



Alliance UniChem
2003 preliminary results

24 February 2004



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Origination of information

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2003 Highlights

- **Strong performance – driven organically**
- **Effective management of regulation**
- **Evolution of proven strategy**
- **Increasing contribution from associates**



Financial summary

year ended 31 December 2003

£million	2003	2002 restated**	Improvement
Turnover	8,799.3	7,771.6	+13.2%
Total operating profit*	263.4	227.4	+15.8%
Profit before tax*	209.9	180.5	+16.3%
Cash inflow from operating activities	322.3	200.6	+60.7%
Diluted EPS*	41.2p	36.9p	+11.7%
Dividends per share	16.7p	15.3p	+9.2%

* before amortisation of intangible assets

** restated for adoption of FRS17 "Retirement benefits" and change of accounting policy for turnover

Exchange rate: 2003 = €1.443 / £ : 2002 = €1.593 / £

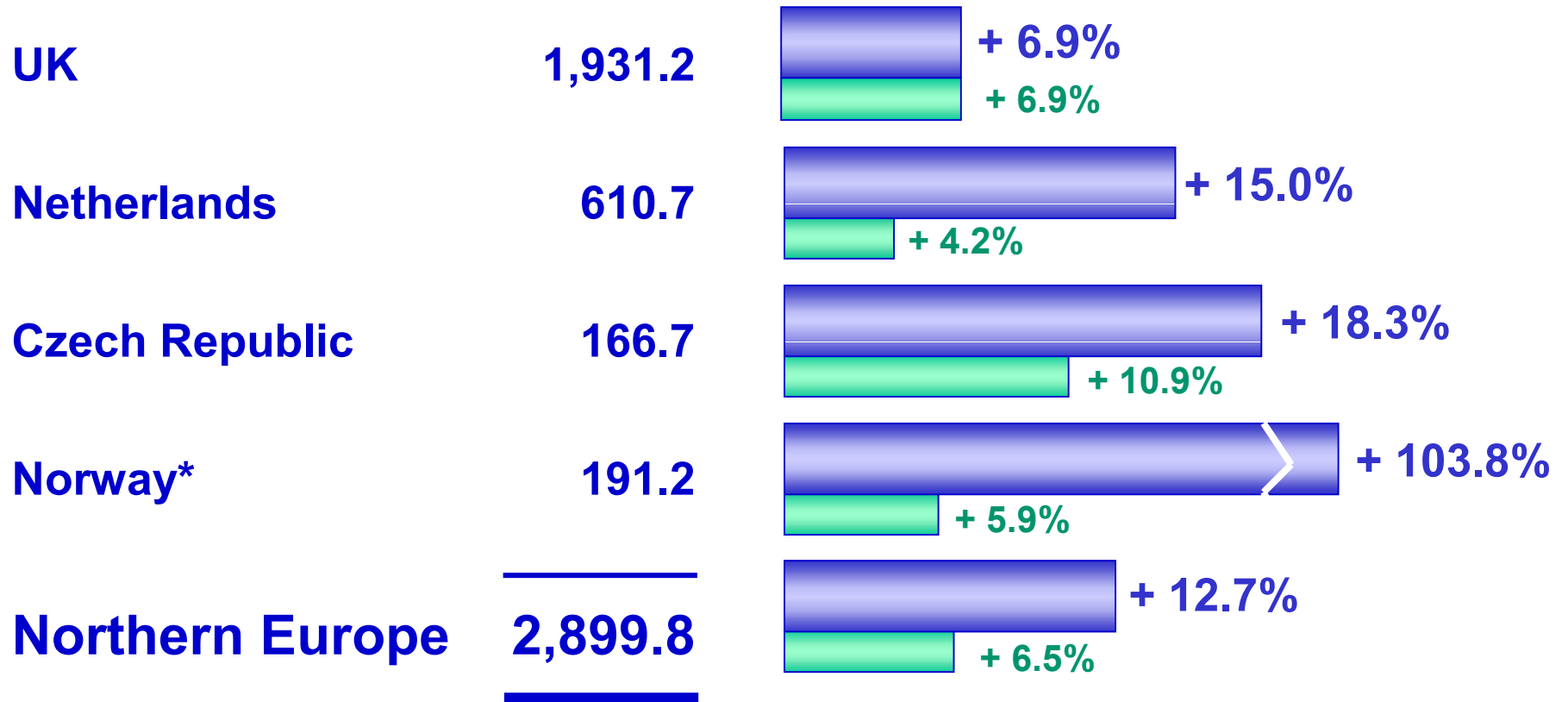


Wholesale – Northern Europe

year ended 31 December 2003

£million

Turnover



 Year on year growth
 Like-for-like constant currency growth

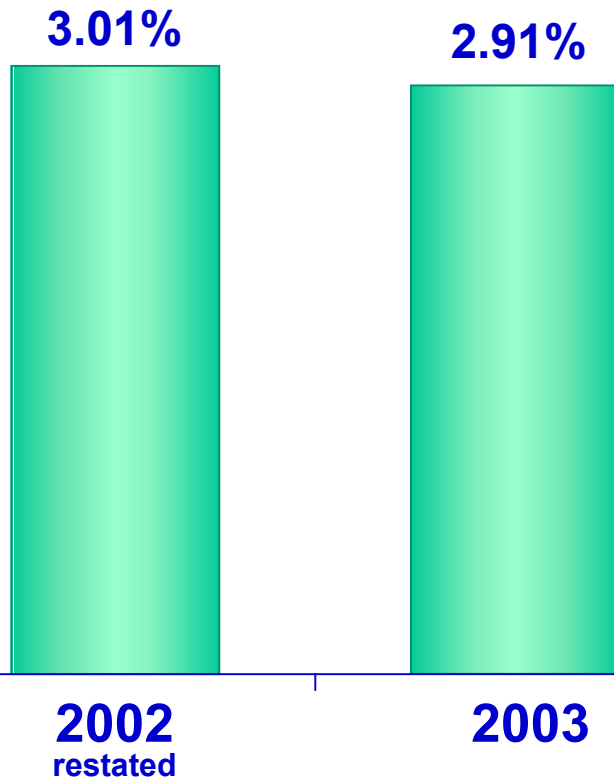
* Business acquired at end of June 2002



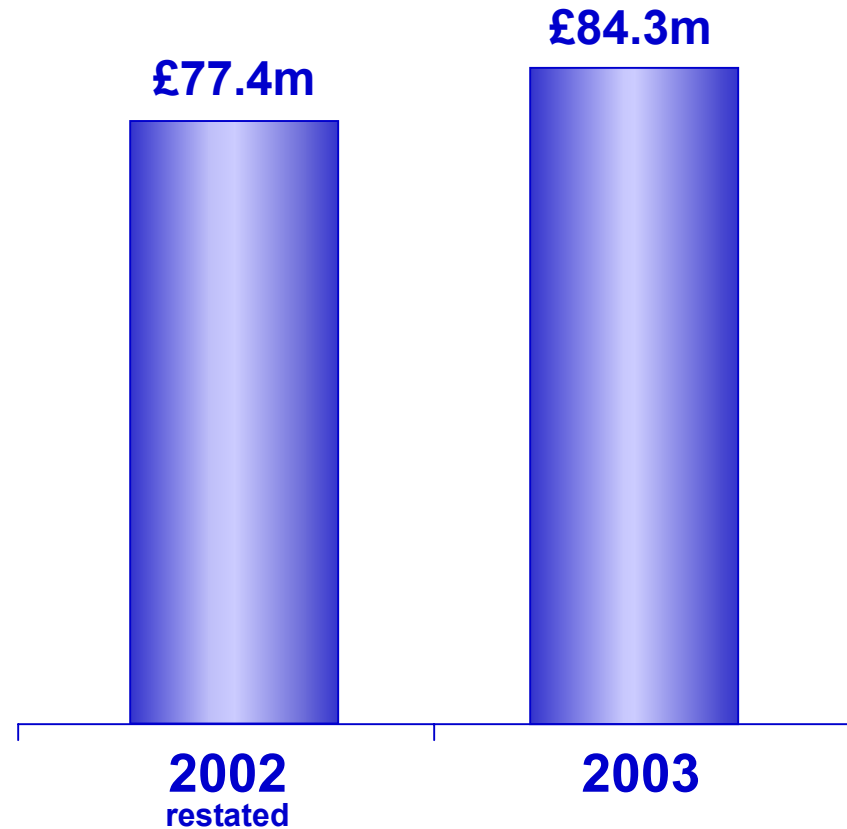
Wholesale – Northern Europe

year ended 31 December 2003

Operating margin*
-10 bps



Operating profit*
+8.9%



* before amortisation of intangible assets

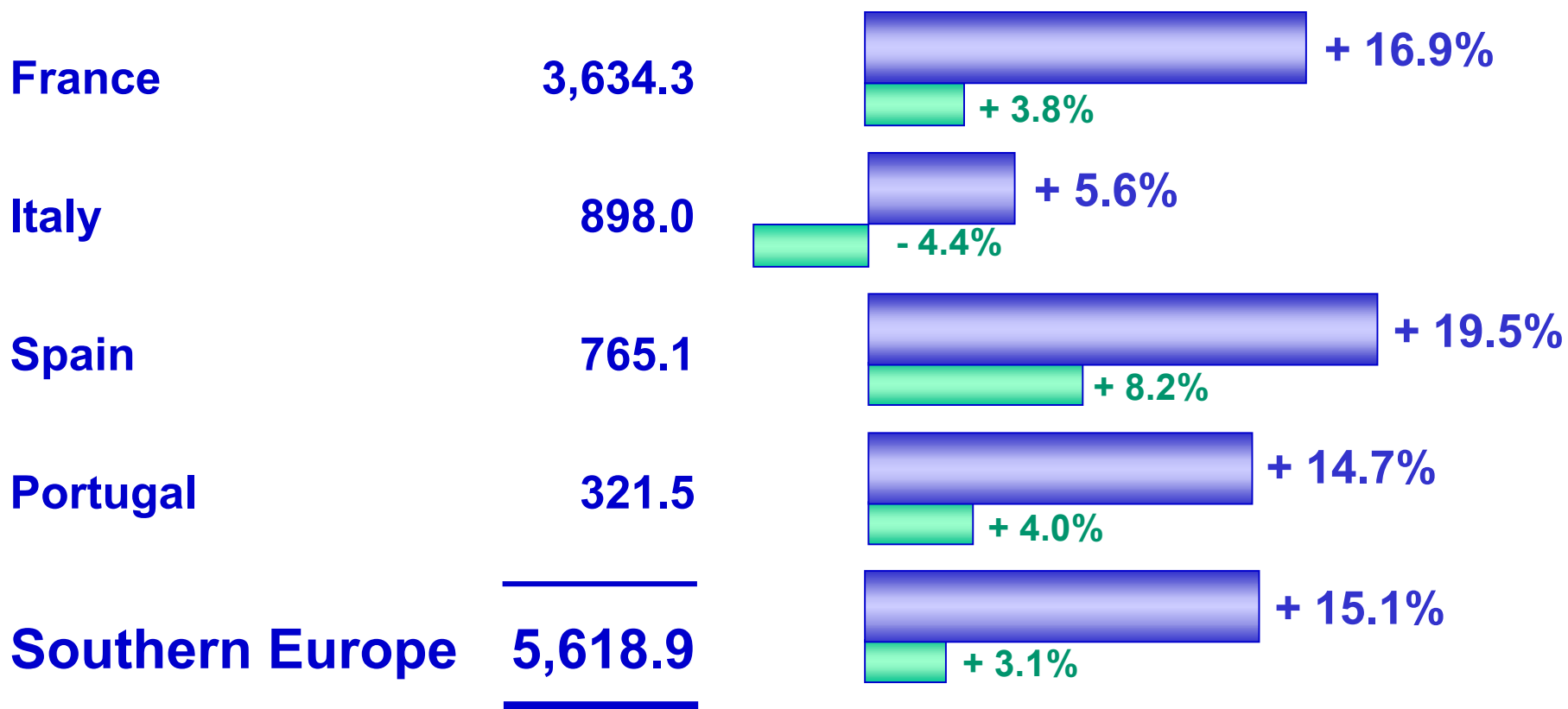


Wholesale – Southern Europe

year ended 31 December 2003

£million

Turnover



 Year on year growth

 Like-for-like constant currency growth

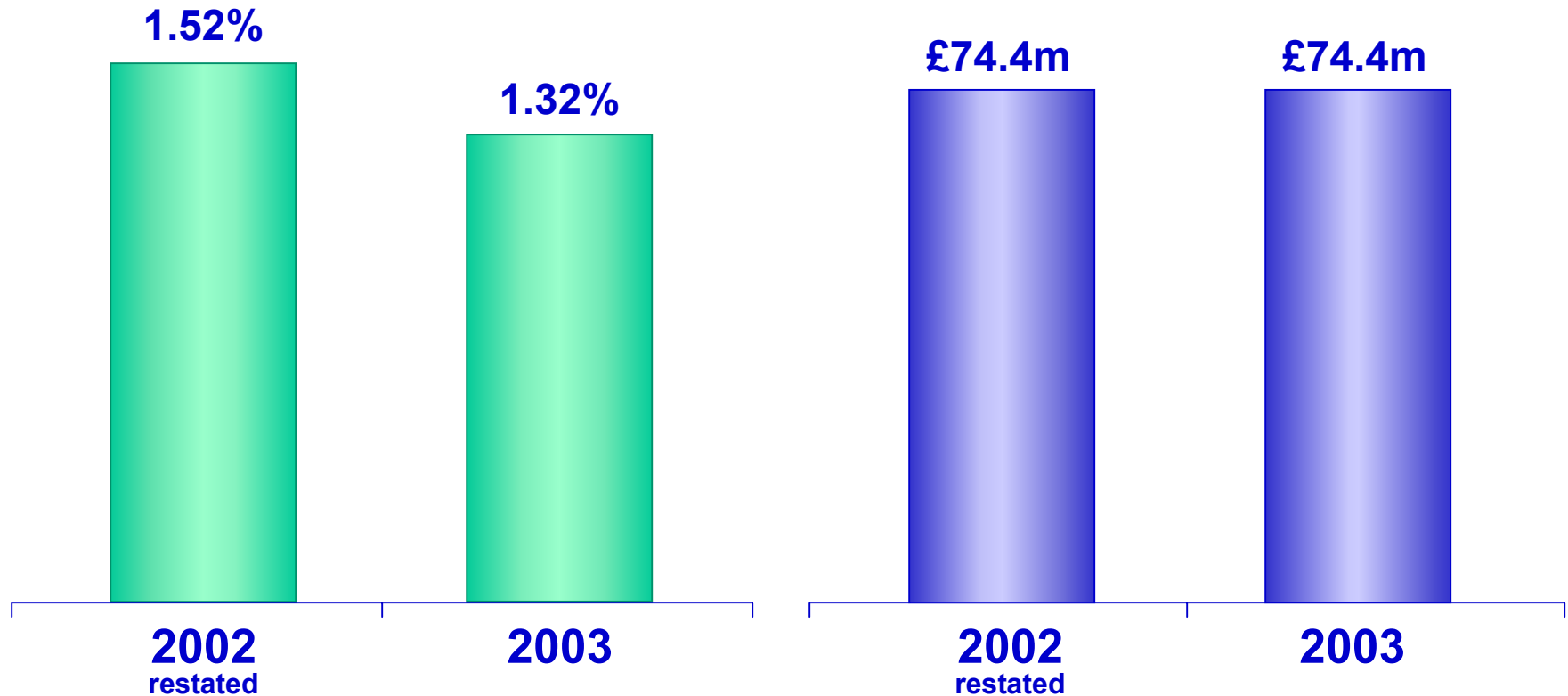


Wholesale – Southern Europe

year ended 31 December 2003

Operating margin*
-20 bps

Operating profit*
0%



* before amortisation of intangible assets

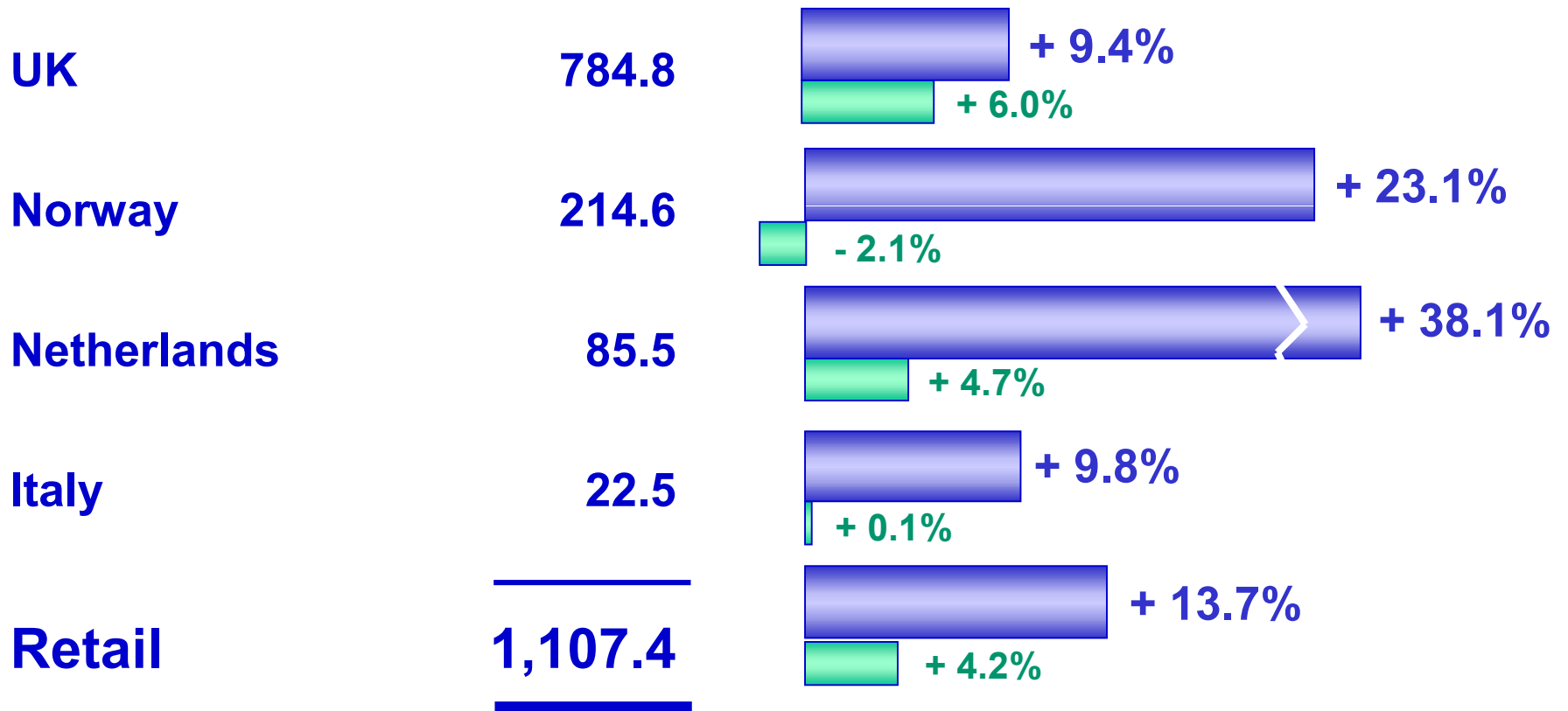


Retail

year ended 31 December 2003

£million

Turnover



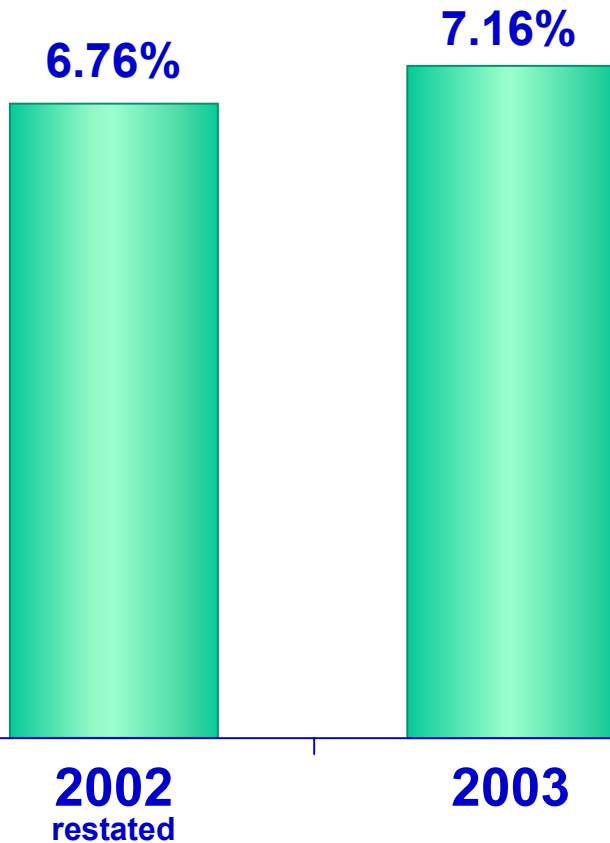
 Year on year growth
 Like-for-like constant currency growth



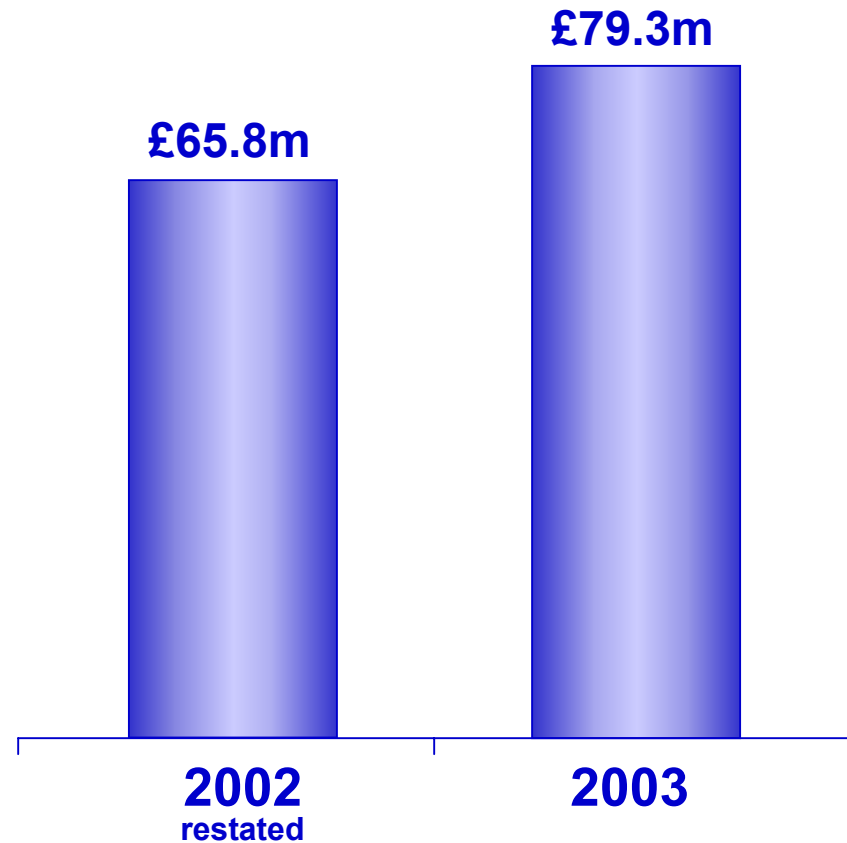
Retail

year ended 31 December 2003

Operating margin*
+40 bps



Operating profit*
+20.5%



* before amortisation of intangible assets



Associates

year ended 31 December 2003

£million

Share of operating profit*

	<u>2003</u>	<u>2002</u>	<u>Improvement</u>
Hedef Alliance	20.4	6.9	+195.7%
Others	16.4	14.6	+12.3%
Associates	36.8	21.5	+71.2%

* before amortisation of intangible assets



Interest and tax

year ended 31 December 2003

£million

	<u>2003</u>	<u>2002</u> restated**	<u>Change</u>
Interest	(53.5)	(46.9)	+14.1%
Interest cover*	4.9x	4.8x	+0.1x
Tax rate*	32.0%	32.1%	-10 bps

* before amortisation of intangible assets

** restated for adoption of FRS17 "Retirement benefits"



Cash flow

year ended 31 December 2003

£million	<u>2003</u>	<u>2002</u>
Operating cash flow	322.3	200.6
Interest and dividends	(78.2)	(86.0)
Tax	(46.2)	(51.9)
Maintenance capital expenditure	(24.1)	(28.9)
Free cash flow	173.8	33.8
Growth capital expenditure and financial investment	(65.5)	(146.6)
Cash flow before financing	108.3	(112.8)
Financing	1.3	73.6
Translation difference	(56.6)	(59.6)
Decrease / (increase) in net borrowings	53.0	(98.8)



Balance sheet

as at 31 December 2003

£million

	<u>2003</u>	<u>2002</u> restated
Net borrowings	827.2	880.2
Capital and reserves*	940.3	831.4
Net gearing	88%	106%

* restated for adoption of FRS17 "Retirement benefits"



Strong organic growth

- **Market growth and share gains driving turnover**
- **Margin expansion through increased buying leverage and retail presence**
- **Efficiency improvements**
- **Cash generation**



Better than expected market growth

% growth

	2003 estimate*	2004 forecast*
UK Wholesale	5	1
Netherlands	4	3
Czech Republic	11	10
Norway	3	5
France	6	4
Italy	3	2
Spain	11	5
Portugal	3	4
Turkey	10	10
Switzerland	8	8
Greece	5	5
Retail	7	7
Average**	6.5	5.5

* Alliance UniChem estimates

** Weighted to AU 2003 aggregated (i.e. not consolidated) turnover

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

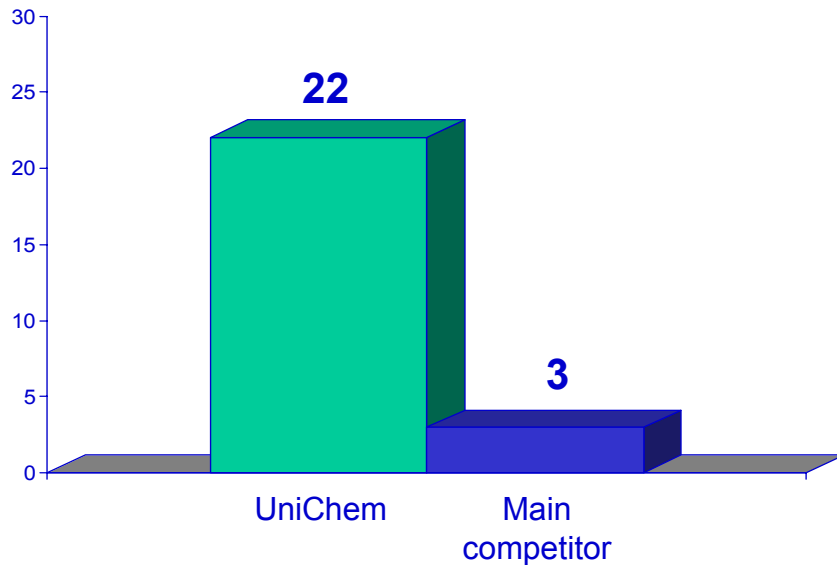
Data Sources: Gers / FarmaStat / IMS / Alliance UniChem internal estimates February 2004



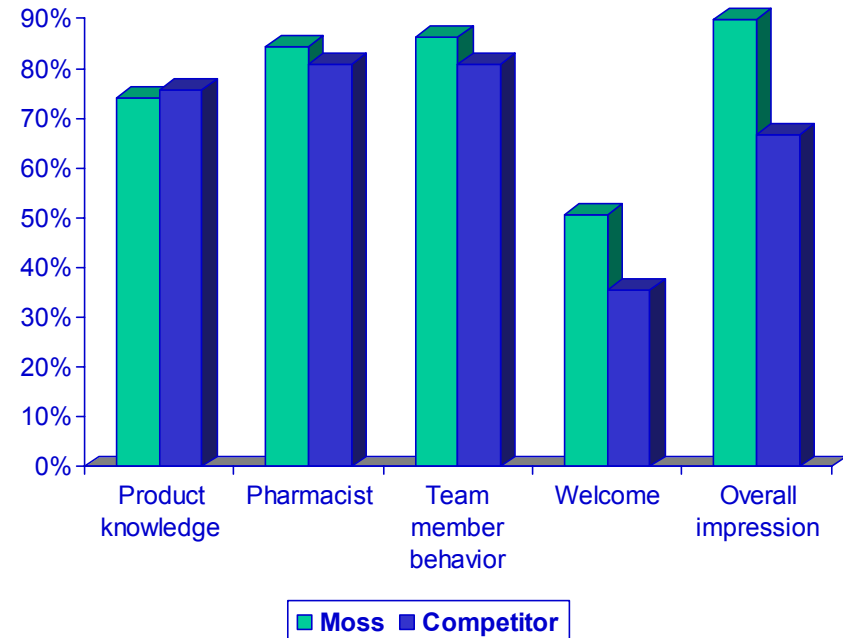
Quality service enhances customer loyalty

**A market leader in both wholesale and retail
- according to customers**

**Criteria where each wholesaler
is rated as first choice***



Mystery shopper retail service ratings



* Based on 625 pharmacists surveyed
Source: Customer Image Survey, September 2003, prepared by TNS Consumer

Source: Independent market research, November 2003



Innovative retail services attract customers

- **Strong relationships with other healthcare providers**
- **The broadest range of services**
 - from diabetes testing to full medicines management
- **Superior professional training and development for pharmacy staff**
- **Highest retention of pharmacists**



Margin expansion through central sourcing

Our generic brand Almus, together with improved PI procurement, provides sourcing benefits



ALMUS

Pharmacy Business Generic Product Of The Year 2003
for Metformin

Designed to aid dispensing



- **Fastest growing generic brand in the UK**
- **Highly acclaimed by healthcare professionals**



Continued focus on efficiency improvements

Best practice warehouse design improves productivity and customer service and reduces stock investment

- **UK**
 - **4 warehouses completed**
- **Netherlands**
 - **2 warehouses completed**
- **Turkey**
 - **New warehouse will incorporate best practice objectives**

Hinckley Best Practice

- **Handling hours reduced by 14%**
- **Picking hours reduced by 33%**
- **Costs per line processed down 16%**
- **Capacity increased by 25%**
- **Service levels up 1.7%**



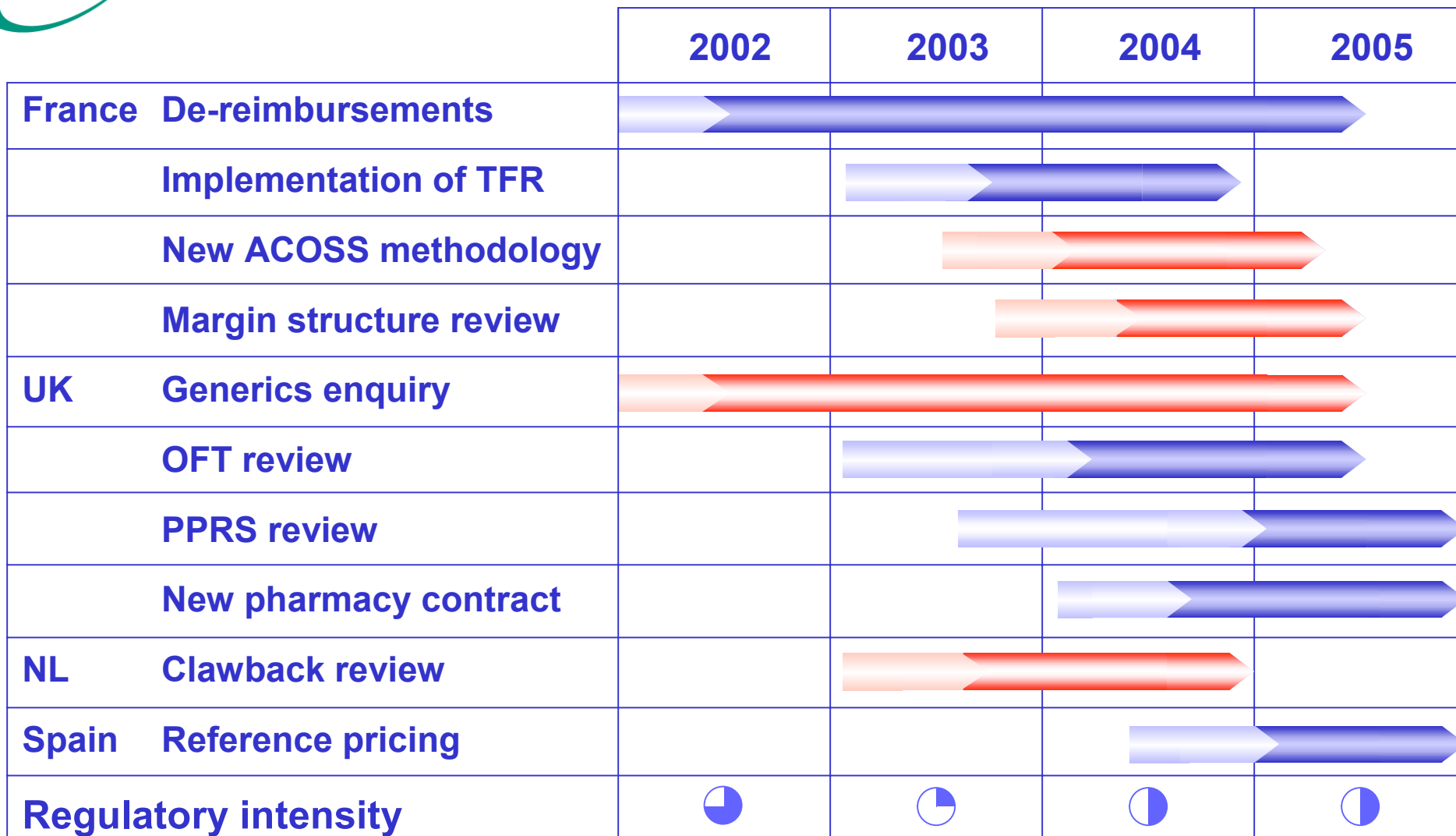
Improved cash generation

Significant improvement in cash flow reaped through strict commercial and financial management

	2003	2002	Improvement
Stock days	30.0	30.7	0.7
Debtor days	56.2	58.0	1.8
Creditor days	(56.8)	(55.8)	1.0



Regulatory action in key European markets



Review in progress
 Impact on growth
 New impacts in 2003

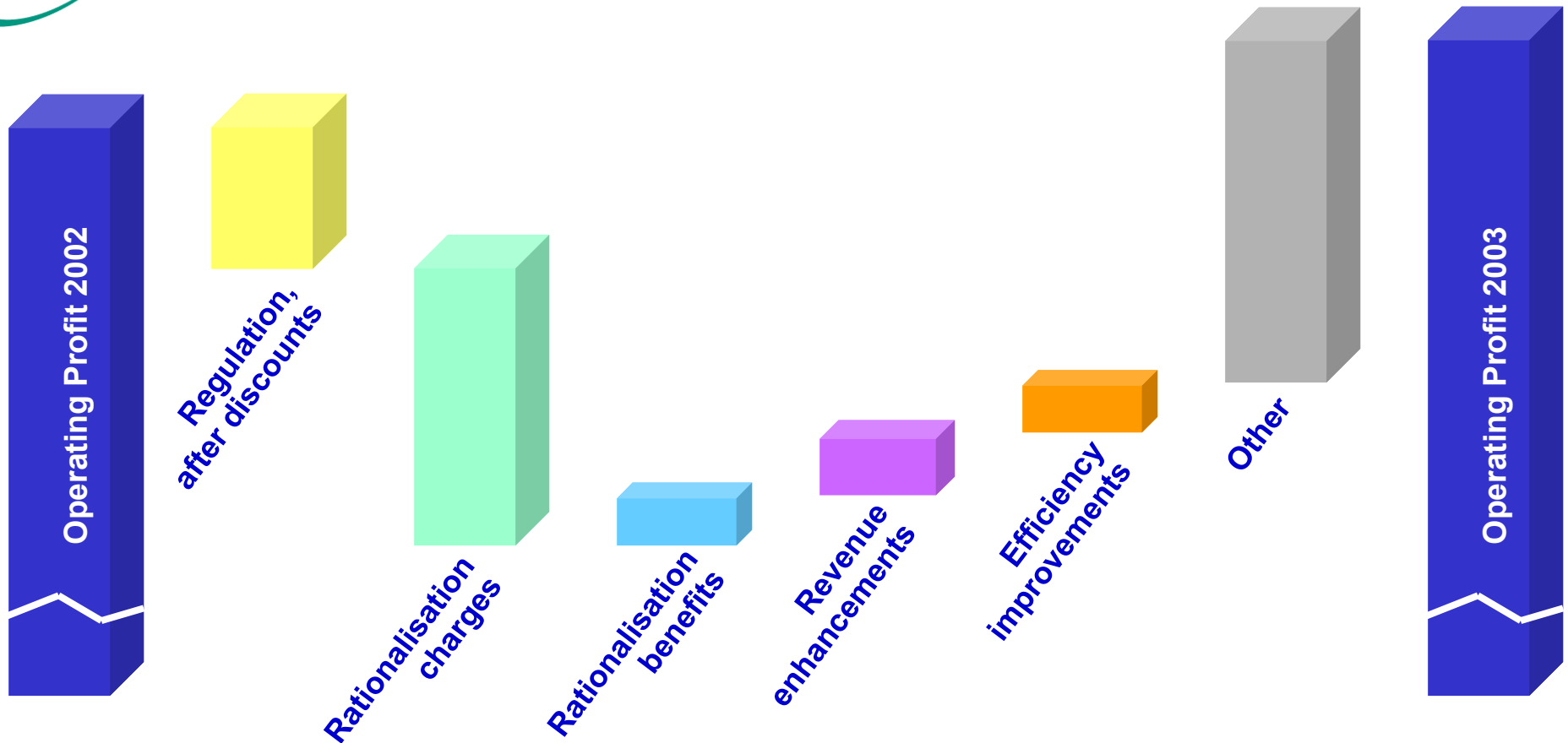


Effective management of regulation





Effective management of regulation



- Impact limited to certain countries
- Offset by revenue enhancement and cost reduction



Secure foundations

Drive returns from existing assets

Regulatory pressure **constant** →

Expansion through wholesaler consolidation

Pharmacy liberalisation **accelerating** →

Opportunity for chain economies

Manufacturer consolidation **continuing** →

Reliance on partners adding value



Continued strategic expansion

Pace of retail acquisitions should increase in 2004

Country	Pharmacies Acquired / Opened 2002	Pharmacies Acquired / Opened 2003	Outlook for 2004
UK	20	34	<ul style="list-style-type: none"> • Good prospects for new openings • New locations secured • Excellent access to healthcare developments
Norway	24	20	<ul style="list-style-type: none"> • New opportunities for acquisitions limited
Netherlands	12	7	<ul style="list-style-type: none"> • Good prospects for new openings
Italy*	11	0	<ul style="list-style-type: none"> • Remain opportunistic
Others*	30	10	<ul style="list-style-type: none"> • Slow but steady

* includes associates



Summary

Double-digit earnings growth and excellent cash flow generation through focused commercial and financial management and efficiency improvements

- **Strong organic growth**
- **Effective management of regulation**
- **Value-driven expansion**
- **Increased contribution of associates**