

→ by creating value that is impossible to ignore. The Boots brand offers immense potential for us to realise.



Taking stock after 13 years as chief executive and then chairman of Boots, I am struck by the great changes both behind us and ahead. We are now geared for accelerating change as we take the Boots brand into a faster paced environment, grow internationally and seize the opportunities of the new economy. We have an outstanding team under Steve Russell, who has been an inspiring leader at Boots The Chemists, and I have enormous confidence in the group's future.

Results Sales from continuing operations rose 5.6% to £5,189.4m. Profit before tax, QUEST costs and exceptional items grew 4.8% to £587.4m.

This was the first full year of our QUEST share scheme under which we buy in the open market shares needed to cover all the options granted under a SAYE share option scheme. The £16.6m charged to profits covers options arising during the year. Exceptional items were £22m for Boots The Chemists head office reorganisation, partly offset by £12.9m profits on the sale of properties. The resulting profit after tax was £399.2m.

Dividend The proposed final dividend of 17.7p per share makes a total for the year of 25.2p – up 5.9% on last year.

Shareholder value Few people anticipated how the stock market would pursue new technology in 1999, or how severely this would impact on more traditional 'value' shares. The market's division into old and new does not fully recognise the fundamental value and strength that companies like Boots continue to show in a changing environment.

Our results show continued ability to adapt, and meet competitor and consumer change. We have been preparing for even greater changes, and these will be increasingly apparent in the year ahead. You will find more

details on the following pages.

As the year closed, share valuations were beginning to reflect more solid analysis of business fundamentals.

Despite our disappointing share price in the second half of the year, we believe managing for value will secure substantial returns over the longer term because:

- We have growth potential in the UK as we move the Boots brand and its credibility further into healthcare and into new markets
- We are successfully meeting supermarket competition head-on
- The internet represents an opportunity for us, not a threat
- We are unlocking international potential.

Directors Steve Russell succeeded me as chief executive on 1st April. On 1st August I will be succeeded as chairman by John McGrath, a non-executive director since 1997. Ken Piggott joined the board on 1st April, on moving from Halfords to lead Boots The Chemists.

Among the non-executive directors, we lost Sir Peter Davis when he became chief executive of J Sainsbury, but during the year we gained two others: Dr Martin Read, chief executive of Logica and non-executive director of British Airways and Sir Nigel Rudd, who is also chairman of Williams, non-executive chairman of Pilkington and Pendragon, and a non-executive director of Barclays.

Outlook I believe the measures we are taking will deliver growing shareholder returns. We have the vital advantages of a fundamentally sound business and outstanding people at all levels. My thanks to all of them for what they have built and will go on building.

Lord Blyth of Rowington
Chairman

Turnover £m

00	5,189
99	5,045
98	5,022
97	4,578
96	4,125

Operating profit before exceptional items £m

00	565
99	562
98	538
97	492
96	443

Dividends p

00	25.2
99	23.8
98	22.3
97	20.5
96	18.5

(1997 excludes 44.2p special dividend)