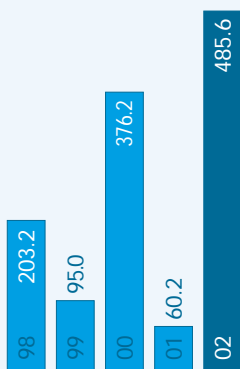
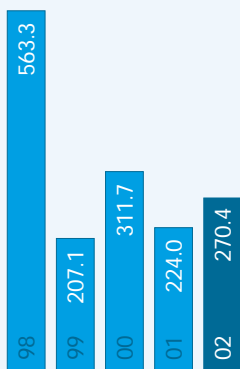


Summary financial review

Free cash flow £m



Payment to shareholders £m



At Boots we have a single overriding management objective that shareholders will get the best possible return on their investment in Boots over time, through dividend payments and share price increases.

The maximisation of cash flow over time is the key factor in value creation.

Group performance

Turnover Sales from businesses, including £3.9m share of joint ventures' turnover, increased by 2.0% to £5,332.2m.

Profit Operating profit before exceptional items and share of operating loss of joint ventures, increased by 7.2% to £646.4m. Profit on ordinary activities before tax rose 21.0% to £595.8m.

Earnings per share Basic earnings per share before exceptional items increased by 9.9% to 49.9p.

Dividend The board has proposed a final dividend of 19.3p. This brings the total dividend for the year to 27.4p, an increase of 4.2% over last year.

Interest Net interest receivable for the year was £13.2m compared with £1.1m net receivable in 2001.

Taxation The effective tax rate, before exceptional items, for the group was 31.0%, slightly below last year's rate of 31.4% (restated for the impact of FRS19).

Cash flow The following summary of cash flow demonstrates the company's ability to consistently generate free cash flow that is defined as the cash flow available to all the providers of capital.

Summary of cash flows	2002 £m	2001 £m
Operating cash flows before exceptionals	752	693
Exceptional operating cash flows	(29)	(29)
Acquisition/disposal of businesses	4	(33)
Purchase of fixed assets	(172)	(462)
Disposal of fixed assets	62	49
Disposal of own shares	8	8
Taxation paid	(139)	(167)
Other items	-	1
Free cash flow	486	60
Repurchase of shares	(36)	-
Dividends paid	(235)	(224)
Net interest	41	(22)
Net cash flow	256	(186)

Cash from operating activities before exceptionals was £751.7m, an increase of £58.1m on last year mainly arising through increased operating profit.

Purchase of fixed assets includes acquisition of intangible assets. Last year £461.8m included the acquisition of the Clearasil brand in December 2000 for a consideration of £237m which was the major factor in increasing the free cash flow by £426m to £486m.

Shares were purchased as part of the £300m buyback programme announced in March 2002. By the year end 7.0m shares had been repurchased at a cost of £45.9m.

The chart opposite shows the amounts of free cash flow generated by the group for each of the last five years.

Share price Our share price rose from 627p at the end of last year to 672.5p on 31st March 2002. The price ranged from a high of 694.5p to a low of 565p.

Our share price performance has been affected by the uncertainty around the future development of the business, in particular in Boots Retail. We are confident that the measures being taken which are described in the operating reviews will improve this performance.

Total shareholder return (TSR)

We ended the year at position nine in the following TSR table with a return in the five year period of 20.7%, which represents 3.8% on an annualised basis. This is a drop of two places compared to last year.

Shareholder returns of The Boots Company compared with peer companies, using average listed share prices over the three months to 31st March were as follows:

Five years to 31st March 2002	%
1 Smith and Nephew	197.6
2 Alliance UniChem	146.2
3 Tesco	134.5
4 Reckitt Benckiser	65.4
5 J Sainsbury	38.2
6 Kingfisher	34.3
7 WHSmith	34.2
8 GUS	23.4
9 Boots	20.7
10 Marks & Spencer	(9.4)

Over a ten-year period our equivalent annualised return was 7.7%.

Howard Dodd
Finance Director

