

2007/08 Annual Review

for the period ended 31 March 2008

Alliance Boots, the pharmacy-led health and beauty group, has today published its 2007/08 Annual Review and Consolidated Financial Statements for the period ended 31 March 2008. The Annual Review is attached and both documents are available in full on the Group's website at: www.allianceboots.com.

Alliance Boots has produced an excellent set of financial results in what is our first full financial year since the merger, which includes nine months of trading as a private company.

Highlights

- Excellent financial performance
- Health & Beauty Division
 - good revenue growth with substantial increase in trading margin
 - biggest expansion of Boots pharmacy brand underway
 - UK integration programme accelerated
- Pharmaceutical Wholesale Division
 - performed well in particularly difficult market conditions
 - continuing to win logistics service contracts from pharmaceutical manufacturers
 - service offering expanded through acquisition of Central Homecare just after year end
- Completed entry into China through wholesale joint venture
- Strong cash generation from operations

Group financial highlights – pro forma*

Revenue	up 4.8% to £15,304 million
Revenue including share of revenue of associates and joint ventures	up 6.3% to £17,788 million
EBITDA ¹	up 17.9% to £1,027 million
EBITDA including share of EBITDA of associates and joint ventures	up 17.8% to £1,119 million
Trading profit ²	up 20.3% to £771 million
Trading profit including share of trading profit of associates and joint ventures	up 20.1% to £854 million
Cash generated from operations ³	up 29.9% to £1,152 million

* The Annual Review and Consolidated Financial Statements have been published by Alliance Boots GmbH, a new Group holding company recently established in Switzerland. To assist in understanding the performance of the Group, pro forma financial information has been prepared to show the results from continuing operations of the Group as if the two former groups (Alliance UniChem and Boots Group) had always been combined and the acquisition of Alliance Boots plc by AB Acquisitions Limited had taken place prior to 31 March 2006. The pro forma revenue and profit statement for continuing operations has been prepared on an adjusted basis, which means before exceptional items and amortisation of customer relationships and brands.

¹ EBITDA comprises trading profit before depreciation and amortisation.

² Trading profit comprises profit from operations before exceptional items, amortisation of customer relationships and brands, and share of post tax earnings of associates and joint ventures.

³ Cash generated from operations excludes cash outflows relating to the merger of the two former groups and the acquisition of Alliance Boots plc by AB Acquisitions Limited.

Stefano Pessina, Executive Chairman said:

“These results demonstrate that Alliance Boots has made good progress and delivered an excellent financial performance. We are investing significantly in the Group for the long term and I am confident that we are on track to build the world's leading pharmacy-led health and beauty group.

“Since our year end, the Group has continued to perform well, reflecting the underlying strength of our two core business activities and the markets in which we operate. We remain confident about our prospects for the year ahead, despite the weaker outlook for overall consumer spending in the UK, as the benefits of refocusing our management efforts continue to enhance the performance of our businesses.”

For further enquiries, contact:

Alliance Boots

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Pro forma financial results

Divisional highlights

for the year ended 31 March 2008

	Revenue £million	Trading profit £million	Year on year growth	
			Revenue	Trading profit
Health & Beauty	6,848	603	+4.2%	+20.1%
Pharmaceutical Wholesale ¹	9,562	206	+5.8%	+15.7%
Contract Manufacturing & Corporate Costs	105	(38)	+22.1%	
Intra-group	(1,211)	-		
Group ²	15,304	771	+4.8%	+20.3%
Share of revenue & trading profit of associates and joint ventures	2,484	83	+17.3%	+18.6%
	17,788	854	+6.3%	+20.1%

¹ Own brand exports are included in the results of the Pharmaceutical Wholesale Division, having previously been separately reported. Comparatives have been restated to reflect this management change.

² Group trading profit comprises profit from operations before exceptional items, amortisation of customer relationships and brands, and share of post tax earnings of associates and joint ventures.

Alliance Boots has delivered an excellent set of financial results in our first full financial year since the merger, which included nine months of operating under private ownership. The Health & Beauty Division delivered good revenue growth while at the same time substantially increasing its trading margin. The Pharmaceutical Wholesale Division also performed well in what were particularly difficult market conditions in many countries.

Revenue increased year on year by 4.8% to £15,304 million, like for like revenue increasing by 1.9%. Trading profit (which comprises profit from operations before exceptional items, amortisation of customer relationships and brands, and share of post tax earnings of associates and joint ventures) increased by 20.3% to £771 million and EBITDA on the same basis by 17.9% to £1,027 million. For associates and joint ventures our share of post tax earnings before exceptional items increased by 22.4% to £60 million. Total EBITDA, including our share of EBITDA of associates and joint ventures, increased by 17.8% to £1,119 million.

Cash generated by operations was strong during the year, including a net working capital inflow of £183 million. This has enabled us to fund investment to grow our businesses. We invested £285 million of cash on capital expenditure, a large proportion of which was spent on upgrading retail stores and on logistics. In addition, £184 million of cash was invested in new acquisitions, associates and joint ventures, including £138 million for the purchase of 108 pharmacies in the UK and £41 million on our new wholesale joint venture in China. Net borrowings at the year end were £8,746 million and shareholders' equity was £4,013 million.

Following the move to private ownership in June 2007, we have been able to dedicate much of our efforts on accelerating the transformation of our Group to further improve performance.

Our primary focus has been on delivering previously announced and newly identified cost savings, commencing the integration of Boots and Alliance Pharmacy in the UK including the re-branding of our community pharmacies, progressing opportunities to develop Boots outside the UK and expanding our pharmaceutical wholesaling operations, both internationally and in related business areas, ensuring that we continue to meet customer expectations in terms of products and service.

During the year we delivered £68 million of merger cost savings, primarily from harmonised buying prices and reduced corporate costs, and remain on track with the longer term project to streamline our combined distribution network. This means that we have already reached our initial goal of achieving 60% of our £100 million per annum target merger cost synergies by 31 July 2008 and we still expect to achieve the overall target by July 2010.

Notes to editors

Our mission

Our mission is to become the world's leading pharmacy-led health and beauty group. We seek to develop our core businesses of pharmacy-led health and beauty retailing and pharmaceutical wholesaling across the world and become a significant player in many major international markets.

- Performance-driven, we aim to set high standards that are recognised as the benchmark by all our stakeholders, including employees, manufacturers, pharmacists, consumers and payors.
- We intend that our brand portfolio will lead the industry and we aim to demonstrate unparalleled expertise in formulating, marketing, selling and distributing our own brands.
- We seek to create a strong shared culture and sense of identity and belonging for our team throughout the Group.

Our purpose

Delivering products that help people look and feel their best.

Our values

We believe in making a difference and are proud of the contribution we make to the well-being of the communities we serve. Our core values are:

- **Partnership** – includes respect, understanding and working together. We create and build value through partnerships and alliances, inside and outside the business. Together we can achieve more.
- **Trust** – the essence of the way we do business. We are trusted because we deliver on our promises.
- **Service** – we hold ourselves to high standards of care and service, for our customers and our people.
- **Entrepreneurship** – we are innovators, seeking new challenges and having a winning spirit.
- **Simplicity** – we are proud of being lean and efficient, uncomplicated and easy to do business with.

Alliance Boots in brief

Over 110,000* employees with a presence in over 20* countries operating over 370* pharmaceutical wholesale warehouses delivering to over 135,000* pharmacies, doctors, health centres and hospitals operating more than 3,200* health and beauty retail outlets of which over 2,900* have a pharmacy dispensing more than 210 million items each year.

* Figures stated are as at 31 March 2008, are approximate and include associates and joint ventures.

Pharmacy-led health and beauty retailing

Alliance Boots, including our associates and joint ventures, has pharmacy-led health and beauty retail businesses in nine countries, each business focused on helping people look and feel better.

We, together with our associates and joint ventures, operate more than 3,200 health and beauty retail outlets of which over 2,900 have a pharmacy. In Europe we are the clear market leader in pharmacy with outlets in the UK, Norway, Republic of Ireland, The Netherlands, Italy and Russia and we also have pharmacies in Thailand. Our associates and joint ventures operate pharmacies in Switzerland, China and Italy. In addition a further 26 Boots outlets operate on a franchised basis in the Gulf.

Our principal retail brand in the Health & Beauty Division is Boots, which we trade under in the UK, the Republic of Ireland and Thailand and which we are currently trialling in Norway. The Boots offering is differentiated from that of our competitors due to the well established product brands which we own and our “only at Boots” exclusive products, together with our long established reputation for trust and customer care.

We recognise the special status of Boots as a trusted UK brand and institution and are seeking to enhance our position as a leading provider of healthcare, beauty advice and services in local communities, by increasing investment in existing stores and by expanding our store portfolio.

All our businesses have pharmacies in convenient locations and put the pharmacist at the heart of healthcare. Our pharmacists are well placed to provide a significant role in the provision of healthcare services, working closely with other primary healthcare providers in the communities we serve.

Pharmaceutical wholesaling

Our pharmaceutical wholesale businesses, together with our associates and joint ventures, supply medicines, other healthcare products and related services to over 135,000 pharmacies, doctors, health centres and hospitals from over 370 warehouses in 15 countries. In addition, our associates themselves have associates in a further two countries.

Our businesses, the majority of which now trade as Alliance Healthcare, provide high core service levels to pharmacists in terms of frequency of delivery, product availability, delivery accuracy, timeliness and reliability at competitive prices. We also offer our customers innovative added-value services which help pharmacists develop their own businesses. We consistently deliver high standards of efficiency and effectiveness.

In addition to the wholesale of medicines and other healthcare products, we provide services to pharmaceutical manufacturers who are increasingly seeking to gain greater control over their product distribution while at the same time outsourcing non-core activities. These services include prewholesale and contract logistics, direct deliveries to pharmacies and specialised medicine delivery including related home healthcare.

Scale is very important in pharmaceutical wholesaling. Alliance Boots ranks as one of the top three pharmaceutical wholesalers/distributors in almost all Western European markets in which we operate and in the last few years we have entered the fast growing Russian and Chinese markets. We continually seek to grow our wholesale and related distribution activities organically and through acquisitions, including investments in associates and joint ventures. These acquisitions are either in current or complementary business areas in countries in which we already operate or in new geographical markets which are typically large, fast growing and where we see the potential for market consolidation.

Products

Both our Divisions are increasingly seeking to enhance their customer offering through accelerating the development of differentiated products.

In our Health & Beauty Division we have highly regarded and long established product brands such as Boots, No7, Soltan and Botanics. We see our product development, packaging and product marketing capabilities as very important but often unrecognised strengths of the Group and we continue to manufacture a significant proportion of the own product brands that we sell.

Almus, our exclusive range of generic medicines, is now sold by our Pharmaceutical Wholesale Division in four countries in addition to being available on prescription from our own pharmacies in the UK. The Pharmaceutical Wholesale Division is also developing its range of Alvita healthcare products and selling Boots brands directly to third party retailers in the US and other countries.