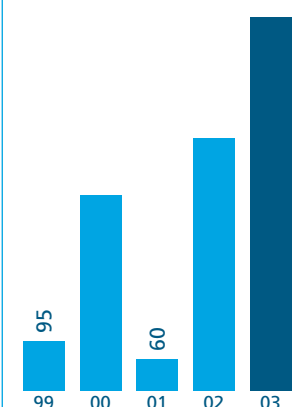


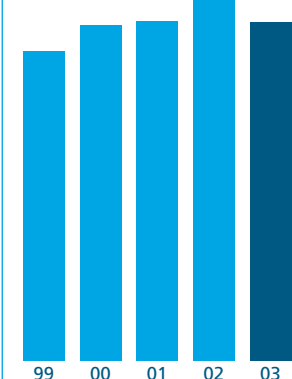
# Summary financial review



Free cash flow £m



Earnings per share p (before exceptional items)



## Group performance

During the year our aim has been to refocus on the two core businesses: Boots The Chemists and Boots Healthcare International. Our priorities have been to drive profitable top line growth while increasing investment in the future.

This has been a year of substantial change and the Financial Results reflect this.

**Turnover** from continuing operations increased by 6.0% to £5,092.4m.

**Operating profit** fell by 10.7% to £544.1m. This masks underlying progress

in Boots The Chemists and Boots Healthcare International but shows the cost of the investments we are making to renew our core businesses and those associated with exiting loss-making activities.

**Profit before tax** declined 16.9% to £494.9m, due to £123.2m loss on the sale of Halfords and £34.5m costs for the closure of certain wellbeing services. These are both shown as exceptional items and are partially offset by an exceptional interest credit of £92.1m arising from the closure of interest rate swaps.

**Taxation** Excluding non-operating exceptional items before interest, the effective tax rate for the group was 31.5%, slightly higher than last year's rate of 31.1% due to increased profits overseas which were taxed at a higher rate.

**Basic earnings per share** before exceptional items decreased by 9.4% to 45.2p (basic earnings per share decreased by 21.6% to 36.0p). See table opposite.

**Dividend** The board has proposed a final dividend of 20.2p. This brings the total dividend for the year to 28.6p, an increase of 4.4% over last year.

**Cash flow** The following summary of cash flow demonstrates the company's ability to consistently generate free cash flow.

Summary of cash flows	2003 £m	2002 £m
Operating cash flows before exceptionals	590	752
Exceptional operating cash flows	(8)	(29)
Acquisition/disposal of businesses	358	4
Purchase of fixed assets	(146)	(172)
Disposal of fixed assets	119	62
Disposal of own shares	3	8
Taxation paid	(197)	(139)
<b>Free cash flow</b>	<b>719</b>	<b>486</b>
Repurchase of shares	(465)	(36)
Dividends paid	(238)	(235)
Net interest	75	41
<b>Net cash flow</b>	<b>91</b>	<b>256</b>

Free cash flow is defined as the cash flow available to all providers of capital.

Cash flow from operating activities before exceptionals was £590.4m, a decrease of £161.3m on last year mainly arising through lower operating profit and higher stock levels.

£358.1m realised from disposals and acquisitions of businesses includes £367.6m in respect of the sale of Halfords in August 2002. The proceeds from this sale are being used to fund the current £400m share repurchase programme.

78.8m shares at a cost of £462.8m were repurchased during the year. 41.4m shares at a cost of £253.9m were purchased to complete the £300m buy back programme announced in March 2002 and 37.4m shares at a cost of £208.9m were purchased as part of the current programme.

**Share price** Our share price fell 21.1% from 672.5p at the end of last year to 530.5p on 31st March 2003. The price ranged from a high of 725p to a low of 492p.

Whilst this fall reflects a general decline in stock market values it represents a better performance than the FTSE100 which fell by 31.5% in the same period.

**Total shareholder return (TSR)** over the last five years compared with those of our peer companies were as follows:

Five years to 31st March 2003	%
1 Smith and Nephew	123.9
2 Alliance UniChem	24.0
3 Reckitt Benckiser	21.4
4 Tesco	13.1
5 GUS	(17.1)
6 Debenhams	(17.4)
<b>7 Boots</b>	<b>(24.0)</b>
8 WHSmith	(24.2)
9 Kingfisher	(35.6)
10 Marks & Spencer	(37.8)
11 J Sainsbury	(39.3)

Position seven this year is an improvement of two places compared with last year. Our five-year TSR of (24.0)% represents (5.3)% on an annualised basis. Over a ten-year period our equivalent annualised return was 5.7%.

Howard Dodd  
Chief Financial Officer