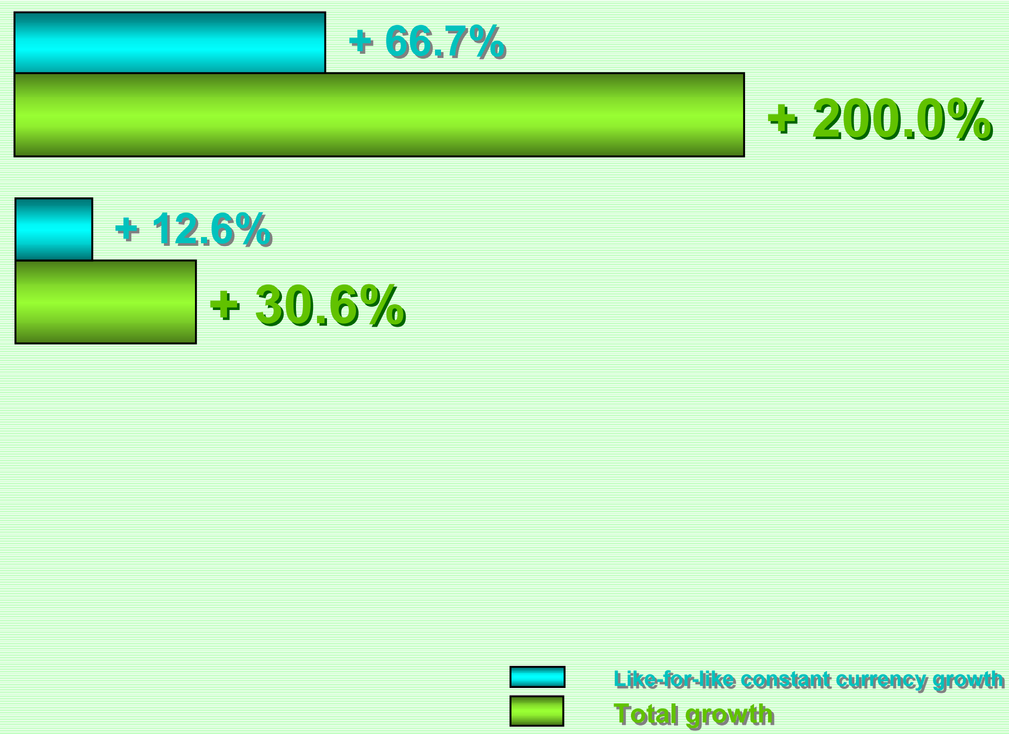
Share of operating profit* **+ 74.2%**

Hedef	£7.5m	
Others	£9.4m	
	£16.9m	



* before amortisation of intangible assets

Exchange Rate: 2003 = €1.462 / £ : 2002 = €1.610 / £

Interest & tax

six months ended 30 June

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in £'millions

	2003	2002	Change
Interest **	(26.7)	(22.3)	+ 19.7%
Interest cover *	4.6x	4.8x	
Tax rate *	31.7%	32.1%	- 40 bp

* before amortisation of intangible assets
** including FRS17 charge of £0.6 million (2002: nil)

Exchange Rate: 2003 = €1.462 / £ : 2002 = €1.610 / £

Operating cash flow

six months ended 30 June

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in £'millions

	2003	2002
Operating cash inflow	138.1	156.7
Italian securitisation	-	(82.5)
Difference on UK receivables	-	37.0
Underlying operating cash inflow	138.1	111.2

Net cash flow

six months ended 30 June

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in £'millions	2003	2002
Operating cash flow	138.1	156.7
Interest and dividends	(43.1)	(43.9)
Tax	(18.2)	(26.4)
Maintenance capital expenditure	(9.7)	(11.6)
Free cash flow	67.1	74.8
Growth capital expenditure and financial investment	(44.6)	(63.1)
Cash flow before financing	22.5	11.7
Financing	(0.6)	(3.8)
Translation difference	(46.0)	(57.8)
Increase in net borrowings	(24.1)	(49.9)

Balance sheet

30 June

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in £'millions

	2003 30 June	2002* 30 Dec
Net borrowings	£904.3	£880.2
Capital and reserves	£913.0	£857.5
Net gearing	99%	103%

* Restated for FRS17 "Retirement benefit"

Exchange Rate: 2003 = €1.462 / £ : 2002 = €1.610 / £

Market growth

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% growth	1997	1998	1999	2000	2001	2002*	2003* original	2003* update
UK Wholesale	6	4	10	2	5	7	4	3
Netherlands				10	12	9	9	6
Czech Republic	7	14	3	0	7	9	6	9
Norway					10	9	10	4
France	2	7	6	6	6	3	4	4
Italy	5	8	8	8	13	2	(4)	(3)
Spain	5	9	10	7	7	9	6	6
Portugal	9	6	13	8	9	8	1	2
Turkey				10	(12)	24	8	8
Switzerland	5	6	10	8	8	7	6	6
Greece	5	(7)	5	5	7	5	5	5
Retail	7	7	12	9	9	10	10	7
Average **	5	7	8	7	7	6	4	4

* Alliance UniChem estimates   ** Weighted to AU 2002 aggregated (i.e. not consolidated) turnover

† Retail market growth based on Net Ingredient Cost of prescriptions plus dispensing fee

Data Sources: Gers / FarmaStat / IMS / Alliance UniChem internal estimates (1/3/03)

Regulatory action

as at 31 December 2002

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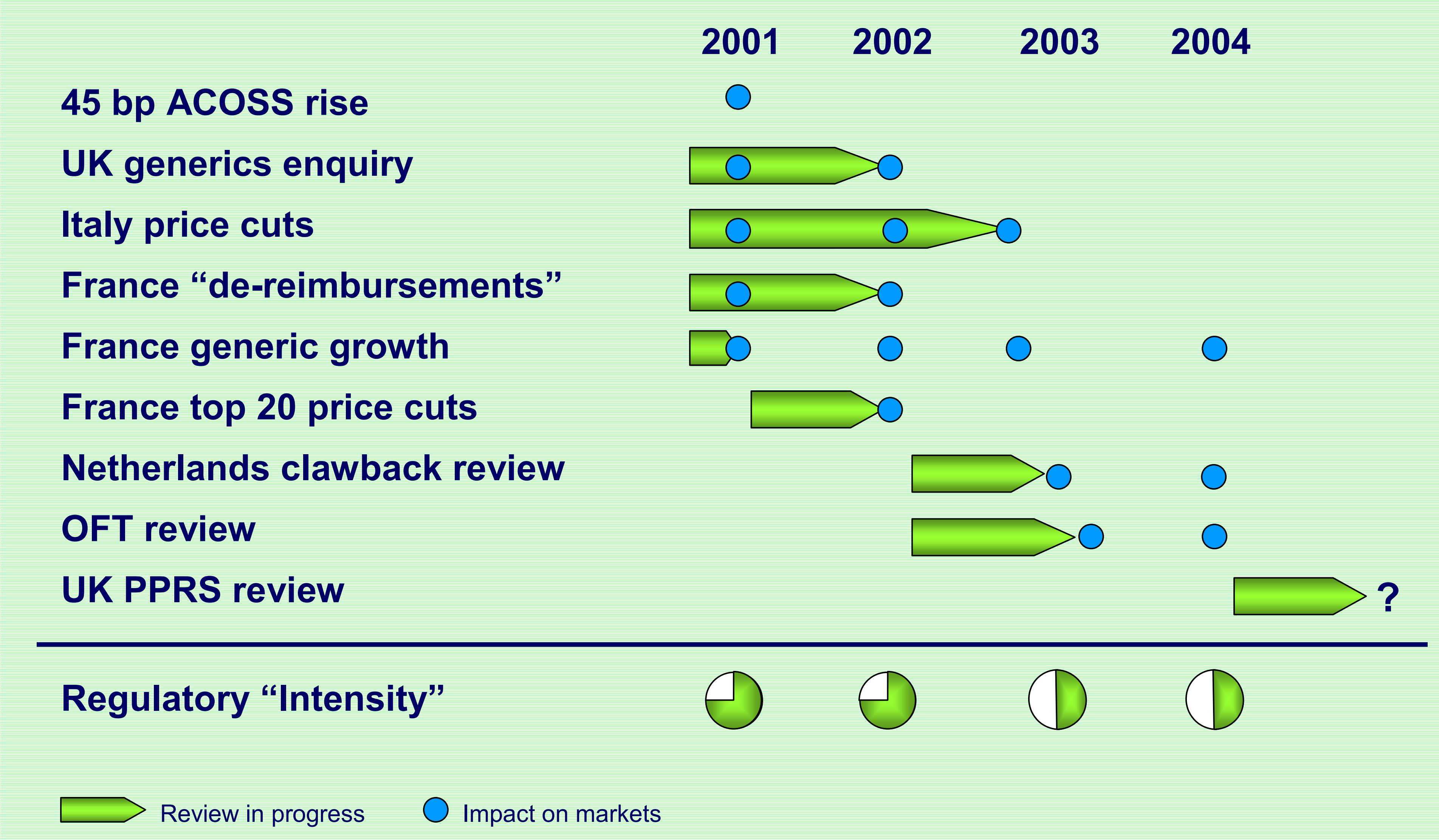
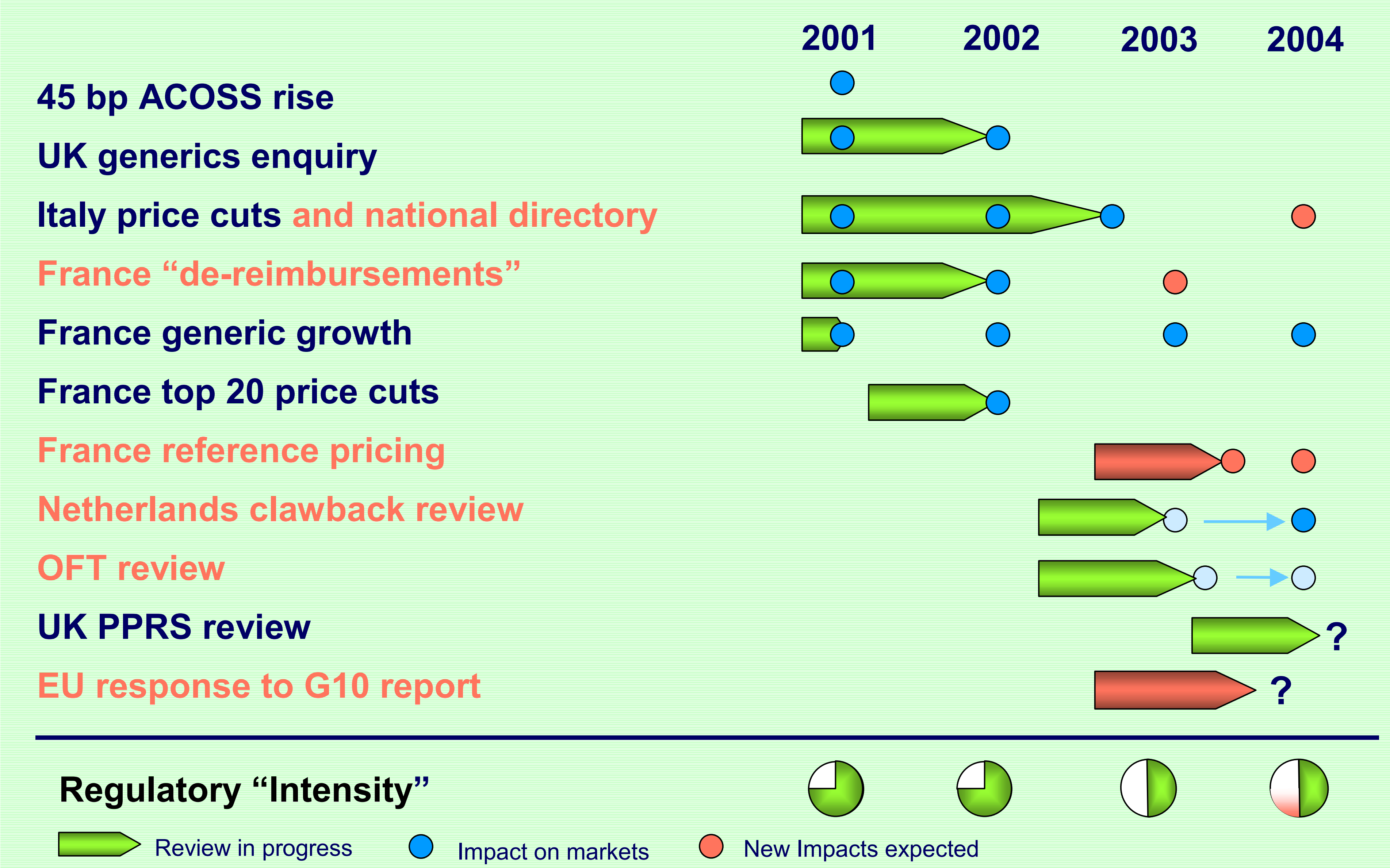


Regulatory action

as at 30 June 2003

Alliance UniChem



OFT

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Key aspects of DTI / Government response	AU expectation	Impact on AU
• Recognition of primary healthcare role	Yes	++
• Simultaneous with new contract and vision for pharmacy	Partially	+
• No full deregulation	Yes	+
• Shopping centres allowed to be communities	Yes	-
• Shopping centres defined at > 15,000 sq m	No	-
• "100 hours" allowance for new pharmacies	No	-
• New pharmacies to offer full range of services	No	+
• New pharmacies not to damage smaller community pharmacies	No	+
• Consortia allowed	No	++
• Rejection by Scotland and Wales	Yes	+
• Mail order allowed	No	+
Overall	**In line**	**+**

Commercial management

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- Gross margin gains achieved from increased buying leverage
- Achievement of market share gains mainly driven by service and added value
- Successful launch of first range of generics brands
  - "Almus"
- Parallel trade business grown despite market squeeze

Productivity

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- **Benchmarking projects implemented in UK, The Netherlands and Spain**
  - **Operating expenses per line forecasted to fall in wholesaling in UK, Netherlands and Spain in 2003 to 2005**
- **Early trials of quality initiative underway in France**
- **First wholesale technology component successfully installed in UK**
- **Upgraded UK pharmacy system ("ETP ready") will launch August 2003**

Group expansion

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- Quiet period in pharmacy acquisitions due to regulatory uncertainty
  - UK acquisitions focused in Scotland and next to health centres
  - Elsewhere we have maintained our share of acquisitions
- Wholesale acquisition front still very active – but ROI criteria being maintained
- Start of initiative to use Hedef as base for “fringe” expansion with acquisition of UCP Egypt
- Disposal of 30% of Alloga consistent with preference of manufacturer clients

Summary

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Strong organic growth

- **Improved performance being driven from existing businesses**
- **Successful management of regulatory issues producing net gains**
- **Consistent strategy delivering consistent and strong financial performance**

Internal developments

- **Scale beginning to deliver gross margin gains**
- **Cost reduction delivering productivity gains**
- **Early stages of technology programme showing promise**

External developments

- **Quiet period for acquisitions in 2003 coming to an end**

⇨ **Earnings track record maintained and strong generation of cashflows**

Conclusion

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- Strong set of figures
- Organic growth to continue
  - efficiencies
  - constant innovation
  - leveraging market position
- Acquisitions at the right price
- Proven ability to manage regulatory change
- Confident in continuation of strong track record

Appendices

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Country	Wholesale Market Position	Wholesale Customers	Wholesale Depots	Owned Pharmacies
United Kingdom	2	6,317	11	795
Netherlands	2	814	5	46
Czech Republic	2	1,968	7	-
Norway	3	578	1	95
France	2	13,462	57	×
Italy (inc. associates)	1	10,136	46	28
Spain	2	7,286	26	×
Portugal	1	1,774	8	×
Turkey*	1	31,042	42	×
Switzerland*	1	6,500	3	89
Greece*	1	1,200	6	×

* = Associate Business

× = Markets where chain ownership of pharmacies is prohibited

Data as at 30 June 2003

Source of data : Alliance UniChem Plc estimates & published results; IMS & Eurostat market data

Segmental analysis

six months ended 30 June

Alliance UniChem

in £'millions

	2003	2002	Change
Turnover			
Wholesale Northern Europe	1,514.1	1292.7	+17.1 %
Wholesale Southern Europe	2,821.7	2446.7	+15.3 %
Retail	519.6	456.1	+ 13.9%
Intra Group	(418.4)	(300.3)	
	4,437.0	3895.2	+13.9 %
Total operating profit*			
Wholesale Northern Europe	39.6	34.5	+ 14.8%
Wholesale Southern Europe	33.9	35.6	- 4.8%
Retail	36.1	31.0	+ 16.5%
Corporate	(4.0)	(4.8)	+ 16.7%
Associates	16.9	9.7	+ 74.2%
	122.5	106.0	+ 15.6%

* before amortisation of intangible assets

Exchange Rate: 2003 = €1.462 / £ : 2002 = €1.610 / £