

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PART TWO OF THIS DOCUMENT COMPRISES AN EXPLANATORY STATEMENT IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985.

If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, if you are in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your Alliance Boots Shares, please send this document, but not the personalised Forms of Proxy or Form of Election, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through which the sale or transfer was effected, for transmission to the purchaser or transferee. However, such documents should not be forwarded or delivered in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such jurisdiction. If you have sold or otherwise transferred only part of your holding of your Alliance Boots Shares, you should retain these documents and consult the stockbroker, bank or other agent through which the sale or transfer was effected.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.



Recommended acquisition of

Alliance Boots plc

by

AB Acquisitions Limited

(a company jointly controlled by certain funds advised by KKR and Stefano Pessina)

**to be effected by way of a scheme of arrangement
under section 425 of the Companies Act 1985**

Shareholders should read carefully the whole of this document and the accompanying Forms of Proxy and Form of Election. Your attention is drawn to the letter from the Chairman of Alliance Boots in Part One of this document which contains the unanimous recommendation of the Independent Directors to vote in favour of the resolutions to be proposed at the Alliance Boots Meetings required to implement the Scheme and to an explanatory statement from Goldman Sachs and Greenhill explaining the Scheme in greater detail which is set out in Part Two of this document.

Notices of a Court Meeting and the Alliance Boots EGM, each of which will be held at Goldman Sachs International, River Court, 120 Fleet Street, London EC4A 2QQ on 31 May 2007, are set out in Part Twelve of this document. The Court Meeting will start at 10.00 a.m. on that date and the Alliance Boots EGM at 10.15 a.m. or as soon thereafter as the Court Meeting is concluded or adjourned.

The action to be taken in respect of the Alliance Boots Meetings is set out on page 2 of this document and also in paragraph 11 of the Chairman's letter in Part One of this document.

IMPORTANT NOTICES

Goldman Sachs International, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as financial adviser to Alliance Boots in relation to the matters described in this document and is not advising any other person and accordingly will not be responsible to any person other than Alliance Boots for providing the protections afforded to customers of Goldman Sachs International or for providing advice in relation to the matters described in this document.

Greenhill & Co. International LLP, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as financial adviser to Alliance Boots in relation to the matters described in this document and is not advising any other person and accordingly will not be responsible to any person other than Alliance Boots for providing the protections afforded to customers of Greenhill & Co. International LLP or for providing advice in relation to the matters described in this document.

UniCredit Markets & Investment Banking (through Bayerische Hypo- und Vereinsbank AG, London Branch, which is authorised and regulated in the United Kingdom by the Financial Services Authority), is acting exclusively as lead financial adviser for AB Acquisitions and no one else in relation to the matters described in this document and will not be responsible to anyone other than AB Acquisitions for providing the protections afforded to clients of UniCredit Markets & Investment Banking or for providing advice in relation to the matters described in this document.

JPMorgan Cazenove, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively as lead financial adviser and corporate broker for AB Acquisitions and no one else in relation to the matters described in this document and will not be responsible to anyone other than AB Acquisitions for providing the protections afforded to clients of JPMorgan Cazenove or for providing advice in relation to the matters described in this document.

Merrill Lynch is acting exclusively as lead financial adviser and corporate broker for AB Acquisitions and no one else in relation to the matters described in this document and will not be responsible to anyone other than AB Acquisitions for providing the protections afforded to clients of Merrill Lynch or for providing advice in relation to the matters described in this document.

Citigroup Global Markets Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, has also provided advice to AB Acquisitions and is acting for no one else in relation to the matters described in this document and will not be responsible to anyone other than AB Acquisitions for providing the protections afforded to clients of Citigroup Global Market Limited or for providing advice in relation to the matters described in this document.

Information for Overseas Persons

The Loan Notes that may be issued pursuant to the Transaction have not been and will not be registered under the US Securities Act or under the securities laws of any state, district or territory or other jurisdiction of the United States. Accordingly, Loan Notes may not be offered, sold, resold, transferred, delivered or distributed directly or indirectly in or into the United States or to, or for the account or benefit, of any US Person.

US persons should note that the Scheme relates to the shares of an English company that is a "foreign private issuer" as defined under Rule 3b-4 under the US Exchange Act, and the Scheme will be governed by English law. Neither the proxy solicitation rules nor the tender offer rules under the US Exchange Act will apply to the Scheme. Moreover, the Scheme will be subject to the disclosure requirements and practices applicable in the UK to schemes of arrangement, which differ from the disclosure requirements under US securities laws. Financial information included in the Scheme Document has been prepared in accordance with accounting standards applicable in the UK that may not be comparable to the accounting standards applicable to financial statements of US companies. None of the financial information in this Scheme Document has been audited in accordance with auditing standards generally accepted in the United States or the auditing standards of the Public Company Accounting Oversight Board (United States). Alliance Boots is a public limited company incorporated under the laws of England and Wales. All the Alliance Boots Directors may be citizens or residents of countries other than the United States and, as a result, it may not be possible for Scheme Shareholders who are resident in the United States to effect service of process within the United States upon the Alliance Boots Group or Alliance Boots Directors. All or a substantial portion of the assets of such persons and of the Alliance Boots Group may be located outside the United States. As a result, it may not be possible for Scheme Shareholders to enforce against them judgments of US courts, including judgments predicated upon civil liabilities under the securities laws of the United States or any state or territory within the United States.

Loan Notes which may be issued pursuant to the Transaction have not been and will not be registered under the relevant securities laws of Japan or Switzerland. No securities registration statement in relation to the Loan Notes has been, or will be, filed with the Director of the Kanto Local Finance Bureau in Japan. No prospectus in relation to the Loan Notes has been, or will be, lodged with, or registered with, the Australian Securities and Investments Commission ("ASIC"), the Japanese Ministry of Finance, or the Companies Office in New Zealand. This document has not been lodged with ASIC and does not include the information required of a prospectus. No prospectus has been prepared under Swiss law in relation to the Loan Notes.

Accordingly, unless otherwise determined by AB Acquisitions and permitted by applicable law and regulation, the provision of this document to any person in Australia, Japan, Switzerland or New Zealand does not constitute an offer of Loan Notes to that person and Loan Notes are not being offered, sold, resold, transferred, delivered or distributed, directly or indirectly in or into or to persons in Australia, Japan, Switzerland or New Zealand or any other jurisdiction where to do so would violate the laws of that jurisdiction or would require registration thereof in such jurisdiction or to, or for the account or benefit of, any Restricted Overseas Person.

Disclosure Notice

The information contained in this document is, unless otherwise stated, as of the date of this document. Nothing in this document should be construed as a profit forecast for Alliance Boots. AB Acquisitions and Alliance Boots assume no obligation to update any forward-looking statements contained in this document as a result of new information for future events or developments.

This document contains certain statements that are or may be forward-looking including with respect to the benefits to be realised from the Transaction. In particular, among other statements, certain statements in Part One under the headings "Reasons for the Transaction" and "Current trading and prospects" are or may be forward-looking in nature. Forward-looking statements include, without limitation, statements typically containing words such as "intends", "expects", "anticipates", "targets", "estimates" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, the satisfaction of the Conditions, expected timing of the Transaction, potential acquisitions and other strategic options, timing and impact of integration, changes to existing or introduction of new regulation or changes in the regulatory environment, changed requirements of funding future pension benefits, the occurrence of major operational problems and potential exposures to liability claims arising from (amongst other things) the supply of defective products, future market conditions, the behaviour of other market participants, an adverse change in the economic climate, a fluctuation in the level of customer spending and a loss of key personnel. Many of these risks and uncertainties relate to factors that are beyond the companies' abilities to control or estimate precisely such as future market conditions and the behaviour of the market participants.

Dealing Disclosure Requirements

Under the provisions of Rule 8.3 of the City Code, if any person is, or becomes "interested" (directly or indirectly) in one per cent. or more of any class of "relevant securities", all "dealings" in any "relevant securities" in Alliance Boots (including by means of an option in respect of, or a derivative referenced to, any such "relevant securities") must be publicly disclosed by no later than 3.30 p.m. on the Business Day following the date of the relevant transaction. This requirement will continue until the Effective Date or when the "offer period" for the purposes of the City Code otherwise ends. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an "interest" in "relevant securities" of Alliance Boots they will be deemed to be a single person for the purpose of Rule 8.3. Under the provisions of Rule 8.1 of the City Code, all "dealings" in "relevant securities" of Alliance Boots by Alliance Boots or AB Acquisitions or by any of their respective "associates", must be disclosed by no later than 12.00 noon on the Business Day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose "relevant securities" "dealings" should be disclosed, and the number of such securities in issue, can be found on the Panel's website at www.thetakeoverpanel.org.uk.

"Interests in securities" arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an "interest" by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

Terms in quotations marks in this section are defined in the City Code, which can also be found on the Panel's website. If you are in any doubt as to whether or not you are required to disclose a "dealing" under Rule 8, you should consult the Panel.

In accordance with normal United Kingdom market practice and subject to applicable regulatory requirements, AB Acquisitions or its nominees or its brokers (acting as agents) may from time to time make certain purchases of, or arrangements to purchase, Alliance Boots Shares outside the United States, other than pursuant to the Transaction. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be disclosed as required in the United Kingdom and under applicable regulatory requirements (including applicable US securities laws).

ACTION TO BE TAKEN

1. VOTING AT THE COURT MEETING AND THE ALLIANCE BOOTS EGM

The Court Meeting and the Alliance Boots EGM will be held at Goldman Sachs International, River Court, 120 Fleet Street, London EC4A 2QQ at 10.00 a.m. and 10.15 a.m. respectively (or in the case of the Alliance Boots EGM, if later, as soon as the Court Meeting has been concluded or adjourned) on 31 May 2007. The Scheme requires approval at both of these meetings.

You will find enclosed with this document:

- a blue Form of Proxy for use in respect of the Court Meeting (incorporating an attendance card);
- a pink Form of Proxy for use in respect of the Alliance Boots EGM (incorporating an attendance card);
- a yellow Form of Election for use in respect of the Loan Note Alternative; and
- a reply-paid envelope for use in the United Kingdom.

If you have not received all of the documents, please contact Capita on the Shareholder Helpline telephone number indicated on page 2 of this document.

Whether or not you intend to attend both or either of the Alliance Boots Meetings, please complete the enclosed Forms of Proxy and return them, in accordance with the instructions printed thereon, by post using the reply-paid envelope provided or, during normal business hours only, by hand to Capita, at Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible, but in any event so as to be received by no later than:

Blue Forms of Proxy for the Court Meeting **10.00 a.m. on 29 May 2007**

Pink Forms of Proxy for the Alliance Boots EGM **10.15 a.m. on 29 May 2007,**

(or, in the case of an adjournment of either meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting). Alternatively, you may fill in your Forms of Proxy online at www.allianceboots-shareholder.com, following the instructions on the Forms of Proxy.

Returning the Forms of Proxy will enable your votes to be counted at the Alliance Boots Meetings in the event of your absence. If the blue Form of Proxy for use at the Court Meeting is not lodged by the time set out above, it may be handed to Capita or the chairman at the Court Meeting before the start of the meeting. However, in the case of the Alliance Boots EGM, unless the pink Form of Proxy is lodged so as to be received by the time mentioned above, it will be invalid.

If you hold your Alliance Boots Shares in uncertificated form (i.e. in CREST), you may vote using the CREST Proxy Voting Service in accordance with the procedures set out in the CREST Manual by completing and transmitting a CREST Proxy Instruction to Capita (CREST participant ID RA10).

Proxies submitted electronically (through CREST or online) must be sent as soon as possible, and in any event so as to be received by no later than 10.00 a.m. on 29 May 2007 in the case of the Court Meeting and by 10.15 a.m. on 29 May 2007 in the case of the Alliance Boots EGM (or in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

General

Completing and returning the Forms of Proxy, completing the forms of proxy online or completing and transmitting a CREST Proxy Instruction will not prevent you from attending and voting at either the Court Meeting or the Alliance Boots EGM, or any adjournment thereof, in person if you wish to do so.

IT IS IMPORTANT, FOR THE COURT MEETING, THAT AS MANY VOTES AS POSSIBLE ARE CAST SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR REPRESENTATION OF SCHEME SHAREHOLDER OPINION. YOU ARE THEREFORE STRONGLY URGED TO COMPLETE, SIGN AND RETURN YOUR FORMS OF PROXY AS SOON AS POSSIBLE.

2. TO MAKE AN ELECTION FOR THE LOAN NOTE ALTERNATIVE

Shareholders with share certificates

Scheme Shareholders (other than Loan Note Excluded Persons) who hold certificated Scheme Shares and who wish to elect for the Loan Note Alternative are requested to complete and return the enclosed yellow Form of Election using the reply-paid envelope provided or (during normal business hours only) by hand to Capita, at Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but, in any event, so as to be received no later than 4.30 p.m. on 20 June 2007.

CREST Shareholders

If you are a Scheme Shareholder (other than a Loan Note Excluded Person) who holds Scheme Shares in CREST and wish to make an election for the Loan Note Alternative you must do so electronically via the procedure set out in Part Eleven of this document.

General

If you fail or choose not to make an election by 4.30 p.m. on 20 June 2007 or if your Form of Election in respect of the Loan Note Alternative is invalid, you will not be entitled to participate in the Loan Note Alternative and will instead be entitled to receive Cash Consideration as set out in this document.

Scheme Shareholders who do not wish to participate in the Loan Note Alternative do NOT need to complete the Form of Election in respect of the Loan Note Alternative or make such election electronically.

The Loan Note Alternative is not the subject of a recommendation by the Independent Directors. Alliance Boots Shareholders are recommended to consider carefully, in light of their own investment objectives and tax position, whether they wish to elect for Loan Notes under the Loan Note Alternative and are strongly advised to seek their own independent financial advice before making any such election.

Overseas Shareholders

The Loan Note Alternative is subject to certain restrictions in relation to non-UK resident Scheme Shareholders. These restrictions are set out in more detail in Part Eight of this document.

3. SHAREHOLDER HELPLINE

If you have any queries, you may call the Shareholder Helpline on 0870 162 3188 (or +44 20 8639 3409 if calling from outside the UK) between 9.00 a.m. and 5.30 p.m. (London Time) on any Business Day. Please note that for our joint protection, calls to the Shareholder Helpline will be monitored or recorded, and the Shareholder Helpline will not provide personal, legal, tax or financial advice or advice on the merits of the Transaction or the Loan Note Alternative.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

<u>EVENT</u>	<u>TIME AND DATE</u>
Latest time for lodging Forms of Proxy for the:	
Court Meeting	10.00 a.m. on 29 May 2007 ¹
Alliance Boots EGM	10.15 a.m. on 29 May 2007 ²
Voting Record Time	6.00 p.m. on 29 May 2007 ³
Court Meeting	10.00 a.m. on 31 May 2007
Alliance Boots EGM	10.15 a.m. on 31 May 2007⁴
Latest time for receipt of Form of Election and TTE messages for the Loan Note Alternative	4.30 p.m. on 20 June 2007
Scheme Hearing (to sanction the Scheme)	21 June 2007 ⁵
Reduction Record Time	6.00 p.m. on 22 June 2007 ⁵
Reduction Hearing (to confirm the Reduction of Capital)	25 June 2007 ⁵
Suspension of listing and dealings in Alliance Boots Shares, last time for registration of transfers of shares and disablement of shares in CREST	5.00 p.m. on 25 June 2007 ⁵
Scheme Record Time	6.00 p.m. on 25 June 2007 ⁵
Effective Date of the Scheme	26 June 2007⁵
Delisting of Alliance Boots Shares	8.00 a.m. on 28 June 2007 ⁵
Latest date for despatch of Loan Notes and Cash Consideration	14 days after the Effective Date

¹ It is requested that blue Forms of Proxy for the Court Meeting be lodged at least 48 hours prior to the time appointed for the Court Meeting. Blue Forms of Proxy not so lodged may be handed to the Registrars or to the chairman of the Court Meeting before the start of the Court Meeting.

² Pink Forms of Proxy for the Alliance Boots EGM must be lodged at least 48 hours prior to the time appointed for the Alliance Boots EGM.

³ If either the Court Meeting or the Alliance Boots EGM is adjourned, the Voting Record Time for the relevant adjourned meeting will be 6.00 p.m. on the day prior to the day immediately before the adjourned meeting.

⁴ Or as soon thereafter as the Court Meeting shall have concluded or been adjourned.

⁵ These dates are indicative only and will depend, among other things, on the date upon which the Court sanctions the Scheme and whether the Conditions are satisfied or waived. If the expected date of the Scheme Hearing or the Reduction Hearing (and consequently the Effective Date) is changed, Alliance Boots will give notice of this change to the extent practicable by issuing an announcement through a Regulatory Information Service.

All references in this document to times are to UK time unless otherwise stated.

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PART ONE: LETTER FROM THE CHAIRMAN OF ALLIANCE BOOTS

Alliance Boots plc
Sedley Place
4th Floor
361 Oxford Street
London
W1C 2JL



Registered in England and Wales — No 04452715

Directors:

Sir Nigel Rudd	(Chairman)
Stefano Pessina	(Executive Deputy Chairman)
Richard Baker	(Chief Executive)
George Fairweather	(Group Finance Director)
Ornella Barra	(Wholesale & Commercial Affairs Director)
Steve Duncan	(Community Pharmacy Director)
Scott Whewey	(Health & Beauty Retail Director)
Guy Dawson	(Senior Non-Executive Director)
Adrian Loader	(Non-Executive Director)
Tim Parker	(Non-Executive Director)
Hélène Ploix	(Non-Executive Director)
Patrick Ponsolle	(Non-Executive Director)
Manfred Stach	(Non-Executive Director)

8 May 2007

To the holders of Alliance Boots Shares and, for information only, to holders of options or awards under the Alliance Boots Share Schemes

Dear Shareholder

RECOMMENDED ACQUISITION OF ALLIANCE BOOTS BY AB ACQUISITIONS

1. Introduction

On 20 April 2007, the board of directors of AB Acquisitions and the Independent Directors of Alliance Boots announced that they had agreed the terms of a recommended offer by AB Acquisitions for the entire issued and to be issued share capital of Alliance Boots at 1,090 pence per Alliance Boots Share. AB Acquisitions is a company newly incorporated in England and Wales and jointly controlled by the KKR Funds and Stefano Pessina for the purposes of implementing the Transaction. The Transaction is to be implemented by means of a scheme of arrangement pursuant to section 425 of the Act.

On 24 April 2007, AB Acquisitions announced that it had acquired a number of Alliance Boots Shares at above the recommended offer price and that the highest price paid for those shares was 1,139 pence. Accordingly, AB Acquisitions announced that it would increase its offer price to 1,139 pence per Alliance Boots Share and the Independent Directors confirmed their recommendation of this revised offer. The offer price reflects the fact that, if the Scheme becomes effective, no dividend will be declared or paid in respect of the financial year ended 31 March 2007.

As a result of the conflict of interest represented by Stefano Pessina's status as a joint offeror, neither Stefano Pessina nor Ornella Barra (the long-term partner of Stefano Pessina) is an

PART ONE: LETTER FROM THE CHAIRMAN OF ALLIANCE BOOTS

Independent Director and therefore neither took part in the discussions of the Board relating to the recommendations to Alliance Boots Shareholders in respect of the Transaction nor in any other discussions relating to the Transaction or any competing transaction.

This letter sets out a summary of the terms of the Transaction, the background to the Transaction and the reasons why the Independent Directors consider the terms of the Transaction to be fair and reasonable and are unanimously recommending that you support the Transaction. I draw your attention to the letter from Goldman Sachs and Greenhill set out in Part Two of this document which gives details about the Transaction and to the additional information set out in Part Nine of this document.

In order to approve the terms of the Transaction, Alliance Boots Shareholders will need to vote in favour of the resolutions to be proposed at each of the Court Meeting and the Alliance Boots EGM, to be held on 31 May 2007. Details of the actions you should take in order to vote and the recommendation of the Independent Directors are set out in paragraphs 11 and 14, respectively, of this letter.

2. Summary of the terms of the Transaction

The acquisition of Alliance Boots by AB Acquisitions will be implemented pursuant to a scheme of arrangement of Alliance Boots Shareholders under section 425 of the Act.

Under the terms of the Transaction, if the Scheme becomes effective, all the Scheme Shares (other than the Loan Note Elected Shares which will instead be transferred to AB Acquisitions and/or its nominees) will be cancelled and, in exchange, Scheme Shareholders (other than holders of the Non-Cash Shares) will receive:

for each Alliance Boots Share	1,139 pence in cash.
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Scheme Shareholders (other than Loan Note Excluded Persons) will also be entitled, subject to certain limitations, to elect to receive Loan Notes to be issued by AB Acquisitions and guaranteed by Deutsche Bank AG, London Branch, instead of some or all of the Cash Consideration to which they would otherwise be entitled under the Scheme. The terms of the Loan Notes are summarised in Part Four of this document and notes on completing the Form of Election are set out in Part Eleven of this document. Brief details in relation to the Loan Note Alternative are set out in paragraph 3 of this letter.

Under the terms of the Scheme, ASP, an entity controlled by Stefano Pessina, will receive ordinary shares in AB Acquisitions Holdings, in effect, in consideration for the cancellation of the SP Rollover Shares, and ASP and Stefano Pessina will receive 1,139 pence in cash for each of the remaining SP Shares which are to be cancelled under the Scheme.

The terms of the Transaction value the entire issued and to be issued share capital of Alliance Boots at approximately £11.1 billion and represent:

- a premium of 41.7 per cent. to 803.9 pence, being the average Closing Price per Alliance Boots Share over the one month period ended 8 March 2007, the Business Day prior to Alliance Boots' announcement that it had received an approach; and
- a premium of 39.8 per cent. to 815 pence, being the Closing Price per Alliance Boots Share on 8 March 2007, the Business Day prior to Alliance Boots' announcement that it had received an approach.

Prior to the Scheme becoming effective, applications will be made to the UK Listing Authority for the listing of Alliance Boots Shares to be cancelled and to the London Stock Exchange for the

PART ONE: LETTER FROM THE CHAIRMAN OF ALLIANCE BOOTS

Alliance Boots Shares to cease to be admitted to trading on the London Stock Exchange's market for listed securities, in each case, as of two Business Days after the Effective Date.

It is proposed that, following the Scheme becoming effective, and after the Alliance Boots Shares have been delisted, Alliance Boots will be re-registered as a private limited company.

If the Scheme becomes effective, the Scheme Shares (other than the Loan Note Elected Shares, which will instead be transferred to AB Acquisitions and/or its nominees) will be cancelled irrespective of whether or not you attend or vote and, if you have voted, whether you have voted for or against the Scheme, at the Alliance Boots Meetings.

3. The Loan Note Alternative

Scheme Shareholders (other than Loan Note Excluded Persons) will be entitled, under the Loan Note Alternative, to elect for Loan Notes in lieu of all or part of the Cash Consideration to which they would otherwise be entitled, subject to (unless AB Acquisitions decides otherwise) valid elections being made in aggregate for at least £20 million in nominal amount of Loan Notes. The maximum principal amount of Loan Notes which will be issued under the Loan Note Alternative is £1,000 million. If elections under the Loan Note Alternative are received in respect of a greater principal amount of Loan Notes, they will be scaled down *pro rata* and each such election shall be valid only in respect of the number of Scheme Shares so scaled down. The Loan Notes are to be issued by AB Acquisitions and guaranteed by Deutsche Bank AG, London Branch. The terms of the Loan Notes are summarised in Part Four of this document. General guidance as to the UK taxation consequences for a Scheme Shareholder receiving Loan Notes is set out in paragraph 11 of Part Two of this document. Pursuant to the Loan Note Alternative, Scheme Shareholders (other than Loan Note Excluded Persons) may elect for Loan Notes on the following basis:

for every 100 pence of Cash Consideration otherwise receivable under the Scheme	100 pence in nominal value of Loan Notes.
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The Loan Notes will be unlisted, unless AB Acquisitions otherwise determines, and there are no plans to seek a public quotation on any recognised investment exchange or other market for the Loan Notes which may be issued under the Loan Note Alternative.

The Loan Note Alternative is not the subject of a recommendation by the Independent Directors. Scheme Shareholders are recommended to consider carefully, in light of their own investment objectives and tax position, whether they wish to elect for Loan Notes under the Loan Note Alternative and are strongly advised to seek their own independent financial advice before making any such election.

4. Background to the Transaction

On 9 March 2007, the board of Alliance Boots issued a statement indicating that a preliminary and highly conditional proposal had been received from an unidentified potential offeror. Later that day, KKR and Stefano Pessina confirmed that they had made a joint proposal, indicating a possible offer price of 1,000 pence per share in cash. The proposal was subject to, *inter alia*, due diligence and a recommendation from the Independent Directors of Alliance Boots.

On 12 March 2007, Alliance Boots issued a further statement noting that the Independent Directors had met to discuss the preliminary proposal made by KKR and Stefano Pessina and that they had concluded that it did not reflect the fundamental value of Alliance Boots or the attractive prospects, opportunities and synergies available to Alliance Boots following the recent completion of its merger. Because of their connections with the proposal, neither Stefano Pessina nor Ornella

PART ONE: LETTER FROM THE CHAIRMAN OF ALLIANCE BOOTS

Barra attended the meeting and hence were not party to this conclusion. It was agreed that neither would take any part in further discussions relating to the proposal from KKR and Stefano Pessina or any competing proposal that might be made.

Alliance Boots issued a trading update announcement on 28 March 2007, prior to the end of its financial year, highlighting that results for the year ending 31 March 2007 were expected to be in line with management's targets. The following day Alliance Boots received a revised proposal from KKR and Stefano Pessina, detailing an increased possible offer price of 1,040 pence per share in cash subject to, *inter alia*, due diligence and a recommendation from the Independent Directors. On the basis of the revised proposal, KKR and Stefano Pessina were granted a limited period to undertake confirmatory due diligence.

On 6 April 2007, Alliance Boots received a request from Terra Firma and The Wellcome Trust under Rule 20.2 of the City Code to obtain a copy of any information which had been provided to any other potential offeror for Alliance Boots. Information was subsequently provided to Terra Firma and The Wellcome Trust, following which they submitted a highly conditional indication of interest to Alliance Boots at 1,085 pence per share in cash. This indicative proposal was subject to, *inter alia*, substantial further due diligence and a recommendation from the Independent Directors.

On 16 April 2007, Alliance Boots received a letter from KKR indicating that it had concluded its due diligence and that KKR and Stefano Pessina wished to proceed rapidly towards an announcement of an offer at 1,040 pence per share. In light of the possible interest from Terra Firma and The Wellcome Trust, the Independent Directors concluded that they could not progress KKR's and Stefano Pessina's existing proposal and communicated this to KKR and Stefano Pessina. KKR and Stefano Pessina then submitted a revised increased offer of 1,090 pence per share, which, following detailed negotiation, was recommended by the Independent Directors and announced on 20 April 2007.

Following this announcement, Terra Firma and The Wellcome Trust announced that HBOS had joined its consortium. Later the same day, the Terra Firma consortium issued an announcement regarding the terms of an indicative proposal which had been submitted to Alliance Boots at 1,115 pence per share in cash. Alliance Boots subsequently confirmed that it was continuing to provide Terra Firma, The Wellcome Trust and HBOS with high level due diligence, including access to senior management, but also stated that it continued to recommend the offer by KKR and Stefano Pessina.

On 24 April 2007, AB Acquisitions announced an increase in the price of its recommended offer to 1,139 pence per Alliance Boots Share in cash, resulting in the Transaction that is now being recommended by the Independent Directors. Following the announcement of the increased recommended offer by KKR and Stefano Pessina, the consortium of Terra Firma, The Wellcome Trust and HBOS issued an announcement withdrawing its potential interest in acquiring Alliance Boots.

5. Reasons for the Transaction

KKR and Stefano Pessina believe that the rapid structural changes in the pharmacy retail and wholesale markets in Europe will require an acceleration of Alliance Boots' transition to a pharmacy-led health and beauty and services-oriented business. It is intended that this be carried out alongside the implementation of the management's existing integration plan, while actively reviewing acquisition opportunities in Continental Europe and in emerging markets such as Asia and Latin America.

AB Acquisitions recognises the special status of Boots as a trusted UK brand and retail institution and intends to enhance Alliance Boots' positioning as a leading provider of healthcare and beauty

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advice and services in the local community, both by increasing investment in existing stores and by expanding the store portfolio.

KKR and Stefano Pessina believe that their vision for the long-term growth of the Alliance Boots Group can best be executed under private ownership and that, through their experience of successfully operating comparable business models and their access to significant capital resources, AB Acquisitions will be well positioned to support Alliance Boots in its next phase of development as a global leader in the healthcare services and beauty industries.

6. Reasons for the recommendation by the Independent Directors

In deciding to recommend the Transaction, the Independent Directors considered that the Transaction's superior value, timing and certainty made it more attractive to Alliance Boots Shareholders than the range of other strategic options available. In addition, the Independent Directors took into account a number of other factors, including the fact that the terms of the Transaction allow shareholders to realise their investment at a substantial premium to the prices at which Alliance Boots Shares were trading prior to the initial approach from KKR and Stefano Pessina.

On the basis of these and such other factors as the Independent Directors considered relevant, the Independent Directors concluded that the terms of the Transaction are fair and reasonable and should be recommended to shareholders. The recommendation of the Independent Directors is set out in paragraph 14 below.

7. Irrevocable undertakings

AB Acquisitions has received irrevocable undertakings from all of the Independent Directors to vote in favour of the Scheme and the resolutions at the Court Meeting and the Alliance Boots EGM in respect of a total of 225,850 Alliance Boots Shares, representing, in aggregate, approximately 0.023 per cent. of Alliance Boots' existing issued share capital. Each of the holders of the Excluded Voting Shares has agreed to consent to the Scheme and to undertake to the Court to be bound thereby.

These irrevocable undertakings will continue to be binding if an Alternative Proposal is made.

8. Current trading and prospects

The preliminary annual results of Alliance Boots for the year ended 31 March 2007 were issued on 2 May 2007 and are set out in full in Part Five of this document. The Board expects the good trading performance it has seen in 2006/07 to continue in the current financial year.

9. Management, employees, pension schemes and share schemes

9.1 *Management and employees*

AB Acquisitions attaches great importance to the skills and experience of the existing management and employees of Alliance Boots, and intends that current members of senior management will continue to be involved in the ongoing business of Alliance Boots. AB Acquisitions has given assurances to the Board that the existing employment rights of the directors, management and employees of Alliance Boots will be fully safeguarded following the completion of the Transaction and that Alliance Boots' pension obligations will be fully complied with. AB Acquisitions does not

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plan any change in the conditions of employment of Alliance Boots' directors, management and employees.

Stefano Pessina will become Executive Chairman of Alliance Boots following completion of the Transaction.

As noted in paragraph 5 above, AB Acquisitions' investment rationale for the Transaction is predicated on long-term growth and investment. AB Acquisitions expects that over time this will lead to an increase in the number of employees in the Alliance Boots Group.

At the same time, AB Acquisitions intends to continue the management's ongoing programme to drive efficiencies in the business, including the streamlining of the purchasing, logistics and wholesale network and the rationalisation of corporate costs (which were announced in October 2005 and March 2006) and the rationalisation of the manufacturing operations (which was announced in March 2007), with their accompanying redundancy programmes.

AB Acquisitions intends to maintain the Alliance Boots Group's significant presence in Nottingham.

AB Acquisitions is committed to keeping employees, customers and other stakeholders informed of the progress of the business by publishing an annual review for the Alliance Boots Group.

9.2 Alliance Boots pensions schemes

The Alliance Boots Group operates three principal defined benefit pension schemes in the UK (the "**Alliance Boots Pensions Schemes**"). AB Acquisitions has held discussions with the trustees (or the trustees' representatives) of each of the Alliance Boots Pensions Schemes. Such discussions are ongoing. AB Acquisitions recognises the importance of ensuring that the Alliance Boots Pensions Schemes are prudently funded and is working to reach agreement with the trustees on the appropriate levels of funding for these schemes, including by way of additional contributions.

9.3 Alliance Boots Share Schemes

The Scheme will extend to any Alliance Boots Shares issued pursuant to the Alliance Boots Share Schemes prior to the Reduction Record Time. This includes the Alliance Boots Shares held in trust for the benefit of participants in the AESOPs and to the Alliance Boots Shares held in the Employee Trusts.

The Scheme will not extend to Alliance Boots Shares allotted or issued at any time on or after the Reduction Record Time. Therefore an amendment is proposed to the articles of association of Alliance Boots to the effect that any Alliance Boots Shares issued after the Reduction Record Time will (subject to the participants in the Alliance Boots Share Schemes being able first to transfer such shares to their spouses or civil partners) automatically be acquired by AB Acquisitions (and/or its nominee(s)) in return for the same Cash Consideration (or, in the circumstances set out in the following sentence, Loan Notes) as Alliance Boots Shareholders are entitled to receive under the Scheme. Participants in the SAYE Schemes who exercise their options on or shortly after the Effective Date conditionally upon the Scheme becoming effective will be able to elect for Loan Notes.

Outstanding options and awards under the Alliance Boots Share Schemes will, to the extent that they are not satisfied by the transfer of Alliance Boots Shares from the Employee Trusts, be satisfied by the issue of Alliance Boots Shares.

Holder of options and awards under the Alliance Boots Share Schemes will each be sent separate letters explaining the effect of the Scheme on their options and awards and the action they may

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take and setting out the proposals described below in detail. These letters will be sent out on or as soon as practicable after the date of this document.

In exercising their discretions, the Remuneration Committee and the Board had regard to various factors including the extent to which performance targets (where applicable) had been or, in the absence of the Transaction, could be expected to be achieved, the value delivered for shareholders and the need to act fairly and reasonably in relation to the participants in the various schemes.

(a) The Executive Share Option Plans

Options granted under the HMRC approved parts of the Executive Share Option Plans which are not already exercisable will become exercisable on the date on which the Scheme is sanctioned by the Court. Options granted under the remaining parts of the Executive Share Option Plans, and options granted under the individual arrangement for Richard Baker, which are not already exercisable will become exercisable on the same date to the extent determined by the Remuneration Committee (in relation to Richard Baker) and by the Board (in relation to the remaining participants). The Remuneration Committee or, as the case may be, the Board determined on 2 and 4 May 2007 respectively that such options will become exercisable in full. All outstanding options under the Executive Share Option Plans and the individual arrangement for Richard Baker will, if unexercised, lapse at the Reduction Record Time.

AB Acquisitions has agreed with Alliance Boots, as a term of its proposals to optionholders under the Executive Share Option Plans (and the individual arrangement for Richard Baker), to make available to the individuals who exercise their options conditionally upon the Scheme being sanctioned by the Court a cashless exercise facility such that the exercise price of options exercised conditionally on the Scheme being sanctioned by the Court will be funded out of the consideration payable by AB Acquisitions for the Alliance Boots Shares acquired on the exercise of such options.

(b) The Alliance UniChem 1997 Share Option Scheme

Options granted under this scheme are already exercisable and will continue to be exercisable after the Effective Date in accordance with the rules of the scheme.

(c) The SAYE Schemes

Options granted under the SAYE Schemes will be exercisable during the six months following the Effective Date to the extent of the savings made under the relevant savings contract at the time of exercise together with any accrued interest due.

In view of the fact that options under the SAYE Schemes are exercisable on the Effective Date over less than the full number of Alliance Boots Shares otherwise available on the maturity of their savings contracts and as an inducement to encourage them to exercise their options, AB Acquisitions has agreed that it will make an *ex-gratia* payment to SAYE optionholders who exercise their options conditionally upon the Scheme becoming effective of an amount equal to the additional profit which the optionholders would have received had they been able to exercise their options over the full number of Alliance Boots Shares otherwise available on the maturity of their savings contracts. Such payment will be grossed up for income tax (at the basic rate) and national insurance contributions. Under the rules of the SAYE Schemes, optionholders may exercise their options after the Effective Date but optionholders who choose to do so will not be entitled to receive the *ex-gratia* payment.

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(d) The Boots Performance Share Plan ("PSP") and the Boots Bonus Co-investment Plan ("BCIP")

Awards under these plans (which comprise awards made in 2005 and 2006 under each of the PSP and the BCIP) vest on the date on which the Scheme is sanctioned by the Court, on a time pro-rated basis, in accordance with the relevant performance targets unless the Remuneration Committee (in the case of the executive Alliance Boots Directors) or the Board (in relation to the remaining participants) decides that they should vest to a greater or lesser extent. If the Scheme becomes effective the performance targets of all outstanding awards will have been met in full (save for the 2005 awards under the BCIP where they will have been met as to 59 per cent.). The Remuneration Committee or, as the case may be, the Board decided on 2 and 4 May 2007 respectively that the 2005 awards under the PSP will vest as to 92 per cent., the 2006 awards under the PSP will vest as to 58 per cent. (or 62 per cent. in respect of Stefano Pessina, George Fairweather, Ornella Barra and Steve Duncan), the 2005 awards under the BCIP will vest as to 54 per cent. and the 2006 awards under the BCIP will vest as to 58 per cent. If and to the extent that awards do not vest, they will lapse.

(e) The Boots Group Long-Term Bonus Plan 2002

The Remuneration Committee (in the cases of Richard Baker and Scott Wheway) and the Board (in relation to the remaining participants) determined on 2 and 4 May 2007 respectively that the outstanding awards under this Plan vested as to 36 per cent. on 2 May 2007, the date of publication of the Alliance Boots results for the year ended 31 March 2007. In accordance with the rules of the plan, the vested awards will be satisfied by the grant of a share award to the participants; such share awards will become exercisable on the date on which the Scheme is sanctioned by the Court and, if unexercised, will lapse on the Effective Date. The balance of the awards will lapse.

(f) The AESOPs

Participants in the AESOPs will be able to instruct the relevant trustee to vote at the Court Meeting and at the Alliance Boots EGM on their behalf in respect of the Alliance Boots Shares the trustee holds on their behalf. The Scheme will extend to the Alliance Boots Shares held in these plans.

Alliance Boots Shares will continue to be purchased for the benefit of participants in The Boots Group All-Employee Share Ownership Plan 2002 who are making regular monthly contributions; the last such purchase is expected to take place immediately before the Scheme Hearing. The final award of free Alliance Boots Shares will be made (pursuant to an invitation issued in March 2007) to participants in June 2007; the maximum value of the free share award for a participant is £250.

(g) The Boots Qualifying Employee Share Trust

The Boots Qualifying Employee Share Trust (the "QUEST") holds 4,321,954 Alliance Boots Shares. Alliance Boots will discuss with the trustee of the QUEST and AB Acquisitions whether the Alliance Boots Shares in the QUEST will be cancelled under the Scheme or dealt with in another way.

10. Implementation Agreement

Alliance Boots has entered into the Implementation Agreement with AB Acquisitions, dealing with the conduct of the Scheme and imposing certain other obligations on Alliance Boots. An overview of certain material provisions of the Implementation Agreement is set out in paragraph 4 of Part Two of this document.

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11. Action to be taken by Alliance Boots Shareholders

Details of the approvals being sought at the Court Meeting and the Alliance Boots EGM are set out in paragraph 3 of Part Two of this document.

Alliance Boots Shareholders will find enclosed with this document a blue Form of Proxy and a pink Form of Proxy. The blue Form of Proxy is to be used in connection with the Court Meeting and the pink Form of Proxy is to be used in connection with the Alliance Boots EGM. Whether or not you intend to attend these meetings, please complete and sign both Forms of Proxy and return them in the reply-paid envelope provided in accordance with the instructions printed on the forms by post or (during normal business hours only) by hand to Alliance Boots' registrars, Capita, at Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive as soon as possible but in any event at least 48 hours prior to the relevant meeting. Alternatively you may fill in your Forms of Proxy at www.allianceboots-shareholder.com, following the instructions on the Forms of Proxy.

If the blue Form of Proxy relating to the Court Meeting is not lodged by the relevant time, it may be handed to the Registrars or to the chairman of the Court Meeting before the start of the Court Meeting. However, in the case of the Alliance Boots EGM, if the pink Form of Proxy is not lodged so as to be received by the time mentioned above and in accordance with the instructions on that Form of Proxy, it will be invalid.

If you hold your Alliance Boots Shares in uncertificated form (i.e. in CREST), you may vote using the CREST Proxy Voting Service in accordance with the procedures set out in the CREST Manual by completing and transmitting a CREST Proxy Instruction to Capita (CREST participant ID RA10).

Proxies submitted electronically (through CREST or online) must be sent as soon as is possible, and in any event so as to be received by no later than 10.00 a.m. on 29 May 2007 in the case of the Court Meeting and by 10.15 a.m. on 29 May 2007 in the case of the Alliance Boots EGM (or in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the relevant adjourned Alliance Boots Meeting).

Completing and returning either Form of Proxy, completing the forms of proxy online or completing and transmitting a CREST Proxy Instruction will not preclude you from attending the Court Meeting or the Alliance Boots EGM and voting in person, if you so wish.

It is important, for the Court Meeting, that as many votes as possible are cast so that the Court may be satisfied that there is a fair representation of Scheme Shareholder opinion. You are therefore strongly urged to complete and return your Forms of Proxy as soon as possible.

Scheme Shareholders (other than Loan Note Excluded Persons) holding their shares in certificated form and who wish to make an election to receive Loan Notes under the Loan Note Alternative should complete and return a yellow Form of Election by post or (during normal business hours only) by hand to Capita, at Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than 4.30 p.m. on 20 June 2007. Scheme Shareholders (other than Loan Note Excluded Shareholders) holding their shares in uncertificated form and who wish to make an election to receive Loan Notes under the Loan Note Alternative should not complete and return a yellow Form of Election but should submit an electronic election in accordance with Part Eleven of this document.

Notes on completing the yellow Form of Election or making an electronic election are set out on page 2 and at Part Eleven of this document.

PART ONE: LETTER FROM THE CHAIRMAN OF ALLIANCE BOOTS

Helpline

If you have any questions relating to this document or the completion and return of the Forms of Proxy or the Form of Election, please call the Shareholder Helpline on 0870 162 3188 or, if calling from outside the UK, on +44 20 8639 3409, from 9.00 a.m. to 5.30 p.m. on any Business Day. Please note that for our joint protection, calls to the Shareholder Helpline will be monitored or recorded, and the Shareholder Helpline will not provide advice on the merits of the Transaction or the Loan Note Alternative nor give any personal, legal, financial or tax advice.

12. Overseas shareholders

Overseas holders of Alliance Boots Shares should refer to Part Eight of this document, which contains important information relevant to such holders.

13. Further information

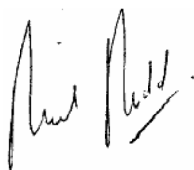
Your attention is drawn to the letter from Goldman Sachs and Greenhill in Part Two of this document.

14. Recommendation

The Independent Directors, who have been so advised by Goldman Sachs and Greenhill, consider the terms of the Transaction (including the Scheme) to be fair and reasonable. In providing their advice, Goldman Sachs and Greenhill have taken into account the commercial assessments of the Independent Directors.

The Independent Directors believe that the terms of the Transaction (including the Scheme) are in the best interests of Alliance Boots Shareholders as a whole and unanimously recommend that Alliance Boots Shareholders vote in favour of the resolutions to be proposed at the Court Meeting and the Alliance Boots EGM, as they intend to do in respect of their own respective beneficial holdings, which on 3 May 2007 (the latest practicable date before the publication of this document) amounted in aggregate to 225,850 Alliance Boots Shares (representing approximately 0.023 per cent. of the total number of issued Alliance Boots Shares).

Yours faithfully



Sir Nigel Rudd
Chairman
Alliance Boots plc

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(In compliance with section 426 of the Act)



Goldman Sachs International | Peterborough Court |
133 Fleet Street | London EC4A 2BB
Authorised and regulated by the Financial Services Authority

Greenhill

Greenhill & Co. International LLP
Lansdowne House
57 Berkeley Square
London W1J 6ER
Authorised and regulated by the
Financial Services Authority

8 May 2007

To the holders of Alliance Boots Shares and, for information only, to holders of options or awards under the Alliance Boots Share Schemes

Dear Shareholder

RECOMMENDED ACQUISITION OF ALLIANCE BOOTS BY AB ACQUISITIONS

1. Introduction

On 20 April 2007, the board of directors of AB Acquisitions and the Independent Directors of Alliance Boots announced that they had agreed the terms of a recommended offer by AB Acquisitions (a company jointly controlled by the KKR Funds and by Stefano Pessina) for the entire issued and to be issued share capital of Alliance Boots. On 24 April 2007, AB Acquisitions announced that it had increased the price per Alliance Boots Share to 1,139 pence and the Independent Directors confirmed their recommendation of the revised offer soon after. The price reflects the fact that, if the Scheme becomes effective, no dividend will be declared or paid by Alliance Boots in respect of the financial year ended 31 March 2007.

The Transaction is to be implemented by means of a scheme of arrangement pursuant to section 425 of the Act. The Transaction requires the approval of Alliance Boots Shareholders, the sanction of the Scheme by the Court and the confirmation by the Court of the Reduction of Capital.

The Independent Directors have been advised by Goldman Sachs and Greenhill in connection with the Transaction and the Scheme. Goldman Sachs and Greenhill have been authorised by the Independent Directors to write to you to explain the terms of the Transaction and the Scheme and to provide you with other relevant information.

Your attention is drawn to the letter from the Chairman of Alliance Boots set out in Part One of this document, which forms part of this Explanatory Statement. That letter contains, amongst other things, (a) information on the reasons for and benefits of the Transaction, and (b) the unanimous recommendation by the Independent Directors to Alliance Boots Shareholders to vote in favour of the resolutions to be proposed at the Court Meeting and the Alliance Boots EGM, as each of them has irrevocably undertaken to do in respect of their own aggregate beneficial holdings of 225,850 Alliance Boots Shares representing approximately 0.023 per cent. of the existing issued share capital of Alliance Boots.

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The Scheme is set out in full in Part Seven of this document. Your attention is also drawn to the other parts of this document including, for overseas holders of Alliance Boots Shares, Part Eight, which all form part of this Explanatory Statement.

2. Summary of the terms of the Transaction and the Scheme

2.1 The Transaction

The Transaction is to be effected by way of a scheme of arrangement of Alliance Boots under section 425 of the Act. Following the Scheme becoming effective, the entire issued share capital of Alliance Boots will be held by AB Acquisitions.

The terms of the Transaction value the entire existing issued and to be issued share capital of Alliance Boots at approximately £11.1 billion and the total Cash Consideration offered amounts to approximately £8.69 billion (assuming no elections for the Loan Note Alternative and the minimum number of SP Rollover Shares).

Settlement of consideration to which a Scheme Shareholder is entitled under the Transaction will be implemented in full in accordance with the terms of the Transaction without regard to any lien, right of set-off, counterclaim or other analogous right to which AB Acquisitions may otherwise be, or claim to be, entitled against such Scheme Shareholder.

2.2 Cash Consideration

Under the terms of the Transaction, subject to elections being validly made under the Loan Note Alternative, Scheme Shareholders (other than holders of the Non-Cash Shares) will receive:

for each Alliance Boots Share	1,139 pence in cash.
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2.3 Loan Note Alternative and terms of the Loan Notes

As an alternative to some or all of the Cash Consideration which would otherwise be receivable under the Scheme, Scheme Shareholders (other than Loan Note Excluded Persons) will, subject to certain conditions and those terms set out in Part Four and Part Eleven of this document and the Form of Election, be able to elect to receive Loan Notes to be issued by AB Acquisitions on the following basis:

for every 100 pence of Cash Consideration otherwise receivable under the Scheme	100 pence in nominal value of Loan Notes.
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The Loan Notes will be issued by AB Acquisitions, credited as fully paid, in amounts and integral multiples of £1.00 and the balance of any entitlement that is not a whole multiple of £1.00 will be disregarded and not issued. The Loan Notes will constitute direct, unsecured and unsubordinated obligations of AB Acquisitions and will be guaranteed as to payment of principal and interest by Deutsche Bank AG, London Branch. The Loan Notes will bear interest at a rate of 0.75 per cent. below six-month sterling LIBOR (to be determined on the first business day of each interest period). Interest will be payable in half-yearly instalments in arrear (less any tax required by law to be deducted or withheld therefrom) on 30 June and 31 December in each year. The first payment of interest will be made on 31 December 2007. On the first interest payment date, interest will be paid in respect of the period from (and including) the date of issue of the relevant Loan Notes to (but excluding) 31 December 2007. The Loan Notes will be redeemable, on not less than 14 days' notice, in whole or in part for cash at par at the option of noteholders on any interest payment date between (i) the later of 6 months after the date of issue and 31 December 2007 and (ii) 31 December 2012 (all dates inclusive).

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Unless AB Acquisitions decides otherwise, no Loan Notes will be issued by AB Acquisitions unless, before the Election Return Time, the aggregate nominal value of all Loan Notes to be issued, as a result of valid elections for the Loan Note Alternative, is £20 million or more. If such aggregate nominal value is less than £20 million, any such election shall, unless AB Acquisitions decides otherwise, be void and the relevant Scheme Shareholders will be deemed to have elected for Cash Consideration.

AB Acquisitions may redeem at par all (but not some only) of the Loan Notes (so long as they have been in issue for at least 6 months) if the aggregate nominal value of the outstanding Loan Notes falls to or below the higher of £5 million and 10 per cent. of the Loan Notes issued. AB Acquisitions may purchase any Loan Notes which have been in issue for at least 6 months at any price by tender available to all holders of Loan Notes alike (provided that under the terms of such tender offer, no non-consenting holders of Loan Notes will be obliged to sell their Loan Notes thereunder), by private treaty or otherwise by agreement with any holders of Loan Notes. The Loan Notes may be redeemed in minimum denominations of £1,000 (or the holder's entire holding of Loan Notes). If not previously redeemed or purchased, the final redemption date will be 31 December 2012. Any Loan Notes outstanding on the final redemption date will be redeemed at par together with any accrued interest (less any tax required by law to be deducted or withheld therefrom) on that date. At the election of the noteholder, repayment of principal on redemption of Loan Notes may, in the circumstances set out in paragraph 3.5 of Part Four of this document, be in US Dollars.

The Loan Notes will not be transferable other than: (i) by a noteholder to his spouse, civil partner, parent, child, step-child, adopted child or family trust, (ii) by the trustee of The Boots Company All-Employee Share Ownership Plan 2000 or The Boots Group All-Employee Share Ownership Plan 2002 to the respective participants of such plans (provided that, in each case, the transfer represents the entire interest of the relevant participant), or (iii) by the appointed nominee of the Alliance Boots Share Account Service to a participant in that service (provided that the transfer represents the entire interest of the relevant participant). No application will be made for the Loan Notes to be listed on, or dealt on, any recognised investment exchange.

Up to a maximum amount of £1 billion of Loan Notes in aggregate nominal value will be available under the Loan Note Alternative. To the extent that Scheme Shareholders elect to receive Loan Notes pursuant to the Loan Note Alternative which in aggregate nominal value exceed such amount, the entitlement of each Scheme Shareholder who so elects will be scaled down *pro rata* to the number of Scheme Shares in respect of which he has elected for the Loan Note Alternative and each such election shall be valid only in respect of the number of Scheme Shares so scaled down.

The Loan Notes that may be issued pursuant to the Transaction have not been and will not be registered under the US Securities Act or under the securities laws of any state, district or territory or other jurisdiction of the United States. Accordingly, Loan Notes may not be offered, sold, resold, transferred, delivered or distributed directly or indirectly in or into the United States, or to, or for the account or benefit of any US Person.

Loan Notes which may be issued pursuant to the Transaction have not been and will not be registered under the relevant securities laws of Japan or Switzerland. No securities registration statement in relation to the Loan Notes has been, or will be, filed with the Director of the Kanto Local Finance Bureau in Japan. No prospectus in relation to the Loan Notes has been, or will be, lodged with, or registered with, the Australian Securities and Investments Commission ("ASIC"), the Japanese Ministry of Finance, or the Companies Office in New Zealand. This document has not been lodged with ASIC and does not include the information required of a prospectus. No prospectus has been prepared under Swiss law in relation to the Loan Notes. Accordingly, unless otherwise determined by AB Acquisitions and permitted by applicable law and regulation, the provision of this document to any person in Australia, Japan, Switzerland or New Zealand does not constitute an offer of Loan Notes to that person and Loan Notes are not being offered in, into or to any persons in and may not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly in, or into, or to persons in Australia, Japan, Switzerland or New

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Zealand or any other jurisdiction where to do so would violate the laws of such jurisdiction or would require registration thereof in such jurisdiction or to, or for the account or benefit of, any Restricted Overseas Person.

The Loan Note Alternative will be conditional upon the Scheme becoming unconditional and effective and will remain open for election until the Election Return Time.

The Loan Notes and the Loan Note Instrument will be governed by and construed in accordance with English law.

UniCredit Markets & Investment Banking, JPMorgan Cazenove and Merrill Lynch have advised that, based on market conditions as at 3 May 2007 (being the latest practicable date prior to the publication of this document), in their opinion the value of the Loan Notes (if the Loan Notes had been in issue on that date) would have been approximately 98 pence per 100 pence nominal value.

A summary of the principal terms and conditions of the Loan Notes is set out in Part Four of this document. Certain details regarding the election for Loan Notes are also set out in Clause 3 of the Scheme set out in Part Seven of this document. Notes on completing the Form of Election are set out in Part Eleven of this document.

2.4 Conditions

The Transaction and, accordingly, the Scheme is subject to a number of conditions set out in full in Part Three of this document, including shareholder approval, the sanction of the Scheme by the Court and clearances by certain competition authorities.

The Scheme can become effective only if all of the Conditions have been satisfied (or waived) by not later than the day falling 170 days after the date of this document, or such later date as Alliance Boots and AB Acquisitions may agree and (if required) the Panel and the Court may allow.

2.5 The Scheme

The Transaction is to be effected by way of a scheme of arrangement between Alliance Boots and its shareholders under section 425 of the Act. The provisions of the Scheme are set out in Part Seven of this document. The purpose of the Scheme is to provide for AB Acquisitions to become the owner of the entire issued share capital of Alliance Boots. The means by which this will occur are set out below.

It is proposed that, under the Scheme, all of the issued Alliance Boots Shares (other than the Loan Note Elected Shares and any Excluded Shares) will be cancelled. Any further Alliance Boots Shares issued before the Voting Record Time and any which are issued after that time but before the Reduction Record Time in respect of which the holders have agreed in writing to be bound by the Scheme will also be cancelled. New Alliance Boots Shares will be issued by Alliance Boots to AB Acquisitions by capitalisation of the reserves arising from such cancellation and the Loan Note Elected Shares will subsequently be transferred to AB Acquisitions and/or its nominees so that the entire issued share capital of Alliance Boots is held by AB Acquisitions. Holders of Scheme Shares (other than ASP in respect of the SP Rollover Shares) whose names appear on the register of Alliance Boots at the Scheme Record Time ("**Relevant Holders**") will receive Cash Consideration and/or Loan Notes on the basis set out in paragraphs 2.2 and 2.3 above, and under the Scheme ASP will, in effect, receive ordinary shares in AB Acquisitions Holdings in consideration for the cancellation of the SP Rollover Shares.

To become effective, the Scheme requires the approval of a majority in number of those Scheme Shareholders (other than the holders of Excluded Voting Shares) present and voting, either in

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person or by proxy, at the Court Meeting, representing 75 per cent. or more in value of all Alliance Boots Shares held by such Scheme Shareholders. The Scheme also requires the sanction of the Court and the confirmation by the Court of the Reduction of Capital and the passing of a special resolution to implement the Scheme at the Alliance Boots EGM, as well as satisfaction or waiver of the other Conditions set out in Part Three of this document.

On the Effective Date, share certificates in respect of the Scheme Shares will cease to be valid documents of title and should be destroyed. In addition, on the Effective Date, entitlements to Scheme Shares held within CREST will be cancelled.

Under the Act, the Scheme requires the sanction of the Court and the Reduction of Capital also requires confirmation by the Court. The hearings by the Court to sanction the Scheme and to confirm the Reduction of Capital comprised in the Scheme are expected to be held on 21 June 2007 and 25 June 2007, respectively. AB Acquisitions, AB Acquisitions Holdings and each of the holders of Excluded Voting Shares will be represented by counsel at such hearings so as to consent to the Scheme and to undertake to the Court to be bound thereby.

The Scheme will become effective in accordance with its terms on delivery of an office copy of the Orders to the Registrar of Companies and the registration by the Registrar of Companies of the Reduction Order.

If the Scheme becomes effective, it will be binding on all Scheme Shareholders irrespective of whether or not they attended or voted in favour of the Scheme at the Court Meeting or in favour of the special resolution at the Alliance Boots EGM. If the Scheme does not become effective by the day falling 170 days after the date of this document, (or such later date (if any) as AB Acquisitions and Alliance Boots may agree and (if required) the Panel and the Court may allow) the Scheme will not become effective and the Transaction will not proceed.

2.6 Modifications to the Scheme

The Scheme contains a provision for Alliance Boots and AB Acquisitions jointly to consent (on behalf of all persons affected) to any modification of, or addition to, the Scheme or to any condition approved or imposed by the Court. The Court would be unlikely to approve any modification of, or additions to, or impose a condition to the Scheme which might be material to the interests of Scheme Shareholders unless Scheme Shareholders were informed of any such modification, addition or condition. It would be for the Court to decide, in its discretion, whether or not a further meeting of Scheme Shareholders (other than the holders of Excluded Voting Shares) should be held in these circumstances. Similarly, if a modification, addition or condition is put forward which, in the opinion of Independent Directors, is of such a nature or importance that it requires the consent of such Scheme Shareholders, the Independent Directors will not take the necessary steps to enable the Scheme to become effective unless and until such consent is obtained.

2.7 Amendments to Alliance Boots' articles of association

It is proposed, as part of the special resolution to be proposed at the Alliance Boots EGM relating to the Scheme, to amend Alliance Boots' articles of association to ensure that any Alliance Boots Shares issued under the Alliance Boots Share Schemes or otherwise between the date of adoption of the amendment and the Reduction Record Time will be subject to the Scheme.

It is also proposed to amend Alliance Boots' articles of association so that any Alliance Boots Shares issued to any person other than AB Acquisitions or one of its subsidiaries at or after the Reduction Record Time will be automatically exchanged for Cash Consideration and/or, if certain conditions are met and the new member validly so elects, Loan Notes on the same terms as under the Scheme. This will avoid any person (other than AB Acquisitions) being left with Alliance

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Boots Shares after completion of the Transaction. Paragraph 2 of the special resolution set out in the notice of Alliance Boots EGM in Part Twelve of this document seeks the approval of Alliance Boots Shareholders for such amendment.

2.8 Alternative means of implementing the Transaction

Under the Implementation Agreement, AB Acquisitions has the right, with the consent of the Panel, to elect to implement the Transaction by making a takeover offer for the entire issued and to be issued share capital of Alliance Boots (other than any Alliance Boots Shares that are, at the date of the takeover offer, already owned by AB Acquisitions). If AB Acquisitions elects to implement the Transaction by making a takeover offer, that offer will be implemented on the same terms (subject to appropriate amendments, including the inclusion of an acceptance condition set at 75 per cent. (or such lower percentage as AB Acquisitions may, subject to the rules of the City Code and with the consent of the Panel, decide) of the shares to which the Transaction relates and those required by, or deemed appropriate by, AB Acquisitions under applicable law including applicable US securities laws and regulations), so far as applicable, as those which would apply to the Scheme. Further, if sufficient acceptances of such offer are received and/or sufficient Alliance Boots Shares are otherwise acquired, it is the intention of AB Acquisitions to apply the provisions of the 2006 Act to acquire compulsorily any outstanding Alliance Boots Shares to which such offer relates.

3. Alliance Boots Meetings

The Scheme will require the approval of Scheme Shareholders at the Court Meeting and of Alliance Boots Shareholders at the separate Alliance Boots EGM, both of which will be held on 31 May 2007. The Court Meeting is being held at the direction of the Court to seek the approval of Scheme Shareholders (other than holders of Excluded Voting Shares) for the Scheme. The Alliance Boots EGM is being convened to enable the Alliance Boots Directors to implement the Scheme and to amend the articles of association of Alliance Boots as described in paragraph 2.7 above.

Notices of both the Court Meeting and the Alliance Boots EGM are set out in Part Twelve of this document. Entitlement to attend and vote at these meetings and the number of votes which may be cast will be determined by reference to the register of members of Alliance Boots as at the Voting Record Time.

3.1 Court Meeting

The Court Meeting has been convened for 31 May 2007 to enable the holders of Scheme Shares other than Excluded Voting Shares to consider and, if thought fit, approve the Scheme. At the Court Meeting, voting will be by poll and each member present in person or by proxy will be entitled to one vote for each Scheme Share held. The approval required at the Court Meeting is a simple majority in number representing three-fourths in value of the Scheme Shares (other than Excluded Voting Shares) held by those Scheme Shareholders present and voting in person or by proxy.

The holders of the Excluded Voting Shares and the Excluded Shares will not be entitled to attend or vote at the Court Meeting in respect of any Alliance Boots Shares held by such persons at the Voting Record Time, but will separately consent to the Scheme in respect of their interests in Alliance Boots Shares.

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3.2 Alliance Boots EGM

The Alliance Boots EGM has been convened for the same date (to be held immediately after the Court Meeting) to consider and, if thought fit, pass a special resolution (which requires a vote in favour of not less than 75 per cent. of the votes cast) to:

- (a) amend the articles of association of Alliance Boots in the manner described in paragraph 2.7 of this Part Two; and
- (b) approve the cancellation of the Scheme Shares (other than the Loan Note Elected Shares) and subsequent issue of new Alliance Boots Shares to AB Acquisitions in accordance with the Scheme.

Voting on the special resolution will be by show of hands unless a poll is demanded. The Chairman reserves his right to demand that the vote be held by way of a poll. Each Alliance Boots Shareholder present in person or by proxy will be entitled to one vote in respect of each Alliance Boots Share held (including holders of Excluded Shares and Excluded Voting Shares).

4. Implementation Agreement

The Implementation Agreement includes the following principal provisions:

4.1 Undertakings to implement the Transaction

Each of Alliance Boots and AB Acquisitions have agreed to implement the Transaction as soon as reasonably possible.

4.2 Break fee arrangements

Alliance Boots agreed that it would pay a break fee to AB Acquisitions, to the extent lawful, of £105.9 million plus any amount in respect of VAT to the extent recoverable by Alliance Boots if, after the announcement of the Transaction, the Transaction were to lapse or be withdrawn and either:

- (a) the Independent Directors were not, in this document, to make an unqualified recommendation to Alliance Boots Shareholders to vote in favour of the resolutions required to approve and implement the Scheme or (should AB Acquisitions elect to implement the Transaction by way of a takeover offer under the City Code (a "**City Code Offer**")) the Independent Directors were not, in the document despatched to Alliance Boots Shareholders in relation to the City Code Offer, to make an unqualified recommendation to Alliance Boots Shareholders to accept such offer; or
- (b) once made, the unqualified recommendation by the Independent Directors to Alliance Boots Shareholders to vote in favour of the resolutions required to approve and implement the Scheme or to accept the City Code Offer (as the case may be) were to be withdrawn, qualified or adversely modified; or
- (c) an Alternative Proposal were to be announced prior to the lapsing or withdrawal of the Transaction, such Alternative Proposal subsequently being completed, or prior to the lapse or withdrawal of such Alternative Proposal, and prior to the date falling 180 days after 20 April 2007, a subsequent Alternative Proposal were to be announced, such Alternative Proposal subsequently being completed,

provided that no break fee would be payable under (a) or (b) where the lapse or withdrawal is caused by a breach by AB Acquisitions of the Implementation Agreement.

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Alliance Boots also agreed not to agree any break fee, or arrangement having similar effect to that discussed above, or any arrangement giving costs coverage to any person connected with an Alternative Proposal. This restriction would not apply to a break fee agreed conditional upon the announcement of an Alternative Proposal pursuant to Rule 2.5 of the City Code payable to the offeror in relation to such proposal where the offer so announced were at a price (the “**Price**”) of £11.15 per Alliance Boots Share or higher.

4.3 Non-solicitation arrangements

Alliance Boots has undertaken not:

- (a) to solicit, encourage, initiate or otherwise seek to procure the submission of proposals, indications of interest or offers of any kind which are reasonably likely to lead to an Alternative Proposal from any person other than AB Acquisitions; or
- (b) to enter into, or participate in, any discussion or negotiations (other than responding to unsolicited enquiries) with any such person in relation to an Alternative Proposal or which are reasonably likely to lead to an Alternative Proposal or to provide any due diligence information on Alliance Boots and the Alliance Boots Group to any third party in connection with an Alternative Proposal,

save to the extent that, in the case of (b) only, the Independent Directors reasonably consider that they would be in breach of their fiduciary duties not to do so or as required under Rule 20.2 of the City Code or as required by any regulatory authority.

Alliance Boots has agreed that it will, as soon as reasonably practicable, deliver to AB Acquisitions any information (not already provided to AB Acquisitions) which Alliance Boots delivers to another offeror or potential offeror whether or not a request is made under Rule 20.2 of the City Code.

Alliance Boots has also agreed, if and to the extent requested by AB Acquisitions, to disclose to AB Acquisitions as soon as practicable:

- (a) the price, form of consideration and identity of the offeror, in relation to any approach made relating to an Alternative Proposal;
- (b) the fact that the Board (or any committee thereof) is considering such an Alternative Proposal with details of the price, form of consideration and identity of offeror; and
- (c) any changes in the price, form of consideration and identity of offeror in relation to any Alternative Proposal details of which have already been notified to AB Acquisitions.

4.4 Conduct of business undertakings

Alliance Boots has undertaken, *inter alia*, to conduct the business of Alliance Boots and the Alliance Boots Group in the ordinary and usual course and also not to, and not to propose to, recommend, declare, pay or make any bonus issue, dividend or other distribution.

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4.5 Termination

The Implementation Agreement will terminate, *inter alia*, on the Scheme or City Code Offer (as the case may be) lapsing or being withdrawn and may be terminated upon service of a written notice by either party on the other following the earlier of:

- (a) a failure of any of the Conditions which cannot be waived in accordance with the Conditions and, in the case of the Conditions set out in paragraph 1 of Part Three of this document, AB Acquisitions has not elected to implement the Transaction by way of a City Code Offer within two Business Days of Alliance Boots serving notice to terminate; and
- (b) any of the Conditions becoming incapable of being satisfied and, where such Condition is capable of waiver, AB Acquisitions notifies Alliance Boots that it will not waive such Condition except in the case of the Conditions set out in paragraph 1 of Part Three of this document, AB Acquisitions has not elected to implement the Transaction by way of a City Code Offer within two Business Days of Alliance Boots serving notice to terminate.

In addition, Alliance Boots shall cease to be under any obligation to AB Acquisitions to implement the Transaction, or in relation to the non-solicitation arrangements and conduct of business undertakings referred to above, and will be free, to the extent permitted by the City Code, to seek an adjournment of the Alliance Boots Meeting and/or the Court Meeting or decide not to seek the sanction of the Court for the Scheme in the case where there has been an event or change of circumstance and the Independent Directors have determined, acting reasonably and in good faith and having taken appropriate external legal and independent financial advice and announced that it is withdrawing, qualifying or adversely modifying its recommendation of the Transaction, where failure so to do would be a breach of the fiduciary duties of the Independent Directors or a breach of the obligations of the Independent Directors under the City Code.

5. The Alliance Boots Directors and the effect of the Scheme on their interests

The names of the Alliance Boots Directors and details of their interests in the share capital of Alliance Boots, and options and awards over this share capital are set out in Part Nine of this document.

In common with the other participants in the Executive Share Option Plans, the Alliance Boots Directors will be able to exercise any options over Alliance Boots Shares under the Executive Share Option Plans that are exercisable or which become exercisable as described in paragraph 9.3 (a) of Part One of this document. The Alliance Boots Directors will also be entitled to exercise any options which they hold under the SAYE Schemes and, if they choose to exercise those options conditionally upon the Scheme becoming effective, to benefit from the *ex-gratia* payment described in paragraph 9.3 (c) of Part One of this document. The Alliance Boots Directors will, as beneficial owners of Alliance Boots Shares held in the AESOPs, participate in the Scheme in the same way as other Alliance Boots Shareholders. As participants in the Boots Performance Share Plan, the Boots Bonus Co-Investment Plan and the Boots Group Long-Term Bonus Plan 2002, the Alliance Boots Directors will also benefit from the awards which vest under those plans as described in paragraphs 9.3(d) and (e) of Part One of this document. In this regard, Alliance Boots Shareholders are referred to paragraph 4 of Part Nine of this document.

Particulars of the service contracts and letters of appointment of the Alliance Boots Directors are set out in paragraph 7 of Part Nine of this document.

On completion of the Transaction, it is expected that the non-executive directors will resign and they will receive one month's pay in lieu of notice. Alliance Boots wanted to acknowledge the time and effort put in by the Chairman of Alliance Boots during the bid process in addition to his ordinary duties, leading to the Transaction which is now being recommended to shareholders. Accordingly, Alliance Boots has resolved, at the suggestion of the Chairman and with the consent of AB

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Acquisitions, to make a donation of £250,000 to a charity of the Chairman's choosing. The Chairman has nominated The Derby Grammar School.

All the Independent Directors have given undertakings to AB Acquisitions to vote in favour of the Scheme in respect of all of their own beneficial holdings of 225,850 Alliance Boots Shares (representing, in aggregate, approximately 0.023 per cent. of the total number of issued Alliance Boots Shares).

Tricorn Partners LLP ("**Tricorn**"), a corporate finance advisory firm in which Guy Dawson is a partner, was approached on 25 April 2007 by a company wishing to be advised by Tricorn in relation to the company's possible participation in the equity of the Transaction. Tricorn and the company have not yet discussed entering into a formal engagement but, if they do so, Tricorn does not anticipate that any fee would exceed £5 million in relation to the provision by Tricorn of advice. Tricorn has put in place arrangements pursuant to which Guy Dawson would not receive, or otherwise benefit from, any revenue arising from this engagement.

As at 3 May 2007, being the last practicable date prior to the publication of this document, no arrangements had been finalised in respect of the roles of the Alliance Boots executive directors (other than Stefano Pessina, whose arrangements are described in paragraph 2.2 of Part Six of this document) after the Effective Date. For further information about the effect of the Scheme on the interests of Stefano Pessina and Ornella Barra, you are referred to paragraphs 9 and 10 of this Part Two, Part Six and paragraph 9.2 of Part Nine of this document.

Save as set out above, the effect of the Scheme on the interests of Alliance Boots Directors does not differ from its effect on the like interests of any other person.

6. Delisting

Prior to the Scheme becoming effective, applications will be made to the UK Listing Authority for listing of Alliance Boots Shares to be cancelled and to the London Stock Exchange for the Alliance Boots Shares to cease to be admitted to trading on the London Stock Exchange's Market for listed securities, in each case as of two Business Days after the Effective Date.

The last day of dealings in, and for registration of transfers of, Alliance Boots Shares is expected to be the day of the Reduction Hearing, following which all Alliance Boots Shares will be suspended from the Official List and from the London Stock Exchange's market for listed securities.

It is proposed that, following the Scheme becoming effective, and after the Alliance Boots Shares have been delisted, Alliance Boots will be re-registered as a private limited company.

7. Settlement

Subject to the Scheme becoming effective, settlement of the consideration to which any Alliance Boots Shareholder is entitled under the Scheme will be effected in the following manner:

7.1 Alliance Boots Shares in certificated form (that is, not in CREST)

Settlement of any Cash Consideration to which the Scheme Shareholder is entitled will be settled by cheque despatched no later than 14 days after the Effective Date by first class post to the address appearing in the register of Alliance Boots at the Scheme Record Time (or, in the case of joint holders, to the holder whose name stands first in such register in respect of the joint holding concerned) or by such other method as may be approved by the Panel. All cheques will be in Sterling drawn on the branch of a UK clearing bank. Payments made by cheque will be payable to the Scheme Shareholders concerned or, in the case of joint holders, jointly to all holders.

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Any Loan Notes to which the Scheme Shareholder is entitled will be distributed to such person in certificated form. Definitive certificates for such Loan Notes will be despatched no later than 14 days after the Effective Date by first class post (or by such other method as may be approved by the Panel) to the address appearing in the register of members of Alliance Boots at the Scheme Record Time (or, in the case of joint holders, to the holder whose name stands first in such register in respect of the joint holding concerned).

7.2 Alliance Boots Shares in uncertificated form (that is, in CREST)

Settlement of Cash Consideration to which the Scheme Shareholder is entitled will be effected by means of CREST by AB Acquisitions procuring the creation of a CREST payment obligation in favour of the appropriate CREST account through which the Scheme Shareholder holds such uncertificated Scheme Shares in respect of the Cash Consideration due to him not later than 14 days after the Effective Date.

Any Loan Notes to which the Scheme Shareholder is entitled will be distributed in accordance with paragraph 7.1 above.

7.3 General

All documents and remittances sent to or by or on behalf of Alliance Boots Shareholders will be sent at their own risk.

8. Information on Alliance Boots

Alliance Boots is an international pharmacy-led health and beauty group with operations in retail and wholesale. Alliance Boots comprises approximately 3,100 retail outlets (including associates), of which approximately 2,800 have a pharmacy, with a wholesale network of around 380 depots (including associates) serving around 120,000 outlets.

8.1 Retail

The Alliance Boots retail network in the UK comprises two businesses, Health & Beauty and Community Pharmacy, which together operate approximately 2,550 retail outlets, of which approximately 2,250 have a pharmacy.

The Community Pharmacy business operates around 1,000 retail outlets. Approximately 950 of these are community pharmacies, the majority of which will be branded "your local Boots pharmacy" over two years starting from summer 2007. Dispensing and healthcare typically account for the majority of revenues. These pharmacies are typically relatively small, are in community and secondary high street locations and have a strong emphasis on healthcare and advice. These are well placed to provide an increasing role in the provision of healthcare services, working closely with other primary healthcare providers.

The Health & Beauty business operates around 1,550 retail outlets, approximately 1,300 of which have a pharmacy. These outlets, the majority of which are destination stores, are typically located in prime high street and edge of town locations. They sell a much broader range of health and beauty products than sold in community pharmacies, in addition to providing dispensing and other healthcare services. Products sold include leading Boots own label brands such as No. 7 and Soltan.

Internationally, Alliance Boots operates around 550 pharmacies in the Republic of Ireland, Norway, The Netherlands, Russia, Italy, Thailand and, through an associate, in Switzerland, and also operates a limited number of other retail outlets.

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8.2 Wholesale

Alliance Boots is a leading European distributor of healthcare and pharmaceutical products and services. The group's wholesaling activities provide customers and manufacturers with an efficient system for the distribution of medicines and other healthcare products to pharmacies, supported by value added services. The Alliance Boots wholesale network (including associates) operates in 14 countries, through around 380 depots serving around 120,000 outlets.

9. Information on KKR, Stefano Pessina and AB Acquisitions and arrangements between Stefano Pessina and KKR

9.1 KKR

KKR is one of the world's longest established and most experienced private equity firms. In its 31-year history, KKR has completed 150 transactions with an aggregate enterprise value in excess of US\$279 billion. KKR has been an active investor in the healthcare and retail sectors having made investments with an aggregate enterprise value of over US\$60 billion, including investments such as HCA, Shoppers Drug Mart, Fred Meyer, Auto Zone, Safeway, Stop & Shop, Vendex KBB (now Maxeda) and Toys "R" Us.

9.2 Stefano Pessina

Stefano Pessina is the Executive Deputy Chairman of Alliance Boots. He is indirectly the largest shareholder in Alliance Boots and, as of 19 April 2007, had a beneficial interest in 299,108 Alliance Boots Shares and an indirect interest in 145,300,000 Alliance Boots Shares held by ASP (in aggregate being approximately 15.05 per cent. of the issued share capital of Alliance Boots at 19 April 2007). Prior to the merger of Boots and Alliance UniChem, Stefano Pessina was Executive Deputy Chairman, with operational responsibility for strategic development, including acquisitions, at Alliance UniChem Plc, having previously been Chief Executive Officer for three years until 2004. He was appointed to the board of Alliance UniChem when Alliance Santé, which he founded in Italy in 1977, merged with UniChem plc to form Alliance UniChem Plc in November 1997.

9.3 AB Acquisitions

AB Acquisitions, a wholly-owned indirect subsidiary of AB Acquisitions Holdings, is a newly incorporated company jointly controlled by the KKR Funds and Stefano Pessina which has been formed for the purpose of implementing the Transaction.

AB Acquisitions Holdings is a newly-incorporated company in Gibraltar and jointly controlled by the KKR Funds and Stefano Pessina. It is the holding company of the AB Acquisitions Group.

Prior to the Settlement Date, ASP and entities wholly-owned by the KKR Funds collectively wholly-own and jointly control AB Acquisitions Holdings and its subsidiaries, including AB Acquisitions, and no other person will own any portion of the share capital of AB Acquisitions Holdings or AB Acquisitions or any other member of the AB Acquisitions Group prior to the Settlement Date.

Further information about the AB Acquisitions Group is set out in Part Six of this document.

9.4 Arrangements between Stefano Pessina and KKR

Stefano Pessina, ASP, the KKR Funds and the Equity Underwriters have entered into the Cooperation Agreement which regulates the conduct of the Transaction and various other matters.

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As part of the Cooperation Agreement, the parties have agreed the broad terms for the definitive Investors' Agreement which is expected to be negotiated and entered into prior to the Effective Date. Details of both these agreements are set out in Part Six of this document.

9.5 Alliance Boots Share Purchases

AB Acquisitions acquired 11,444,856 Alliance Boots Shares on 20 April 2007, a further 49,694,229 Alliance Boots Shares on 23 April 2007, and a further 70,305,771 Alliance Boots Shares on 24 April 2007, in each case through purchases made on its behalf by Merrill Lynch and JPMorgan Cazenove. The highest price per share paid for any of the Alliance Boots Shares purchased on behalf of AB Acquisitions was 1,139 pence. The aggregate purchase price, plus all stamp duties, brokerage commissions and other fees and costs, for these purchases of Alliance Boots Shares was funded by a combination of borrowings under the Market Purchase Facility Agreement (as described in paragraph 3.3 of Part Six of this document) and approximately equal cash contributions of equity by the KKR Funds and ASP.

10. Financing of the Transaction

The Cash Consideration payable under the Transaction and the costs of the Transaction will be funded using a mixture of cash equity subscriptions from the KKR Funds and the Equity Underwriters described in paragraph 10.1 below and debt financing as described in paragraph 10.2 below. In addition, ASP has agreed to rollover the SP Rollover Shares as described in paragraph 10.1 below.

10.1 Equity Financing

ASP, the KKR Funds and each of the Equity Underwriters have entered into the Equity Commitment Letters.

The total amount of the equity commitments, which includes the equity funds necessary for AB Acquisitions to pay the Cash Consideration and for the AB Acquisitions Group to pay fees, costs and expenses in connection with the Transaction, is approximately £3,430 million; these commitments are divided as to 29.74 per cent. by ASP, 29.74 per cent. by the KKR Funds, and 40.52 per cent. by the Equity Underwriters. The KKR Funds and each of the Equity Underwriters have agreed to subscribe and contribute cash to AB Acquisitions Holdings. ASP will satisfy its equity commitment through, in effect, the exchange by ASP of the SP Rollover Shares for AB Acquisitions Holdings Shares under the terms of the Scheme.

At the Settlement Date and taking into account the Alliance Boots Shares already purchased on behalf of AB Acquisitions (as described in paragraph 9.5 above), the KKR Funds and ASP will each have a 32.32 per cent. equity interest in AB Acquisitions Holdings (subject to adjustment as described in paragraph 3.1 of Part Six and equity syndication as described in paragraph 3.2 of Part Six). None of the other equity interests in AB Acquisitions Holdings will have voting rights. As a result, the KKR Funds and ASP will each have 50 per cent. of the voting rights in AB Acquisitions Holdings.

Before and after the Settlement Date, the Equity Underwriters will syndicate all or a significant portion of their respective equity commitments as a private placement to institutional investors pursuant to a co-ordinated process which has been agreed with ASP and the KKR Funds as described in paragraph 3.2 of Part Six.

ASP and the KKR Funds may syndicate a portion of their respective equity as described in paragraph 3.2 of Part Six. Notwithstanding any such syndication, ASP and the KKR Funds will continue to jointly control the AB Acquisitions Group before and after the Settlement Date.

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Further details of the equity financing and the syndication process are contained in Part Six of this document.

10.2 Debt Financing

In order to fund the balance of the Cash Consideration payable under the Scheme and certain Transaction-related costs and expenses, members of the AB Acquisitions Group have entered into the Interim Facilities Agreement (as described in paragraph 3.3 of Part Six) which provides for:

- (i) a committed term facility of up to £8,200 million; and
- (ii) a committed revolving credit facility of up to £820 million.

It is intended that the Interim Facilities Agreement will be refinanced with facilities provided under permanent facilities agreements.

In order to fund the market purchases referred to in paragraph 9.5 above, AB Acquisitions entered into the Market Purchase Facility Agreement (as described in paragraph 3.3 of Part Six) which provided for a committed term facility of up to £1 billion which has been drawn in full (and which, if still outstanding, will be repaid in full on first utilisation under the Interim Facilities Agreement or, as the case may be, permanent facilities agreements).

Further details of the debt financing are contained in Part Six of this document.

10.3 Cash Confirmation

UniCredit Markets & Investment Banking, JPMorgan Cazenove and Merrill Lynch are satisfied that the necessary cash resources are available to AB Acquisitions to enable it to satisfy in full the consideration payable under the Scheme. Full implementation of the Transaction would result in Cash Consideration of approximately £8.69 billion being payable to Scheme Shareholders and participants in the Alliance Boots Share Schemes (assuming no elections for the Loan Note Alternative and the minimum number of SP Rollover Shares).

11. United Kingdom and US taxation

The comments set out in paragraphs 11.1 to 11.3 below summarise the UK tax treatment of Alliance Boots Shareholders under the Scheme. They are based on current UK law and published HMRC practice currently in force as at the date of this document.

The comments are intended as a general guide and apply only to Alliance Boots Shareholders who are resident or (if individuals) ordinarily resident for tax purposes in the UK, who hold their Alliance Boots Shares or Loan Notes as an investment, who are the absolute beneficial owners of their Alliance Boots Shares and who have not (and are not deemed to have) acquired their Alliance Boots Shares by virtue of an office or employment.

Special considerations apply to Alliance Boots Shareholders who have acquired or acquire their Alliance Boots Shares under the Alliance Boots Share Schemes.

Alliance Boots Shareholders who are in any doubt about their taxation position or who require more detailed information, or who are resident or otherwise subject to taxation in a jurisdiction outside the UK, should consult their own professional advisers immediately.

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11.1 UK taxation of chargeable gains ("CGT")

Liability to CGT will depend on the particular circumstances of the Alliance Boots Shareholders and on the form of consideration received.

(A) Cash

Subject to any Alliance Boots Shareholder being liable to a charge to income tax on a disposal, the receipt by an Alliance Boots Shareholder of Cash Consideration will constitute a disposal of his Alliance Boots Shares for the purposes of CGT which may, depending on the Alliance Boots Shareholder's individual circumstances (including the availability of exemptions, reliefs and allowable losses), give rise to a liability to CGT or an allowable loss.

(B) Loan Notes

In general, an Alliance Boots Shareholder who, either alone or together with persons connected with him, does not hold more than five per cent. of, or of any class of, the shares or debentures of Alliance Boots should not be treated as having made a disposal of his Loan Note Elected Shares for the purposes of CGT to the extent that he receives Loan Notes as consideration for the exchange of his Loan Note Elected Shares following a valid election under the Loan Note Alternative under the Scheme. He should, to that extent, be treated in the manner described in paragraphs (i) and (ii) below.

Any Alliance Boots Shareholder who, either alone or together with persons connected with him, holds more than five per cent. of, or of any class of, the shares or debentures of Alliance Boots is advised that an application for clearance has been made to HMRC under section 138 of the Taxation of Chargeable Gains Act 1992 in respect of the Loan Note Alternative. If such clearance is given, any such Alliance Boots Shareholder should be treated in the manner described in paragraphs (i) and (ii) below. Neither the Scheme nor the Loan Note Alternative is conditional on such clearance being obtained.

(i) UK tax resident non-corporate Alliance Boots Shareholders

Any gain or loss which would otherwise have arisen on a disposal of Loan Note Elected Shares by an individual shareholder should be "rolled over" into the Loan Notes and the Loan Notes should be treated as the same asset as his Loan Note Elected Shares acquired at the same time and price as his Loan Note Elected Shares.

A subsequent disposal or part disposal of Loan Notes (including redemption) may, depending on individual circumstances, give rise to a liability to CGT. Any chargeable gain or allowable loss on the disposal or part disposal (including redemption) of the Loan Notes should be calculated taking into account the original cost to the holder of acquiring the relevant Loan Note Elected Shares, and (when calculating a chargeable gain but not an allowable loss) indexation allowance on that cost up to and including the month of April 1998 and thereafter any available taper relief in respect of the period from 6 April 1998 (or later acquisition date) to the date of disposal of the Loan Notes.

(ii) UK tax resident corporate Alliance Boots Shareholders

For an Alliance Boots Shareholder within the charge to UK corporation tax, the Loan Notes will be "qualifying corporate bonds" for the purposes of CGT. Accordingly, the whole of any gain or loss which would have arisen on a disposal of Loan Note Elected Shares at market value immediately prior to the exchange of Loan Note Elected Shares for Loan Notes will be "held over" and deemed to accrue on a subsequent disposal or part disposal (including redemption) of the Loan Notes. No further indexation allowance will be available to a corporate Alliance Boots Shareholder for the period during which any gain is "held over" in this way.

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Any profit, gain or loss accruing to such a corporate Alliance Boots Shareholder in respect of a Loan Note on a disposal (including redemption) thereof (other than the "held over" gain which will be dealt with as referred to above) will not give rise to a chargeable gain or, as the case may be, an allowable loss for the purpose of CGT, but will be taxed or relieved as income in accordance with sub-paragraph 11.2(C) below.

11.2 UK taxation of interest on the Loan Notes

(A) Withholding tax

Interest on the Loan Notes will be paid after deduction of UK income tax by AB Acquisitions at the lower rate (currently 20 per cent.) unless either (i) the noteholder is, and can prove to the satisfaction of AB Acquisitions that it is, a company, partnership or other body entitled under section 930 of the Income Tax Act 2007 to receive payments of interest without deduction of a sum representing tax or (ii) AB Acquisitions has been directed by HMRC, in respect of a particular holding of Loan Notes, to make the payment without deduction or subject to a reduced rate of deduction by virtue of relief under the provisions of a double taxation treaty. Any such direction as is mentioned in part (ii) of the preceding sentence will be given only following a prior application in the appropriate manner to the relevant tax authorities by the noteholder in question. AB Acquisitions will not gross up payments of interest on the Loan Notes to compensate for any tax which it is required to deduct at source.

(B) Non-corporate noteholders

The gross amount of the interest on the Loan Notes will form part of the recipient's income for the purposes of UK income tax, credit being allowed for the tax withheld (if any). Individuals who are taxable only at the basic rate or at a rate which is lower than the basic rate will have no further tax to pay in respect of the interest. Individuals liable to UK income tax at the higher rate will have to pay further income tax equal (at current rates) to 25 per cent. of the net interest received. In certain cases, holders of Loan Notes may be able to recover an amount in respect of the tax withheld at source from HMRC. On a transfer or disposal (including redemption) of Loan Notes by an individual, a charge to UK income tax may arise under the "accrued income scheme" in respect of the interest on the Loan Notes which has accrued since the preceding interest payment date.

(C) Corporate noteholders

A noteholder within the charge to UK corporation tax in respect of the Loan Notes will generally bring into the charge to tax as income, interest on, and any profits and gains arising from, the Loan Notes in accordance with the noteholder's statutory accounts provided that these accounts are prepared broadly in accordance with generally accepted accounting practice.

11.3 Stamp duty and stamp duty reserve tax ("SDRT")

No stamp duty or SDRT will generally be payable by Alliance Boots Shareholders as a result of the Scheme.

Special rules apply in the case of issues of securities to, or to a nominee or agent for, a person whose business is or includes the provision of clearance services or the issue of depositary receipts and therefore any Alliance Boots Shareholder who wishes to elect for the Loan Note Alternative in circumstances where the relevant Loan Notes will be issued to any such person on his behalf should consult his tax adviser before doing so.

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11.4 United States taxation

(A) United States Treasury Department Circular 230 Notice:

To ensure compliance with Treasury Department Circular 230, Alliance Boots Shareholders are hereby notified that any discussion of tax matters set forth in this document or any document referred to herein was written in connection with the promotion or marketing of the transactions or matters addressed herein and was not intended or written to be used, and cannot be used by any Alliance Boots Shareholder, for the purpose of avoiding tax-related penalties under federal, state or local tax law. Each Alliance Boots Shareholder should seek advice based on its particular circumstances from an independent tax adviser.

(B) General

The following discussion is a summary under present law of certain US federal income tax consequences of the Scheme. This summary addresses only US Holders (as defined below) that hold Alliance Boots Shares as capital assets and who dispose of such Alliance Boots Shares pursuant to the Scheme.

This summary is not tax advice; it does not describe all potential US federal income tax considerations that may be relevant to a particular US Holder's decision with respect to the terms of the Scheme. It does not address the tax treatment of investors subject to special rules, such as (without limitation) banks, dealers in securities or foreign currencies, traders in securities or foreign currencies that mark-to-market, financial institutions, mutual funds, insurance companies, tax-exempt entities, persons owning, actually or constructively for purposes of the "controlled foreign corporation" rules of US federal income tax law, 10 per cent. or more of the voting power of all classes of shares of Alliance Boots, persons holding Alliance Boots Shares as part of a hedge, straddle, conversion, integrated, constructive sale or constructive ownership transaction, persons that have a functional currency for US federal income tax purposes other than the US dollar, persons who acquired Alliance Boots Shares pursuant to the exercise of options or otherwise as compensation or persons resident or ordinarily resident in the United Kingdom. It also does not address any alternative minimum tax, non-US tax, US state or local tax, estate and gift or other tax considerations. This description is based on the US Internal Revenue Code of 1986, as amended (the "**Code**"), existing and proposed US Treasury regulations promulgated thereunder, current administrative rulings and court decisions, in each case, available as of the date of this document. All of the foregoing are subject to change, and any such change could be retroactive and could result in tax consequences different from those discussed below.

As used in this paragraph 11.4, the term "US Holder" means a beneficial owner of Alliance Boots Shares that is for US federal income tax purposes: (i) a citizen or individual resident of the United States; (ii) a corporation or other entity taxable as a corporation created or organised under the laws of the United States, any state thereof, or the District of Columbia; (iii) a trust that is (a) subject to the control of one or more US persons and the primary supervision of a US court or (b) has a valid election in effect under applicable US Treasury regulations to be treated as a US person; or (iv) an estate the income of which is subject to US federal income taxation regardless of its source.

If a partnership (or any other entity treated as a partnership for US federal income tax purposes) holds Alliance Boots Shares, the tax treatment of a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such partner should consult its tax adviser as to its tax consequences.

Because the following summary is intended only as a general guide and because the particular circumstances of each person may differ, US Holders should consult their own tax advisers with respect to any federal, state, local, estate and gift or other tax considerations

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(including any possible changes in tax law) that may affect their decision either to vote in favour of or to vote against the Scheme.

The following discussion assumes that Alliance Boots is not and has not been a passive foreign investment company (a “**PFIC**”) for US federal income tax purposes. However, PFIC status is a factual determination that depends upon the composition of income and assets of Alliance Boots and the market value of the Alliance Boots Shares and is subject to change. Because this determination must be made annually at the end of the taxable year, there can be no assurance that Alliance Boots will not be considered a PFIC for the 2007 taxable year. If Alliance Boots was a PFIC in any year in which a US Holder held Alliance Boots Shares or if Alliance Boots is a PFIC in 2007, the tax on any gain realized by a US Holder pursuant to the Scheme may be less favourable than those described herein. US Holders should consult their own tax advisers regarding the application of the PFIC rules to their ownership and disposition of the Alliance Boots Shares.

(C) Taxation of capital gain or loss

A US Holder who disposes of Alliance Boots Shares pursuant to the Scheme will recognise taxable capital gain or loss in an amount equal to the difference, if any, between the Cash Consideration received in the Scheme and the US Holder’s adjusted tax basis in its Alliance Boots Shares. While it is not free from doubt, the amount realised by a US Holder should be the US dollar value of the pounds sterling that it receives as of the settlement date if either the US Holder uses the cash method of accounting, or the US Holder uses the accrual method and properly elects to determine value as of the settlement date. If a US Holder uses the accrual method of accounting but does not make an election to determine the US dollar value of the pounds sterling on the settlement date, then the value of pounds sterling would be determined on the Effective Date. Such gain or loss will generally be long term capital gain or loss if, at the time of the disposition, the US Holder’s holding period with respect to its Alliance Boots Shares exceeds one year, as determined under US federal income tax principles. Certain non-corporate US Holders (including individuals) may be entitled to a preferential tax rate on long term capital gains. The deductibility of capital losses is subject to limitations. Any gain or loss realised by the US Holder generally will be treated as arising from US sources for foreign tax credit purposes.

US Holders are considered Loan Note Excluded Persons for purposes of the Scheme and, thus, will only be entitled to receive Cash Consideration in the Scheme.

(D) Foreign currency gain or loss

A US Holder who receives pounds sterling for his Alliance Boots Shares pursuant to the Scheme will have a tax basis in pounds sterling equal to the US dollar amount realised. A US Holder will recognise exchange gain or loss on a subsequent disposition of the pounds sterling received by such US Holder. Any exchange gain or loss realised generally will be US source ordinary income or loss. US Holders should consult their own tax advisers as to the application of these rules to their particular circumstances.

(E) Backup withholding and information reporting

In general, information reporting will apply to the receipt of proceeds by a US Holder in the Scheme that are paid within the United States (and in certain cases, outside the United States), unless such US Holder is an exempt recipient such as a corporation. A backup withholding tax may apply to such payments if a US Holder fails to provide a taxpayer identification number or certification of other exempt status or fails to report in full dividend and interest income.

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Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a US Holder's United States federal income tax liability provided the required information is furnished to the US Internal Revenue Service.

12. Overseas shareholders

The Loan Note Alternative is subject to certain restrictions in relation to Overseas Persons. These restrictions are set out in more detail in Part Eight of this document.

13. Actions to be taken

The Scheme will require approval at a meeting of holders of Scheme Shares (other than Excluded Voting Shares) convened by order of the Court to be held at Goldman Sachs International, River Court, 120 Fleet Street, London EC4A 2QQ at 10.00 a.m. on 31 May 2007. The approval required at this meeting is that those entitled to vote and voting to approve the Scheme must:

- (i) represent a simple majority in number of those Scheme Shareholders present and voting in person or by proxy; and
- (ii) also represent three-fourths in value of the Scheme Shares held by those Scheme Shareholders present and voting in person or by proxy.

The Scheme requires the sanction of the Court which will follow a hearing at which all Scheme Shareholders may be present and be heard in person or through representation to support or oppose the sanctioning of the Scheme. Implementation of the Scheme will also require approval by special resolution at the Alliance Boots EGM to be held immediately after the Court Meeting, as described in paragraph 3.2 above. The approval required for this resolution to be passed is a vote in favour of not less than 75 per cent. of the votes cast.

If the Scheme becomes effective it will be binding on all holders of Scheme Shares, including any holders who did not attend or vote at the Alliance Boots Meetings or who voted against the Scheme.

Alliance Boots Shareholders will find enclosed with this document a blue Form of Proxy and a pink Form of Proxy. The blue Form of Proxy is to be used in connection with the Court Meeting and the pink Form of Proxy is to be used in connection with the Alliance Boots EGM. Whether or not you intend to attend these meetings please complete and sign both Forms of Proxy and return them in the reply-paid envelope provided in accordance with the instructions printed thereon by post or (during normal business hours only) by hand to Capita, at Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive as soon as possible but in any event at least 48 hours prior to the relevant meeting. Alternatively you may fill in your Forms of Proxy online at www.allianceboots-shareholder.com, following the instructions on the Forms of Proxy.

If the blue Form of Proxy relating to the Court Meeting is not lodged by the relevant time, it may be handed to the Registrars or to the chairman of the Court Meeting before the start of the Court Meeting. However, in the case of the Alliance Boots EGM, if the pink Form of Proxy is not received by the time mentioned above and in accordance with the instructions on that Form of Proxy, it will be invalid.

If you hold your Alliance Boots Shares in uncertificated form (i.e. in CREST), you may vote using the CREST Proxy Voting Service in accordance with the procedures set out in the CREST Manual by completing and transmitting a CREST Proxy Instruction to Capita (CREST participant ID RA 10).

Proxies submitted electronically (through CREST or online) must be sent as soon as is possible, and in any event so as to be received by no later than 10.00 a.m. on 29 May 2007 in the case of

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the Court Meeting and by 10.15 a.m. on 29 May 2007 in the case of the Alliance Boots EGM (or in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

The completion and return of either Form of Proxy, completing the forms of proxy online or completing and transmitting a CREST Proxy Instruction will not preclude you from attending the Court Meeting or the Alliance Boots EGM and voting in person, if you so wish.

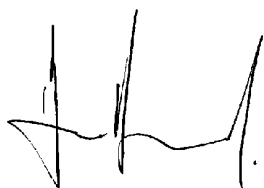
If you have any questions about the Scheme or are in doubt as to how to complete the Forms of Proxy or the Form of Election, you may call the Shareholder Helpline between 9.00 a.m. and 5.30 p.m. on any Business Day on 0870 162 3188 from within the UK and +44 20 8639 3409 from outside the UK. Calls will be charged at national or international rates as the case may be.

It is important, for the Court Meeting, that as many votes as possible are cast so that the Court may be satisfied that there is a fair representation of the opinion of Scheme Shareholders entitled to attend and vote at the Court Meeting. You are therefore strongly urged to complete and return your Forms of Proxy as soon as possible, whether or not you intend to attend the meetings in person.

14. Further information

The terms of the Scheme are set out in full in Part Seven of this document. Your attention is also drawn to the further information contained in this document which forms part of the Explanatory Statement.

Yours faithfully



for and on behalf of
Goldman Sachs International
Simon Dingemans
Managing Director



for and on behalf of
Greenhill & Co. International LLP
James R.C. Lupton
Managing Director

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1. The Transaction is conditional upon the Scheme becoming unconditional and becoming effective, subject to the City Code, by not later than 170 days from the date on which this document is posted or such later date, if any, as AB Acquisitions and Alliance Boots may agree and the Panel and the Court may allow. The Scheme will be conditional upon:
 - (a) approval of the Scheme by a majority in number representing three-fourths or more in value of the holders of Scheme Shares (or the relevant class or classes thereof), present and voting, either in person or by proxy, at the Court Meeting and at any separate class meeting which may be required by the Court or at any adjournment of any such meeting;
 - (b) the resolution(s) required to approve and implement the Scheme being passed by the requisite majority at the Alliance Boots EGM or any adjournment of that meeting and not subsequently revoked;
 - (c) the sanction of the Scheme by the Court (with or without modification but subject to any modification being on terms acceptable to Alliance Boots and AB Acquisitions), and an office copy of the Scheme Order being filed with the Registrar of Companies in England and Wales; and
 - (d) the confirmation of any reduction of capital involved in the Scheme by the Court (with or without modification but subject to any modification being on terms acceptable to Alliance Boots and AB Acquisitions), and an office copy of the Reduction Order and the minute of such reduction attached thereto being filed with, and registered by, the Registrar of Companies in England and Wales.
2. Alliance Boots and AB Acquisitions have agreed that, subject as stated in paragraph 3 below, the Transaction will be conditional upon the following matters, and, accordingly, the necessary action to make the Scheme effective will not be taken unless such Conditions (as amended as appropriate) have been satisfied or waived:
 - (a) (i) the European Commission making or having been deemed to have made a decision under Article 6(1)(b) of Council Regulation (EC) 139/2004 (the "**Regulation**") in relation to the Transaction (or any matter arising therefrom) and on terms reasonably satisfactory to AB Acquisitions taking into account the size of the Transaction;
 - (ii) in the event that a request under Article 9(2) of the Regulation has been made by the United Kingdom, the European Commission either:
 - (a) indicating that it does not intend to refer the proposed acquisition, or any aspect of the proposed acquisition, to the competent authority in the United Kingdom in accordance with Article 9(3)(b) of the Regulation; or
 - (b) making a reference to the competent authority in the United Kingdom in accordance with Article 9(3)(b) of the Regulation;
 - (iii) in the event that a request under Article 9(2) of the Regulation has been made by a European Union or EFTA state in relation to the Transaction (or any matter arising therefrom) other than the United Kingdom, either:
 - (a) the European Commission indicating that it does not intend to refer the proposed acquisition, or any aspect of the proposed acquisition, to a competent authority of that state in accordance with Article 9(3)(b) of the Regulation; or
 - (b) in the event of such a reference being made in relation to the Transaction (or any part of the Transaction) to a European Union or EFTA state,

PART THREE: CONDITIONS TO THE TRANSACTION AND TO THE SCHEME

clearance being obtained from the merger control authorities of that state on terms reasonably satisfactory to AB Acquisitions, taking into account the size of the Transaction;

- (b) no government or governmental, quasi governmental, supranational, statutory, court, regulatory or investigative body or any other body or person whatsoever in any jurisdiction (each a “**Third Party**”) having decided to take, institute or implement any action, proceeding, suit, investigation, enquiry or reference, or having required any action to be taken or otherwise having done anything or having enacted, made or proposed any statute, regulation, decision or order and there not continuing to be outstanding any statute, regulation, decision or order which would or might:
- (i) make the Transaction, its implementation or the acquisition of any Alliance Boots Shares by any member of the AB Acquisitions Group void, illegal and/or unenforceable under the laws of any jurisdiction, or otherwise directly or indirectly prohibit, or materially restrain, restrict, delay or otherwise interfere with the implementation of, or impose material additional conditions or obligations with respect to, or otherwise materially challenge or require material amendment of the Transaction;
 - (ii) require the divestiture by any member of the AB Acquisitions Group or by any member of the Wider Alliance Boots Group of all or any part of its businesses, assets or property or impose any limitation on the ability of any of them to conduct their respective businesses (or any part thereof) or to own any of their assets or properties (or any part thereof) which in any such case is material in the context of the AB Acquisitions Group or the Wider Alliance Boots Group, in either case taken as a whole;
 - (iii) impose any material limitation on, or result in a material delay in, the ability of any member of the AB Acquisitions Group directly or indirectly to acquire or hold or to exercise effectively all or any rights of ownership in respect of shares or other securities in Alliance Boots or on the ability of any member of the Wider Alliance Boots Group or any member of the AB Acquisitions Group directly or indirectly to hold or exercise effectively any rights of ownership in respect of shares or other securities (or the equivalent) in, or to exercise management control over, any member of the Wider Alliance Boots Group;
 - (iv) require any member of the AB Acquisitions Group or the Wider Alliance Boots Group to acquire or offer to acquire any shares, other securities (or the equivalent) or interest in any member of the Wider Alliance Boots Group or any asset owned by any third party (other than in the implementation of the Scheme);
 - (v) require, prevent or materially delay a divestiture by any member of the AB Acquisitions Group of any shares or other securities (or the equivalent) in any member of the Alliance Boots Group which is material in the context of the Alliance Boots Group taken as a whole;
 - (vi) result in any member of the Wider Alliance Boots Group ceasing to be able to carry on business under any name under which it presently carries on business which in any such case is material in the context of the Wider Alliance Boots Group taken as a whole;
 - (vii) impose any material limitation on the ability of any member of the Wider Alliance Boots Group to integrate or co-ordinate all or any part of its business with all or any part of the business of any other member of the Wider Alliance Boots Group

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which is adverse to and material in the context of the Alliance Boots Group taken as a whole; or

- (viii) otherwise affect the business, assets, profits or prospects of any member of the Wider Alliance Boots Group or any member of the AB Acquisitions Group in a manner which is adverse to and material in the context of the Alliance Boots Group taken as a whole or of the obligations of any members of the AB Acquisitions Group taken as a whole in connection with the Transaction,

and all applicable waiting and other time periods during which any such Third Party could decide to take, institute or implement any such action, proceeding, suit, investigation, enquiry or reference or otherwise intervene under the laws of any jurisdiction in respect of the Scheme or the acquisition or proposed acquisition of any Alliance Boots Shares having expired, lapsed or been terminated;

- (c) all necessary or appropriate notifications, filings or applications having been made in connection with the Transaction and all necessary waiting periods (including any extensions thereof) under any applicable legislation or regulation of any jurisdiction having expired, lapsed or been terminated (as appropriate) and all statutory and regulatory obligations in any jurisdiction having been complied with in connection with the Transaction and all Authorisations necessary or appropriate in any jurisdiction for or in respect of the Transaction and the acquisition or the proposed acquisition of any shares or other securities in, or control of, Alliance Boots by any member of the AB Acquisitions Group having been obtained in terms and in a form reasonably satisfactory to AB Acquisitions from all appropriate Third Parties or (without prejudice to the generality of the foregoing) from any person or bodies with whom any member of the Wider Alliance Boots Group has entered into contractual arrangements and all such Authorisations necessary or appropriate to carry on the business of any member of the Wider Alliance Boots Group in any jurisdiction having been obtained, in each case where the direct consequence of a failure to make such notification or filing or to wait for the expiry, lapse or termination of any such waiting period or to comply with such obligation or obtain such Authorisation would have a material adverse effect on the Alliance Boots Group, taken as a whole or on the AB Acquisitions Group taken as a whole and all such Authorisations remaining in full force and effect at the Effective Date and there being no notice or intimation of an intention to revoke, suspend, restrict, modify or not to renew such Authorisations;
- (d) except as fairly disclosed in the Interim Results, as publicly announced to a Regulatory Information Service by or on behalf of Alliance Boots before 20 April 2007 or as fairly disclosed in writing by or on behalf of Alliance Boots to AB Acquisitions before 20 April 2007, there being no provision of any arrangement, agreement, Authorisation, law, lease or other instrument to which any member of the Wider Alliance Boots Group is a party or by or to which any such member or any of its assets is or may be bound or be subject which, or any event or circumstance having occurred which under any arrangement, agreement, Authorisation, law, lease or other instrument to which any member of the Wider Alliance Boots Group is a party or by or to which any such member or any of its assets is or may be bound or be subject, as a consequence of the Transaction or the acquisition or the proposed acquisition by any member of the AB Acquisitions Group of any Alliance Boots Shares or because of a change in the control or management of any member of the Wider Alliance Boots Group or otherwise, could or might reasonably be expected to result in, in each case to an extent which is material in the context of the Alliance Boots Group taken as whole or the Transaction:
 - (i) any monies borrowed by, or any other indebtedness, actual or contingent, of any member of the Wider Alliance Boots Group being or becoming repayable, or capable of being declared repayable, immediately or prior to its or their stated maturity date or repayment date, or the ability of any such member to borrow

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- monies or incur any indebtedness being withdrawn or inhibited or being capable of becoming or being withdrawn or inhibited;
- (ii) the rights, liabilities, obligations, interests or business of any member of the Wider Alliance Boots Group under any such arrangement, agreement, licence, permit, lease or instrument or the interests or business of any member of the Wider Alliance Boots Group in or with any other firm or company or body or person (or any agreement or arrangement relating to any such business or interests) being terminated or adversely modified or affected or any onerous obligation or liability arising or any adverse action being taken thereunder;
 - (iii) any member of the Wider Alliance Boots Group ceasing to be able to carry on business under any name under which it presently carries on business;
 - (iv) any assets or interests of, or any asset the use of which is enjoyed by, any member of the Wider Alliance Boots Group being or falling to be disposed of or charged or any right arising under which any such asset or interest could be required to be disposed of or charged or could cease to be available to any member of the Wider Alliance Boots Group otherwise than in the ordinary course of business;
 - (v) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any member of the Wider Alliance Boots Group;
 - (vi) the value of, or the financial or trading position or prospects of, any member of the Wider Alliance Boots Group being prejudiced or adversely affected;
 - (vii) the creation of any liability (actual or contingent) by any member of the Wider Alliance Boots Group; or
 - (viii) any liability of any member of the Wider Alliance Boots Group to make any severance, termination, bonus or other payment to any of its directors or other officers;
- (e) except as fairly disclosed in the Interim Results, as publicly announced to a Regulatory Information Service by or on behalf of Alliance Boots before 20 April 2007 or as fairly disclosed in writing by Alliance Boots to AB Acquisitions prior to 20 April 2007, no member of the Alliance Boots Group having since 5 June 2006 (being the date of the Merger Prospectus):
- (i) issued or agreed to issue or authorised or proposed the issue of additional shares of any class, or securities convertible into, or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or convertible capital or transferred or sold or agreed to transfer or sell or proposed the transfer or sale of Alliance Boots Shares out of treasury (save, in each case, where relevant, as between Alliance Boots and wholly-owned subsidiaries of Alliance Boots and save for the issue of Alliance Boots Shares or between such wholly-owned subsidiaries or the transfer or sale of Alliance Boots Shares out of treasury on the exercise of options granted before 20 April 2007 in the ordinary course);
 - (ii) save for the interim dividend of 10 pence (net) per Alliance Boots Share paid to Alliance Boots Shareholders on the register of members of Alliance Boots on 28 July 2006 and the interim dividend of 13.25 pence (net) per ordinary share of Alliance UniChem Plc paid to holders of such shares on the register of members of Alliance UniChem on 28 July 2006, recommended, declared, paid or

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made or proposed to recommend, declare, pay or make any bonus, dividend or other distribution (whether payable in cash or otherwise) other than to Alliance Boots or one of its wholly-owned subsidiaries;

- (iii) merged with or demerged from or acquired any body corporate, partnership or business or acquired or disposed of, or transferred, mortgaged or charged or created any security interest over, any assets or any right, title or interest in any asset (including shares and trade investments) or authorised, proposed or announced any intention to do so in each case other than in the ordinary course of business and save for transactions between Alliance Boots and its wholly-owned subsidiaries or between such wholly-owned subsidiaries;
- (iv) save as between Alliance Boots and its wholly-owned subsidiaries or between such wholly-owned subsidiaries made, authorised, proposed or announced an intention to propose any change in its loan capital;
- (v) issued, authorised or proposed the issue of any debentures or (save in the ordinary course of business and save as between Alliance Boots and its wholly-owned subsidiaries or between such wholly-owned subsidiaries) incurred or increased any indebtedness or become subject to any contingent liability which is material in the context of the Alliance Boots Group taken as a whole;
- (vi) entered into or varied or announced its intention to enter into or vary any contract, transaction, arrangement or commitment (whether in respect of capital expenditure or otherwise), otherwise than in the ordinary course of business, which is of a long term, unusual or onerous nature, or which involves or could involve an obligation of a nature or magnitude which is, in any such case, material in the context of the Alliance Boots Group taken as a whole or which is or is likely to be restrictive on the business of any member of the Alliance Boots Group or the AB Acquisitions Group where such restriction is material in the context of the Alliance Boots Group taken as a whole;
- (vii) entered into or varied the terms of any service agreement with any director or senior executive of the Alliance Boots Group;
- (viii) proposed, agreed to provide or modified the terms of any share option scheme or incentive scheme, or, other than in the ordinary course of business, materially altered any other benefit relating to the employment or termination of employment of any employee of the Alliance Boots Group;
- (ix) nor the trustees of the relevant pension scheme having made or agreed or consented to any significant change to the terms of the trust deeds constituting the pension schemes established for its directors, employees or their dependants or the benefits which accrue, or to the pensions which are payable, thereunder, or to the basis on which qualification for, or accrual or entitlement to, such benefits or pensions are calculated or determined or to the basis on which the liabilities (including pensions) of such pension schemes are funded or valued, or agreed or consented to any change to the trustees or trustee directors;
- (x) implemented or effected or announced its intention to implement or effect, any reconstruction, amalgamation, scheme or other transaction or arrangement otherwise than in the ordinary course of business;
- (xi) other than by a wholly-owned subsidiary of Alliance Boots, purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay

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- any of its own shares or other securities or reduced or, save in respect of the matters mentioned in sub paragraph (i) above, made any other change to any part of its share capital to an extent which is material in the context of the Alliance Boots Group taken as a whole;
- (xii) waived or compromised any claim otherwise than in the ordinary course of business which is material in the context of the Alliance Boots Group taken as a whole;
 - (xiii) made any material alteration to its memorandum or articles of association or other incorporation documents which is material in the context of the Alliance Boots Group taken as a whole;
 - (xiv) other than in respect of a body corporate which is dormant and was solvent at the relevant time, taken or proposed any corporate action or had any legal proceedings instituted or threatened in writing against it for its winding up (voluntary or otherwise), dissolution, reorganisation or for the appointment of any administrator, receiver, administrative receiver, trustee or similar officer of all or any of its assets or revenues or any analogous proceedings in any jurisdiction or appointed any analogous person in any jurisdiction or had any such person appointed;
 - (xv) been unable, or admitted in writing that it is unable, to pay its debts or commenced negotiations with one or more of its creditors with a view to rescheduling or restructuring any of its indebtedness, or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business; or
 - (xvi) entered into any contract, commitment, agreement or arrangement otherwise than in the ordinary course of business or passed any resolution or made any offer (which remains open for acceptance) with respect to, or announced an intention to, or to propose to, effect any of the transactions, matters or events referred to in this condition;
- (f) since 5 June 2006, and except as fairly disclosed in the Interim Results, as publicly announced to a Regulatory Information Service by or on behalf of Alliance Boots or as fairly disclosed in writing by or on behalf of Alliance Boots to AB Acquisitions, in each case, before 20 April 2007:
- (i) there having been no adverse change in the business, assets, financial or trading position or profits or prospects or operational performance of any member of the Wider Alliance Boots Group to an extent which is material to the Alliance Boots Group taken as a whole;
 - (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings having been threatened, announced or instituted by or against and remaining outstanding against any member of the Alliance Boots Group or to which any member of the Alliance Boots Group is or may become a party (whether as claimant or defendant or otherwise) and no enquiry or investigation by, or complaint or reference to, any Third Party against or in respect of any member of the Alliance Boots Group having been threatened, announced or instituted by and against, or remaining outstanding in respect of, any member of the Alliance Boots Group which, in any such case, might reasonably be expected to materially and adversely affect the Alliance Boots Group taken as a whole;

PART THREE: CONDITIONS TO THE TRANSACTION AND TO THE SCHEME

- (iii) no contingent or other liability having arisen or become known to AB Acquisitions which would be likely to adversely affect the business, assets, financial or trading position or profits or prospects of any member of the Wider Alliance Boots Group to an extent which is material to the Alliance Boots Group taken as a whole; and
 - (iv) no steps having been taken and no omissions having been made which are likely to result in the withdrawal, cancellation, termination or modification of any Authorisation held by any member of the Wider Alliance Boots Group, which is necessary for the proper carrying on of its business and the withdrawal, cancellation, termination or modification of which is material in the context of the Alliance Boots Group taken as a whole;
- (g) since 5 June 2006, and except as fairly disclosed in the Interim Results, as publicly announced to a Regulatory Information Service by or on behalf of Alliance Boots or as fairly disclosed in writing by or on behalf of Alliance Boots to AB Acquisitions, in each case, before 20 April 2007, AB Acquisitions not having discovered:
- (i) that any financial, business or other information concerning the Wider Alliance Boots Group publicly disclosed or disclosed to any member of the AB Acquisitions Group at any time by or on behalf of any member of the Wider Alliance Boots Group which is material in the context of the acquisition of Alliance Boots by any member of the AB Acquisitions Group is misleading to a material extent, contains a material misrepresentation of fact or omits to state a fact necessary to make that information not misleading to a material extent;
 - (ii) that any member of the Wider Alliance Boots Group is subject to any liability, contingent or otherwise, which is not disclosed in the Merger Prospectus, and which is material in the context of the Alliance Boots Group taken as a whole; or
 - (iii) any information which affects the import of any information disclosed to AB Acquisitions at any time before 20 April 2007 by or on behalf of any member of the Wider Alliance Boots Group which is material in the context of the Alliance Boots Group taken as a whole;
- (h) except as fairly disclosed in the Interim Results of Alliance Boots, as publicly announced to a Regulatory Information Service by or on behalf of Alliance Boots or as fairly disclosed in writing by or on behalf of Alliance Boots to AB Acquisitions in each case before 20 April 2007, in relation to any release, emission, accumulation, discharge, disposal or other fact or circumstance which has impaired or is likely to impair the environment (including property) or harmed or is likely to harm human health, no past or present member of the Wider Alliance Boots Group, in each case in a manner or to an extent which is material in the context of the Alliance Boots Group taken as a whole, (i) having committed any violation of any applicable laws, statutes, regulations, notices or other requirements of any Third Party and/or (ii) having incurred any liability (whether actual or contingent) to any Third Party; and/or (iii) being likely to incur any liability (whether actual or contingent), or being required, to make good, remediate, repair, re-instate or clean up the environment (including any property).
3. AB Acquisitions reserves the right to waive in whole, or in part, all or any of Conditions except Condition 1.
4. Save with the consent of the Panel, the Transaction will lapse and the Scheme will not proceed if the European Commission either initiates proceedings under Article 6(1)(c) of the Regulation or makes a referral to a competent authority of the United Kingdom under Article 9(3)(b) of the Regulation and there is a subsequent reference to the United Kingdom Competition Commission, in either case before the date on which the resolutions are passed at the Court Meeting (or in the case of a takeover offer under paragraph 6 below before

PART THREE: CONDITIONS TO THE TRANSACTION AND TO THE SCHEME

1.00 p.m. on the first closing date of the takeover offer or the date on which the takeover offer becomes or is declared unconditional as to acceptances, whichever is the later).

5. If AB Acquisitions is required by the Panel to make an offer for Alliance Boots Shares under the provisions of Rule 9 of the City Code, AB Acquisitions may make such alterations to the terms and conditions of the offer as are necessary to comply with the provisions of that rule.
6. AB Acquisitions reserves the right to elect (with the consent of the Panel (where necessary)) to implement the acquisition of the entire issued and to be issued ordinary share capital of Alliance Boots by way of a takeover offer (as such term is defined in Part 28 of the 2006 Act). In such event, the takeover offer will be implemented on the same terms (subject to amendments necessary to reflect the change in method of effecting the Transaction), so far as applicable, as those which would apply to the Scheme. In particular, Condition 1 would not apply, however, the takeover offer would be subject to the following further condition:

valid acceptances being received (and not, where permitted, withdrawn) by not later than 1.00 p.m. (London time) on the first closing date of the takeover offer (or such later time(s) and/or date(s) as AB Acquisitions may, subject to the rules of the City Code and with the consent of the Panel, decide) in respect of not less than 75 per cent. (or such lower percentage as AB Acquisitions may decide) (i) of the Alliance Boots Shares to which the takeover offer relates; and (ii) of the voting rights attached to those shares, provided that this condition will not be satisfied unless AB Acquisitions (together with its wholly owned subsidiaries) shall have acquired or agreed to acquire (whether pursuant to the takeover offer or otherwise) Alliance Boots Shares carrying in aggregate more than 50 per cent. of the voting rights normally exercisable at a general meeting of Alliance Boots, including for this purpose (except to the extent otherwise agreed by the Panel) any such voting rights attaching to Alliance Boots Shares that are unconditionally allotted or issued before the takeover offer becomes or is declared unconditional as to acceptances whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise. For the purposes of this condition:

- (i) Alliance Boots Shares which have been unconditionally allotted shall be deemed to carry the voting rights they will carry upon issue;
- (ii) Alliance Boots Shares that cease to be held in treasury are Alliance Boots Shares to which the offer relates; and
- (iii) the expression "Alliance Boots Shares to which the offer relates" shall be construed in accordance with Part 28 of the 2006 Act.

The Transaction and the Scheme will be governed by English law and will be subject to the jurisdiction of the courts of England. The Transaction will comply with the applicable rules and regulations of the UK Listing Authority, the London Stock Exchange and the City Code.

PART FOUR: SUMMARY OF TERMS OF THE LOAN NOTES

The Loan Notes will be created in accordance with a resolution of the board of AB Acquisitions and will be constituted by the Loan Note Instrument which will be executed as a deed poll. The issue of the Loan Notes will be conditional upon the Scheme becoming effective in accordance with its terms. Unless AB Acquisitions decides otherwise, no Loan Notes will be issued by AB Acquisitions unless, before the Election Return Time the aggregate nominal value of all Loan Notes to be issued, as a result of valid elections by Scheme Shareholders for the Loan Note Alternative, is £20 million or more. If such aggregate nominal value is less than £20 million, any such election shall, unless AB Acquisitions decides otherwise, be void and the relevant Scheme Shareholders will receive Cash Consideration. The maximum aggregate nominal value of Loan Notes available under the Loan Note Alternative is £1 billion. To the extent that Scheme Shareholders validly elect to receive Loan Notes pursuant to the Loan Note Alternative which in aggregate nominal value exceeds such maximum amount, the entitlement of each Scheme Shareholder who so validly elects will be scaled down *pro rata* to the number of Scheme Shares in respect of which he has elected for the Loan Note Alternative and each such election shall be valid only in respect of the number of Scheme Shares so scaled down. The Loan Notes will be issued in amounts and integral multiples of £1.00 nominal value on the basis of £1.00 in nominal value of Loan Notes for every £1.00 of Cash Consideration. The balance of any entitlement that is not a whole multiple of £1.00 will be disregarded and not issued. The Loan Note Instrument will contain provisions, *inter alia*, to the effect set out below.

1. Forms and status

The Loan Notes will be issued by AB Acquisitions with the benefit of a guarantee as to payment of principal and interest from Deutsche Bank AG, London Branch (the "**Guarantor**") in favour of the holders of the Loan Notes (the "**Noteholders**"). The Loan Notes will constitute direct, unsecured and unsubordinated obligations of AB Acquisitions. The Loan Note Instrument will not contain any restrictions on borrowing, disposals or charging of assets by AB Acquisitions. Further Loan Notes may be issued pursuant to the procedure referred to in the proposed new article 151 (C) of the Alliance Boots articles of association.

2. Interest

- 2.1 Until such time as the Loan Notes are redeemed or repaid in full, interest will be payable by AB Acquisitions on the principal amount of the Loan Notes (subject to any requirement to deduct or withhold tax therefrom) in arrear on 30 June and 31 December in each year or, if such a day is not a business day, on the next following business day (each an "**Interest Payment Date**") in respect of the six month Interest Period (as defined below) then ending to persons on the register of Noteholders 14 days before such date of payment.
- 2.2 The first payment of interest on the Loan Notes will be made on 31 December 2007 (the "**First Payment Date**") in respect of the period from and including the date of issue of the relevant Loan Notes up to but excluding the First Payment Date. The periods from (and including) the first date of issue of any Loan Notes up to (but excluding) the First Payment Date or, for any subsequent interest periods, the period from and including the last preceding Interest Payment Date up to (but excluding) the next following Interest Payment Date, are hereinafter referred to as an "**Interest Period**".
- 2.3 The rate of interest on the Loan Notes for each Interest Period will be the rate per annum which is 0.75 per cent. below LIBOR, being the rate of interest for six month sterling deposits of £1 million which appears on the Telerate screen displaying British Bankers Association interest settlement rates (or if such value is not available, the rate which is the arithmetic mean of the rates on the "**LIBP**" page of the Reuters Monitor Money Rate Services screen) at or about 11.00 a.m. on the first business day of the relevant Interest Period. Provided that if such a rate cannot be determined as above, the rate shall be calculated by AB Acquisitions on the basis of quotations made for six months' sterling

PART FOUR: SUMMARY OF TERMS OF THE LOAN NOTES

deposits of £1 million in such inter-bank markets as the Company may select on that day. As soon as reasonably practicable after the determination of the rate, AB Acquisitions shall inform the Noteholders.

- 2.4 Interest shall accrue from day to day and each instalment of interest shall be calculated on the basis of a 365 day year (or a 366 day year in the case of an Interest Payment Date falling in a leap year) and actual days elapsed.

3. Redemption, purchase and repayment

- 3.1 AB Acquisitions may, by giving the remaining Noteholders not less than thirty days' prior notice in writing (expiring on an Interest Payment Date), redeem at par, together with any accrued interest (subject to any requirement to deduct or withhold tax therefrom), all of the Loan Notes if at any time the aggregate value of the outstanding Loan Notes falls to or below the higher of £5 million and 10 per cent. of the principal amount of Loan Notes issued under the Loan Note Instrument, so long as all of the Loan Notes so redeemed have been in issue for more than six months.
- 3.2 AB Acquisitions, or any subsidiary undertaking of AB Acquisitions, may at any time purchase any Loan Notes then in issue for more than six months at any price by tender available to all Noteholders alike (provided that no non-consenting Noteholders will be obliged to sell their Loan Notes to AB Acquisitions thereunder) by private treaty or otherwise by agreement with any Noteholder.
- 3.3 A Noteholder may, by giving not less than fourteen days' prior notice in writing in specified form to AB Acquisitions, require AB Acquisitions to repay at par, together with any accrued interest (subject to any requirement to deduct or withhold tax therefrom), the whole or part of any of its holding of Loan Notes on any Interest Payment Date falling between (i) the later of six months after the date of issue of such Loan Notes and 31 December 2007; and (ii) 31 December 2012 (all dates inclusive).
- 3.4 Save to the extent previously redeemed or purchased, the final redemption date will be 31 December 2012. Any Loan Notes outstanding on the final redemption date will be redeemed at par together with any accrued interest up to and excluding that date (subject to any requirement to deduct or withhold tax therefrom).
- 3.5 Each Noteholder is entitled, by giving not less than 28 business days' written notice to AB Acquisitions prior to any redemption date on which his Loan Notes are to be redeemed, to elect for the principal sum payable to be paid in United States dollars. Such dollar amount is determined by reference to the spot rate of exchange falling 28 business days prior to such redemption date as quoted on the Reuters screen at 11.00 a.m. on such date, less reasonable fees or bank charges on that conversion provided that the sterling equivalent of the redemption price (calculated by reference to the spot rate of exchange on the relevant redemption date) does not exceed the nominal amount of such Loan Note plus $\frac{1}{24}$ th of the amount equal to χ per cent. of the nominal amount of such Loan Note (where χ is the number of complete months and parts of a month between the date of issue and the date of such redemption).
- 3.6 All redemptions and purchases shall be in amounts, or in integral multiples, of £1,000 (or such other amount if it represents the entire holding of such Noteholder).

4. Cancellation

Any Loan Note redeemed or purchased in accordance with the provisions of the Loan Note Instrument will be cancelled and will not be available for re-issue or re-sale.

PART FOUR: SUMMARY OF TERMS OF THE LOAN NOTES

5. Repayment on default and acceleration

- 5.1 Each Noteholder shall be entitled by notice in writing to AB Acquisitions to require all (but not some only) of the Loan Notes held by him to be repaid at par together with accrued interest (subject to any requirement to deduct or withhold tax therefrom) if:
- (a) the principal amount of or any interest payable on any of the Loan Notes held by that Noteholder shall not have been paid in full within 30 days after the due date for payment thereof;
 - (b) an order is made or an effective resolution is passed for the winding-up or dissolution of AB Acquisitions other than a winding-up for the purposes of an amalgamation, reorganisation, liquidation or reconstruction under which a successor or successors undertake(s) the obligations of AB Acquisitions under the Loan Notes or for the purpose of a members' voluntary winding-up, in either case, on terms previously approved by an extraordinary resolution of the Noteholders; or
 - (c) an administrator, administrative receiver or a manager, trustee or receiver (or similar officer) is appointed or an administration order is made in respect of AB Acquisitions or the Guarantor or the appointment of a receiver over, or the taking possession of or sale by an encumbrancer of, the whole or substantially the whole of AB Acquisitions' or the Guarantor's assets (or any directly analogous proceedings in a relevant jurisdiction occurs) unless the same is removed, paid out or discharged within 30 days.
- 5.2 AB Acquisitions must notify the Noteholders in writing of the occurrence of any of the events specified in paragraph 5.1 (b) or (c) above forthwith upon becoming aware of the same.

6. Unsecured obligation

The Loan Notes will be an unsecured obligation of AB Acquisition ranking *pari passu* with its other unsecured obligations save for those which are preferred by insolvency law.

7. Marketability

No application has been or will be made to any recognised investment exchange for the Loan Notes to be listed on or dealt in.

8. Surrender of Loan Notes on repayment and prescription

- 8.1 Each Noteholder any of whose Loan Notes are due to be redeemed or purchased must, not later than the due date for redemption or purchase, deliver the relevant Loan Note certificate(s) to AB Acquisitions, in order that such certificate(s) may be cancelled.
- 8.2 If only part of the principal amount of any Loan Note so delivered is repaid, AB Acquisitions will cancel the relevant Loan Note certificate(s) and without charge issue to the Noteholder a new Loan Note certificate for the balance of the principal amount due to him.
- 8.3 If any Noteholder fails or refuses to deliver up any Loan Note certificates relating to Loan Notes which are liable to be redeemed or purchased in whole or in part at the time and place fixed for repayment, or fails or refuses to accept or give a receipt for payment of the monies due on repayment, those monies shall be set aside by AB Acquisitions and paid into a separate interest bearing account with a bank, which is deemed to discharge AB Acquisitions' obligations in respect of such Loan Notes.

PART FOUR: SUMMARY OF TERMS OF THE LOAN NOTES

8.4 Amounts due in respect of interest on any Loan Notes which remain unclaimed by the relevant Noteholder for a period of five years and amounts due in respect of principal which remain unclaimed for a period of ten years by the relevant Noteholder, in each case, from the date on which the relevant payment is paid into the account, will revert to AB Acquisitions and the relevant Noteholder will cease to be entitled thereto. Interest on the account will accrue to the benefit of AB Acquisitions.

9. Payment

Payment of principal and interest will be made by cheque to the Noteholder's registered address or by any other method if the directors of AB Acquisitions consider it appropriate.

10. Modification of rights

10.1 The Noteholders will have the power by extraordinary resolution passed in accordance with the provisions of the Loan Note Instrument or by resolution in writing signed by holders of not less than 75 per cent. of the outstanding Loan Notes, *inter alia*, to sanction any modification, abrogation, variation, compromise or release of the provisions of the Loan Note Instrument by AB Acquisitions and the Guarantor.

10.2 AB Acquisitions and the Guarantor may make any modification, abrogation, variation, compromise or release of the provisions of the Loan Note Instrument without the sanction or consent of the Noteholders if, in the reasonable opinion of the board of directors of AB Acquisitions, such amendment would not be prejudicial to the interests of the Noteholders or is of a formal, minor or technical nature or corrects a manifest error, provided that if such amendment would constitute a disposal of the Loan Notes (or any of them) by the Noteholders for the purposes of United Kingdom taxation on chargeable gains, sanction pursuant to paragraph 10.1 above will still be required.

10.3 AB Acquisitions will notify the holders of the Loan Notes of any amendments necessary to the Loan Note Instrument required to reflect, conform, or give effect to an adoption by the UK of the single European currency (for example, by electing to make payment in such single European currency). Such amendments will take effect on the later of any date in such notice, 10 business days following such notice, and the date that the UK becomes a participating member state in respect of the single European Currency.

11. Transfer, death and bankruptcy

11.1 The Loan Notes are not transferable other than (i) by any Noteholder to his spouse, civil partner, parent, child, step-child, adopted child or a family trust, or (ii) by the trustee of The Boots Company All-Employee Share Ownership Plan 2000 or The Boots Group All-Employee Ownership Plan 2002 to the respective participants of such plans (provided that, in each case, the transfer represents the entire interest of the relevant participant), or (iii) by the appointed nominee of the Alliance Boots Share Service Account to the participants in that service (provided that in each case the transfer represents the entire interest of the relevant participant).

11.2 If a Noteholder dies, his personal representatives (where he was a sole holder or the only survivor of joint holders) or his survivors (where he was a joint holder) shall be the only persons recognised by AB Acquisitions as having any title to his Loan Notes. Any person becoming entitled to Loan Notes as a consequence of the death or bankruptcy of a Noteholder may, upon production of such evidence as is properly required by the directors of AB Acquisitions, elect to be registered as the holder of such Loan Notes or to have some person nominated by him so registered.

PART FOUR: SUMMARY OF TERMS OF THE LOAN NOTES

11.3 The board of directors of AB Acquisitions may refuse to register a transfer unless certain requirements are complied with in respect of the provision of documentation and evidence of the right to transfer, in which case, it shall send notice of such refusal to the transferee within two months of receipt of the transfer.

12. Guarantee

12.1 Pursuant to a separate deed of guarantee, the Guarantor will provide a continuing guarantee (as primary obligor) of the payment obligations of AB Acquisitions under the Loan Notes in respect of both principal and interest.

12.2 Payment under the guarantee is to be made within 10 days of receipt of written demand being made to the Guarantor by a Noteholder in specified form.

12.3 The Guarantor's obligations shall not be discharged by various actions of the Noteholders (including, without limitation, the delay or omission in exercising rights or remedies, the grant of any indulgence or relief or any other matter or thing). Similarly, such obligations shall not be affected by various arrangements or actions made in respect of AB Acquisitions (including, but not limited to, its change of control, consolidation, liquidation, winding-up, merger, reconstruction, amalgamation, dissolution, change of name or appointment of a liquidator, receiver, administrator, administrative receiver or similar in relation to all or any part of AB Acquisitions' assets or undertaking).

12.4 The Guarantor's liability shall terminate on 31 December 2012, provided that it shall retain liability for claims or demands validly made within 12 months after that date.

12.5 The Guarantor has the right to substitute itself (without the consent of the holders of Loan Notes but with the prior written consent of AB Acquisitions) with another bank (the "**Substituted Guarantor**") with a credit rating of equal to or higher than "AA-/stable" or "Aa3/stable" as rated by Standard & Poor's or Moody's respectively. Pursuant to such substitution, the Guarantor shall be released from further performance and claims and liabilities under the guarantee and will be substituted in this respect for the Substituted Guarantor.

12.6 The Guarantor shall not be entitled to exercise its power of substitution as described in paragraph 12.5 above in respect of any holding of Loan Notes if to do so would result in the holder of such Loan Notes receiving payments of interest or principal under withholding or deduction in respect of tax at a rate in excess of the rate applicable to such holder at the relevant time, or if such substitution would constitute a disposal of the Loan Notes (or any of them) by the Noteholders for the purposes of United Kingdom taxation on chargeable gains.

13. Substitution of principal debtor

13.1 AB Acquisitions or such previous substituted entity, is entitled without the consent of the Noteholders, to substitute any other member of the same group as AB Acquisitions as the principal debtor under the Loan Note Instrument in respect of some or all of the Loan Notes, "**group**" for these purposes being defined as AB Acquisitions, its subsidiary undertakings, its parent undertakings and subsidiary undertakings of its parent undertakings (in such capacity, the "**Substitute Issuer**").

13.2 Pursuant to such substitution, AB Acquisitions shall be released from further performance and claims and liabilities under the Loan Note Instrument and will be substituted in this respect for the Substitute Issuer.

PART FOUR: SUMMARY OF TERMS OF THE LOAN NOTES

- 13.3 AB Acquisitions shall not be entitled to exercise its power of substitution as described in paragraph 13.1 above in respect of any holding of Loan Notes if to do so would result in the holders of such Loan Notes receiving payments of interest or principal under withholding or deduction in respect of tax at a rate in excess of the rate applicable to such holder at the relevant time, or if such substitution would itself constitute a disposal of the Loan Notes (or any of them) by the Noteholders for the purposes of United Kingdom taxation on chargeable gains.
- 13.4 Within 21 days of such substitution, AB Acquisitions must notify the relevant Noteholders of its occurrence. Such substitution will not affect the guarantee, which shall remain in full force and effect.

14. Governing law

The Loan Notes and the Loan Note Instrument will be governed by and construed in accordance with English law and the courts of England will have exclusive jurisdiction in relation to any claim or dispute arising out of or relating to the Loan Note Instrument or the Loan Notes.

15. Overseas shareholders

The Loan Notes have not been and will not be listed on any stock exchange and have not been, and will not be, registered under the US Securities Act or under any laws of any state, district or territory or other jurisdiction, of the United States. No prospectus in relation to the Loan Notes has been, nor will one be, lodged with, or registered by, the Australian Securities and Investments Commission and no steps have been taken, nor will any be taken, to enable the Loan Notes to be offered in compliance with applicable securities laws of Japan, Switzerland and New Zealand and no regulatory clearances in respect of the Loan Notes have been, or will be, applied for in any other jurisdiction. Accordingly, the Loan Notes have not been and may not be offered, sold, resold, delivered or distributed (directly or indirectly) in, into or from the United States or any other jurisdiction in which an offer of Loan Notes would constitute a violation of relevant laws or require registration of the Loan Notes or to, or for the account or benefit of, any Restricted Overseas Person.

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

On 2 May 2007, Alliance Boots announced its preliminary results for the year ended 31 March 2007. The announcement is set out in full in this Part Five.

To assist investors 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 had always been combined as was provided at the announcement of the Group's interim results on 14 November 2006. The pro forma revenue and profit statement for continuing operations has been prepared on an adjusted basis, which means before exceptional items, amortisation of customer related intangible assets and IAS 39 timing differences, all net of tax, and deferred tax restatements for customer related intangible assets.

The statutory financial results for the year ended 31 March 2007 contain a full year of results for the former Boots Group PLC businesses and eight months of results for the former Alliance UniChem Plc businesses on an acquisition accounting basis.



ALLIANCE BOOTS PRELIMINARY RESULTS

Preliminary results announcement for the year ended 31 March 2007

Alliance Boots plc, the international pharmacy-led health and beauty group, today reports preliminary results for the year ended 31 March 2007 which demonstrate that the Group has achieved its key priorities, delivering a strong set of results in line with management's targets.

Highlights:

- Our key profit measure pro forma adjusted earnings up 11.5% year on year*
- On track to deliver promised merger cost synergies
- Retail Division
 - good revenue growth
 - UK trading margin ahead of management's previous expectations
 - Boots branded Health & Beauty business increased profits for first time in five years
 - biggest expansion of Boots pharmacy brand to commence shortly
- Wholesale Division
 - performed well-reflecting strength of geographically diverse portfolio
 - successfully implemented Pfizer sole logistics service contract in UK
 - Chinese market entry agreed, subject to regulatory approval for the joint venture

Commenting on the results, Richard Baker, Chief Executive, said:

"We have delivered a strong financial performance while executing one of the biggest mergers undertaken in the UK. Across the Group we have seen the positive impact of our pre-merger planning, our new working relationships and our dedicated people all contributing to the good results.

"The results reaffirm our belief that in Alliance Boots we have created a leading international pharmacy-led health and beauty group with attractive prospects and opportunities."

** Pro forma adjusted earnings comprises profit for the year attributable to equity shareholders before exceptional items, amortisation of customer related intangible assets and IAS 39 timing differences, all net of tax, and deferred tax restatements for customer related intangible assets, all on a pro forma basis to show the results from continuing operations of the Group as if the two former groups had always been combined. Further profit measures on a pro forma and statutory basis are shown on the next page.*

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Group highlights – pro forma

To assist investors 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 had always been combined as was provided at the announcement of the Group's interim results on 14 November 2006. The pro forma revenue and profit statement for continuing operations has been prepared on an adjusted basis, which means before exceptional items, amortisation of customer related intangible assets and IAS 39 timing differences, all net of tax, and deferred tax restatements for customer related intangible assets.

Detailed pro forma financial information, including the basis of preparation, is set out in the "Additional pro forma financial information for continuing operations" section of this announcement.

Revenue	up 3.6% to £14,608 million (2005/06 £14,096 million)
Trading profit¹	up 6.3% to £641 million (2005/06 £603 million)
Underlying trading profit²	up 7.4% to £641 million (2005/06 £597 million²)
Adjusted earnings³	up 11.5% to £467 million (2005/06 £419 million)
Adjusted earnings per share⁴	up 11.4% to 48.7 pence (2005/06 43.7 pence)

¹ *Trading profit comprises profit from operations before exceptional items and amortisation of customer related intangible assets and share of associates' post tax earnings*

² *Underlying trading profit is after adjusting the previous year's trading profit to include a full year's rental charge on the 312 retail outlets which were sold and leased back in July 2005, so that the trading profits for both years are on a comparable basis*

³ *Adjusted earnings comprises profit for the year attributable to equity shareholders before exceptional items, amortisation of customer related intangible assets and IAS 39 timing differences, all net of tax, and deferred tax restatements for customer related intangible assets*

⁴ *Adjusted earnings per share comprise adjusted earnings divided by the pro forma weighted average number of shares in issue during the year of 959 million (2005/06 958 million)*

Group highlights – statutory

The statutory financial results for the year ended 31 March 2007 contain a full year of results for the former Boots Group PLC businesses and eight months results for the former Alliance UniChem Plc businesses on an acquisition accounting basis. The comparative figures contain only the results of the former Boots Group PLC businesses and include within "Profit for the year attributable to equity shareholders" a £1,470 million profit after tax from discontinued operations.

Revenue – continuing operations	£11,502 million (2005/06 £5,027 million)
Profit from operations – continuing	£480 million (2005/06 £369 million)
Profit for the year attributable to equity shareholders	£387 million (2005/06 £1,774 million)
Basic earnings per share – total	48.4 pence (2005/06 259.4 pence)
– continuing	45.8 pence (2005/06 44.4 pence)

Key reconciliations between pro forma and statutory financial results are provided after the "Additional pro forma financial information for continuing operations" section of this announcement.

Details of exceptional items are shown after the "Key reconciliations between pro forma and statutory financial results" section of this announcement.

A glossary of key terms and principal businesses and associates by segment is provided at the end of this announcement.

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Group overview

Introduction

Alliance Boots was created on 31 July 2006 through the merger of Alliance UniChem Plc and Boots Group PLC. The merger took place by way of a scheme of arrangement, Alliance UniChem Plc shares being cancelled, its shareholders receiving 1.332 shares in Boots Group PLC for each Alliance UniChem Plc share held. For statutory accounting purposes the merger has been accounted for as an acquisition of Alliance UniChem Plc by Boots Group PLC. On completion of the transaction Boots Group PLC was renamed Alliance Boots plc.

Pro forma financial results

To assist investors 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 had always been combined as was provided at the announcement of the Group's interim results on 14 November 2006. The pro forma revenue and profit statement for continuing operations has been prepared on an adjusted basis, which means before exceptional items, amortisation of customer related intangible assets and IAS 39 timing differences, all net of tax, and deferred tax restatements for customer related intangible assets.

The results for the year are in line with management's targets at the time of the merger. The Retail Division delivered good revenue growth with trading margin in the UK ahead of management's previous expectations. The Wholesale Division performed well, reflecting the strength of our geographically diverse portfolio.

On a pro forma basis:

Revenue increased year on year by 3.6% to £14,608 million. Trading profit (which comprises profit from operations before exceptional items, amortisation of customer related intangible assets and share of associates' post tax earnings) increased by 6.3% to £641 million. This reflects an underlying increase in trading profit of 7.4% after adjusting the previous year's trading profit to include a full year's rental charge on the 312 retail outlets which were sold and leased back in July 2005, so that the trading profits for both years are on a comparable basis. Our share of associates' post tax earnings increased by 4.3% to £49 million. Underlying net finance costs (which exclude IAS 39 timing differences from hedging interest rate and currency exposures) reduced year on year by £19 million. Adjusted earnings (which comprises profit for the year attributable to equity shareholders before exceptional items, amortisation of customer related intangible assets and IAS 39 timing differences, all net of tax, and deferred tax restatements for customer related intangible assets) increased by 11.5% to £467 million. Adjusted earnings per share increased by 11.4% to 48.7 pence based on a pro forma weighted average number of shares in issue of 959 million compared to 958 million in the previous year.

Statutory financial results

The statutory financial results for the year ended 31 March 2007 contain a full year of results for the former Boots Group PLC businesses and eight months of results for the former Alliance UniChem Plc businesses on an acquisition accounting basis.

Profit from continuing operations was £480 million, compared to £369 million in the previous year. Within profit from continuing operations was a net £77 million of exceptional costs before tax and a £31 million charge for the amortisation of customer related intangible assets following the 31 July 2006 fair valuation of the consolidated assets of Alliance UniChem Plc. This compares with £33 million of net exceptional income before tax in the previous year. Net finance costs were £25 million compared to £20 million in the previous year. Total profit for the year attributable to equity shareholders, including profit after tax from discontinued operations, was £387 million compared to £1,774 million in the prior year which included profit after tax from discontinued operations of £1,470 million. Total basic earnings per share were 48.4 pence, compared to 259.4 pence. Basic earnings per share from continuing operations were 45.8 pence compared to 44.4 pence.

Further details of exceptional items are shown after the "Key reconciliations between pro forma and statutory financial results" section of this announcement.

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Group overview (continued)

Dividends

The Board did not declare an interim dividend as dividends for the periods up until the merger on 31 July 2006 were paid to the respective shareholders of both former companies on 3 October 2006.

The Board would ordinarily be recommending, in the normal course of business, a final dividend covering the period from 31 July 2006 until 31 March 2007. However, the terms of the recommended offer for the Company by AB Acquisitions Limited, announced on 20 April 2007, are such that the offer price is inclusive of any final dividend. Accordingly, no such final dividend will be paid. However, if the Company is not acquired by AB Acquisitions Limited (or any alternative offeror), the Board intends that the Company pay in due course an interim dividend, in respect of the year ended 31 March 2007, of an amount equal to the final dividend that would have been paid.

Merger update

Phase one – cost synergies

Following completion of the merger on 31 July 2006, the key initial focus was on implementing our new organisational structure, establishing a new corporate office in London utilising existing office space, and on delivery of our cost synergy plan.

Good progress has been made during the year in delivering over £20 million of merger cost savings, primarily from harmonising buying prices and reducing corporate costs, and we are on track with the longer term project to streamline our combined distribution network. We remain confident of delivering annual pre-tax cost savings of at least £100 million per annum as a result of the merger by the fourth full year following completion of the merger (being the 12 month period ending on the fourth anniversary of completion, completion having taken place on 31 July 2006). We still expect that over 60% of the run-rate savings will accrue by the second year following completion and 100% by the fourth year. As indicated in March 2007 in our pre year end close period announcement, the one-off costs related to achieving these synergies are not expected to exceed the £53 million estimate provided at the time of the merger, of which £23 million was taken as an exceptional charge before tax in 2006/07.

Phase two – UK retail

The development of our UK retail offer commenced shortly after the merger was completed. Following detailed work and various pilots, at the end of March 2007 we announced a major programme to capitalise on the pharmacy-led opportunities that we have in the UK market:

“your local Boots pharmacy”

During the last four months of our financial year we successfully trialled a new “your local Boots pharmacy” branded format for our community pharmacies. This combines a strong Boots branded retail offer, including own label products and the Boots Advantage Card loyalty scheme, with a tailored community focused prescription and service proposition. Following the success of this trial, in which we are seeing substantial increases in both retail sales and dispensing volumes, in late March 2007 we announced that we were to roll out this new format, investing around £65 million of capital to re-brand and refit the majority of the Community Pharmacy network over two years, starting in the summer.

Property optimisation

Following the merger we reviewed our combined UK retail property portfolio to identify opportunities to optimise our position in local markets to best serve the needs of our retail and prescription customers. This review, the conclusions of which we announced in late March 2007, identified around 100 localities where we are seeking to relocate or, in a limited number of cases, rationalise our portfolio over the next three years at a capital cost of around £35 million.

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Group overview (continued)

Systems harmonisation

In March 2007 we also announced our decision to harmonise our UK pharmacy management systems over the next three years utilising "Nexphase", a system originally co-developed by our UK wholesale business for its customers and used in our Community Pharmacy business.

As previously announced, the phase two projects will result in approximately £75 million of exceptional costs before tax, of which around £30 million will be in respect of non-current asset write offs. In 2006/07 these exceptionals totalled £2 million.

Phase three – international product offer

The third phase of our merger-related plans is focused on opportunities to internationalise the Boots brand and access new markets and territories utilising the skills and resources of the combined Group. While these plans are at an early stage of development we remain confident about the potential available to shareholders over the longer term.

Corporate developments

In April 2006, Hedef Alliance, our Turkish-based associate, exercised its option to acquire control and majority ownership of its associate, UCP, a leading pharmaceutical wholesaler in Egypt. In June 2006, ANZAG, our German-based associate, acquired 60% of Farmexpert, the third largest pharmaceutical wholesaler in Romania. Today we have wholesaling interests in 14 countries, either through direct ownership or via our associates.

In September 2006, we completed the acquisition of Cardinal Health's UK short-line pharmaceutical wholesale business for £38 million in cash, the business being subsequently re-branded "Cordia Healthcare". This has further developed our wholesale offering to independent pharmacy customers in the UK.

In January 2007 we announced that we were to enter the rapidly growing Chinese pharmaceutical market, currently the ninth largest in the world, through an agreement, which is subject to regulatory approval, to form a 50:50 joint venture in Guangzhou Pharmaceuticals Corporation, the third largest pharmaceutical wholesaler in China. The move into China follows our entry into Russia last year with the purchase of Apteka Holding.

The programme to comply with the undertakings given to the Office of Fair Trading at the time they approved our merger is now nearly complete. Of the 96 pharmacies in the UK originally identified for disposal, the Office of Fair Trading has subsequently agreed to withdraw two pharmacies from the agreed divestment list. To date 89 pharmacies have been sold, of which 68 were completed before the end of our financial year, with the remainder completed in April 2007. Negotiations for the sale of the remaining five pharmacies are progressing. The exceptional profit before tax on those Health & Beauty pharmacies sold during the year was £7 million. There was no recorded gain on those community pharmacies sold, as they were subject to fair value accounting on merger.

While fulfilling the Office of Fair Trading requirement to dispose of these pharmacies, our Community Pharmacy business has not acquired pharmacies at its historical rate. This will reduce the contribution from pharmacy acquisitions in the new financial year. Since the beginning of 2007 we have stepped up the rate of acquisitions in the UK, acquiring 16 pharmacies in the fourth quarter, bringing the total acquired in the UK during our financial year to 29 pharmacies.

Outlook

The Board expects the good trading performance it has seen in 2006/07 to continue in the current financial year.

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Pro forma performance review

To assist investors 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 had always been combined as was provided at the announcement of the Group's interim results on 14 November 2006. The pro forma revenue and profit statement for continuing operations has been prepared on an adjusted basis, which means before exceptional items, amortisation of customer related intangible assets and IAS 39 timing differences, all net of tax, and deferred tax restatements for customer related intangible assets.

Detailed pro forma financial information, including the basis of preparation, is set out in the "Additional pro forma financial information for continuing operations" section of this announcement.

Segmentation

New segmental reporting was introduced in our interim results to reflect the composition of the merged Group, the two principal segments being the Retail and Wholesale Divisions.

In the pro forma operating and financial review the Retail Division results are further split between the UK and International businesses, given the relative size of our UK retail businesses, and the Wholesale Division results are further split between Northern and Southern Europe to reflect the different regulatory and market dynamics typically encountered in these regions. Comparatives for the year have been prepared on the same basis.

A glossary of terms and a list of principal businesses by segment are included in the information at the end of this announcement.

Divisional highlights

for the year ended 31 March 2007

	Revenue £million	Trading profit £million	Year on year growth	
			Revenue	Trading profit
Retail	6,579	502	+4.2%	+6.4%
Wholesale	9,009	186	+3.4%	+10.1%
Other Commercial Activities & Corporate Costs	114	(47)	+29.5%	
Intra-group	(1,094)	-		
Group*	14,608	641	+3.6%	+6.3%
Share of associates' revenue & trading profit	2,118	70	+4.5%	-1.4%
	16,726	711	+3.7%	+5.5%

* Group trading profit comprises profit from operations before exceptional items, amortisation of customer related intangible assets and share of associates' post tax earnings

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Pro forma performance review (continued)

Retail Division

Performance overview

The Retail Division delivered good revenue growth with trading margin in the UK ahead of management's previous expectations. Revenue increased year on year by 4.2% to £6,579 million, trading profit increasing by 6.4% to £502 million. This reflects an underlying increase in trading profit of 7.7% after adjusting the previous year's trading profit to include a full year's rental charge on the 312 retail outlets which were sold and leased back in July 2005 so that the trading profits for both years are on a comparable basis. Trading margin increased by 0.1 percentage point to 7.6%, an underlying increase of 0.2 percentage points after adjusting for the sale and leaseback transaction. On a constant currency basis, revenue increased by 4.3%, up 2.9% on a like for like basis, and trading profit increased by 6.2%, an increase of 7.6% after adjusting for the sale and leaseback transaction.

Trading profit in the Retail Division in the second half of the year was £294 million, an increase of 8.1% on the second half of the previous year on revenue up 2.9% to £3,454 million, reflecting a particularly strong trading margin in the UK.

Retail Division highlights for the year ended 31 March 2007

	Total £million	Year on year growth	
		Total	Like for like
Revenue			
UK:			
Health & Beauty	4,945	+3.8%	+3.0%
Community Pharmacy	1,011	+4.6%	+2.1%
	5,956	+3.9%	+2.9%
International:			
Republic of Ireland	155	+9.2%	+7.5%
Norway	267	+3.1%	+0.8%
The Netherlands	138	+12.2%	+2.7%
Russia	1	n/a	n/a
Italy	25	+4.2%	+6.4%
Thailand	37	+12.1%	-4.9%
	623	+7.2%	+2.8%
	6,579	+4.2%	+2.9%
Trading profit			
UK	469	+7.3%	
International	33	-5.7%	
	502	+6.4%	
Trading margin			
UK	7.9%	+0.3pp	
International	5.3%	-0.7pp	
	7.6%	+0.1pp	

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Pro forma performance review (continued)

Retail outlets¹ at 31 March 2007

	With a pharmacy	Without a pharmacy	Total
UK:			
Health & Beauty	1,313	230 ²	1,543
Community Pharmacy	939	55	994
	2,252	285	2,537
International:			
Republic of Ireland	36	5	41
Norway	129	9	138
The Netherlands	75	-	75
Russia	6	-	6
Italy	20	1	21
Thailand	117	-	117
	383	15	398
	2,635	300	2,935

¹ Excludes franchised outlets

² Includes 124 standalone optical practices

Retail – UK

In the UK total retail revenue increased year on year by 3.9% to £5,956 million, like for like revenue increasing by 2.9%. Trading profit increased by 7.3% to £469 million and trading margin by 0.3 percentage points. Adjusting for the sale and leaseback transaction, underlying trading profit increased by 8.8% and underlying trading margin increased by 0.4 percentage points. Trading profit in the second half of the year was £277 million, an increase of 9.9% on the second half of the previous year on revenue up 2.5% to £3,133 million, reflecting a particularly strong trading margin in what continues to be highly competitive market.

UK revenue by product category for the year ended 31 March 2007

	£million	Mix	Year on year growth
Health ¹	3,089	51.9%	+5.0%
Beauty & Toiletries ²	1,729	29.0%	+5.4%
Lifestyle ³	1,138	19.1%	-1.0%
	5,956	100.0%	+3.9%

¹ The Health category comprises the dispensing & related income and retail healthcare sub-categories, the latter including sales of non-prescription medicines and optical sales

² The Beauty & Toiletries category comprises the cosmetics & fragrances and toiletries sub-categories

³ The Lifestyle category comprises the baby, nutrition, photography, electrical, seasonal and other lifestyle sub-categories

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Pro forma performance review (continued)

Revenue in the Health category increased by 5.0% to £3,089 million with strong performances in both our dispensing & related income and healthcare sub-categories. Total dispensing volumes increased year on year by 5.5% to 182 million items, growth being particularly strong in the care homes sector and from our prescription collection services.

In England and Wales the adjustments to the reimbursement rate in relation to generic prescription medicines, which came into effect from the beginning of October, slowed market growth in value terms in the second half of the year as anticipated. This regulatory action was expected and we have taken steps to mitigate the impact of these changes.

We continue to develop the role of retail pharmacists in the provision of healthcare services. Total service income, which came primarily from Medicine Use Reviews and other locally commissioned services, while still relatively modest, increased year on year by more than 60%.

Over three quarters of our pharmacies now incorporate private consultation facilities. This, together with our pharmacist accreditation programmes, has enabled us to increase the number of Medicine Use Reviews carried out by our pharmacists by over six times compared to the previous year. Over 184,000 reviews were carried out during the year, which we believe is well above our overall healthcare market share. At the beginning of October 2006 the Department of Health raised the fee rate for Medicine Use Reviews from £23 to £25 per review, and for pharmacies that were already carrying out such reviews, further increased the upper limit from 250 to 400 reviews per annum. The new pharmacy contract was introduced in Scotland in April 2006 and since the Minor Ailment Service became fully operational in July 2006 we have signed up over 205,000 patients.

Further development of our service offering is ongoing with nearly 12,000 private or publicly funded chlamydia tests carried out during the year from around 500 pharmacies.

In Scotland the smoking ban in public indoor spaces was introduced at the end of March 2006. Since then we have seen significant increases in the provision of smoking cessation services and sales of related products in our Scottish pharmacies. Similar bans in Wales and Northern Ireland have just been implemented, with the ban in England to take effect from the beginning of July. By the year end, around 850 of our pharmacies were providing state funded stop smoking services in support of the public health agenda.

The National Health Service continues to plan for electronic prescriptions to be fully operational across all pharmacies in England by the end of 2007, the introduction being planned in phases. The initial service, which has now been fully deployed into all our pharmacies in England, enables pharmacies to scan barcodes on paper subscriptions printed by doctors. This service, coupled with smart cards issued by Primary Care Trusts to individual pharmacists who are registered users of the new system, enables pharmacies to claim an allowance of £200 per month for running the system. Once the vast majority of doctors and pharmacies have the new system operational, printed bar-coded prescriptions will be superseded by electronically transferred prescriptions from the doctor to the patient's nominated pharmacy. A similar electronic prescription service is scheduled to begin roll-out in Scotland in September 2007.

During the year three central dispensaries were opened which dispense high volumes of acute and repeat prescriptions in a highly efficient way to local pharmacies. This brought the total number of central dispensaries to 13 at the year end. The changes being introduced by the Department of Health, including the introduction of electronic prescriptions, mean that we see an increasing role for such central dispensaries over the coming years, thereby freeing up community-based pharmacists to spend an increasing proportion of their time providing services and advice to their patients, in addition to dispensing acute prescriptions.

As the leading operator of retail pharmacies in the UK with significantly more outlets than any other operator we remain committed to making high quality healthcare more available and accessible and now provide pharmacy services up until midnight in more than 50 pharmacies.

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Pro forma performance review (continued)

Retail healthcare revenue in the UK benefited from the programme to address historic under-investment in Boots branded smaller Health & Beauty stores and the good summer weather in 2006. A strong "Change One Thing" campaign was run for the second consecutive New Year and the Boots Health Club was launched in April 2006, which enables customers to receive targeted healthcare information and offers on specific health issues on a periodic basis. The Boots Health Club now has 1.5 million members and particularly appeals to our older customers with around 40% of its members now aged 60 or over who, as members, are entitled to a 10% discount on our own brand products. This is an age group which was not previously highly represented in the Boots Advantage Card loyalty scheme. The most popular topics for Health Club members, of which almost 90% are women, are women's health, vitamins and supplements, and weight loss.

Revenue in the Beauty & Toiletries category in the UK, where we have leading market positions and brands, increased by 5.4% to £1,729 million. Revenue growth was strong in fragrances and in both self selection and premium cosmetics, these being key contributors to our biggest ever trading week in the run-up to Christmas, supported by the "Gorgeous" advertising campaign, and our successful post-Christmas sale. Fragrances growth mainly came from new product launches and the introduction of fragrance cabinets into more Health & Beauty stores. In August 2006 we successfully re-launched our Natural Collection range with its cosmetics products all priced below £2, resulting in very strong sales growth for this brand.

No. 7, our leading cosmetics brand, has continued its growth, assisted by a successful promotional programme and continuing new product development with a strong pharmaceutical focus. Recently we have experienced unprecedented demand from customers for No. 7 Protect and Perfect Beauty Serum. This follows extensive media coverage highlighting independent research at Manchester University that concluded that our patented anti-oxidant complex repairs photo-aged skin and improves fine wrinkles associated with photo-ageing. We are currently stepping up production in our manufacturing facility in Nottingham to meet demand.

We continued to grow revenue in Toiletries, helped by good growth in skincare due to improved layout and merchandising and higher sales of gradual tanning and premium skincare products. Men's toiletries performed particularly well, partly as a result of a new branded razor launch in the first half of the year. Sun care revenues also grew, boosted by the warm summer, with Soltan retaining its market leading position assisted by new product launches.

Revenue in the Lifestyle category in the UK decreased by 1.0% to £1,138 million. This reflected a continued decline in photographic revenue, despite market share gains in traditional photo products and growing digital photo sales from the kiosks we now have in 350 stores, together with flat sales of electrical beauty products. In contrast, our seasonal, baby and nutrition sub-categories all performed well throughout the year. Good seasonal gift sales combined with more selective buying, tight stock control and an excellent post-Christmas sale resulted in good sales and margin growth in our seasonal sub-category. Nutrition, which is a strong driver of footfall, benefited from an extension in our "Meal Deal" lunchtime offer to include more products. Baby sub-category growth reflected a particularly strong performance in nursery products assisted by a successful re-launch of our Boots own brand nappies. We continue to provide value to our customers via the Boots Parenting Club which we believe to be the largest membership baby club in the UK.

Our own brands and exclusive ranges enable us to differentiate our retail offer from that of our competitors and remain very important drivers of revenue and margin. No. 7 and Soltan continue to be leaders in their respective markets. New product developments include the launch in August 2006 of the niche "Soap & Glory" indulgent bathing range, which is exclusive to Boots, and in January 2007 we launched the "Expert" range of products which sold over a million units in our fourth quarter and is now being backed by a new marketing campaign in our new financial year. Limited ranges of Boots branded products have been sold through over 800 of our Community Pharmacy business outlets since the merger was completed and are proving a popular addition to the range, particularly consumer healthcare medicines and our "Basics" range of low priced toiletries.

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Pro forma performance review (continued)

The Boots Advantage Card loyalty scheme, where customers earn points on purchases for redemption at a later date, remains a key element of our customer offer in our Boots branded stores. At the year end the number of active Boots Advantage Card holders (i.e. members who have used their card at least once in the last 12 months) was 15.1 million. Boots.com sales, which are allocated to the relevant product category, increased by 19.0% year on year to £29 million.

Looking at the individual performances of our two retail businesses in the UK:

The Boots branded Health & Beauty business increased both its trading margin and trading profit year on year for the first time in five years. Revenue increased by 3.8% to £4,945 million, like for like revenue increasing by 3.0% of which we attribute about half a percentage point to the warm weather during the summer. Trading margin increased particularly in the latter part of the year, mainly as a result of improved stock management following recent infrastructure investments, better buying (partially as a result of merger synergies) and better targeted marketing programmes. Boots Opticians made a trading profit during the year, a further 15 practices being switched to the franchise model bringing the total franchised to 23.

The number of retail outlets the Health & Beauty business operates with a pharmacy increased by a net 23 during the year. 39 new NHS pharmacy contracts were opened, 26 of which were in existing destination Health & Beauty stores previously without a pharmacy, and one pharmacy was acquired. 242 retail outlets underwent major refits, many of which were part of our programme designed to address historic under-investment in smaller stores, and we carried out 11 relocations. At 31 March 2007 the Health & Beauty business operated 1,543 retail outlets, of which 1,313 had a pharmacy and 264 had an optical practice, 124 of which were standalone optical practices.

Our Health & Beauty business is on track with its systems rationalisation and supply chain reconfiguration programme announced in March 2006. Of the £40 million exceptional costs before tax identified when this programme was announced, £20 million was incurred in 2006/07, and in addition, the business exited certain third party logistics activities in Nottingham which resulted in incremental exceptional costs before tax of £5 million.

During the year our Health & Beauty business implemented a new training and development programme designed to raise the motivation, knowledge and enthusiasm of our people in store. Following the success of the initial programme in 80 stores we plan to roll out the programme to all Health & Beauty stores over the next two years.

Our Community Pharmacy business increased revenue by 4.6% to £1,011 million. Like for like sales increased by 2.1%, this being lower than in our Health & Beauty business due to Community Pharmacy's greater weighting towards the dispensing market where adjustments to the reimbursement rate in relation to generic prescription medicines came into effect from the beginning of October 2006, which slowed market growth in value terms. Trading profit increased year on year due to the like for like revenue growth, trading margin being lower due to the generics reimbursement rate adjustments.

Following the successful trial of our new "your local Boots pharmacy" branded format for community pharmacies in which we are seeing substantial increases in both retail sales and dispensing volumes, we announced in late March 2007 that we were to roll out this new format, investing around £65 million of capital to re-brand and refit the majority of the Community Pharmacy network over the next two years, starting in the summer. This is expected to further increase sales of products exclusive to Boots.

The number of pharmacies in the Community Pharmacy business reduced by a net 23 in the year as a result of the divestment programme to comply with the undertakings given to the Office of Fair Trading at the time they approved our merger. While fulfilling these undertakings our Community Pharmacy business has not acquired pharmacies at its historical rate. Since the beginning of 2007 we have stepped up the rate of acquisitions, acquiring 16 pharmacies in the fourth quarter bringing the total acquired during the financial year to 29 pharmacies. At 31 March 2007 the Community Pharmacy business operated 994 retail outlets, of which 939 were pharmacies.

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Pro forma performance review (continued)

Retail – International

Total retail revenue in countries outside the UK increased year on year by 7.2% to £623 million, like for like revenue increasing by 2.8%. Trading profit reduced by 5.7% to £33 million, trading margins reducing by 0.7 percentage points. On a constant currency basis, revenue increased by 8.3%. Trading profit in the second half of the year was £17 million, a decrease of 15.0% on the second half of last year, the reduction being mainly as a result of higher costs in Norway, total second half revenue increasing by 7.4% on the second half of last year to £321 million.

43 retail outlets were added during the year, the number of outlets with pharmacies increasing by 38. The major areas of expansion were a net 21 Boots openings in Thailand, six of which are airport concessions, and 12 additions in Norway, eight of which sell specialist surgical products into which we plan to incorporate new pharmacies. At 31 March 2007 we operated 398 retail outlets outside the UK, of which 383 had a pharmacy.

In the Republic of Ireland revenue increased by 9.2% to £155 million, an increase of 7.5% on a like for like basis, growth being very strong in the second half of the year due to a particularly good performance in the cosmetics & fragrances and retail healthcare sub-categories, assisted by a well executed seasonal marketing campaign. Trading profit and trading margin both increased year on year as a result.

In Norway revenue increased by 3.1% to £267 million, an increase of 0.8% on a like for like basis, like for like growth being higher in the second half of the year. The total number of pharmacies has continued to increase in the Norwegian market, newer openings taking share from existing outlets. Trading margin and profit was lower than in the previous year due to higher operating costs, mainly as a result of increased employment costs, particularly in the latter part of the year, and the addition of new outlets which take time to reach maturity.

In The Netherlands revenue increased by 12.2% to £138 million, an increase of 2.7% on a like for like basis. As in Norway, the total number of pharmacies continued to increase. Despite strong competition, trading margin increased year on year, mainly due to a more favourable product mix. Trading profit was higher as a result.

In Italy revenue increased by 4.2% to £25 million, an increase of 6.4% on a like for like basis. This increase, together with an increase in trading margin due to reduced operating expenses, resulted in a higher trading profit.

In Thailand revenue increased by 12.1% to £37 million, a decrease of 4.9% on a like for like basis due to the difficult economic and political climate and increased competition from new openings and on pricing which resulted in a lower trading margin and trading profit. Despite this, like for like transaction volumes increased and No. 7 was successfully re-launched in October 2006.

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Pro forma performance review (continued)

Wholesale Division

Performance overview

The Wholesale Division performed well, reflecting the strength of our geographically diverse portfolio of businesses. Revenue totalled £9,009 million, an increase of 3.4%, trading profits increasing by 10.1% to £186 million. Overall trading margins increased by 0.2 percentage points. Adjusting for acquisitions and disposals, on a constant currency basis, like for like revenue increased by 1.0%, like for like trading profit increasing by 9.7% and like for like trading margins increasing by 0.2 percentage points.

Trading profit in the second half of the year in the Wholesale Division was £101 million, an increase of 13.5% on the second half of the previous year, merger synergies being increasingly realised in the UK, on revenue up 5.8% to £4,621 million.

In January 2007 we announced plans to re-brand the Wholesale Division's principal businesses in each country under a common brand name, "Alliance Healthcare". By the year end we had completed the re-branding in four of the eight countries in which we operate plus our associate in Portugal, with the programme scheduled for completion in early 2008.

Markets

We estimate that our wholesale markets grew year on year by around 2.5% in value on a constant currency basis, this growth being weighted on the basis of our wholesale revenue. This is lower than in the previous year, mainly as a result of negative volume growth in France as its government attempts to bring consumption down towards levels typically seen in other European countries. We expect that the overall market growth in 2007/08 will be higher at around 3.5%, largely because we believe that the rate of decline in consumption in France will start to slow down.

The growth in the market from the introduction of higher priced new pharmaceuticals has continued to be partially offset by growth in market penetration of lower priced generic drugs. This percentage is typically significantly higher in our markets in Northern Europe than in Southern Europe. Compared to the previous year, penetration of generics grew in all markets in which we operate.

We estimate that the overall level of parallel trade in Europe was broadly in line with the level in the previous year, with manufacturers continuing to seek ways to curtail these activities.

The continued growth of Almus, our exclusive range of generic drugs, is providing marketing and sourcing benefits aimed at offsetting the impact of patent expiries. The phased launch of Almus outside the UK commenced with France and Italy in April and May 2006 respectively, with additional products subsequently having been launched in these countries. The roll-out of Almus into other European countries is set to continue on a phased basis. Almus has been introduced into all Boots pharmacies in the UK, which is increasing the brand's sales and market presence.

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Pro forma performance review (continued)

Wholesale Division highlights for the year ended 31 March 2007

	Total £million	Year on year growth	
		Total	Like for like
Revenue			
Northern Europe:			
UK	1,978	+7.4%	+3.2%
Norway	222	-0.4%	+1.7%
The Netherlands	702	+3.1%	+3.7%
Russia	195	n/a	n/a
Czech Republic	247	+12.3%	+7.6%
	3,344	+12.8%	+3.5%
Southern Europe:			
France	3,746	-1.4%	-0.8%
Italy	931	+0.4%	+0.3%
Spain	1,053	+7.7%	+2.2%
Portugal	3	n/a	+3.0%
	5,733	-1.1%	-0.1%
Intra-segment	(68)		
	9,009	+3.4%	+1.0%
Trading profit			
Northern Europe	108	+14.9%	+12.9%
Southern Europe	78	+4.0%	+5.6%
	186	+10.1%	+9.7%
Trading margin			
Northern Europe	3.2%	-	+0.3pp
Southern Europe	1.4%	+0.1pp	+0.1pp
	2.1%	+0.2pp	+0.2pp

Wholesale – Northern Europe

Trading profit in the Northern Europe geographical area of our wholesale division totalled £108 million, a year on year increase of 14.9% on revenue up 12.8% to £3,344 million. Trading margin was in line with the previous year at 3.2%, like for like improvements being offset by the lower margin business in Russia which was acquired in March 2006. Adjusting for acquisitions and disposals, on a constant currency basis like for like revenue increased by 3.5%, like for like trading profits increased by 12.9% and like for like trading margins increased by 0.3 percentage points. Trading profit in the second half of the year was £59 million, an increase of 20.4% on the second half of the previous year on revenue up 16.8% to £1,741 million.

In the UK revenue increased by 7.4% to £1,978 million, like for like revenue increasing by 3.2% mainly as a result of higher intra-group sales to our Health & Beauty business. Trading margin and trading profit both increased year on year, merger synergies being increasingly realised as the year progressed.

In September 2006 we completed the acquisition of Cardinal Health's UK short-line pharmaceutical wholesale business for £38 million in cash, the business being subsequently re-branded as "Cordia Healthcare". This has further developed our wholesale offering to independent pharmacy customers.

In March, UniChem, our UK full-line wholesale business, successfully commenced its previously announced sole logistics services contract with Pfizer under which it provides delivery and related services to all pharmacies in the UK. Implementation of the contract was well planned and executed, resulting in high

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Pro forma performance review (continued)

service levels since its launch. We are aware that other manufacturers are also contemplating whether to change their existing arrangements. In April 2007 the Office of Fair Trading announced that it had launched a market study into the distribution of medicines in the UK, which it has indicated will be concluded by the end of 2007. Since our year end, we have also entered into an agency agreement with AstraZeneca to provide delivery and related services on a non-exclusive basis.

In Norway revenue decreased by 0.4% to £222 million, an increase of 1.7% on a like for like basis, which was ahead of our estimate of market growth. Increased benefits from running our Norwegian retail and wholesale businesses more closely together resulted in increased trading margin and profit.

In The Netherlands revenue increased by 3.1% to £702 million, an increase of 3.7% on a like for like basis. Trading profit increased as a result of the revenue growth, trading margin being lower due to increased customer discounts. The development of Kring, our virtual chain of pharmacies, continued during the year with over 300 pharmacies now participating in the Kring programme, including the 75 pharmacies operated by our retail business in The Netherlands.

In Russia revenue was £195 million, an increase of around 16% in local currency on the comparable period in the previous year when the business was under prior ownership. The business traded profitably during the year, its integration into the Wholesale Division proceeding according to plan.

In the Czech Republic revenue increased by 12.3% to £247 million, an increase of 7.6% on a like for like basis, which was well ahead of our estimate of market growth, the business performing particularly well in the independent retail pharmacy sector throughout the year. Trading profit increased due to the revenue growth, trading margin being lower as a result of higher costs.

Wholesale – Southern Europe

Trading profit in the Southern Europe geographical area of our Wholesale Division totalled £78 million, a year on year increase of 4.0% on revenue down 1.1% to £5,733 million in what remain competitive markets. Trading margin increased by 0.1 percentage points to 1.4%. Adjusting for acquisitions and disposals, on a constant currency basis like for like revenue was down 0.1 percentage points year on year, like for like trading profit increased by 5.6% and like for like trading margin increased by 0.1 percentage points. Trading profit in the second half of the year was £42 million, an increase of 5.0% on the second half of the previous year on revenue up 0.1% to £2,910 million.

In France, revenue decreased by 1.4% to £3,746 million, a decrease of 0.8% on a like for like basis, the proportion of product which manufacturers sell and distribute direct to pharmacies continuing to increase. In the second half of our financial year, the French government announced an additional healthcare tax for 2006 allocated between all pharmaceutical wholesalers and distributors. Our share of this tax was £4 million which resulted in a reduction in trading margin in the second half of the year, our full year trading margin and trading profit increasing year on year due to the replacement of the debtor securitisation programme during the year which resulted in a corresponding increase in net finance costs.

We continue to counter the trend in direct sales within the French market through actions such as the roll-out of a more competitive generics offer and the launch of Almus in France in April 2006. As a result of these initiatives our generics revenue increased year on year by over 20%.

Following the completion of our service offering review in the first half of the year, the previously announced restructuring of the warehouse network is well underway, which will improve operational efficiency and better position our business to adapt as the market continues to evolve. £10 million of exceptional restructuring costs before tax were charged during the year, one depot being closed.

In Italy revenue increased by 0.4% to £931 million, an increase of 0.3% on a like for like basis, the market continuing to be impacted by government price cuts. Trading margin and profit were both higher than the previous year, mainly as a result of a beneficial mix of business in the second half of the year. Good progress has continued to be made in establishing our virtual chain of pharmacies in Italy. In May 2006 Almus was launched in the Italian market followed by Alvita, our own label range of healthcare commodity products, in July 2006.

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Pro forma performance review (continued)

In Spain total revenue increased by 7.7% to £1,053 million, an increase of 2.2% on a like for like basis, revenue growth from existing customers being particularly strong in the fourth quarter. Trading margin and profit increased year on year due to increased trading activities. During the year, the integration into our Spanish operations of the Farmacen and CERFC businesses acquired in 2005 was completed, with the closure of two depots, common IT systems being introduced and administration centralised.

Revenue in Portugal of £3 million was from our wholly owned pre-wholesale and contract logistics business.

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Pro forma performance review (continued)

Other Commercial Activities & Corporate Costs

Revenue from Other Commercial Activities totalled £114 million, a year on year increase of 29.5%.

Within this, revenue from contract manufacturing for third party health and beauty brands, which utilises capacity in our three Health & Beauty manufacturing facilities, increased by 36.5% to £86 million as a result of contract manufacturing for Reckitt Benckiser. Volumes manufactured for internal use increased by nearly 30%. The profit contribution from contract manufacturing has been allocated to our Health & Beauty business in the UK, as in prior years.

At the time of the £1.9 billion disposal of Boots Healthcare International in February 2006, Reckitt Benckiser entered into certain contract manufacturing arrangements with us. They have served notice of their intent to exit these arrangements at the beginning of 2008. To mitigate the impact of this decision on the efficiency of our manufacturing operations, we announced in March 2007 the need for around 300 redundancies in our Nottingham facility when the contract ends.

Revenue from our own brand export business increased by 12.0% to £28 million, higher sales in North America from the opening of over 1,500 new "implants" (i.e. dedicated merchandising display units) in third party retailers being partially offset by lower sales in Asia. At 31 March 2007 we had 2,413 "implants", of which 1,689 were in North America. Trading losses from our own brand export business increased by £5 million to £8 million, as a result of losses in Asia and adverse US Dollar currency movements. In the second half of the year the business broke even at the trading profit level compared to a loss of £1 million in the second half of the previous year.

A review of our own brand export business completed in the fourth quarter of our financial year concluded that its activities should be focused on our own international businesses and selected large export markets. Accordingly, we are in the process of withdrawing from a number of smaller export markets in Asia and Europe, which will result in a reduction of around 380 "implants".

Together the actions in respect of our manufacturing operations and own brand export business have resulted in exceptional charges before tax of £23 million.

Corporate Costs, which include unrealised profit in stock adjustments, increased year on year by £4 million to £39 million, due to higher unrealised profit in stock adjustments as our Health & Beauty business increased the amount of prescription medicines it buys from our UK wholesale business. Fixed corporate costs reduced as a result of merger synergies, these being largely offset by higher incentive payments. Fixed corporate costs are expected to reduce further as more synergies are realised.

Intra-group

Intra-group revenue totalled £1,094 million, a year on year increase of £79 million, of which £45 million resulted from higher sales from our UK wholesale business to our UK Health & Beauty retail business.

Associates

Our share of associates' revenue increased year on year by 4.5% to £2,118 million. Our share of trading profit at £70 million reduced year on year by 1.4%, our share of adjusted earnings increasing by 4.5% to £49 million. Our results were adversely impacted by a 19% adverse change in the exchange rate used to translate Hedef Alliance's results from Turkish Lira into Sterling compared to the previous year, Hedef Alliance contributing over half our associate earnings.

On a constant currency basis, adjusting for changes in associate interests, including Alliance Healthcare Portugal as an associate from the end of June 2005, like for like revenue increased by 6.6%, like for like trading profit by 6.9% and like for like earnings before exceptional items by 11.9%. Earnings benefited from an underlying tax rate on associates' earnings of 20.2%, a year on year decrease of 7.7 percentage points, which was mainly due to a reduction in the Turkish tax rate. Hedef Alliance increased its trading profit year on year in local currency despite the more difficult economic climate in Turkey, its net finance costs increasing as a result of higher interest rates. Alliance Healthcare Portugal performed particularly strongly, reflecting the benefits of the strategic partnership we entered into with the Portuguese national

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Pro forma performance review (continued)

association of pharmacies in June 2005. We do not comment on the performance of Galenica in Switzerland and ANZAG in Germany as both associates are quoted companies which report their own results separately.

Underlying net finance costs

Underlying net finance costs (which exclude IAS 39 timing differences from hedging interest rate and currency exposures) were £42 million. This was £19 million lower than the comparable figure for the previous year, of which £9 million was due to higher net returns on our defined benefit pension schemes, partially as a result of additional contributions into the Boots Pension Scheme. The balance of the reduction was mainly due to lower net borrowings following the disposal of Boots Healthcare International and related special dividend and the sale and leaseback of 312 retail outlets in July 2005, partially offset by higher Euro interest rates, acquisition expenditure and interest costs which replace the fixed element of securitisation charged against trading profit up until the programmes were replaced by standard borrowings. Interest cover (which we define as trading profit divided by underlying net finance costs) was 15.3 times, compared to 9.9 times in the previous year.

Net finance costs are expected to increase in the new financial year, partially due to higher interest rates and the full year impact of replacing the securitisation programmes.

Underlying tax

The underlying tax rate, (which we define as the underlying tax charge (i.e. excluding tax on exceptional items, IAS 39 timing differences and exceptional tax credits), expressed as a percentage of trading profit net of underlying net finance costs), was 30.2%. This was 1.0 percentage points lower than in the previous year, mainly due to the impact of a reduction in the capital gains tax rate in France and the resolution of prior year issues.

Cash flow

Net cash generated by operations totalled £887 million. This included a net working capital inflow of £114 million, of which around half was due to the factoring of receivables on a non recourse basis primarily in Italy, a £67 million decrease in provisions mainly comprising store refurbishment and system rationalisation in Boots, and a one-off Boots pension outflow of £43 million. The one-off pension outflow, which was in the first half of the year, was the second and final instalment of the £85 million additional contributions which Boots agreed to pay into the Boots Pension Scheme from the Boots Healthcare International disposal proceeds.

The net cash outflow on acquisitions and disposals of businesses and associates was £19 million. The principal cash expenditure was £38 million on the Cordia Healthcare wholesale acquisition in the UK and the acquisition of 41 retail outlets, 30 of which were pharmacies in the UK. This was partially offset by £58 million of cash proceeds from the 68 pharmacies sold before the year end under the divestment programme agreed with the Office of Fair Trading.

Net cash capital expenditure was £236 million, of which £110 million was for growth and efficiency projects. Around 75% of the net expenditure was incurred in the UK in the Retail Division, the major area being our store investment programme.

Overall, total cash inflow in the year was £297 million. This compared to an outflow of £1,232 million in the previous year, which included a special dividend of £1,426 million.

Financial position

At the year end net borrowings (defined as borrowings, net of cash and cash equivalents and derivative financial instruments) were £1,048 million and shareholders' equity was £5,760 million.

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Pro forma performance review (continued)

Retirement benefit obligations

The total charge before tax for retirement benefit obligations was £76 million, which was in line with the previous year. This comprised £81 million of costs within trading profit, a year on year increase of £9 million, and net finance income of £5 million compared to a net finance expense in the previous year of £4 million.

The Group's total net retirement benefit obligations at 31 March 2007 on an accounting basis were £26 million before deferred tax. This comprised a net surplus of £20 million for the former Boots schemes and £46 million of net obligations for the former Alliance UniChem schemes.

The net surplus in the former Boots schemes arose due to the £43 million additional contribution payment made in the first half of the year and a 0.5 percentage point increase in the long-term bond yield used to discount estimates of future pension obligations, partially offset by an allowance for future improvements to longevity.

At the date of the merger, the net retirement benefit obligations for the former Alliance UniChem schemes were £78 million. The decrease in the net obligations since then arose due to additional contributions and a 0.3 percentage point increase in the long term bond yield used to discount estimates of future retirement benefit obligations.

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Additional pro forma financial information for continuing operations

Basis of preparation

The Group completed the acquisition of Alliance UniChem Plc on 31 July 2006. The statutory results for the Group for the year ended 31 March 2007 therefore include trading of the former Alliance UniChem Plc businesses for the period from 31 July 2006 to 31 March 2007.

To assist investors 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 had always been combined. This information has been prepared for the year ended 31 March 2007, with comparatives on the same basis for the year ended 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, amortisation of customer related intangible assets and IAS 39 timing differences, all net of tax, and deferred tax restatements for customer related intangible assets.

Pro forma combined Group revenue and adjusted profit statement for continuing operations

for the year ended 31 March 2007

	2007 £million	2006 £million
Revenue including share of associates' revenue	16,726	16,123
Less: share of associates' revenue	(2,118)	(2,027)
Revenue	14,608	14,096
Trading profit including share of associates' trading profit	711	674
Less: share of associates' trading profit	(70)	(71)
Trading profit	641	603
Share of associates' post tax earnings before exceptional items	49	47
	690	650
Underlying net finance costs	(42)	(61)
	648	589
Underlying tax	(181)	(169)
Adjusted profit for the year	467	420
Attributable to:		
Equity shareholders (adjusted earnings)	467	419
Minority interests	–	1
	467	420
Adjusted earnings per share	48.7p	43.7p

Pro forma combined Group adjusted segmental analysis for continuing operations – primary segments

for the year ended 31 March 2007

Group revenue and trading profit

	2007 £million	2006 £million
Revenue		
Retail	6,579	6,312
Wholesale	9,009	8,711
Other Commercial Activities	114	88
Intra-group	(1,094)	(1,015)
	14,608	14,096
Trading profit		
Retail	502	472
Wholesale	186	169
Other Commercial Activities & Corporate Costs	(47)	(38)
	641	603

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Additional pro forma financial information for continuing operations (continued)

Pro forma combined Group adjusted segmental analysis for continuing operations – primary segments (continued)

for the year ended 31 March 2007

Retail revenue and trading profit

	2007 £million	2006 £million
Revenue		
UK:		
Health & Beauty	4,945	4,764
Community Pharmacy	1,011	967
	5,956	5,731
International:		
Republic of Ireland	155	142
Norway	267	259
The Netherlands	138	123
Russia	1	–
Italy	25	24
Thailand	37	33
	623	581
	6,579	6,312
Trading profit		
UK	469	437
International	33	35
	502	472

Additional UK retail revenue analysis:

	2007 £million	2006 £million
UK:		
Health	3,089	2,941
Beauty & Toiletries	1,729	1,640
Lifestyle	1,138	1,150
	5,956	5,731

Wholesale revenue and trading profit

	2007 £million	2006 £million
Revenue		
Northern Europe:		
UK	1,978	1,841
Norway	222	223
The Netherlands	702	681
Russia	195	–
Czech Republic	247	220
	3,344	2,965
Southern Europe:		
France	3,746	3,799
Italy	931	927
Spain	1,053	978
Portugal	3	94
	5,733	5,798
Intra-segment	(68)	(52)
	9,009	8,711
Trading profit		
Northern Europe	108	94
Southern Europe	78	75
	186	169

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Additional pro forma financial information for continuing operations (continued)

Pro forma combined Group adjusted segmental analysis for continuing operations – primary segments (continued)

for the year ended 31 March 2007

Other Commercial Activities & Corporate Costs

	2007 £million	2006 £million
Revenue		
Contract manufacturing	86	63
Own brand exports	28	25
	114	88
Trading loss		
Other Commercial Activities	(8)	(3)
Corporate Costs	(39)	(35)
	(47)	(38)

Pro forma combined Group adjusted cash flow for continuing operations

for the year ended 31 March 2007

	2007 £million	2006 £million
Cash generated by operations	887	770
Tax and interest	(131)	(183)
Dividends (net)	(225)	(1,671)
Acquisitions and disposals	(19)	(90)
Capital expenditure	(236)	(266)
Fixed asset disposal proceeds	20	317
Other investments (net)	9	(40)
Other	(8)	(69)
Total cash inflow / (outflow)	297	(1,232)

The pro forma combined cash flow excludes cash outflows related to the merger, which comprise capitalised transaction costs and costs in relation to merger synergies.

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Key reconciliations between pro forma and statutory financial results

for the year ended 31 March 2007

	2007 £million	2006 £million
Revenue - continuing operations		
Pro forma revenue	14,608	14,096
Relating to pre acquisition	(3,106)	(9,069)
Statutory revenue	11,502	5,027
Trading profit / profit from operations - continuing operations		
Pro forma trading profit	641	603
Relating to pre acquisition	(92)	(267)
	549	336
Exceptional items	(77)	33
Amortisation of customer related intangible assets	(31)	–
	441	369
Share of associates' post tax earnings	39	–
Statutory profit from operations	480	369
Earnings / profit attributable to equity shareholders		
Pro forma adjusted earnings - continuing operations	467	419
Relating to pre acquisition	(69)	(199)
	398	220
Exceptional items	(77)	33
Amortisation of customer related intangible assets	(31)	–
Share of associates' exceptional post tax earnings	6	–
IAS 39 timing differences	1	–
Tax credit on restatement of deferred tax for customer related intangible assets	6	–
Tax on exceptional items, amortisation of customer related intangible assets and IAS 39 timing differences	35	39
Other exceptional tax credits	28	12
	366	304
Discontinued operations	21	1,470
Statutory profit for the year attributable to equity shareholders	387	1,774

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Exceptional items – statutory

Net exceptional costs from continuing operations contained within the statutory financial results are set out below:

Exceptional items

for the year ended 31 March 2007

	Retail £million	Wholesale £million	Other Commercial Activities & Corporate Costs £million	Total £million
Costs in relation to merger synergies	(17)	(1)	(5)	(23)
Pharmacy systems harmonisation	(2)	–	–	(2)
Systems rationalisation and supply chain reconfiguration	(25)	–	–	(25)
French wholesale network restructuring	–	(10)	–	(10)
Restructuring of Other Commercial Activities	–	–	(23)	(23)
Health & Beauty pharmacy disposals	7	–	–	7
Other	–	(1)	–	(1)
Net exceptional costs within profit from operations before share of associates' post tax earnings	(37)	(12)	(28)	(77)
Net exceptional income within share of associates' post tax earnings				6
Net exceptional costs within profit from operations				(71)
Related tax credits				26
Other exceptional tax credits				28
				(17)

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Group income statement

for the year ended 31 March 2007

	Note	2007 £million	2006 £million
Continuing operations			
Revenue	4	11,502	5,027
Profit from operations before share of associates' post tax earnings	4	441	369
Share of associates' post tax earnings		39	–
Profit from operations	4	480	369
Finance income		251	187
Finance costs		(276)	(207)
Profit before tax		455	349
Tax	7	(89)	(45)
Profit after tax from continuing operations		366	304
Discontinued operations			
Profit after tax from discontinued operations		21	1,470
Profit for the year		387	1,774
Attributable to:			
Equity shareholders of the Company		387	1,774
Minority interests		–	–
		387	1,774
Earnings per share – total			
Basic	8	48.4p	259.4p
Diluted		48.2p	259.0p
Earnings per share – continuing			
Basic	8	45.8p	44.4p
Diluted		45.6p	44.4p

Dividends paid to equity shareholders in the year and shown in the cash flow statement totalled £149 million (2006 £1,640 million).

The Board would ordinarily be recommending, in the normal course of business, a final dividend covering the period from 31 July 2006 until 31 March 2007. However, the terms of the recommended offer for the Company by AB Acquisitions Limited, announced on 20 April 2007, are such that the offer price is inclusive of any final dividend. Accordingly, no such final dividend will be paid. However, if the Company is not acquired by AB Acquisitions Limited (or any alternative offeror), the Board intends that the Company pay in due course an interim dividend, in respect of the year ended 31 March 2007, of an amount equal to the final dividend that would have been paid.

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Group statement of recognised income and expense

for the year ended 31 March 2007

	2007 £million	2006 £million
Exchange differences on overseas operations:		
- currency translation differences	(11)	8
- currency translation differences recycled on disposal of Boots Healthcare International	-	(12)
Defined benefit pension schemes:		
- actuarial gains and losses	55	(77)
Available-for-sale investments:		
- gains on revaluation deferred in equity	6	-
	50	(81)
Tax (charge) / credit on items taken directly to equity	(12)	23
Income and expense recognised directly in equity	38	(58)
Profit for the year	387	1,774
Total recognised income and expense for the year	425	1,716
Attributable to:		
Equity shareholders of the Company	425	1,717
Minority interests	-	(1)
	425	1,716

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Group balance sheet as at 31 March 2007

	2007 £million	2006 £million
Assets		
Non-current assets		
Goodwill	2,388	-
Other intangible assets	1,508	147
Property, plant and equipment	1,671	1,268
Investments in associates	628	-
Available-for-sale investments	55	-
Other receivables	58	32
Derivative financial instruments	3	2
Deferred tax assets	4	55
	6,315	1,504
Current assets		
Inventories	1,360	594
Trade and other receivables	1,985	461
Current tax assets	2	14
Cash and cash equivalents	404	856
Derivative financial instruments	2	1
Assets held for sale	29	1
	3,782	1,927
Total assets	10,097	3,431
Liabilities		
Current liabilities		
Borrowings	(565)	(183)
Trade and other payables	(2,112)	(632)
Current tax liabilities	(115)	(56)
Provisions	(75)	(62)
Derivative financial instruments	(7)	(1)
	(2,874)	(934)
Net current assets	908	993
Non-current liabilities		
Borrowings	(764)	(575)
Other payables	(30)	(30)
Deferred tax liabilities	(456)	(97)
Retirement benefit obligations	(26)	(56)
Provisions	(54)	(87)
Derivative financial instruments	(121)	-
	(1,451)	(845)
Net assets	5,772	1,652
Equity		
Share capital	360	181
Share premium	2	2
Shares to be issued	11	-
Retained earnings	1,393	1,131
Merger reserve	3,972	311
Capital redemption reserve	29	29
Other reserves	(7)	(2)
Shareholders' equity	5,760	1,652
Minority interests	12	-
Total equity	5,772	1,652

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Group cash flow statement

for the year ended 31 March 2007

	2007 £million	2006 £million
Operating activities—continuing operations		
Profit from operations	480	369
Adjustments to reconcile profit from operations to cash generated from operations:		
Share of associates' post tax earnings	(39)	-
Depreciation, amortisation and impairments	261	180
Share-based compensation	9	5
Profit on disposal of businesses	(7)	-
Profit on disposal of property, plant and equipment	-	(171)
Decrease in inventories	9	65
Increase in receivables	(10)	(27)
Increase in payables and provisions	26	127
Decrease in retirement benefit obligations	(47)	(47)
Cash generated from operations—continuing operations	682	501
Tax paid	(55)	(69)
Interest paid	(92)	(37)
Net cash from operating activities—continuing operations	535	395
Investing activities—continuing operations		
Acquisition of businesses	(96)	-
Net cash of businesses acquired	76	-
Disposal of businesses	58	-
Purchase of investments in associates	(2)	-
Purchase of available-for-sale investments	(7)	-
Dividends received from associates	14	-
Purchase of property, plant and equipment and intangible assets	(213)	(181)
Disposal of property, plant and equipment	18	308
Interest received	64	21
Net cash (used in) /from investing activities—continuing operations	(88)	148
Financing activities—continuing operations		
Interest element of finance lease obligations	(7)	(4)
Dividends paid to equity shareholders	(149)	(1,640)
Payment of Alliance UniChem dividend declared prior to acquisition	(47)	-
Net (repayment of) /proceeds from borrowings	(786)	1
Repayment of capital element of finance lease obligations	(26)	(12)
Repurchase of own shares	-	(50)
Disposal of own shares	3	-
Net cash used in financing activities—continuing operations	(1,012)	(1,705)
Net cash outflow from continuing operations	(565)	(1,162)
Net cash inflow from discontinued operations ¹	-	39
Cash flows arising from disposal of discontinued operations	(13)	1,854
Net (decrease) /increase in cash and cash equivalents in the year	(578)	731
Cash and cash equivalents at 1 April	813	80
Currency translation differences	-	2
Cash and cash equivalents at 31 March	235	813

¹ During the year ended 31 March 2006, discontinued operations had cash inflows from operating activities of £67 million, cash outflows from investing activities of £7 million and cash outflows from financing activities of £21 million.

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Notes to the financial information

for the year ended 31 March 2007

(1) BASIS OF PREPARATION

The financial information in the preliminary announcement does not constitute the Group's statutory financial statements for the years ended 31 March 2007 or 2006 but is derived from those financial statements. Statutory financial statements for 2006 have been delivered to the registrar of companies, and those for 2007 will be delivered in due course. The auditors have reported on those financial statements; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

(2) EXCHANGE RATES

The significant exchange rates relative to Sterling used in the preparation of the financial statements were as follows:

	Average			Year end	
	2007 Eight months ended 31 March	2007 Year ended 31 March	2006 Year ended 31 March	2007	2006
Euro	1.487	1.475	1.464	1.472	1.445
Turkish Lira	2.843			2.737	
US Dollar	1.936	1.893	1.778	1.963	1.734

(3) RECONCILIATION OF MOVEMENTS IN TOTAL EQUITY

	2007 £million	2006 £million
At 1 April	1,652	1,621
Total recognised income and expense for the year	425	1,716
Share-based compensation	9	5
Dividends to equity shareholders	(149)	(1,640)
Businesses acquired	3,832	-
Disposal of own shares	3	-
Repurchase of own shares	-	(50)
At 31 March	5,772	1,652

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Notes to the financial information (continued)

for the year ended 31 March 2007

(4) SEGMENTAL ANALYSIS – PRIMARY SEGMENTS

Revenue and profit for the year ended 31 March 2007

	Retail £million	Wholesale £million	Other Commercial Activities & Corporate Costs £million	Eliminations £million	Total £million
Continuing operations					
External revenue	6,085	5,303	114	-	11,502
Inter-segment sales	14	735	-	(749)	-
Total revenue	6,099	6,038	114	(749)	11,502
Trading profit/ (loss)	462	128	(41)	-	549
Exceptional items (note 5)	(37)	(12)	(28)	-	(77)
Amortisation of customer related intangible assets	-	(31)	-	-	(31)
Profit/ (loss) from operations before share of associates' post tax earnings	425	85	(69)	-	441
Share of associates' post tax earnings ¹					39
Profit from operations					480
Finance income					251
Finance costs					(276)
Profit before tax					455
Tax ²					(89)
Profit after tax from continuing operations					366
Discontinued operations					
Profit after tax from discontinued operations ³					21
Profit for the year					387

¹ Share of associates' post tax earnings includes exceptional income of £6 million, comprising a profit on disposal of businesses of £3 million and an exceptional tax credit of £3 million.

² Tax on exceptional items, amortisation of customer related intangible assets and IAS 39 timing differences amounted to a £35 million credit. Tax also included a credit of £14 million in respect of pharmacy disposals where the taxable gains arising are covered by previously unrecognised losses, a release of £14 million of tax provisions in respect of exceptional items recognised in prior years, and £6 million of tax credits in respect of restating deferred tax for customer related intangible assets following tax rate reductions in certain continental European countries.

³ Profit after tax from discontinued operations included a £17 million release of a prior year tax provision no longer required and £4 million of other items net of tax.

Revenue and profit for the year ended 31 March 2006

	Retail £million	Other Commercial Activities & Corporate Costs £million	Total £million
Continuing operations			
External revenue	4,939	88	5,027
Trading profit/ (loss)	352	(16)	336
Exceptional items	65	(32)	33
Profit/ (loss) from operations	417	(48)	369
Finance income			187
Finance costs			(207)
Profit before tax			349
Tax ¹			(45)
Profit after tax from continuing operations			304
Discontinued operations			
Profit after tax from discontinued operations ²			1,470
Profit for the year			1,774

¹ Tax on exceptional items amounted to a £39 million credit, relating to continuing operations. The tax charge also included a £12 million credit for adjustments in respect of prior periods.

² Profit after tax from discontinued operations included an attributable tax credit of £31 million in respect of the disposal costs.

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Notes to the financial information (continued)

for the year ended 31 March 2007

(5) EXCEPTIONAL ITEMS

	2007 £million	2006 £million
Costs in relation to merger synergies	(23)	-
Pharmacy systems harmonisation	(2)	-
Systems rationalisation and supply chain reconfiguration ¹	(25)	(91)
French wholesale network restructuring ²	(10)	-
Restructuring of Other Commercial Activities ³	(23)	-
Health & Beauty pharmacy disposals ⁴	7	-
Store refurbishment costs	-	(33)
Profit on disposal of property, plant and equipment	-	7
Profit on sale and leaseback ⁵	-	150
Other	(1)	-
	(77)	33

¹ Associated with the systems rationalisation and supply chain reconfiguration programme within the Health & Beauty business.

² Arising from the restructuring of the warehouse network in France.

³ Arising on restructuring decisions in contract manufacturing and own brand export business.

⁴ Profit on disposal of Health & Beauty pharmacies sold in accordance with the undertakings given to the Office of Fair Trading.

⁵ Profit on sale and leaseback of 312 stores in July 2005.

(6) ACQUISITION OF BUSINESS

On 31 July 2006 the Company acquired 100% of the ordinary shares of Alliance UniChem Plc ("Alliance UniChem") by means of a scheme of arrangement between Alliance UniChem and its shareholders. The scheme of arrangement was achieved by cancelling Alliance UniChem shares and issuing new shares in Boots Group PLC to existing Alliance UniChem shareholders under a fixed share ratio of 1.332 Boots Group PLC shares for each Alliance UniChem share. On completion of the transaction Boots Group PLC was renamed Alliance Boots plc.

The total purchase consideration of £3,850 million included £3,840 million for the issue of 481.8 million ordinary shares at a fair value of £7.97 per share, £11 million for ordinary shares to be issued in respect of outstanding share options, less £31 million for ordinary shares held in employee share trusts. In addition, £30 million of costs were incurred on the acquisition.

Alliance UniChem is a pan European distributor of healthcare products and provider of healthcare related services. The book values of the identifiable assets and liabilities and their fair value to the Group at the date of acquisition were as follows:

	Book value before acquisition £million	Fair value adjustment £million	Fair value £million
Intangible assets	790	572	1,362
Property, plant and equipment	348	64	412
Investments in associates	398	205	603
Available-for-sale investments	42	-	42
Inventories	749	1	750
Assets held for sale	52	33	85
Trade and other receivables	1,525	-	1,525
Cash and cash equivalents	191	-	191
Borrowings	(1,483)	(20)	(1,503)
Trade and other payables	(1,411)	(58)	(1,469)
Current and deferred tax liabilities	(148)	(295)	(443)
Retirement benefit obligations	(78)	-	(78)
	975	502	1,477
Minority interests			(12)
Goodwill arising on acquisition			2,385
			3,850
Satisfied by:			
Fair value of shares issued / to be issued			3,820
Costs associated with the acquisition			30
			3,850

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Notes to the financial information (continued)

for the year ended 31 March 2007

(7) TAX

	2007 £million	2006 £million
UK corporation tax	85	58
Overseas tax	26	6
Deferred tax	(22)	(19)
	89	45

The underlying tax charge, calculated before exceptional items, amortisation of customer related intangible assets, IAS 39 timing differences, deferred tax restatements for customer related intangible assets and other exceptional tax credits, reconciles to the tax charge in the year as follows:

	2007 £million	2006 £million
Underlying tax charge	158	96
Tax on:		
- exceptional items	(26)	(39)
- amortisation of customer related intangible assets	(9)	-
- restating deferred tax on customer related intangible assets	(6)	-
Other exceptional credits	(28)	(12)
	89	45

(8) EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year attributable to equity shareholders by the weighted average number of shares in issue during the year. Diluted earnings per share is calculated by dividing the profit for the year attributable to equity shareholders by the weighted average number of shares in issue added to the dilutive potential shares assuming they had all converted to issued shares at the beginning of the year.

	2007			2006		
	Profit £million	Weighted average number of shares million	Earnings per share pence	Profit £million	Weighted average number of shares million	Earnings per share pence
Total						
Basic	387	800	48.4	1,774	684	259.4
Potentially dilutive share options	-	2		-	1	
Diluted	387	802	48.2	1,774	685	259.0
Continuing operations						
Basic	366	800	45.8	304	684	44.4
Potentially dilutive share options	-	2		-	1	
Diluted	366	802	45.6	304	685	44.4
Discontinued operations						
Basic	21	800	2.6	1,470	684	215.0
Potentially dilutive share options	-	2		-	1	
Diluted	21	802	2.6	1,470	685	214.6

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Notes to the financial information (continued)

for the year ended 31 March 2007

(9) DIVIDENDS

The following dividends to equity shareholders were recognised in the year:

	2007		2006	
	pence per share	£million	pence per share	£million
Final dividend – year ended 31 March 2006 / 2005	21.0	101	21.0	150
Interim dividend – year ended 31 March 2007 / 2006	-	-	9.1	64
Special dividend	10.0	48	200.0	1,426
		149		1,640

The Board would ordinarily be recommending, in the normal course of business, a final dividend covering the period from 31 July 2006 until 31 March 2007. However, the terms of the recommended offer for the Company by AB Acquisitions Limited, announced on 20 April 2007, are such that the offer price is inclusive of any final dividend. Accordingly, no such final dividend will be paid. However, if the Company is not acquired by AB Acquisitions Limited (or any alternative offeror), the Board intends that the Company pay in due course an interim dividend, in respect of the year ended 31 March 2007, of an amount equal to the final dividend that would have been paid.

(10) RECONCILIATION OF NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS TO THE (INCREASE) / DECREASE IN NET (BORROWINGS) / CASH

Set out below is a reconciliation of the net (decrease) / increase in cash and cash equivalents to the (increase) / decrease in net (borrowings) / cash. Net (borrowings) / cash are defined by the Group as borrowings net of cash and cash equivalents and derivative financial instruments.

	2007 £million	2006 £million
Net (decrease) / increase in cash and cash equivalents	(578)	731
Cash and cash equivalents outflow from decrease in debt and lease financing	812	31
Movement in net (borrowings) / cash resulting from cash flows	234	762
Borrowings acquired with businesses	(1,390)	-
	(1,156)	762
Finance leases entered into	(8)	(24)
Currency translation differences and fair value adjustments on financial instruments	16	3
Movement in net (borrowings) / cash in the year	(1,148)	741
Net cash / (borrowings) at 1 April	100	(641)
Net (borrowings) / cash at 31 March	(1,048)	100

(11) ANALYSIS OF MOVEMENT IN NET (BORROWINGS) / CASH

	Cash and cash equivalents £million	Borrowings within current liabilities £million	Borrowings within non-current liabilities £million	Derivative financial instruments £million	Net (borrowings) / cash £million
At 1 April 2006	856	(183)	(575)	2	100
Decrease in cash and cash equivalents	(452)	(126)	-	-	(578)
Decrease in borrowings	-	448	364	-	812
Borrowings acquired with businesses	-	(457)	(808)	(125)	(1,390)
Finance leases entered into	-	(4)	(4)	-	(8)
Other non-cash movements	-	(248)	248	-	-
Currency translation differences and fair value adjustments on financial instruments	-	5	11	-	16
At 31 March 2007	404	(565)	(764)	(123)	(1,048)

In the Group cash flow statement, cash and cash equivalents include bank overdrafts which are classified within borrowings within current liabilities in the balance sheet which amounted to £169 million at 31 March 2007 (2006 £43 million).

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Notes to the financial information (continued)

for the year ended 31 March 2007

(12) NET CASH (OUTFLOW) /INFLOW ON ACQUISITIONS AND DISPOSALS

An analysis of the net cash (outflow) /inflow on acquisitions and disposals of businesses in the year is shown below:

	2007 £million	2006 £million
Acquisition of businesses	(96)	-
Net cash of businesses acquired	76	-
Disposal of businesses	58	-
Purchase of investments in associates	(2)	-
Borrowings acquired with businesses	(1,390)	-
Cash outflows on acquisitions and disposals – continuing operations	(1,354)	-
Cash flows arising from disposal of discontinued operations	(13)	1,854
	(1,367)	1,854

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Glossary of key terms

Adjusted earnings per share

Adjusted earnings divided by the weighted average number of shares in issue during the year.

Adjusted earnings

Profit for the year attributable to equity shareholders before exceptional items, amortisation of customer related intangible assets and IAS 39 timing differences, all net of tax, and deferred tax restatements for customer related intangible assets.

Exceptional items

Items classified by Alliance Boots as exceptional in nature. These are not regarded as forming part of the trading activities of the Group, and so merit separate presentation to allow shareholders to understand the elements of financial performance and to assess the trends in financial performance. In 2006/07 these mainly comprised costs in relation to merger synergies, systems rationalisation and supply chain reconfiguration projects, and restructuring activities. In the previous year these mainly comprised the supply chain reconfiguration project, store refurbishment costs and profit on sale and leaseback.

IAS 39 timing differences

Derivative financial instruments are used to hedge interest rate and currency exposures. IAS 39 dictates whether changes in the fair value of these instruments can be matched in the income statement by changes in the fair value of the item being hedged. Where they cannot be matched, or do not fully match, the unmatched amount represents a timing difference that will reverse over the life of the financial instruments.

Interest cover

Trading profit divided by underlying net finance costs.

Like for like revenue

Like for like revenue on a constant currency basis compared to the comparable period in the previous year.

Net (borrowings) / cash

Borrowings, net of cash and cash equivalents and derivative financial instruments.

Net finance costs

Finance costs net of finance income.

Trading margin

Trading profit expressed as a percentage of revenue.

Trading profit

Profit from operations before exceptional items, amortisation of customer related intangible assets and share of associates' post tax earnings.

Underlying net finance costs

Net finance costs adjusted to exclude IAS 39 timing differences.

Underlying tax charge

The underlying tax charge excluding tax on exceptional items, amortisation of customer related intangible assets, IAS 39 timing differences, deferred tax restatements for customer related intangible assets and other exceptional tax credits.

Underlying tax rate

The underlying tax charge expressed as a percentage of trading profit net of underlying net finance costs.

PART FIVE: FINANCIAL INFORMATION ON ALLIANCE BOOTS

Principal businesses and associates

Segment	Country	Principal business
Retail	– UK	UK – Health & Beauty – Community Pharmacy
	– International	Republic of Ireland Norway The Netherlands Italy Thailand
Wholesale – Northern Europe	UK Norway The Netherlands Russia Czech Republic	UniChem Holtung Interpharm Alliance Healthcare Russia Alliance Healthcare CZ
	– Southern Europe	France Italy Spain
Other Commercial Activities	UK, France & Germany Various others	Boots Manufacturing Boots Retail International
Associates	Turkey Germany Switzerland Portugal Egypt Romania	Hedef Alliance ANZAG Galenica Alliance Healthcare Portugal UCP Farmexpert

PART SIX: INFORMATION ON THE AB ACQUISITIONS GROUP

1. Information on the AB Acquisitions Group

An overview of the financing arrangements of the AB Acquisitions Group is set out at paragraph 10 of Part Two of this document and an overview of shareholdings and material contracts of the AB Acquisitions Group is set out in Part Nine of this document.

1.1 Names of directors

The directors of each of the AB Acquisitions Group companies (other than AB Acquisitions Holdings and AB Acquisitions French Holdco SAS) are:

Sergio D'Angelo (Director)
Henrik Kraft (Director)

It is intended that Dominic Murphy (a partner of KKR) and Stefano Pessina will become directors of AB Acquisitions following the Scheme becoming effective.

The company secretary of each of the AB Acquisitions Group companies (other than AB Acquisitions Holdings and AB Acquisitions French Holdco SAS) is Clifford Chance Secretaries Limited.

The directors of AB Acquisitions Holdings are:

Wolfgang Zettel (Director)
Cheam Directors Limited (Director)
Stawell Services Limited (Director)

The company secretary of AB Acquisitions Holdings is Line Secretaries Limited.

The president of AB Acquisitions French Holdco SAS is Sergio D'Angelo.

1.2 Incorporation and share capital

AB Acquisitions Holdings

AB Acquisitions Holdings, which is the ultimate holding company of the AB Acquisitions Group, was incorporated as a private limited company in Gibraltar on 13 April 2007 with registered number 98476. The authorised share capital of AB Acquisitions Holdings as at 3 May 2007 is £5 billion divided into ordinary shares of £1 par value, of which 5,300 ordinary shares have been issued and are owned by ASP (2,650 shares) and entities wholly-owned by the KKR Funds (2,650 shares).

AB Acquisitions UK Topco 1 Limited

AB Acquisitions UK Topco 1 Limited was incorporated as a private limited company in England and Wales on 19 March 2007 with registered number 6166727. The authorised share capital of AB Acquisitions UK Topco 1 Limited as at 3 May 2007 is £1 million divided into 1 million ordinary shares of £1 each, of which 200 ordinary shares have been issued and are owned by AB Acquisitions Holdings.

PART SIX: INFORMATION ON THE AB ACQUISITIONS GROUP

AB Acquisitions UK Topco 2 Limited

AB Acquisitions UK Topco 2 Limited was incorporated as a private limited company in England and Wales on 19 March 2007 with registered number 6166753. The authorised share capital of AB Acquisitions UK Topco 2 Limited as at 3 May 2007 is £100 divided into 100 ordinary shares of £1 each, of which three ordinary shares have been issued and are owned by AB Acquisitions UK Topco 1 Limited.

AB Acquisitions UK Holdco 1 Limited

AB Acquisitions UK Holdco 1 Limited was incorporated as a private limited company in England and Wales on 19 March 2007 with registered number 6166738. The authorised share capital of AB Acquisitions UK Holdco 1 Limited as at 3 May 2007 is £100 divided into 100 ordinary shares of £1 each, of which three ordinary shares have been issued and are owned by AB Acquisitions UK Topco 2 Limited.

AB Acquisitions UK Holdco 2 Limited

AB Acquisitions UK Holdco 2 Limited was incorporated as a company limited by guarantee in England and Wales on 16 April 2007 with registered number 6214468. AB Acquisitions UK Holdco 2 Limited has no share capital. AB Acquisitions UK Holdco 1 Limited is the sole member of AB Acquisitions UK Holdco 2 Limited and has agreed to contribute such amount as may be required (not exceeding £1) to AB Acquisitions UK Holdco 2 Limited's assets on winding up while it is a member or within one year of ceasing to be a member.

AB Acquisitions French Holdco SAS

AB Acquisitions French Holdco SAS was incorporated as a *société par actions simplifiée à associé unique* in France on 16 April 2007 with registered number 497 506 162 RCS PARIS. The authorised share capital of AB Acquisitions French Holdco SAS at 3 May 2007 is 37,000 shares of €1 each, of which 37,000 shares have been issued and are owned by AB Acquisitions UK Holdco 2 Limited and €18,500 have been paid up.

AB Acquisitions

AB Acquisitions was incorporated as a private limited company in England and Wales on 19 March 2007 with registered number 6166762. The authorised share capital of AB Acquisitions as at 3 May 2007 is £100 divided into 100 ordinary shares of £1 each, of which three ordinary shares have been issued and are owned by AB Acquisitions UK Holdco 1 Limited.

1.3 Registered offices

The registered office of AB Acquisitions Holdings is 57/63 Line Wall Road, Gibraltar.

The registered office of AB Acquisitions UK Topco 1 Limited, AB Acquisitions UK Topco 2 Limited, AB Acquisitions UK Holdco 1 Limited, AB Acquisitions UK Holdco 2 Limited and AB Acquisitions is 10 Upper Bank Street, London E14 5JJ.

The registered office of AB Acquisitions French Holdco SAS is 112 Avenue Kléber, 75116 Paris.

PART SIX: INFORMATION ON THE AB ACQUISITIONS GROUP

1.4 Activities

The members of the AB Acquisitions Group were each formed for the purpose of making the proposed acquisition of Alliance Boots and none of them has carried on business or entered into any obligation other than in connection with the Transaction and financing of the Transaction. None of the AB Acquisitions Group companies has prepared any accounts as at the date of this document.

2. Arrangements between Stefano Pessina and KKR

2.1 Cooperation Agreement

The Cooperation Agreement contains the provisions set out below and (where specified) those referred to in paragraphs 2.2 and 3.2 below.

Stefano Pessina and the KKR Funds, acting jointly, may take all decisions and actions relating to the terms, conditions, structure, conduct or implementation of the Transaction (or the financing transactions relating thereto), except that any decision or action that is materially and disproportionately adverse to any other party requires that party's consent.

If the Transaction is completed, a member of the AB Acquisitions Group will pay a transaction fee to ASP and KKR (or their respective designees) in an aggregate amount to be agreed by them, which transaction fee will be allocated 50 per cent. to ASP and 50 per cent. to KKR (or their respective designees). In addition, if the Transaction is completed, a member of the AB Acquisitions Group will pay certain fees, costs and expenses incurred by the AB Acquisitions Group and by the parties to the Cooperation Agreement in connection with the Transaction.

The parties have agreed the broad terms for the definitive Investors' Agreement which is expected to be negotiated and entered into prior to the Effective Date. These terms are described in paragraphs 2.2 and 3.2 below.

The Cooperation Agreement terminates on the earlier of (i) the date the Investors' Agreement is executed and delivered and (ii) the date the Transaction is withdrawn, lapses or AB Acquisitions is otherwise no longer obligated under the City Code to continue with the Transaction.

2.2 Proposed Investors' Agreement

The proposed Investors' Agreement will provide for the governance of the AB Acquisitions Group from and after the Settlement Date and other customary provisions for agreements of this type among private equity investors, including transfer restrictions (including lock-ups, rights of first offer, drag-along rights and tag-along rights), pre-emption rights, information rights and other provisions.

On and after the Settlement Date, ASP and entities wholly-owned by the KKR Funds will hold all the voting shares of AB Acquisitions Holdings, and each other investor in AB Acquisitions Holdings (including any transferee of ASP or the KKR Funds in connection with any equity syndication by either of them) will hold non-voting shares in AB Acquisitions Holdings. ASP and entities wholly-owned by the KKR Funds will have equal voting rights in AB Acquisitions Holdings and the right to nominate equal numbers to the board of each entity in the AB Acquisitions Group, including Alliance Boots and its subsidiaries from and after the Settlement Date. None of the other investors in AB Acquisitions Holdings will have any right to nominate directors to the boards of any member of AB Acquisitions Group.

Stefano Pessina will be employed as Executive Chairman of Alliance Boots from and after the Settlement Date, which will entitle him to a salary and a customary director's fee (in amounts to be

PART SIX: INFORMATION ON THE AB ACQUISITIONS GROUP

agreed by the KKR Funds) and expense reimbursement, as well as participation in and /or benefit from the employee benefit plans of Alliance Boots that are made available to other members of senior management on comparable terms (but excluding any cash bonus or cash incentive schemes). Stefano Pessina's employment agreement will require him to devote all of his time (during business hours, five days per week) to the performance of his duties as Executive Chairman.

If the Transaction is completed, ASP and KKR will be entitled to receive from AB Acquisitions (which AB Acquisitions may recharge to Alliance Boots) an annual monitoring fee in an aggregate amount to be agreed by them, subject to five per cent. annual increases, which monitoring fee initially will be allocated 50 per cent. to ASP and 50 per cent. to KKR, together with expense reimbursement.

A portion of the total equity investment in the AB Acquisitions Group, in an amount to be determined by the Principal Investors, shall be offered to the management of Alliance Boots in an equity participation plan. The equity issued under the plan, which will not carry voting rights, will dilute all of the investors in the AB Acquisitions Group on a pro rata basis (before giving any effect to any equity offered to Stefano Pessina under such plan). The terms, conditions and structure of the plan will be agreed upon by the Principal Investors.

3. Financing Arrangements

3.1 Equity Financing

Each of ASP, the KKR Funds and each of the Equity Underwriters (together, the "Initial Investors") have entered into an Equity Commitment Letter pursuant to which they have agreed to provide the equity funds necessary for AB Acquisitions to pay the Cash Consideration and for the AB Acquisitions Group to pay fees, costs and expenses in connection with the Transaction as follows:

<u>Principal Investors</u>	<u>Commitment Amount</u>	<u>Commitment Percentage</u>
KKR Funds	£1,020 million	29.74%
ASP	£1,020 million	29.74%
Sub-total	£2,040 million	59.48%
 <u>Equity Underwriters</u>		
Barclays Bank Plc	£300 million	8.75%
BAS Capital Funding Corporation (an affiliate of Bank of America)	£200 million	5.83%
Citigroup Global Markets Limited	£125 million	3.64%
Deutsche Bank AG London Branch	£200 million	5.83%
J.P. Morgan Ventures Corporation	£205 million	5.98%
Royal Bank of Scotland Plc	£100 million	2.92%
UniCredit Group	£260 million	7.58%
Sub-total	£1,390 million	40.52%
TOTAL COMMITMENTS	£3,430 million	100.00%

Each of the KKR Funds and each of the Equity Underwriters has agreed to fund its equity commitment to AB Acquisitions Holdings in cash, in immediately-available sterling denominated funds, no later than the Settlement Date, in exchange for a subscription for new shares of, and as a capital contribution to, AB Acquisitions Holdings. ASP has agreed to satisfy its equity commitment to AB Acquisitions Holdings through a rollover of the SP Rollover Shares, in effect, in exchange for a subscription for new shares of AB Acquisitions Holdings under the terms of the Scheme. The number of SP Rollover Shares is determined by dividing the amount of ASP's equity commitment

PART SIX: INFORMATION ON THE AB ACQUISITIONS GROUP

(as may be adjusted as described below) by 1,139 pence (i.e., the price per Alliance Boots Share under the Transaction).

At the Settlement Date and taking into account the funding of the Alliance Boots Shares already purchased on behalf of AB Acquisitions (as described in paragraph 9.5 of Part Two of this document), the Initial Investors will have the following equity interests in AB Acquisitions Holdings (subject to adjustment and equity syndication as described below):

<u>Principal Investors</u>	<u>Amount of Equity Interest</u>	<u>Percentage</u>
KKR Funds (through wholly-owned entities)	£1,270 million	32.32%
ASP	£1,270 million	32.32%
Sub-total	£2,540 million	64.64%

<u>Equity Underwriters</u>	<u>Amount of Equity Interest</u>	<u>Percentage</u>
Barclays Bank Plc	£300 million	7.63%
BAS Capital Funding Corporation (an affiliate of Bank of America)	£200 million	5.09%
Citigroup Global Markets Limited	£125 million	3.18%
Deutsche Bank AG London Branch	£200 million	5.09%
J.P. Morgan Ventures Corporation	£205 million	5.22%
Royal Bank of Scotland Plc	£100 million	2.54%
UniCredit Group	£260 million	6.62%
Sub-total	£1,390 million	35.36%
TOTAL EQUITY INTERESTS	£3,930 million	100.00%

The equity commitments and resulting equity interests of each individual Initial Investor set forth in the foregoing tables will be adjusted in accordance with the terms of the Cooperation Agreement and the Equity Commitment Letters in the event that the total equity amount required to pay the Cash Consideration and for the AB Acquisitions Group to pay the fees, costs and expenses in connection with the Transaction should increase or decrease, provided that the equity commitment of ASP shall not be reduced below £925 million, and the equity interest of ASP at the Settlement Date shall not be reduced below £1,175 million without Stefano Pessina's consent.

3.2 Equity Syndication

Syndication by ASP and the KKR Funds

ASP and the KKR Funds are currently in discussions, and expect to agree with the Equity Underwriters provisions pursuant to which ASP and the KKR Funds may syndicate up to £95 million each of their equity commitments, at the same time as and *pro rata* with the equity syndication by the Equity Underwriters as described below. The agreed provisions will be reflected in an amendment to the Cooperation Agreement and/or an ancillary agreement between the parties thereto.

After the Settlement Date, each of ASP and the KKR Funds may syndicate up to 10 per cent. of its equity in AB Acquisitions Holdings as of the Settlement Date, plus up to an additional £125 million of its equity in AB Acquisitions Holdings, in accordance with the proposed Investors' Agreement.

Notwithstanding any equity syndication by ASP or the KKR Funds, ASP and the KKR Funds will continue to jointly control the AB Acquisitions Group as described in paragraph 2.2 above.

PART SIX: INFORMATION ON THE AB ACQUISITIONS GROUP

Syndication by the Equity Underwriters

All of the Equity Underwriters have made equity commitments which are earmarked for syndication as a private placement to institutional investors pursuant to a co-ordinated process which has been agreed with Stefano Pessina, ASP and the KKR Funds in the Sell-Down Letter. If the syndication of these equity commitments is not fully completed on or prior to the Settlement Date, then such syndication will continue thereafter. Barclays Bank Plc has made an equity commitment of £50 million and UniCredit Group has made an equity commitment of £100 million for investments in AB Acquisitions Holdings which are not earmarked for syndication.

Each Equity Underwriter is entitled to receive certain fees in connection with its equity commitment which is earmarked for syndication and in connection with the syndication of such commitment based on the length of time it takes to complete the syndication of the equity and how much equity the Equity Underwriters continue to hold at certain points during the process.

3.3 Debt Financing

In order to fund the balance of the Cash Consideration payable under the Transaction and certain Transaction-related costs and expenses, on 19 April 2007 AB Acquisitions (together with certain of its affiliates) entered into an interim facilities agreement (as amended and restated on 2 May 2007, the "**Interim Facilities Agreement**") with, amongst others, Banc of America Securities Limited, Barclays Capital (the investment banking division of Barclays Bank PLC), UniCredit Markets & Investment Banking, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, J.P. Morgan plc, Merrill Lynch and The Royal Bank of Scotland plc, as mandated lead arrangers, and Deutsche Bank AG, London Branch as interim facility agent and interim security agent.

The Interim Facilities Agreement provides for:

- (i) a committed term facility of up to £8,200 million (the "**Term Facility**") which will be available to finance, amongst other things, the Scheme, repayment of existing indebtedness of the Alliance Boots Group and certain costs and expenses; and
- (ii) a committed revolving credit facility of up to £820 million (the "**Revolving Credit Facility**") which will be available to finance (including by way of the issue of bank guarantees) the working capital requirements and/or the general corporate purposes of members of the AB Acquisitions Group and their subsidiaries from time to time (including the payment of interest due under the Interim Facilities Agreement).

The Interim Facilities Agreement provides that only AB Acquisitions and AB Acquisitions French Holdco SAS may borrow under the Term Facility and the Revolving Credit Facility.

Interest will be payable on any utilisation under the Interim Facilities Agreement at a rate per annum equal to the aggregate of (a) 2.99 per cent. (in the case of loans made under the Term Facility) or 2.00 per cent. (in the case of utilisations made under the Revolving Credit Facility), (b) LIBOR for the relevant interest period, and (c) any mandatory costs incurred by the lenders. Certain members of the AB Acquisitions Group have provided security over their material assets in support of the obligations of the AB Acquisitions Group under the Interim Facilities Agreement. If still outstanding at such time, the AB Acquisitions Group shall be required to repay all outstanding utilisations and other amounts due under the Interim Facilities Agreement on the date which is 150 days after the date of first utilisation under the Interim Facilities Agreement.

The Interim Facilities Agreement contains conditions precedent, representations and undertakings in favour of the lenders under the Interim Facilities Agreement which are usual for interim facilities of this type. The Interim Facilities Agreement also contains customary events of default upon the

PART SIX: INFORMATION ON THE AB ACQUISITIONS GROUP

occurrence of which the lenders may terminate the interim facilities referred to above and demand repayment of all amounts outstanding under the Interim Facilities Agreement.

It is intended that the Interim Facilities Agreement will be refinanced with facilities provided under a senior facilities agreement and a subordinated facility agreement (together the "**Permanent Facilities Agreements**").

It is currently intended that:

- (i) AB Acquisitions French Holdco SAS will be a direct borrower under the Interim Facilities Agreement and/or, as the case may be, either or both of the Permanent Facilities Agreements;
- (ii) AB Acquisitions French Holdco SAS will on-lend the proceeds of any drawings made by it under the Interim Facilities Agreement or, as the case may be, the Permanent Facilities Agreements (the "**Acquisition Loan**") to AB Acquisitions (other than in the case of any drawing made under the Permanent Facilities Agreements the proceeds of which are to refinance its borrowings under the Interim Facilities Agreement); and
- (iii) AB Acquisitions intends to arrange (under the conditions provided by applicable French Tax Law) for the sale, to AB Acquisitions French Holdco SAS, of the shares of Alliance Santé France SAS that it will have indirectly acquired as part of the acquisition of the Alliance Boots Shares from Alliance Boots shareholders (other than ASP) in settlement of the Acquisition Loan. The balance (the shares currently indirectly owned by ASP in Alliance Santé France SAS) will be transferred to AB Acquisitions Holdco 2 Limited (the immediate parent company of AB Acquisitions French Holdco SAS) for them to be contributed to AB Acquisitions French Holdco SAS in exchange for an issue of shares.

In order to fund the market purchases referred to in paragraph 9.5 of Part Two of this document, on 20 April 2007 AB Acquisitions entered into a facility agreement (as amended and restated on 25 April 2007, the "**Market Purchase Facility Agreement**") with, amongst others, J.P. Morgan plc and Merrill Lynch as mandated lead arrangers, and J.P. Morgan Europe Limited as facility agent and security agent. The Market Purchase Facility Agreement provided for a committed term facility of up to £1 billion which was drawn in full on 27 April 2007 for the purpose of financing market purchases of Alliance Boots Shares.

The Market Purchase Facility Agreement contains conditions precedent, representations and undertakings in favour of the lenders under the Market Purchase Facility Agreement which are usual for a facility of this type. The Market Purchase Facility Agreement also contains customary events of default upon the occurrence of which the lenders may terminate the market purchase facility referred to above and demand repayment of all amounts outstanding under the Market Purchase Facility Agreement.

AB Acquisitions may enter into alternative financing arrangements in order to replace the Market Purchase Facility Agreement. If still outstanding at such time, amounts drawn under the Market Purchase Facility Agreement (or any replacement financing) will be repaid in full on first utilisation under the Interim Facilities Agreement or, as the case may be, the Permanent Facilities Agreements.

Financing arrangements may be changed or amended by AB Acquisitions in its discretion to take advantage of what it perceives to be more favourable structures or terms over time.

PART SEVEN: THE SCHEME OF ARRANGEMENT
THE SCHEME OF ARRANGEMENT

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

No. 3066 of 2007

IN THE MATTER of ALLIANCE BOOTS PLC

and

IN THE MATTER OF THE COMPANIES ACT 1985

SCHEME OF ARRANGEMENT
(under section 425 of the Companies Act 1985)

between

ALLIANCE BOOTS PLC

AND

THE HOLDERS OF THE SCHEME SHARES
(as hereinafter defined)

PART SEVEN: THE SCHEME OF ARRANGEMENT

PRELIMINARY

(A) In this Scheme, unless inconsistent with the subject or context, the following expressions bear the following meanings:

“AB Acquisitions”	AB Acquisitions Limited, incorporated in England and Wales with registered number 06166762;
“AB Acquisitions Holdings”	AB Acquisitions Holdings Limited, incorporated in Gibraltar with registered number 98476;
“AB Acquisitions Holdings Shares”	ordinary shares of £1.00 each in the capital of AB Acquisitions Holdings to be issued to ASP pursuant to this Scheme;
“Act”	the Companies Act 1985, as amended;
“Alliance Boots Shares”	ordinary shares of 37 ⁷ / ₃₉ pence each in the capital of the Company;
“Articles”	the articles of association of the Company;
“ASP”	Alliance Santé Participations S.A., incorporated in Luxembourg and registered with RCS Luxembourg under number B51280;
“Business Day”	a day on which the London Stock Exchange is open for the transaction of business;
“Cancellation Shares”	the Scheme Shares other than the Loan Note Elected Shares;
“Cash Cancellation Shares”	the Cancellation Shares other than the SP Rollover Shares;
“Cash Consideration”	the cash consideration due to Scheme Shareholders under the Transaction pursuant to Clause 2.1 of this Scheme;
“certificated” or “in certificated form”	a share or other security which is not in uncertificated form;
the “Company”	Alliance Boots plc, incorporated in England and Wales with registered number 04452715;
“Court”	the High Court of Justice in England and Wales;
“Court Meeting”	the meeting of holders of the Scheme Shares (other than the holders of the Excluded Voting Shares) convened by direction of the Court pursuant to section 425 of the Act to consider and, if thought fit, approve this Scheme, including any adjournment thereof;
“CREST”	the relevant system (as defined in the Regulations) in respect of which CRESTCo is the Operator (as defined in the Regulations);
“CRESTCo”	CRESTCo Limited;

PART SEVEN: THE SCHEME OF ARRANGEMENT

“Effective Date”	the date on which this Scheme becomes effective in accordance with its terms;
“Election Return Date”	20 June 2007 or such later date (s) as may be announced by the Company to a Regulatory Information Service, such announcement being made prior to a date that would, absent such an announcement, be an Election Return Date;
“Election Return Time”	4.30 p.m. (London time) on the Election Return Date;
“Excluded Shares”	any Alliance Boots Shares beneficially owned by AB Acquisitions;
“Excluded Voting Shares”	any Scheme Shares beneficially owned by (i) any fund advised or controlled by KKR; (ii) Stefano Pessina; (iii) Ornella Barra; or (iv) ASP;
“Form of Election”	the yellow form of election sent to Scheme Shareholders by or on behalf of Alliance Boots pursuant to which a certificated Scheme Shareholder may make an election under the Loan Note Alternative in respect of some or all of his Scheme Shares;
“holder”	a registered holder and includes any person (s) entitled by transmission;
“KKR”	Kohlberg Kravis Roberts & Co. L.P.;
“KKR Funds”	KKR European Fund II, Limited Partnership, KKR 2006 Fund (Overseas), Limited Partnership and KKR PEI Sicar, S.a.r.l. and/or other funds advised by KKR;
“Loan Note Alternative”	the facility provided for in Clause 3 of this Scheme whereby a Scheme Shareholder (other than a Loan Note Excluded Person) may elect to receive Loan Notes in lieu of all or part of the Cash Consideration which he would otherwise be entitled to under the terms of the Transaction;
“Loan Note Elected Shares”	Scheme Shares (if any) in respect of which valid elections for the Loan Note Alternative shall have been made in accordance with this Scheme;
“Loan Note Excluded Persons”	Restricted Overseas Persons and ASP;
“Loan Notes”	the loan notes to be issued by AB Acquisitions and guaranteed by Deutsche Bank AG, London Branch pursuant to the Loan Note Alternative;
“Reduction Hearing”	the hearing at which the Court’s order confirming the Reduction of Capital is made;
“Reduction of Capital”	the reduction of the Company’s share capital pursuant to section 135 of the Act, involving the cancellation and extinguishing of the Cancellation Shares provided for by this Scheme;

PART SEVEN: THE SCHEME OF ARRANGEMENT

“Reduction Order”	the order of the Court confirming under section 137 of the Act the Reduction of Capital;
“Reduction Record Time”	6.00 p.m. on the Business Day immediately prior to the date of the Reduction Hearing;
“Registrar of Companies”	the Registrar of Companies of England and Wales;
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755);
“Regulatory Information Service”	any information services authorised from time to time by the Financial Services Authority for the purpose of disseminating regulatory announcements;
“Restricted Overseas Person”	<ul style="list-style-type: none">(i) a US Person or a person in the US;(ii) a person (including an individual, partnership, unincorporated syndicate, limited liability company, unincorporated organisation, trust, trustee, executor, administrator or other legal representative) in, or resident in, or any person whom AB Acquisitions reasonably believes to be in or resident in, Australia, New Zealand, Switzerland or Japan; and(iii) a person who is deemed not to have made a valid election for the Loan Note Alternative pursuant to Clause 8 of this Scheme;
“Scheme”	this scheme of arrangement in its present form or with or subject to any modification, addition or condition approved or imposed by the Court;
“Scheme Document”	the circular in respect of the Scheme to be addressed to, among others, Alliance Boots Shareholders containing, <i>inter alia</i> , the notices of the Alliance Boots Meetings;
“Scheme Hearing”	the hearing at which the Court’s order sanctioning the Scheme is made;
“Scheme Order”	the order of the Court sanctioning the Scheme under section 425 of the Act;
“Scheme Record Time”	6.00 p.m. on the day of the Reduction Hearing;
“Scheme Shareholders”	the holders of Scheme Shares;
“Scheme Shares”	the Alliance Boots Shares: <ul style="list-style-type: none">(i) in issue at the date of this Scheme;(ii) (if any) issued after the date of this Scheme but before the Voting Record Time; and(iii) (if any) issued at or after the Voting Record Time and before the Reduction Record Time either on terms that the original or any subsequent holder

PART SEVEN: THE SCHEME OF ARRANGEMENT

thereof shall be bound by the Scheme or in respect of which the holder thereof shall have agreed in writing to be bound by the Scheme,

in any case excluding the Excluded Shares;

- “SP Rollover Fraction”** one tenth ($\frac{1}{10}$) or such other fraction as Stefano Pessina, ASP, the KKR Funds and AB Acquisitions Holdings may agree;
- “SP Rollover Shares”** 89,552,239 of the Alliance Boots Shares beneficially owned by ASP or such other number of Alliance Boots Shares beneficially owned by ASP as Stefano Pessina and the KKR Funds may agree and notify to AB Acquisitions and the Company no later than 24 hours prior to the Scheme Hearing being not less than 81,211,589 Alliance Boots Shares;
- “uncertificated” or “in uncertificated form”** a share or other security recorded on the relevant register as being held in uncertificated form in CREST, and title to which, by virtue of the Regulations, may be transferred by means of CREST;
- “US Person”** a US Person as defined in Regulation S of the US Securities Act;
- “US Securities Act”** the US Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder; and
- “Voting Record Time”** 6.00 p.m. on the day prior to the day immediately before the Court Meeting or any adjournment thereof (as the case may be).
- (B) The authorised share capital of the Company at the date of this Scheme is £479,148,237 divided into 1,288,743,543 ordinary shares of 37^{7/39} pence each. As at 3 May 2007, 967,554,529 ordinary shares had been issued and were fully paid up and the remainder were unissued.
- (C) AB Acquisitions was incorporated on 19 March 2007 under the Act as a private company limited by shares.
- (D) Certain holders of Scheme Shares have different portions of their holdings recorded in the register of members of the Company by reference to separate designations entered in the register.
- (E) For the purposes of this Scheme, each portion of a holding which is separately designated as aforesaid as at the Scheme Record Time shall be treated as though it were a separate holding held at the Scheme Record Time by a separate person.
- (F) As at 3 May 2007, AB Acquisitions beneficially owned 131,444,856 Alliance Boots Shares.
- (G) AB Acquisitions, AB Acquisitions Holdings and the holders of the Excluded Voting Shares have agreed to appear by Counsel on the hearing of the petition to sanction this Scheme and to undertake to the Court to be bound by the provisions of this Scheme and, in the case of AB Acquisitions and AB Acquisitions Holdings, to execute and do or procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by it for the purpose of giving effect to this Scheme.

PART SEVEN: THE SCHEME OF ARRANGEMENT

THE SCHEME

1. Cancellation of Cancellation Shares

- 1.1 The issued share capital of the Company shall be reduced by cancelling and extinguishing all of the Cancellation Shares.
- 1.2 Subject to, and forthwith upon, the Reduction of Capital referred to in Clause 1.1 of this Scheme taking effect and notwithstanding anything to the contrary in the Articles:
 - (A) the authorised share capital of the Company shall be increased by the creation of such number of new Alliance Boots Shares as have an aggregate nominal value equal to the aggregate nominal value of the Cancellation Shares cancelled pursuant to Clause 1.1 of this Scheme; and
 - (B) the reserve arising in the books of account of the Company as a result of the cancellation of the Cancellation Shares referred to in Clause 1.1 of this Scheme shall be capitalised and applied by the Company in paying up in full at par the new Alliance Boots Shares created pursuant to Clause 1.2(A) of this Scheme, which shall be allotted and issued credited as fully paid (free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature whatsoever) to AB Acquisitions and/or its nominees (s).

2. Consideration for cancellation of Cancellation Shares

In consideration for the cancellation:

- 2.1 of the Cash Cancellation Shares and the allotment and issue of the new Alliance Boots Shares in respect of such Cash Cancellation Shares as provided in Clause 1 of this Scheme, AB Acquisitions shall pay to, or for the account of, each holder of Cash Cancellation Shares (as appearing on the register of members of the Company at the Scheme Record Time) 1,139 pence in cash for each Cash Cancellation Share then held by that Scheme Shareholder; and
- 2.2 of the SP Rollover Shares and the allotment and issue of the new Alliance Boots Shares in respect of such SP Rollover Shares as provided in Clause 1 of this Scheme, AB Acquisitions shall undertake to pay to, or to the direction of, AB Acquisitions Holdings on demand 1,139 pence for each SP Rollover Share beneficially owned by ASP at the Scheme Record Time and AB Acquisitions Holdings shall issue to ASP such number of AB Acquisitions Holdings Shares as is equal to the product of the number of SP Rollover Shares multiplied by the SP Rollover Fraction (rounded down, where such product includes a fraction, to the nearest whole number).

3. Loan Note Alternative

- 3.1 Scheme Shareholders other than Loan Note Excluded Persons may elect to receive Loan Notes in respect of all or part of the sum of 1,139 pence per share which would otherwise be payable in respect of the Scheme Shares.
- 3.2 Elections made by Scheme Shareholders under the Loan Note Alternative will not affect the entitlements of Scheme Shareholders who do not make any such election.
- 3.3 An election will be accepted as valid under the Loan Note Alternative only in respect of a whole number of Scheme Shares.

PART SEVEN: THE SCHEME OF ARRANGEMENT

- 3.4 If valid elections for the Loan Note Alternative received by the Election Return Time would result in the issue of less than £20 million nominal value of Loan Notes in aggregate, AB Acquisitions reserves the right not to issue any Loan Notes. If no Loan Notes are issued pursuant to this Clause 3.4:
- (A) any relevant Scheme Shares whose holders have made a valid election under the Loan Note Alternative shall be treated as Cancellation Shares for the purposes of this Scheme;
 - (B) such holders shall then receive Cash Consideration; and
 - (C) Clause 4 of this Scheme shall not apply.
- 3.5 The Loan Notes shall be issued credited as fully paid and in amounts and integral multiples of £1.00 nominal value. No fraction of a Loan Note shall be issued to any holder of Scheme Shares.
- 3.6 The aggregate number of Loan Notes to be issued to Scheme Shareholders in accordance with this Clause 3 will not exceed £1,000 million nominal value of Loan Notes and will not be increased as a result of elections made under the Loan Note Alternative. Accordingly, elections for Loan Notes made by Scheme Shareholders in lieu of their entitlement to the Cash Consideration under the Scheme will be satisfied in full only where sufficient Loan Notes are available.
- 3.7 To the extent that valid elections under the Loan Note Alternative can be satisfied in full in accordance with this Scheme, each Scheme Shareholder who has made such an election shall be entitled to have issued to him one Loan Note for every £1.00 of Cash Consideration in respect of which the Scheme Shareholder has made such an election. If the number of Loan Notes available is insufficient to satisfy in full all such elections, then each such election shall be scaled down *pro rata* (or as near thereto as AB Acquisitions in its absolute discretion considers practicable) amongst the electors and each such election shall be valid only in respect of the number of Scheme Shares so scaled down and the excess shall be treated as Cancellation Shares in respect of which such Scheme Shareholders shall receive Cash Consideration in accordance with this Scheme.
- 3.8 Each election under the Loan Note Alternative shall be made by completion of a Form of Election which shall be executed as a deed by the Scheme Shareholder or his duly authorised agent (or, in the case of a body corporate, executed under seal or otherwise as a deed) and in the case of joint holders in like manner by or on behalf of all such holders. To be effective, Scheme Shareholders holding Scheme Shares in certificated form must complete and return the Form of Election in accordance with the instructions thereon so as to arrive by not later than the Election Return Time at Capita, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Forms of Election so completed and lodged shall, unless otherwise agreed by the Company and AB Acquisitions, be irrevocable. Scheme Shareholders who hold Scheme Shares through CREST must make any election for the Loan Note Alternative electronically through CREST in accordance with the relevant instructions set out in Part Eleven of the Scheme Document.
- 3.9 If a Form of Election is received after the Election Return Time or is received before such time but is not, or is deemed not to be, valid or complete in all respects at such time, then such election shall, unless AB Acquisitions, in its absolute discretion, elect to treat as valid in whole or in part any such election, be void for all purposes and the Scheme Shareholder purporting to make such election shall be treated as not having made the election (but the validity of any other election made by him will not be impugned thereby).

PART SEVEN: THE SCHEME OF ARRANGEMENT

- 3.10 If a Scheme Shareholder has made a valid election under the Loan Note Alternative in respect of all of his Scheme Shares by writing "ALL" in the appropriate box on the Form of Election in accordance with the instructions printed thereon, then:
- (A) the validity of the election shall not be affected by any alteration in the number of Scheme Shares held by the Scheme Shareholder at any time prior to the Scheme Record Time; and
 - (B) accordingly, the election will apply in respect of all of the Scheme Shares which the Scheme Shareholder holds at the Scheme Record Time.
- 3.11 If a Scheme Shareholder has made a valid election under the Loan Note Alternative in respect of a specified number of his Scheme Shares and:
- (A) at the Scheme Record Time the number of Scheme Shares held by the Scheme Shareholder is equal to or in excess of the number of Scheme Shares to which such election relates, then the validity of the election made by the Scheme Shareholder shall not be affected by any alteration in the number of Scheme Shares held by the Scheme Shareholder in the period prior to the Scheme Record Time; or
 - (B) at the Scheme Record Time the number of Scheme Shares held by the Scheme Shareholder is less than the aggregate number of Scheme Shares to which such election relates, then the election (if any) made by the Scheme Shareholder shall be reduced so as to apply to the number of Scheme Shares held by the Scheme Shareholder at the Scheme Record Time.
- 3.12 The Loan Notes will be constituted by an instrument substantially in the form already prepared and initialled for the purpose of identification by Slaughter and May, solicitors for the Company, with such modification or additions if any, as may prior to the execution thereof be agreed between the Company and AB Acquisitions.

4. Acquisition of Loan Note Elected Shares

- 4.1 Forthwith and contingently on the cancellation of the Cancellation Shares, the allotment of the new Alliance Boots Shares and the registration of the new Alliance Boots Shares in the name of AB Acquisitions and/or its nominee (s), AB Acquisitions or its nominee (s) shall acquire the Loan Note Elected Shares fully paid, with full title guarantee, free from all liens, equities, charges, encumbrances and other interests and together with all rights at the date of this Scheme or thereafter attached thereto including the right to receive and retain all dividends and other distributions declared, paid or made thereon, on or after 31 December 2006.
- 4.2 In consideration for the transfer of the Loan Note Elected Shares, as provided in Clause 4.1 of this Scheme, AB Acquisitions shall, subject to Clause 5, issue to each holder of Loan Note Elected Shares (as appearing on the register of members of the Company at the Scheme Record Time) £11.39 in nominal value of Loan Notes for each Loan Note Elected Share then held by that shareholder.
- 4.3 For such purpose, the Loan Note Elected Shares shall be transferred to AB Acquisitions and/or its nominee (s) and to give effect to such transfer any person may be appointed by AB Acquisitions to execute as transferor an instrument or instruction of transfer of any Loan Note Elected Shares and every instrument or instruction of transfer as executed shall be as effective as if it had been executed by the holder or holders of the Loan Note Elected Shares thereby transferred.

PART SEVEN: THE SCHEME OF ARRANGEMENT

5. Fractional entitlements

The aggregate number of Loan Notes to which a Scheme Shareholder is entitled under Clause 4 of this Scheme shall in each case be rounded down to the nearest whole number and fractions of Loan Notes shall be disregarded.

6. Certification

6.1 With effect from and including the Effective Date, each existing certificate representing a holding of Scheme Shares shall cease to be valid in respect of such holding and each holder of Scheme Shares shall be bound at the request of the Company to deliver up the same to the Company or to any person appointed by the Company to receive the same for cancellation or to destroy such share certificates.

6.2 With effect from and including the Effective Date, in respect of those holders of Scheme Shares who hold Scheme Shares in uncertificated form in CREST, CRESTCo shall be instructed to cancel such holders' entitlements to such Scheme Shares.

7. Settlement

7.1 Where, at the Scheme Record Time, a Scheme Shareholder holds the Scheme Shares in certificated form, settlement of the consideration to which that Scheme Shareholder is entitled shall be effected as follows:

(A) settlement of any Cash Consideration to which the Scheme Shareholder is entitled shall be settled by cheque despatched no later than 14 days after the Effective Date by first-class post to the address appearing in the register of the Company at the Scheme Record Time (or, in the case of joint holders, to the holder whose name stands first in such register in respect of the joint holding concerned) or by such other method as may be approved by the Panel. All cheques shall be in sterling drawn on the branch of a UK clearing bank. Payments made by cheque shall be payable to the Scheme Shareholder concerned or, in the case of joint holders, jointly to all holders. The encashment of any such cheque as is referred to in this Clause shall be a complete discharge for the monies represented thereby;

(B) the AB Acquisitions Holdings Shares to which ASP becomes entitled under Clause 2 of this Scheme shall be issued to ASP in certificated form. Definitive certificates for the AB Acquisitions Holdings Shares shall be despatched no later than 14 days after the Effective Date by first-class post (or any other method as may be approved by the Panel) to the address appearing in the register of members of the Company at the Scheme Record Time; and

(C) the Loan Notes to which the Scheme Shareholder is entitled under Clause 4 of this Scheme shall be distributed to such person in certificated form. Definitive certificates for such Loan Notes will be despatched no later than 14 days after the Effective Date by first-class post (or by such other method as may be approved by the Panel) to the address appearing in the register of members of the Company at the Scheme Record Time (or, in the case of joint holders, to the holder whose name stands first in such register in respect of the joint holding concerned).

7.2 Where, at the Scheme Record Time, a Scheme Shareholder holds the Scheme Shares in uncertificated form, settlement shall be effected as follows:

(A) settlement of Cash Consideration shall be effected by means of CREST by AB Acquisitions procuring the creation of a CREST payment obligation in favour of the appropriate CREST account through which the Scheme Shareholder holds such uncertificated Scheme Shares in respect of the Cash Consideration due to him not later

PART SEVEN: THE SCHEME OF ARRANGEMENT

than 14 days after the Effective Date. The creation of such an assured payment arrangement shall be a complete discharge of AB Acquisitions' obligations under this Scheme with reference to payments through CREST. AB Acquisitions reserves the right to pay any Cash Consideration referred to in this Clause 7.2 (A) to all or any relevant CREST Shareholders at the Scheme Record Time in the manner referred to in Clause 7.1 (A) of this Scheme if, for any reason, it wishes to do so;

- (B) the AB Acquisitions Holdings Shares to which ASP becomes entitled under Clause 2 shall be issued to ASP in certificated form in accordance with Clause 7.1 (B) of this Scheme; and
- (C) the Loan Notes to which the Scheme Shareholder becomes entitled under Clause 4 shall be issued to such person in certificated form in accordance with Clause 7.1 (C) of this Scheme.

8. Overseas shareholders

The provisions of Clauses 2, 3, 4 and 7 of this Scheme shall be subject to any prohibition or condition imposed by law. If, in the case of any Scheme Shareholder, AB Acquisitions believes that the law of a country or territory outside the United Kingdom precludes the delivery to them of Loan Notes or precludes the same except after compliance by the Company or AB Acquisitions with any governmental or other consent or any registration, filing or other formality with which the Company or AB Acquisitions is unable to comply or which the Company or AB Acquisitions (acting reasonably) regards as unduly onerous, then AB Acquisitions may in its sole discretion determine that such Scheme Shareholder shall, in the case of a Scheme Shareholder who has made an election for the Loan Note Alternative, be deemed not to have made such election (with the result that his Scheme Shares will be Cancellation Shares) and so that no Loan Notes shall be issued to such holder under Clause 4 of this Scheme and the Scheme Shareholder shall instead receive Cash Consideration in accordance with Clause 7 of this Scheme.

9. Effective Date

- 9.1 This Scheme shall become effective in accordance with its terms as soon as (i) an office copy of the Scheme Order has been delivered to the Registrar of Companies, and (ii) the Reduction Order has been delivered to, and registered by, the Registrar of Companies.
- 9.2 Unless this Scheme shall become effective on or before the date falling 170 days after the date of this Scheme or such later date, if any, as the Company and AB Acquisitions may agree and the Court may approve, this Scheme shall never become effective.

10. Modification

AB Acquisitions and the Company may jointly consent on behalf of all concerned to any modification of, or addition or condition to, this Scheme which the Court may approve or impose.

11. Mandated payments

Each mandate relating to the payment of dividends on any Scheme Shares and other instructions given to Alliance Boots by holders of Scheme Shares in force at the Scheme Record Time shall, unless and until amended or revoked, be deemed as from the Effective

PART SEVEN: THE SCHEME OF ARRANGEMENT

Date to be an effective mandate or instruction to AB Acquisitions in respect of payments pursuant to the corresponding Loan Notes to be issued pursuant to this Scheme.

Dated 8 May 2007

PART EIGHT: ADDITIONAL INFORMATION FOR OVERSEAS PERSONS

1. General

This document has been prepared for the purposes of complying with English law, the City Code and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside the UK. The implications of the Scheme and the Transaction (including the right to make an election under the Loan Note Alternative) for Overseas Persons may be affected by the laws of the relevant jurisdictions. It is the responsibility of Overseas Persons to inform themselves about and observe, any applicable legal requirements.

It is the responsibility of any person into whose possession this document comes to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the allotment and issue of Loan Notes including the obtaining of any governmental, exchange control or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes or levies due in such jurisdiction.

Unless otherwise determined by AB Acquisitions and permitted by applicable law and regulation, the provision of this document to a Restricted Overseas Person does not constitute an offer of Loan Notes to that person and Loan Notes are not being offered in, into or to any persons in any jurisdiction where to do so would violate the laws of that jurisdiction or would require registration thereof in such jurisdiction or to, or for the account or benefit of, any Restricted Overseas Person.

This document does not constitute an offer or invitation to purchase or subscribe for any securities or a solicitation of an offer to buy any securities pursuant to this document or otherwise in any jurisdiction in which such offer or solicitation is unlawful.

Overseas Persons should consult their own legal and tax advisers with respect to the legal and tax consequences of the Scheme.

2. United States

US persons should note that the Scheme relates to the shares of an English company that is a "foreign private issuer" under Rule 3b-4 under the US Exchange Act and will be governed by English law. Neither the proxy solicitation rules nor the tender offer rules under the US Exchange Act will apply to the Scheme. Moreover, the Scheme will be subject to the disclosure requirements and practices applicable in the UK to schemes of arrangement, which differ from the disclosure requirements under US securities law. Financial information included in the Scheme Document has been prepared in accordance with accounting standards applicable in the UK that may not be comparable with the financial statements of US companies. US generally accepted accounting principles differ in certain respects from International Financial Reporting Standards. None of the financial information in this Scheme Document has been audited in accordance with auditing standards generally accepted in the United States or the auditing standards of the Public Company Accounting Oversight Board (United States).

The Loan Notes that may be issued pursuant to the Transaction have not been, and will not be registered under the US Securities Act or under the securities laws of any state, district or territory or other jurisdiction of the United States. Accordingly, Loan Notes may not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly, in or into the United States or to, or for the account or benefit of, any US Person.

Alliance Boots is a public limited company incorporated under the laws of England and Wales. All the Alliance Boots Directors may be citizens or residents of countries other than the United States and, as a result, it may not be possible for Scheme Shareholders who are resident in the United States to effect service of process within the United States upon the Alliance Boots Group or the

PART EIGHT: ADDITIONAL INFORMATION FOR OVERSEAS PERSONS

Alliance Boots Directors. All or a substantial portion of the assets of such persons and of the Alliance Boots Group may be located outside the United States. As a result, it may not be possible for Scheme Shareholders to enforce against them judgments of US courts, including judgments predicated upon civil liabilities under the securities laws of the United States or any state or territory within the United States.

Holders of American depositary shares representing Alliance Boots Shares should contact the relevant depositary bank with any queries that they might have in connection with their holding of such American depositary shares or to make arrangements to vote at the Alliance Boots EGM or attend the Court Meeting if they are able to pursuant to the terms of the applicable depositary arrangement and if they so wish. Alliance Boots has no relationship with any depositary in connection with any such depositary arrangement and Alliance Boots has no obligation or liability with respect to any action or inaction by such depositary or any other aspect of any such depositary arrangement.

3. Australia

No prospectus in relation to the Loan Notes has been, or will be, lodged with, or registered with, the Australian Securities and Investments Commission (“**ASIC**”). This document has not been lodged with ASIC and does not include the information required of a prospectus. Accordingly, unless otherwise determined by AB Acquisitions and permitted by applicable law and regulation, the provision of this document to any person in Australia does not constitute an offer of Loan Notes to that person and Loan Notes are not being offered in, into or to any persons in and may not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly in or into or to persons in Australia.

No financial product advice is provided in this document and nothing in this document should be taken to constitute a recommendation or statement of opinion that is intended to influence a person or persons in making a decision in relation to any financial products.

4. New Zealand

No prospectus in relation to the Loan Notes has been, or will be, lodged with, or registered with, the Companies Office in New Zealand. Accordingly, unless otherwise determined by AB Acquisitions and permitted by applicable law and regulation, the provision of this document to any person in New Zealand does not constitute an offer of Loan Notes to that person and Loan Notes are not being offered in, into or to any persons in and may not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly in or into or to persons in New Zealand.

5. Japan

Loan Notes which may be issued pursuant to the Transaction have not been and will not be registered under the relevant securities laws of Japan. No securities registration statement in relation to the Loan Notes has been, or will be filed with the Director of the Kanto Local Finance Bureau. No prospectus in relation to the Loan Notes has been, or will be, lodged with, or registered with, the Japanese Ministry of Finance. Accordingly, unless otherwise determined by AB Acquisitions and permitted by applicable law and regulation, the provision of this document to any person in Japan does not constitute an offer of Loan Notes to that person and Loan Notes are not being offered in, into or to any persons in and may not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly in or into or to persons in Japan.

PART EIGHT: ADDITIONAL INFORMATION FOR OVERSEAS PERSONS

6. Switzerland

Loan Notes which may be issued pursuant to the Transaction have not been and will not be registered under the relevant securities law of Switzerland. No prospectus has been prepared under Swiss law in relation to the Loan Notes. Accordingly, unless otherwise determined by AB Acquisitions and permitted by applicable law and regulation, the provision of this document to any person in Switzerland does not constitute an offer of Loan Notes to that person and Loan Notes are not being offered in, into or to any persons in and may not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly in or into or to persons in Switzerland.

PART NINE: ADDITIONAL INFORMATION ON ALLIANCE BOOTS AND AB ACQUISITIONS

1. Responsibility

- 1.1 The Alliance Boots Directors, whose names are set out in paragraph 2.1 below, accept responsibility for the information contained in this document other than the information for which responsibility is taken pursuant to paragraphs 1.2 and 1.3 below. To the best of the knowledge and belief of the Alliance Boots Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The Independent Directors accept responsibility for their views and opinions set out in this document, including their recommendation to Alliance Boots Shareholders set out in paragraph 14 of Part One of this document. To the best of the knowledge and belief of the Independent Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.3 The AB Acquisitions Directors (whose names are set out in paragraph 2.2 below), Dominic Murphy and Stefano Pessina (both of whom it is intended will become directors of AB Acquisitions following the Scheme becoming effective) and the members of the KKR global investment committee, namely Henry R. Kravis, George R. Roberts, Michael W. Michelson, Johannes P. Huth, Todd A. Fisher and Alexander Navab, accept responsibility for the information contained in this document relating to the AB Acquisitions Group, KKR, the AB Acquisitions Directors and their immediate families and the related trusts of and the persons connected with the AB Acquisitions Directors. To the best of the knowledge and belief of the AB Acquisitions Directors, Dominic Murphy, Stefano Pessina, and the members of the KKR global investment committee named above, (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors

- 2.1 The Alliance Boots Directors and their positions are:

Sir Nigel Rudd	(Chairman)
Stefano Pessina	(Executive Deputy Chairman)
Richard Baker	(Chief Executive)
George Fairweather	(Group Finance Director)
Ornella Barra	(Wholesale & Commercial Affairs Director)
Steve Duncan	(Community Pharmacy Director)
Scott Wheway	(Health & Beauty Retail Director)
Guy Dawson	(Senior Non-Executive Director)
Adrian Loader	(Non-Executive Director)
Tim Parker	(Non-Executive Director)
Hélène Ploix	(Non-Executive Director)
Patrick Ponsolle	(Non-Executive Director)
Manfred Stach	(Non-Executive Director).

The business address of each of the Alliance Boots Directors is Sedley Place, 4th Floor, 361 Oxford Street, London W1C 2JL.

The company secretary of Alliance Boots is Marco Pagni.

PART NINE: ADDITIONAL INFORMATION ON ALLIANCE BOOTS AND AB ACQUISITIONS

- 2.2 As set out in the overview in Part Six of this document, the AB Acquisitions Directors and their positions are:

Sergio D'Angelo	(Director)
Henrik Kraft	(Director)

It is intended that Dominic Murphy (a partner of KKR) and Stefano Pessina will become directors of AB Acquisitions following the Scheme becoming effective.

The company secretary of AB Acquisitions is Clifford Chance Secretaries Limited.

3. Interests in AB Acquisitions Holdings Shares by Alliance Boots Directors

As at 3 May 2007 (the latest practicable date prior to the posting of this document) , half of the issued share capital of AB Acquisitions Holdings, the ultimate holding company of AB Acquisitions, is held by ASP (as set out in the overview in Part Six of this document) . Stefano Pessina, a director of Alliance Boots, indirectly holds all of the shares of ASP.

4. Interests in Alliance Boots Shares

- 4.1 As at 3 May 2007 (the latest practicable date prior to the posting of this document) the interests of the Alliance Boots Directors in the share capital of Alliance Boots within the meaning of section 820 of the 2006 Act (including family and corporate interests as defined, respectively, in sections 822 and 823 of the 2006 Act) are as follows:

(A) Issued Share Capital

<u>Director</u>	<u>Number of Alliance Boots Shares</u>
Sir Nigel Rudd	49,028
Stefano Pessina	277,043,964 ¹
Richard Baker	24,587 ²
George Fairweather	83,171
Ornella Barra	559,021
Steve Duncan	44,419
Scott Wheway	4,601 ³
Guy Dawson	2,689
Adrian Loader	8,159
Tim Parker	4,263
Hélène Ploix	2,740
Patrick Ponsolle	693 ³
Manfred Stach	1,500

As potential beneficiaries of The Boots Employee Trust, Stefano Pessina, Richard Baker, George Fairweather, Ornella Barra, Steve Duncan and Scott Wheway are deemed to be interested in the 589,619 Alliance Boots Shares held in that trust.

1 Consisting of: (i) 145,300,000 Alliance Boots Shares held by ASP, an entity indirectly wholly controlled by Stefano Pessina; (ii) 299,108 Alliance Boots Shares held directly by Stefano Pessina; and (iii) 131,444,856 Alliance Boots Shares held by AB Acquisitions, an entity indirectly controlled as to 50 per cent. by Stefano Pessina.

2 Includes 62 Alliance Boots Shares awarded under The Boots Group All-Employee Share Ownership Plan 2002 which may, in certain circumstances, be forfeited.

3 Includes 34 Alliance Boots Shares awarded under The Boots Group All-Employee Share Ownership Plan 2002 which may, in certain circumstances, be forfeited.

PART NINE: ADDITIONAL INFORMATION ON ALLIANCE BOOTS AND AB ACQUISITIONS

As potential beneficiaries of the UniChem 1992 Employee Trust, Stefano Pessina, George Fairweather, Ornella Barra and Steve Duncan are deemed to be interested in the 3,331,396 Alliance Boots Shares held in that trust.

As potential beneficiaries of the Boots Qualifying Employee Share Trust, Richard Baker and Scott Wheway are deemed to be interested in the 4,321,954 Alliance Boots Shares held in that trust.

(B) Share options and share awards

The Alliance Boots Directors had outstanding the following options over Alliance Boots Shares under the terms of the Alliance Boots Share Schemes as at 3 May 2007 (the latest practicable date prior to the posting of this document):

<u>Director</u>	<u>Date of Grant</u>	<u>Number of Alliance Boots Shares</u>	<u>Exercise Price (p)</u>	<u>Exercise Period</u>
Richard Baker	18.09.03	181,950	687.00	18.09.06 - 17.09.13
	18.09.03	90,975	687.00	18.09.06 - 17.09.13
	14.06.04	99,536	647.00	14.06.07 - 13.06.14
	23.11.06	1,482	637.34	01.02.10 - 01.08.10
George Fairweather	23.11.06	1,482	637.34	01.02.10 - 01.08.10
Steve Duncan	06.04.04	4,948	330.33	01.07.09 - 31.12.09

The Alliance Boots Directors had outstanding the following share awards over Alliance Boots Shares under the terms of the Alliance Boots Share Schemes as at 3 May 2007 (the latest practicable date prior to the posting of this document):

(1) Boots Performance Share Plan ("PSP")

<u>Director</u>	<u>Date of Grant</u>	<u>Number of Alliance Boots Shares</u>	<u>Date deemed exercised (assuming performance conditions satisfied)</u>
Richard Baker	28.10.05	273,605	28.10.08
	29.09.06	160,435	29.09.09
Scott Wheway	28.10.05	53,648	28.10.08
	29.09.06	61,976	29.09.09
Stefano Pessina	29.09.06	115,779	29.09.09
Ornella Barra	29.09.06	74,916	29.09.09
George Fairweather	29.09.06	88,537	29.09.09
Steve Duncan	29.09.06	74,916	29.09.09

(2) Boots Bonus Co-Investment Plan ("BCIP")

<u>Director</u>	<u>Date of Grant</u>	<u>Number of Alliance Boots Shares</u>	<u>Date deemed exercised (assuming performance conditions satisfied)</u>
Richard Baker	13.07.06	65,195	13.07.09
Scott Wheway	13.07.06	16,438	13.07.09

PART NINE: ADDITIONAL INFORMATION ON ALLIANCE BOOTS AND AB ACQUISITIONS

(3) Boots Group Long-Term Bonus Plan 2002

<u>Director</u>	<u>Date of Grant</u>	<u>Number of Alliance Boots Shares</u>
Richard Baker	25.03.04	113,221
Scott Wheway	25.03.04	26,410

To the extent that bonus awards under this plan vest, the participant is entitled to a share award with an exercise period determined by the Remuneration Committee. The table above shows the maximum number of Alliance Boots Shares over which the share awards may be granted. As explained in paragraph 9.3 (e) of Part One of this document, the share awards will become exercisable on the date on which the Scheme is sanctioned by the Court and, if unexercised, will lapse on the Effective Date.

The options and awards referred to above were granted for no monetary consideration.

Assuming that the Scheme becomes effective and that each Alliance Boots Director elects to exercise his options in full, each Alliance Boots Director will receive (before any election for Loan Notes and leaving out of account any options under the SAYE Schemes and Alliance Boots Shares held in the AESOPs) in respect of his options and awards the following:

- (i) Richard Baker will receive £6,543,379 (after deduction of the aggregate option exercise price) of which £3,427,809 is attributable to those Alliance Boots Shares to which he is entitled in accordance with the rules of the relevant Alliance Boots Share Scheme before the exercise of any discretions by the Remuneration Committee and £3,115,570 is attributable to the additional Alliance Boots Shares to which he becomes entitled as a result of the exercise of those discretions;
- (ii) George Fairweather will receive £627,472 of which £420,182 is attributable to those Alliance Boots Shares to which he is entitled in accordance with the rules of the relevant Alliance Boots Share Scheme before the exercise of any discretions by the Remuneration Committee and £207,290 is attributable to the additional Alliance Boots Shares to which he becomes entitled as a result of the exercise of those discretions;
- (iii) Steve Duncan will receive £530,938 of which £355,539 is attributable to those Alliance Boots Shares to which he is entitled in accordance with the rules of the relevant Alliance Boots Share Scheme before the exercise of any discretions by the Remuneration Committee and £175,399 is attributable to the additional Alliance Boots Shares to which he becomes entitled as a result of the exercise of those discretions;
- (iv) Scott Wheway will receive £1,189,417 of which £830,428 is attributable to those Alliance Boots Shares to which he is entitled in accordance with the rules of the relevant Alliance Boots Share Scheme before the exercise of any discretions by the Remuneration Committee and £358,989 is attributable to the additional Alliance Boots Shares to which he becomes entitled as a result of the exercise of those discretions;
- (v) Stefano Pessina will receive £820,539 of which £549,468 is attributable to those Alliance Boots Shares to which he is entitled in accordance with the rules of the relevant Alliance Boots Share Scheme before the exercise of any discretions by the Remuneration Committee and £271,071 is attributable to the additional Alliance Boots Shares to which he becomes entitled as a result of the exercise of those discretions;
and

PART NINE: ADDITIONAL INFORMATION ON ALLIANCE BOOTS AND AB ACQUISITIONS

(vi) Ornella Barra will receive £530,938 of which £355,539 is attributable to those Alliance Boots Shares to which she is entitled in accordance with the rules of the relevant Alliance Boots Share Scheme before the exercise of any discretions by the Remuneration Committee and £175,399 is attributable to the additional Alliance Boots Shares to which she becomes entitled as a result of the exercise of those discretions.

The amounts payable to Richard Baker include amounts attributable to options granted in 2003 and 2004 prior to the merger of Boots Group PLC and Alliance UniChem Plc none of which vested at the time of the merger. None of the other Alliance Boots Directors were directors of Boots Group PLC at the time of the grant of those options.

4.2 As at 3 May 2007 (the latest practicable date prior to the posting of this document) the following persons falling within the categories specified in paragraphs (a), (b) or (d) of the definition of "associate" in paragraph 6.12 (i) below in relation to Alliance Boots (but excluding exempt principal traders and pension funds which are independently managed) owned or controlled the following Alliance Boots Shares:

<u>Name</u>	<u>Number of Alliance Boots ADS¹</u>
Goldman, Sachs & Co. as Discretionary Managers	331

<u>Name</u>	<u>Number of Alliance Boots Shares</u>
Boots Qualifying Employee Share Trust	4,321,954
Boots Employee Trust	589,619
The Boots Company All-Employee Share Ownership Plan 2000	903,002
Boots Group All-Employee Share Ownership Plan 2002	3,121,038
The UniChem 1992 Employee Trust	3,331,396

4.3 As at 3 May 2007 (the latest practicable date prior to the posting of this document), AB Acquisitions held 131,444,856 Alliance Boots Shares.

4.4 As at 3 May 2007 (the latest practicable date prior to the posting of this document), no AB Acquisitions Director held interests in Alliance Boots Shares.

¹ Each ADS represents one Alliance Boots Share.

PART NINE: ADDITIONAL INFORMATION ON ALLIANCE BOOTS AND AB ACQUISITIONS

- 4.5 As at 3 May 2007 (the latest practicable date prior to the posting of this document) the following persons acting in concert with AB Acquisitions owned or controlled the following Alliance Boots Shares:

<u>Name</u>	<u>Number of Alliance Boots Shares</u>
Stefano Pessina	277,043,964 ¹
ASP	276,744,856 ²
Ornella Barra	559,021
Merrill Lynch	1,468,984
Citigroup Global Markets Limited	95,886 (long) 7,623 (short) 2,250,000 (options long) 2,250,000 (options short)

5. Dealings in Alliance Boots Shares

- 5.1 The following dealings for value in Alliance Boots Shares by Alliance Boots Directors have taken place during the Offer Period:

<u>Name</u>	<u>Date</u>	<u>Nature of transaction</u>	<u>Number of Alliance Boots Shares</u>	<u>Price per Alliance Boots Share (p)</u>
Richard Baker	21.03.07	Purchase of shares under The Boots Group All-Employee Share Ownership Plan 2002	12	1,012
	24.04.07	Purchase of shares under The Boots Group All-Employee Share Ownership Plan 2002	11	1,128

1 Consisting of: (i) 145,300,000 Alliance Boots Shares held by ASP, an entity indirectly controlled by Stefano Pessina; (ii) 299,108 Alliance Boots Shares held directly by Stefano Pessina; and (iii) 131,444,856 Alliance Boots Shares held by AB Acquisitions, an entity indirectly controlled as to 50 per cent. by Stefano Pessina.

2 Consisting of: (i) 145,300,000 Alliance Boots Shares held by ASP directly, and (ii) 131,444,856 Alliance Boots Shares held by AB Acquisitions, an entity indirectly controlled as to 50 per cent. by ASP.

PART NINE: ADDITIONAL INFORMATION ON ALLIANCE BOOTS AND AB ACQUISITIONS

5.2 The following dealings for value in Alliance Boots Shares by persons referred to in paragraph 4.2 above have taken place during the Offer Period:

<u>Name</u>	<u>Date</u>	<u>Nature of transaction</u>	<u>Number of Alliance Boots Shares</u>	<u>Price per Alliance Boots Share (p)</u>
The trustee of The Boots Qualifying Employee Share Trust	17.04.07	Transfer to employees	6,323	624.00
The trustee of The Boots Group All-Employee Share Ownership Plan 2002	20.03.07	Purchase	12,114 ¹	1,012.00 ³
	20.03.07	Purchase	11,048 ²	1,128.00 ³
	09.03.07	Sale	1,712	930.00 ³
	16.03.07	Sale	10,083	1,004.00 ³
	23.03.07	Sale	11,642	1,036.50 ³
	30.03.07	Sale	17,558	1,026.50 ³
	05.03.07	Sale	15	1,029.00 ³
The trustee of the UniChem 1992 Employee Trust	23.04.07	Sale	22,378	1,126.50 ³
	24.04.07	Sale	969	347.50
		Sale	459	330.33
Sale		205	442.55	

<u>Name</u>	<u>Date</u>	<u>Nature of transaction</u>	<u>Number of Alliance Boots Shares</u>	<u>Price per Alliance Boots Share (US\$)</u>
UBS Investment Bank	28.03.07	Sale	311	19.85
	09.04.07	Sale	151	20.10
	23.04.07	Sale	166	22.35

5.3 The following dealings for value in Alliance Boots Shares by AB Acquisitions have taken place during the Disclosure Period:

<u>Date</u>	<u>Nature of transaction</u>	<u>Number of Alliance Boots Shares</u>	<u>Price per Alliance Boots Share (p)</u>
20.04.07	Purchase	11,444,856	1,090
23.04.07	Purchase	49,694,229	1,139
24.04.07	Purchase	40,305,771	1,139
24.04.07	Purchase	30,000,000	1,130

1 This includes the 12 shares purchased for Richard Baker referred to in paragraph 5.1.

2 This includes the 11 shares purchased for Richard Baker referred to in paragraph 5.1.

3 Shares were sold by the trustee on behalf of participants in the plan at various different times during the day and at different prices; the price shown is the closing middle-market value of a share on the date in question.

PART NINE: ADDITIONAL INFORMATION ON ALLIANCE BOOTS AND AB ACQUISITIONS

5.4 The following dealings for value in Alliance Boots Shares by persons acting in concert with AB Acquisitions have taken place during the Disclosure Period:

<u>Name</u>	<u>Date</u>	<u>Nature of transaction</u>	<u>Number of Alliance Boots Shares</u>	<u>Price per Alliance Boots Share (p)</u>
ASP	31.07.06	Share exchange pursuant to scheme of arrangement ⁶	144,749,810	786 ⁷
Stefano Pessina	29.09.06	Purchase	550,190	779.5754
	31.07.06	Share exchange pursuant to scheme of arrangement ⁶	299,108	786 ⁷
Ornella Barra	31.07.06	Share exchange pursuant to scheme of arrangement ⁶	559,021	786 ⁷
J.P. Morgan Securities Ltd	29.11.06	Purchase	1,642	796.7
	01.12.06	Sale	542	794.5
	07.12.06	Sale	363	792.1
	13.12.06	Sale	737	833.4
	23.04.07	Sale	5,700	1,128 ⁸
	27.04.07	Purchase	5,700	1,121 ⁸
JPMorgan Cazenove Limited	09.11.06	Sale	1,890	810
	01.12.06	Purchase	377	793.5
	01.12.06	Purchase	352	793.5
	01.12.06	Purchase	252	793.5
	07.02.07	Purchase	909	821
Merrill Lynch International	31.07.06 - 08.09.06	Purchase	764,178	758-790
	31.07.06 - 08.09.06	Sale	1,084,411	758-791
	09.09.06 - 08.12.06	Purchase	2,327,765	757-829
	09.09.06 - 08.12.06	Sale	2,455,544	757-829
	09.12.06 - 08.01.07	Purchase	599,650	824-845
	09.12.06 - 08.01.07	Sale	213,752	824-845
	09.01.07 - 08.02.07	Purchase	606,921	773-834
	09.01.07 - 08.02.07	Sale	589,151	773-784
	09.02.07 - 08.03.07	Purchase	1,381,633	785-826
	09.02.07 - 08.03.07	Sale	6,084,637	785-826
	09.03.07 - 03.05.07	Purchase	4,020,427	824-1,002 ⁹
09.03.07 - 03.05.07	Sale	1,044,534	815-935 ⁹	

6 On 31 July 2006, pursuant to a court sanctioned scheme of arrangement, all the shares in Alliance UniChem Plc were cancelled and former shareholders of Alliance UniChem Plc received 1.332 Alliance Boots Shares for each share held in Alliance UniChem Plc.

7 Represents the closing price per Alliance Boots Share on 31 July 2006, the effective date of the scheme of arrangement.

8 The Panel has confirmed on an *ex parte* basis that these dealings have no City Code implications.

9 At the time of these dealings Merrill Lynch was not acting for AB Acquisitions and so these dealings have no City Code implications

PART NINE: ADDITIONAL INFORMATION ON ALLIANCE BOOTS AND AB ACQUISITIONS

5.5 The following dealings for value in Alliance Boots ADSs (each representing one Alliance Boots Share) by persons acting in concert with AB Acquisitions have taken place during the Disclosure Period:

<u>Name</u>	<u>Date</u>	<u>Nature of transaction</u>	<u>Number of Alliance Boots ADSs¹⁰</u>	<u>Price per ADS (US\$)</u>
Citigroup Global Markets Limited ¹¹	31.07.06 - 08.09.06	Purchase	1,370,108	14.25-15.20
	31.07.06 - 08.09.06	Sale	1,033,240	14.10 - 15.20
	09.09.06 - 08.12.06	Purchase	5,174,368	14.10 -16.10
	09.09.06 - 08.12.06	Sale	5,097,243	14.00 - 16.10
	09.12.06 - 08.01.07	Purchase	252,085	15.75 - 16.77
	09.12.06 - 08.01.07	Sale	404,301	15.55 - 16.65
	09.01.07 - 08.02.07	Purchase	3,794,370	15.45 - 16.65
	09.01.07 - 08.02.07	Sale	2,040,221	15.30 - 16.50
	09.02.07 - 08.03.07	Purchase	734,964	15.25 - 16.40
	09.02.07 - 08.03.07	Sale	366,207	15.15 - 16.25
	18.04.07	Sale	499	21.25 ¹²
	19.04.07	Sale	677	21.00 ¹²

6. Shareholdings and dealings — general

- 6.1 Save as disclosed in paragraphs 4 and 5 above, none of any member of the AB Acquisitions Group, any of the AB Acquisitions Directors, any member of their immediate families or any related trusts or companies, any other person acting in concert with AB Acquisitions, owns, controls or is interested (directly or indirectly) in, or has any rights to subscribe or has any short positions in respect of, any relevant securities nor has any such person dealt in any relevant securities during the Disclosure Period.
- 6.2 Save as disclosed in paragraphs 3, 4 and 5 above, neither Alliance Boots nor any of its subsidiaries nor any of the Alliance Boots Directors nor any member of their immediate families or any related trusts or companies, owns, controls or is interested (directly or indirectly) in, or has any rights to subscribe or has any short positions in respect of, any relevant securities nor has any such person dealt in any relevant securities during the Offer Period and no bank, stockbroker, financial or other professional adviser of Alliance Boots (other than an exempt principal trader) nor any person controlling, controlled by, or under the same control as such bank, stockbroker, financial or other professional adviser nor any pension fund (other than one which is independently managed) of Alliance Boots or any of its subsidiaries nor any person whose investments are managed on a discretionary basis by fund managers (other than exempt fund managers) connected with Alliance Boots owns, controls or is interested (directly or indirectly) in, or has any rights to subscribe or has any short positions in respect of, any relevant securities nor has any such person dealt therein during the Offer Period.
- 6.3 As at 3 May 2007 (the latest practicable date prior to the publication of this document) no person falling within the categories specified in paragraphs (a) and (d) of the definition of “associate” in paragraph 6.12 (i) below in relation to Alliance Boots (but excluding exempt

10 Each ADS represents one Alliance Boots Share.

11 All Citigroup Global Markets Limited dealings data includes trades conducted in non-discretionary retail accounts.

12 The Panel has confirmed on an ex parte basis that these dealings have no City Code implications.

PART NINE: ADDITIONAL INFORMATION ON ALLIANCE BOOTS AND AB ACQUISITIONS

- principal traders and pension funds which are independently managed) owned, controlled, or was interested (directly or indirectly) in, or had any right to subscribe or had any short positions in respect of, any relevant securities nor has any such person dealt therein during the Offer Period.
- 6.4 There is no agreement, arrangement or understanding whereby the beneficial ownership of any Alliance Boots Shares to be acquired by AB Acquisitions pursuant to the Scheme will be transferred to any other person.
- 6.5 Save as disclosed in paragraph 7 of Part One of this document, no persons have given any irrevocable or other commitment to vote in favour of the Scheme or the resolutions to be proposed at the Alliance Boots EGM.
- 6.6 Save as disclosed above, none of (i) AB Acquisitions or any person acting in concert with AB Acquisitions; or (ii) Alliance Boots or any associate (as defined in the City Code) of Alliance Boots has any arrangement of the kind referred to in Note 6(b) on Rule 8 of the City Code in relation to relevant securities. For the purposes of this part of the document, "arrangement" includes an indemnity or option arrangement and any agreement or understanding, formal or informal, of whatever nature which may be an inducement to deal or refrain from dealing.
- 6.7 Neither AB Acquisitions nor any person acting in concert with it has borrowed or lent any relevant securities of Alliance Boots during the Disclosure Period, save for any borrowed shares which have been on-lent or sold.
- 6.8 Neither Alliance Boots nor any person acting in concert with it has borrowed or lent any relevant securities of Alliance Boots during the Offer Period, save for any borrowed shares which have been on-lent or sold.
- 6.9 Save as disclosed above, no agreement, arrangement or understanding (including any compensation arrangement) exists between AB Acquisitions or any person acting in concert with it and any of the Alliance Boots Directors or the recent directors, shareholders or recent shareholders of Alliance Boots having any connection with or dependence upon or which is conditional upon the Transaction.
- 6.10 No relevant securities of Alliance Boots have been redeemed or purchased by Alliance Boots during the period commencing on 9 March 2006 (being the date 12 months prior to the commencement of the Offer Period) and ending on 3 May 2007 (being the latest practicable date prior to the publication of this document).
- 6.11 No relevant securities of AB Acquisitions Holdings have been redeemed or purchased by AB Acquisitions Holdings during the Disclosure Period.
- 6.12 References in this paragraph 6 to:
- (i) an "associate" are to:
 - (a) subsidiaries and associated companies of Alliance Boots and companies of which any such subsidiaries or associated companies are associated companies;
 - (b) banks, financial and other professional advisers (including stockbrokers) to Alliance Boots or a company covered in (a) above, including persons controlling, controlled by or under the same control as such banks or financial or other professional advisers;

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- (c) the Alliance Boots Directors and the directors of any company covered in (a) above (together in each case with their close relatives and related trusts); and
- (d) the pension funds and employee benefit trusts of Alliance Boots or any company covered in (a) above;
- (ii) a “bank”, do not apply to a bank whose sole relationship with Alliance Boots, or a company covered in (i) (a) above, is the provision of normal commercial banking services or such activities in connection with the Transaction as handling acceptances and other registration work;
- (iii) ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status and “control” means a holding or aggregate holdings of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of the company which are currently exercisable at a general meeting, irrespective of whether the holding gives de facto control; and
- (iv) “relevant securities” means AB Acquisitions Holdings Shares and Alliance Boots Shares and securities convertible into or exchangeable for rights to subscribe for and options in respect of any of the foregoing.

7. Directors’ service contracts and letters of appointment

7.1 The details of the service contracts of the executive Alliance Boots Directors are as follows:

<u>Name</u>	<u>Date of Agreement</u>	<u>Expiry terms</u>	<u>Base annual salary (£)</u>
Stefano Pessina	31.07.06	Indefinite term: terminable on 12 months’ notice by Alliance Boots or 6 months’ notice by Stefano Pessina	593,000
Richard Baker	08.08.03	Indefinite term: terminable on 12 months’ notice by Alliance Boots or 6 months’ notice by Richard Baker	810,000
George Fairweather	31.07.06	Indefinite term: terminable on 12 months’ notice by either party	470,000
Ornella Barra	31.07.06	Indefinite term: terminable on 12 months’ notice by Alliance Boots or 6 months’ notice by Ornella Barra	400,000
Scott Wheway ¹	03.09.04	Indefinite term: terminable on 12 months’ notice by either party	420,000
Stephen Duncan	31.07.06	Indefinite term: terminable on 12 months’ notice by either party	380,000

PART NINE: ADDITIONAL INFORMATION ON ALLIANCE BOOTS AND AB ACQUISITIONS

7.2 Further details of the service contracts of the executive Alliance Boots Directors are as follows:

In the event of early termination, each of the executive directors' service contracts (other than that for Scott Wheway) provides for the making of a payment in lieu of the notice period. Scott Wheway's current service contract provides that he may be required not to attend work during the period of notice. It is expected that Scott Wheway will enter into a new service contract with Alliance Boots shortly. The proposed contract provides for the making of a payment in lieu of the notice period. The current contract and the proposed contract do not otherwise differ with regard to the terms set out in this paragraph 7.

Each of the executive Alliance Boots Directors is entitled to participate in the Short-Term Executive Bonus Scheme, subject to the rules of such programme as amended from time to time. In 2006-2007, under the former Alliance Boots bonus arrangements, one third of bonus depended on individual performance against personal targets, and two thirds depended upon business performance targets including operating profits, sales and return on capital. During the same period under the former Alliance UniChem Plc bonus arrangement, 80 per cent. of bonus was based on adjusted profit and 20 per cent. was based on personal performance. The maximum bonus an executive Alliance Boots Director could receive under either arrangement was 100 per cent. of annual basic salary. Both arrangements were in force until 31 July 2006 and any bonus payable under either was correspondingly scaled back pro rata.

During the period 1 August 2006 to 31 March 2007, a harmonised bonus arrangement was put in place for all executive Alliance Boots Directors. This arrangement has two parts. Under the first part, one third of the bonus is dependent on individual performance against personal targets and two thirds are dependent on group earnings. The maximum bonus payable is 100 per cent. of annual basic salary pro rated for the eight month period from 1 August 2006 to 31 March 2007. Under the second part, bonus is based on the attainment of stretched earnings targets arising from the delivery of synergy benefits. The maximum potential bonus is 67 per cent. of annual basic salary.

For the 2007/2008 financial year, 75 per cent. of bonus will depend on group earnings and 25 per cent. on personal targets. The maximum potential bonus will be 100 per cent. of annual basic salary.

The executive Alliance Boots Directors are eligible to participate in the BCIP under which executive Alliance Boots Directors may invest up to 50 per cent. of their earned short-term bonus for the previous year in Alliance Boots Shares in return for a variable matching share award of up to 2:1. The size of the match depends on a rate of earnings per share growth, set by the remuneration committee, and continued employment over a three year cycle.

In addition to the BCIP, executive Alliance Boots Directors also participate in the PSP. Executive Alliance Boots Directors have been granted an award, 33 per cent. of which is based on Alliance Boots' total shareholder return performance over a three year period relative to the FTSE 100 and 67 per cent. of which is subject to the real annual growth in earnings per share. In 2006, former executive Alliance Boots Directors received an award of 130 per cent. of basic annual salary; former executive Alliance UniChem Plc directors received an award of 163 per cent. of annual basic salary; and Mr Baker received an award of 165 per cent. of annual basic salary.

Alliance Boots also operates The Boots Group All-Employee Share Ownership Plan 2002 and the Boots SAYE Share Option Plan 2002, which are also open to executive Alliance Boots Directors. In addition, Alliance Boots previously operated the Executive Share Option

1 It is expected that Scott Wheway will enter into a new service contract with Alliance Boots shortly. See paragraph 7.2.

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Plans and the Alliance UniChem Savings Related Share Option Scheme 1990. For details of the options granted to Alliance Boots Directors under these schemes, please refer to paragraph 4.1 (B) above.

Richard Baker and Scott Wheway receive pension entitlements from Alliance Boots' principal UK defined benefit pension scheme. They also receive supplementary pension arrangements which are aimed at providing a pension of two-thirds of final basic salary at normal retirement age.

George Fairweather is a member of the defined benefit section of the Alliance UniChem Group UK Pension Scheme and is a deferred member of the Alliance UniChem 1993 Pension Scheme.

Steve Duncan is a deferred member of the Alliance UniChem Group UK Pension Scheme and has ceased to accrue pension benefits in respect of future service. His accrued pension benefit is defined by reference to his final pensionable salary as defined in the Alliance UniChem Group UK Pensions Scheme. From 6 April 2006, Steve Duncan has received a supplementary payment set at 40 per cent. of his annual basic salary.

Ornella Barra is a member of a tax-approved pension scheme to which defined contributions are made by Alliance Boots. Subject to Ornella Barra only selecting investments offered by the scheme, a certain level of benefits are guaranteed to be payable at retirement. Pension entitlement is calculated only on the basic salary element of remuneration.

Stefano Pessina has no pension benefits.

Each of the executive Alliance Boots Directors is also entitled to the provision of company cars or a car allowance, and, for Stefano Pessina and Ornella Barra, the cost of travel to and from work, accommodation and subsistence while working for the Alliance Boots Group in the UK. Where a director is entitled to a benefit but chooses not to take that benefit, a cash supplement is paid in lieu of that benefit.

- 7.3 The Chairman of Alliance Boots does not have a service contract but instead has a letter of appointment setting out the terms and conditions of his appointment. Details of the letter of appointment are set out below:

<u>Date of current letter of appointment</u>	<u>Appointment commenced</u>	<u>Term of appointment</u>	<u>Annual salary</u>
19 March 2004	December 1999	An initial term of three years, renewed for a further three years at the 2006 Annual General Meeting	£500,000 ¹

Sir Nigel Rudd's appointment can be terminated by Sir Nigel Rudd or Alliance Boots giving to the other not less than one month's notice. In the event of early termination, the letter of appointment provides for the making of a payment in lieu of the notice period.

- 7.4 The non-executive directors of Alliance Boots do not have service contracts, but instead each has a letter of appointment setting out the terms and conditions of his or her appointment. Details of the letters of appointment are set out below:

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<u>Name</u>	<u>Date of Letter of Appointment</u>	<u>Appointment commenced</u>	<u>Annual Fee</u>
Guy Dawson	4 March 2004	15 September 2003	£70,000
Adrian Loader	4 February 2004 ²	24 September 2003	£55,000
Tim Parker	4 March 2004	28 January 2004	£70,000
Hélène Ploix	4 March 2004	7 September 2000	£65,000
Patrick Ponsolle ³		30 December 1997	£65,000
Manfred Stach	29 March 2004 ²	8 December 2003	£55,000

The letters of appointment of each non-executive director provide that the non-executive appointment may be terminated by the non-executive director or Alliance Boots giving to the other not less than one month's written notice. In the event of early termination, the letters of appointment provide for the making of a payment in lieu of the notice period.

With the exception of Patrick Ponsolle, each non-executive director is appointed for an initial three year term, followed by two further three year terms subject to re-election by the Alliance Boots Shareholders. Patrick Ponsolle has been appointed for a one year term followed by further one year terms, subject to re-election by the Alliance Boots Shareholders.

- 7.5 Save as disclosed above, there are no service contracts between any Alliance Boots Director, or proposed director of Alliance Boots, Alliance Boots or any of its subsidiaries and save as disclosed above, no such contract has been entered into or amended within the six months preceding the date of this document.
- 7.6 Save as set out in this document, the effect of the Scheme on the interests of the Alliance Boots Directors does not differ from its effect on the like interests of any other person.

8. Market quotations

The following table shows the closing middle market prices for Alliance Boots Shares as derived from the Official List for the first dealing day of each month from December to May inclusive, for 8 March 2007 (being the last Business Day prior to the commencement of the Offer Period) and for 3 May 2007 (being the last practicable date prior to the posting of this document):

<u>Date</u>	<u>Alliance Boots Share Price (p)</u>
1 December 2006	796.0
2 January 2007	846.0
1 February 2007	812.0
1 March 2007	794.0
8 March 2007	815.0
2 April 2007	1,029.0
1 May 2007	1,120.5
3 May 2007	1,119.5

¹The fee is payable in shares three months in arrears, the share price being averaged over the three month period prior to the purchase of shares by Alliance Boots on behalf of the Chairman.

²The date of appointment is the date the directors were appointed to the board of Alliance UniChem Plc. The directors were appointed to the Alliance Boots board on 31 July 2006.

³There is no written agreement for Patrick Ponsolle but the terms of his appointment are the same as those for the other non-executive directors.

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9. Material contracts

9.1 Alliance Boots

Details of each material contract (not being a contract entered into in the ordinary course of business) which has been entered into by any member of the Alliance Boots Group since 9 March 2005 (being the date two years before the commencement of the Offer Period) are set out below:

- (i) Alliance Boots has entered into the Implementation Agreement with AB Acquisitions. An overview of certain material provisions of the Implementation Agreement is set out in paragraph 4 of Part Two of this document.
- (ii) An agreement dated 29 July 2005 made between various subsidiaries of Alliance Boots and various subsidiaries of REIT Asset Management ("REIT") pursuant to which REIT acquired 312 Alliance Boots high street stores for a consideration of £298 million and agreed to lease them back to Alliance Boots for a period of 15 years at an initial rental of £16.1 million per annum with fixed annual uplifts of 1.5 per cent. Alliance Boots negotiated a degree of flexibility to exit properties early and may vacate a certain number of properties, without penalty, by giving not less than 12 months' notice.
- (iii) On 7 October 2005, Alliance Boots and The Boots Company PLC entered into a business and share sale agreement ("BSPA") to sell the Boots Healthcare International division of the Alliance Boots Group ("BHI") and certain related assets to Reckitt Benckiser plc for an aggregate consideration, on a debt and cash free basis, of £1.93 billion in cash subject to a completion working capital and current asset adjustment. Pursuant to the BSPA, Alliance Boots and The Boots Company PLC gave certain warranties which Alliance Boots regards as customary for a transaction of this nature and also entered into a tax covenant. Alliance Boots and The Boots Company PLC's maximum aggregate liability under each of the warranties and the tax covenant is capped at an amount equal to the adjusted gross purchase price for BHI and the related assets. Pursuant to the BSPA, Alliance Boots and The Boots Company PLC also entered into an environmental covenant (subject to, save for claims in relation to the manufacturing sites, a maximum aggregate liability of £10 million) and an asbestos covenant (subject to a maximum aggregate liability of £1 million).
- (iv) On 1 June 2006, Alliance Boots entered into a £1.1 billion multi-currency revolving credit facility with Barclays Capital, Citigroup Global Markets Limited and the Royal Bank of Scotland plc in connection with its merger with Alliance UniChem Plc. The facility is scheduled to mature on the earlier of 31 July 2007 (being the date twelve months after the effective date of the merger) and 29 March 2008, with an option at the sole discretion of Alliance Boots to extend the facility for an additional 12 months from the earlier of those two dates. Drawings under this facility were used to refinance certain of the Alliance UniChem Plc group's debt arrangements and for the general corporate purposes of Alliance Boots following the merger. The facility contains covenants which are usual for this type of funding for an investment grade borrower.
- (v) On 28 June 2005, Alliance Santé Europe S.A. ("ASE") entered into an agreement with Farindústria-Investimentos, Participações e Gestão S.A. ("Farindústria"), a company registered in Portugal and a subsidiary of Associação Nacional das Farmácias, the national association of Portuguese pharmacies, and José de Mello Participações II, SGPS S.A. ("JM"), a company registered in Portugal. Farindústria acquired 49 per cent., and JM 2 per cent., of ASE's holding in Alliance UniChem Farmacéutica S.A. ("Farmacéutica").

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9.2 AB Acquisitions

Details of each material contract (not being a contract entered into in the ordinary course of business) which has been entered into by any member of the AB Acquisitions Group since 9 March 2005 (being the date two years before the commencement of the Offer Period) are set out below:

- (i) The Implementation Agreement entered into on 20 April 2007, as amended by a letter dated 23 April 2007, as described in paragraph 4 of Part Two of this document.
- (ii) The Cooperation Agreement entered into on 20 April 2007, as amended and waived on 24 April 2007 and on 3 May 2007, as described in paragraph 9.4 of Part Two of this document.
- (iii) The Equity Commitment Letters entered into on 20 April 2007, as amended and restated on 24 April 2007 and, as to certain of them, further amended and restated on 3 May 2007, as described in paragraph 3.1 of Part Six of this document. The Equity Commitment Letter from ASP will terminate and be of no further force or effect on the earlier of (i) the completion of all transactions required to be completed under the rollover of SP Rollover Shares on the Settlement Date in connection with the Transaction; and (ii) the time of termination of the Cooperation Agreement. The Equity Commitment Letters from the KKR Funds and the Equity Underwriters will terminate and be of no further force or effect on the earlier of (i) the time of payment in full of the cash consideration that is due to be paid by AB Acquisitions on the Settlement Date in connection with the Transaction; and (ii) the time of termination of the Cooperation Agreement.
- (iv) An equity commitment letter from the KKR Funds to AB Acquisitions and AB Acquisitions Holdings dated 25 April 2007 in connection with the funding of the costs of certain purchases of Alliance Boots Shares by AB Acquisitions.
- (v) An equity commitment letter from ASP to the KKR Funds, AB Acquisitions and AB Acquisitions Holdings dated 25 April 2007 in connection with the funding of the costs of certain purchases of Alliance Boots Shares by AB Acquisitions.
- (vi) A share subscription and capital contribution deed entered into between AB Acquisitions Holdings, ASP and three entities wholly-owned by the KKR Funds (KKR Sprint (European II) Limited, KKR Sprint (2006) Limited and KKR Sprint (KPE) Limited) on 24 April 2007 in connection with the funding of the costs of certain purchases of Alliance Boots Shares by AB Acquisitions pursuant to which the investing companies subscribed for shares of £1 each in AB Acquisitions Holdings and made capital contributions to AB Acquisitions Holdings as follows:
 - (a) ASP subscribed for 1,066 ordinary shares and made a capital contribution of £62,779,047.04; and
 - (b) the above-named entities wholly-owned by the KKR Funds subscribed for 1,066 ordinary shares and made an aggregate capital contribution of £62,779,047.04.
- (vii) A further share subscription and capital contribution deed entered into on 26 April 2007 on the same terms and between the same parties as set out in paragraph 9.2(vi) above, with the investing companies subscribing for shares and making capital contributions as follows:
 - (a) ASP subscribed for 1,485 ordinary shares and made a capital contribution of £187,218,401.96; and

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- (b) the above-named entities wholly-owned by the KKR Funds subscribed for 1,485 ordinary shares and made an aggregate capital contribution of £187,252,816.96.
- (viii) Share subscription and capital contribution deeds entered into on 24 April 2007 in connection with the funding of the costs of certain purchases of Alliance Boots Shares by AB Acquisitions between:
 - (a) AB Acquisitions Holdings (the investing company) and AB Acquisitions UK Topco 1 Limited (the investee company);
 - (b) AB Acquisitions UK Topco 1 Limited (the investing company) and AB Acquisitions UK Topco 2 Limited (the investee company);
 - (c) AB Acquisitions UK Topco 2 Limited (the investing company) and AB Acquisitions UK Holdco 1 Limited (the investee company); and
 - (d) AB Acquisitions UK Holdco 1 Limited (the investing company) and AB Acquisitions (the investee company).

Pursuant to each deed a share of £1 in the investee company was allotted fully paid for cash at par to the investing company and the investing company then made a capital contribution of £125,560,225.08 to the investee company.

- (ix) Further share subscription and capital contribution deeds were entered into on 26 April 2007 on the same terms and between the same parties as described in paragraph 9.2(vi) above, but with a capital contribution in each case of £374,474,187.92.
- (x) The Sell Down Letter entered into on 20 April 2007, as amended on 24 April 2007, which sets out the rules and procedures for the syndication by the Equity Underwriters of their equity commitments in AB Acquisitions Holdings which are earmarked for syndication.
- (xi) The Interim Facilities Agreement entered into on 19 April 2007, as amended and restated on 2 May 2007, as described in paragraph 3.3 of Part Six of this document.
- (xii) A debenture dated 19 April 2007 pursuant to which AB Acquisitions has granted fixed and floating charges over its assets and undertaking in favour of Deutsche Bank AG, London Branch (in its capacity as interim security agent under the Interim Facilities Agreement) as security for its obligations under the Interim Facilities Agreement from time to time.
- (xiii) The Market Purchase Facility Agreement entered into on 20 April 2007 as amended and restated on 25 April 2007, as described in paragraph 3.3 of Part Six of this document.
- (xiv) A share charge dated 20 April 2007 pursuant to which AB Acquisitions has granted a fixed charge over the Alliance Boots Shares purchased by it pursuant to market purchases of Alliance Boots Shares as described in paragraph 9.5 of Part Two of this document in favour of J.P. Morgan Europe Limited (in its capacity as security agent under the Market Purchase Facility Agreement) as security for its obligations under the Market Purchase Facility Agreement from time to time.
- (xv) A custody agreement dated 20 April 2007 pursuant to which AB Acquisitions has appointed JPMorgan Cazenove to act as custodian in respect of certain Alliance Boots Shares purchased by it pursuant to market purchases.

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(xvi) A custody agreement dated 20 April 2007 pursuant to which AB Acquisitions has appointed Merrill Lynch to act as custodian in respect of certain Alliance Boots Shares purchased by it pursuant to market purchases.

10. No material change

There has been no material change in the financial or trading position of Alliance Boots since 31 March 2007, being the date to which the preliminary results of the Alliance Boots Group were drawn up.

11. Consent

- 11.1 Goldman Sachs has given and not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which they are included.
- 11.2 Greenhill has given and not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which they are included.
- 11.3 UniCredit Markets & Investment Banking has given and not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which they are included.
- 11.4 JPMorgan Cazenove has given and not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which they are included.
- 11.5 Merrill Lynch has given and not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which they are included.

12. Bases and sources

- 12.1 The value of £11.1 billion attributed to the fully diluted share capital of Alliance Boots is based upon the 967,554,529 Alliance Boots Shares in issue and the 7,660,161 Alliance Boots Shares which may be issued as a result of the exercise of options and awards granted under the Alliance Boots Shares Schemes. For the purposes of this document only, it is assumed that all options and awards to subscribe for new Alliance Boots Shares granted under the Alliance Boots Shares Schemes will become fully vested and exercisable as result of the Transaction.
- 12.2 The closing middle market price per Alliance Boots Share is extracted or derived from the Official List.
- 12.3 The average closing price per Alliance Boots Share during the one month up to and including 8 March 2007 is supplied by Thomson Datastream.

13. Documents available for inspection

Copies of the following documents will be available for inspection during usual business hours on Monday to Friday of each week (public holidays excepted) up to and including the Effective Date at the registered office of Alliance Boots being 4th Floor, 261 Oxford Street,

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Sedley Place, London W1C 2JL, and at the office of Slaughter and May, One Bunhill Row, London EC1Y 8YY:

- (A) this document, the Forms of Proxy and the Form of Election;
- (B) the memorandum and articles of association of Alliance Boots;
- (C) the memorandum and articles of association of AB Acquisitions;
- (D) a draft of the articles of association of Alliance Boots as proposed to be amended at the Alliance Boots EGM;
- (E) the consolidated audited report and accounts of Alliance Boots for the financial year ended 31 March 2006 and the preliminary results of Alliance Boots for the financial year ended 31 March 2007;
- (F) the service agreements and letters of appointment of the Alliance Boots Directors referred to in paragraph 7 above;
- (G) the valuation by UniCredit Markets & Investment Banking, JPMorgan Cazenove and Merrill Lynch of the Loan Notes.
- (H) the written consents referred to in paragraph 11 above;
- (I) the material contracts referred to in paragraph 9 above;
- (J) the irrevocable undertakings referred to in paragraph 7 of Part One of this document;
- (K) the draft Loan Note Instrument;
- (L) the Interim Facilities Agreement and the Market Purchase Facility Agreement; and
- (M) the full list of dealings in relevant securities by Citigroup Global Markets Limited and by Merrill Lynch International during the Disclosure Period (an aggregation of which is set out at paragraph 5.5 above).

Dated: 8 May 2007

PART TEN: DEFINITIONS

“2006 Act”	the Companies Act 2006
“AB Acquisitions”	AB Acquisitions Limited, incorporated in England and Wales with registered number 06166762
“AB Acquisitions Directors”	the persons whose names are set out in paragraph 2.2 of Part Nine of this document or, where the context so requires, the directors of AB Acquisitions from time to time
“AB Acquisitions Group”	AB Acquisitions Holdings and its subsidiaries and subsidiary undertakings
“AB Acquisitions Holdings”	AB Acquisitions Holdings Limited, incorporated in Gibraltar with registered number 98476
“AB Acquisitions Holdings Shares”	ordinary shares of £1.00 each in the capital of AB Acquisitions Holdings
“Act”	the Companies Act 1985, as amended
“AESOPs”	The Boots Company All-Employee Share Ownership Plan 2000 and The Boots Group All-Employee Share Ownership Plan 2002
“Alliance Boots”	Alliance Boots plc, incorporated in England and Wales with registered number 04452715
“Alliance Boots Directors”	the persons whose names are set out in paragraph 2.1 of Part Nine of this document or, where the context so requires, the directors of Alliance Boots from time to time
“Alliance Boots EGM”	the extraordinary general meeting of Alliance Boots convened by the notice set out at the end of this document, including any adjournment thereof
“Alliance Boots Group”	Alliance Boots and its subsidiaries and subsidiary undertakings
“Alliance Boots Meetings”	the Court Meeting and the Alliance Boots EGM
“Alliance Boots Pensions Schemes”	the three principal defined benefit pension schemes in the UK operated by the Alliance Boots Group
“Alliance Boots Shareholders”	the holders of Alliance Boots Shares
“Alliance Boots Shares”	the ordinary shares of 37 ⁷ / ₃₉ pence each in the capital of Alliance Boots
“Alliance Boots Share Schemes”	means the Executive Share Option Plans, the Boots Performance Share Plan, the Boots Group Long-Term Bonus Plan 2002, the Boots

PART TEN: DEFINITIONS

	Bonus Co-Investment Plan, the SAYE Schemes, the AESOPs, the Alliance UniChem 1997 Share Option Scheme and Richard Baker's individual plan
"Alternative Proposal"	<p>(i) an offer or possible offer (in either case whether or not subject to pre-conditions) put forward by any person other than AB Acquisitions (or any person treated by the Panel as being an offeror with AB Acquisitions or any person then acting in concert with any of them) in respect of, or for, the issued ordinary share capital of Alliance Boots</p> <p>(ii) the sale, or possible sale, of the whole or any part of the assets or undertaking of Alliance Boots and its subsidiaries and subsidiary undertakings which is material in the context of Alliance Boots and subsidiaries and its subsidiary undertakings</p> <p>(iii) any other proposal which would, if implemented, result in a change of control of Alliance Boots</p> <p>(iv) any transaction proposed by Alliance Boots involving a return of capital or non-routine dividend or any other distribution to shareholders of Alliance Boots</p> <p>in each case howsoever it is proposed that such offer, proposal or transaction be implemented (whether, without limitation, by way of scheme of arrangement, merger, business combination, dual listed company structure or otherwise)</p>
"ASP"	Alliance Santé Participations S.A., a company incorporated in Luxembourg with registered office at 5, Boulevard Royal, L-2449 Luxembourg and registered with RCS Luxembourg under number B51280
"Authorisations"	authorisations, orders, grants, recognitions, confirmations, consents, licences, clearances, certificates, permissions or approvals
"Board"	the board of directors of Alliance Boots
"Business Day"	a day on which the London Stock Exchange is open for the transaction of business
"Cancellation Shares"	the Scheme Shares other than the Loan Note Elected Shares

PART TEN: DEFINITIONS

“Capita” or “Registrars”	Capita Registrars, a trading name of Capita IRG Plc of The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
“Cash Cancellation Shares”	the Cancellation Shares other than the SP Rollover Shares
“Cash Consideration”	the cash consideration due to Scheme Shareholders under the Transaction pursuant to Clause 2.1 of the Scheme
“certificated” or “in certificated form”	a share or other security which is not in uncertificated form (that is, not in CREST)
“City Code”	The City Code on Takeovers and Mergers
“City Code Offer”	has the meaning given in paragraph 4.2 (a) of Part Two of this document
“Closing Price”	the closing middle market quotation of an Alliance Boots Share as derived from the Daily Official List or the London Stock Exchange’s website
“Conditions”	the conditions to the implementation of the Transaction and the Scheme, which are set out in Part Three of this document
“Cooperation Agreement”	the cooperation agreement between Stefano Pessina, ASP, the KKR Funds and the Equity Underwriters dated 20 April 2007, as amended and waived on 24 April 2007 and as further amended and waived on 3 May 2007
“Court”	the High Court of Justice in England and Wales
“Court Meeting”	the meeting of the Scheme Shareholders (other than the holders of the Excluded Voting Shares) convened by order of the Court pursuant to section 425 of the Act, notice of which is set out at the end of this document
“CREST”	the relevant system (as defined in the Regulations) in respect of which CRESTCo is the Operator (as defined in the Regulations)
“CRESTCo”	CRESTCo Limited
“CREST Manual”	the manual, as amended from time to time, produced by CRESTCo describing the CREST system and supplied by CRESTCo to users and participants thereof
“CREST Proxy Instruction”	a properly authenticated CREST message appointing and instructing a proxy to attend and vote in place of an Alliance Boots Shareholder at the Alliance Boots EGM and

PART TEN: DEFINITIONS

	containing the information required to be contained therein by the CREST Manual
“Disclosure Period”	the period commencing on 31 July 2006 (being the date of the court sanctioned scheme of arrangement pursuant to which all of the shares of Alliance UniChem Plc were cancelled and former shareholders of Alliance UniChem Plc received 1.332 Alliance Boots Shares for each share held in Alliance UniChem Plc and ending on 3 May 2007 (being the last practicable date prior to the publication of this document)
“Effective Date”	the date on which the Scheme becomes effective in accordance with its terms
“Election Return Date”	20 June 2007 or such later date (s) as may be announced by Alliance Boots to a Regulatory Information Service, such announcement being made prior to a date that would, absent such an announcement, be an Election Return Date
“Election Return Time”	4.30 p.m. on the Election Return Date
“Employee Trusts”	means the Boots Qualifying Employee Share Trust, the Boots Employee Trust and the UniChem 1992 Employee Trust
“Equity Commitment Letters”	the equity commitment letters addressed to AB Acquisitions and AB Acquisitions Holdings from each of ASP, the KKR Funds and each of the Equity Underwriters dated 20 April 2007, as amended and restated on 24 April 2007, and, as to certain of them, as further amended and restated on 3 May 2007
“Equity Underwriters”	Barclays Bank Plc, BAS Capital Funding Corporation (an affiliate of Bank of America), Citigroup Global Markets Limited, Deutsche Bank AG London Branch, JP Morgan Ventures Corporation, The Royal Bank of Scotland Plc and UniCredit Group
“Excluded Shares”	any Alliance Boots Shares beneficially owned by AB Acquisitions
“Excluded Voting Shares”	any Scheme Shares beneficially owned by (i) any funds advised or controlled by KKR; (ii) Stefano Pessina; (iii) Ornella Barra; or (iv) ASP
“Executive Share Option Plans”	the Boots Executive Share Option Plan 2001 and the Boots Group Executive Share Option Plan 2002

PART TEN: DEFINITIONS

“Explanatory Statement”	the explanatory statement (in compliance with section 426 of the Act) relating to the Scheme, as set out in this document
“Form of Election”	the yellow form of election sent to Scheme Shareholders by or on behalf of Alliance Boots pursuant to which a certificated Scheme Shareholder may make an election under the Loan Note Alternative in respect of some or all of his Scheme Shares
“Forms of Proxy”	the blue form of proxy relating to the Court Meeting and the pink form of proxy relating to the Alliance Boots EGM and both accompanying this document
“Goldman Sachs”	Goldman Sachs International
“Greenhill”	Greenhill & Co. International LLP
“HMRC”	Her Majesty’s Revenue & Customs
“holder”	a registered holder and includes any person(s) entitled by transmission
“Implementation Agreement”	the agreement entered into between Alliance Boots and AB Acquisitions on 20 April 2007 relating to the Transaction (as amended)
“Independent Directors”	means the Alliance Boots Directors other than Stefano Pessina and Ornella Barra
“Interim Results”	the consolidated interim results of Alliance Boots for the six months ended 30 September 2006
“Investors’ Agreement”	a definitive investors’ agreement between Stefano Pessina, ASP, entities wholly-owned by the KKR Funds, the Equity Underwriters, other investors that acquire an interest in AB Acquisitions Holdings through equity syndication, and members of the AB Acquisitions Group, broadly on the terms set out in the Cooperation Agreement, which is expected to be negotiated and entered into prior to the Effective Date
“JPMorgan Cazenove”	JPMorgan Cazenove Limited
“KKR”	Kohlberg Kravis Roberts & Co. L.P.
“KKR Funds”	KKR European Fund II, Limited Partnership, KKR 2006 Fund (Overseas), Limited Partnership and KKR PEI Sicar, S.a.r.l. and/or other funds advised by KKR
“LIBOR”	London interbank offered rate

PART TEN: DEFINITIONS

“Listing Rules”	the listing rules made by the UK Listing Authority
“Loan Note Alternative”	the facility provided for in Clause 3 of the Scheme whereby a Scheme Shareholder (other than a Loan Note Excluded Person) may elect to receive Loan Notes in lieu of all or part of the Cash Consideration which he would otherwise be entitled to under the terms of the Transaction
“Loan Note Elected Shares”	Scheme Shares (if any) in respect of which valid elections for the Loan Note Alternative shall have been made in accordance with the Scheme
“Loan Note Excluded Persons”	Restricted Overseas Persons and ASP;
“Loan Note Instrument”	the loan note instrument constituting the Loan Notes
“Loan Notes”	the loan notes to be issued by AB Acquisitions and guaranteed by Deutsche Bank AG, London Branch pursuant to the Loan Note Alternative, particulars of which are summarised in Part Four of this document
“London Stock Exchange”	London Stock Exchange plc
“Merger Prospectus”	the prospectus dated 6 June 2006 relating to the proposed issue of up to 481,846,975 new ordinary shares in Boots Group PLC in connection with its proposed merger with Alliance UniChem Plc and application for admission to the Official List and to trading on the London Stock Exchange
“Merrill Lynch”	Merrill Lynch International
“Non-Cash Shares”	the Loan Note Elected Shares and the SP Rollover Shares
“Offer Period”	the period commencing on 9 March 2007 (being the date the announcement of a possible offer for Alliance Boots was made) and ending on 3 May 2007 (being the last practicable date prior to the publication of this document)
“Official List”	the official list maintained by the UK Listing Authority
“Orders”	the Scheme Order and the Reduction Order
“Overseas Persons”	Scheme Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the UK

PART TEN: DEFINITIONS

“Panel”	the Panel on Takeovers and Mergers
“Principal Investor”	the KKR Funds (and/or entities wholly owned by them) collectively or ASP
“Reduction Hearing”	the hearing at which the Court’s order confirming the Reduction of Capital is made
“Reduction of Capital”	the reduction of capital pursuant to section 135 of the Act, involving the cancellation and extinguishing of the Cancellation Shares (as defined in the Scheme)
“Reduction Order”	the order of the Court confirming under section 137 of the Act the Reduction of Capital
“Reduction Record Time”	6.00 p.m. on the Business Day immediately prior to the date of the Reduction Hearing
“Registrar of Companies”	the Registrar of Companies of England and Wales
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
“Regulatory Information Service”	any information services authorised from time to time by the Financial Services Authority for the purpose of disseminating regulatory announcements
“Relevant Holders”	holders of Scheme Shares whose names appear in the register of members of Alliance Boots at the Scheme Record Time
“Remuneration Committee”	the remuneration committee of the Board
“Restricted Overseas Person”	<ul style="list-style-type: none">(i) a US Person or a person in the US;(ii) a person (including an individual, partnership, unincorporated syndicate, limited liability company, unincorporated organisation, trust, trustee, executor, administrator or other legal representative) in, or resident in, or any person whom AB Acquisitions reasonably believes to be in or resident in, Australia, New Zealand, Switzerland or Japan; and(iii) a person who is deemed not to have made a valid election for the Loan Note Alternative pursuant to Clause 8 of the Scheme

PART TEN: DEFINITIONS

“SAYE Schemes”	means the Boots SAYE Share Option Plan 2002 and the Alliance UniChem Savings-Related Share Option Scheme 1990
“Scheme” or “Scheme of Arrangement”	the proposed scheme of arrangement under section 425 of the Act between Alliance Boots and holders of Scheme Shares, as set out in Part Seven of this document, with or subject to any modification, addition or condition approved or imposed by the Court
“Scheme Document”	this circular dated 8 May 2007 addressed to, amongst others, Alliance Boots Shareholders containing, <i>inter alia</i> , the Scheme, an explanatory statement in compliance with section 426 of the Act and the notices of the Alliance Boots Meetings
“Scheme Hearing”	the hearing at which the Court’s order sanctioning the Scheme is made
“Scheme Hearing Date”	the date of the Scheme Hearing
“Scheme Order”	the order of the Court sanctioning the Scheme under section 425 of the Act
“Scheme Record Time”	6.00 p.m. on the day of the Reduction Hearing
“Scheme Shareholders”	the holders of Scheme Shares
“Scheme Shares”	the Alliance Boots Shares: (i) in issue at the date of this document (ii) (if any) issued after the date of this document and before the Voting Record Time and (iii) (if any) issued at or after the Voting Record Time but on or before the Reduction Record Time either on terms that the original or any subsequent holder thereof shall be bound by the Scheme or in respect of which the holder thereof shall have agreed in writing to be bound by the Scheme in any case excluding the Excluded Shares
“SEC”	the US Securities and Exchange Commission
“Sell Down Letter”	the sell down letter addressed to Stefano Pessina, ASP and the KKR Funds from the Equity Underwriters dated 20 April 2007, as amended on 24 April 2007

PART TEN: DEFINITIONS

“Settlement Date”	the date on which settlement of the Scheme consideration takes place pursuant to the Scheme
“SP Rollover Shares”	89,552,239 of the Alliance Boots Shares beneficially owned by ASP or such other number of Alliance Boots Shares beneficially owned by ASP as Stefano Pessina and the KKR Funds may agree and notify to AB Acquisitions and Alliance Boots 24 hours prior to the Scheme Hearing not being less than 81,211,589 Alliance Boots Shares
“SP Shares”	SP Rollover Shares and all other Alliance Boots Shares beneficially owned by Stefano Pessina or ASP
“subsidiary”	has the meaning given in section 736 of the Act
“subsidiary undertaking”	has the meaning given in section 258 of the Act
“Transaction”	the proposed acquisition of Alliance Boots by AB Acquisitions, to be effected by the Scheme as described in this document
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority as the competent authority for listing in the United Kingdom
“uncertificated” or “in uncertificated form”	a share or other security recorded on the relevant register as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST
“UniCredit Group”	UniCredit Group (acting through Bayerische Hypo- und Vereinsbank AG)
“UniCredit Markets & Investment Banking”	UniCredit Markets & Investment Banking (acting through Bayerische Hypo- und Vereinsbank AG, London Branch)
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“US Exchange Act”	the US Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder
“US Person”	a US Person as defined in Regulation S of the US Securities Act

PART TEN: DEFINITIONS

“US Securities Act”	the US Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Voting Record Time”	6.00 p.m. on the day prior to the day immediately before the Court Meeting and the Alliance Boots EGM or any adjournment thereof (as the case may be)
“Wider Alliance Boots Group”	the Alliance Boots Group and associated undertakings of Alliance Boots and any other body corporate, partnership, joint venture or person in which Alliance Boots and such undertakings (aggregating their interests) have an interest of more than 20 per cent. of the voting or equity capital or the equivalent.

PART ELEVEN:

NOTES ON ELECTING FOR THE LOAN NOTE ALTERNATIVE

1. LOAN NOTE FORM ELECTION

1.1 Shares held in certificated form

If you hold Scheme Shares in certificated form and you wish to elect for Loan Notes (and you are eligible to do so), you must complete the yellow Form of Election and return it by post or (during normal business hours only) by hand to Capita at Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received by no later than 4.30 p.m. on 20 June 2007. A reply-paid envelope for use in the United Kingdom is enclosed for your convenience.

The Form of Election must be executed as a deed; therefore, Scheme Shareholders who own their Alliance Boots Shares as individuals must, or their duly authorised agents must, sign the Form of Election in the presence of an independent witness who should also sign in accordance with the instructions printed thereon. It must then be returned by post or (during normal business hours only) by hand to Capita at Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, or (during normal business hours only) by hand as soon as possible but in any event so as to be received by no later than 4.30 p.m. on 20 June 2007. In the case of joint holders, the Form of Election must be signed in like manner by or on behalf of all such holders. In the case of a body corporate, the Form of Election must be executed under seal or otherwise executed as a deed. A valid election for the Loan Note Alternative will be irrevocable once it has been made.

No election for Loan Notes will be valid unless the Form of Election, correctly completed in all respects, is duly received by 4.30 p.m. on 20 June 2007.

1.2 Shares held in uncertificated form (that is, in CREST)

If your Scheme Shares are in uncertificated form and you wish to elect for the Loan Note Alternative you should NOT complete a yellow Form of Election but instead take (or procure to be taken) the actions set out below to transfer the Scheme Shares in respect of which you wish to elect for the Loan Note Alternative to an escrow balance, using a transfer to escrow ("TTE") instruction specifying Capita (in its capacity as a CREST participant under the participant ID referred to below) as the escrow agent, as soon as possible and in any event so that the TTE instruction settles no later than 4.30 p.m. on 20 June 2007.

If you are a CREST personal member, you should refer to your CREST sponsor before taking any action. Your CREST sponsor will be able to confirm details of your participation ID and the member account ID under which your Scheme Shares are held. In addition, only your CREST sponsor will be able to send the TTE instruction to CRESTCo in relation to your Scheme Shares. You should send (or, if you are a CREST personal member, procure that your CREST sponsor sends) a TTE instruction to CRESTCo which must be properly authenticated in accordance with CRESTCo's specifications and which must contain, in addition to the other information that is required for a TTE instruction to settle in CREST, the following details:

- the number of Scheme Shares to be transferred to an escrow balance. This is the number of Scheme Shares in respect of which you elect for the Loan Note Alternative;
- your member account ID;
- your participant ID;
- the participant ID of the escrow agent, Capita, in its capacity as a CREST Receiving Agent. This is "RA10";
- the member account ID of the escrow agent. This is "ALLBOOTS";

PART ELEVEN: NOTES ON ELECTING FOR THE LOAN NOTE ALTERNATIVE

- the ISIN number of the Scheme Shares. This is GB00BOP7Y252;
- the intended settlement date. This should be as soon as possible and in any event by the Election Return Time;
- the corporate action number for the Transaction. This is allocated by CRESTCo and can be found by viewing the relevant corporate action details on screen in CREST;
- CREST standard delivery instructions priority of 80; and
- a contact name and telephone number (in the shared note file of the TTE instruction).

After settlement of the TTE instruction, you will not be able to access the Alliance Boots Shares concerned in CREST for any transaction or for charging purposes. If the Scheme becomes effective in accordance with its terms, the escrow agent will transfer the Alliance Boots Shares concerned to AB Acquisitions or its nominees. You are recommended to refer to the CREST Manual published by CRESTCo for further information on the CREST procedure outlined above.

You should note that CRESTCo does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE instruction relating to your Alliance Boots Shares to settle prior to the Election Return Time. In this connection you are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Please note that, if you elect for the Loan Note Alternative in respect of Alliance Boots Shares which are held in CREST and if you fail to give the TTE instruction to settle prior to the Election Return Time in accordance with the instructions set out above, your election for the Loan Note Alternative will to that extent be invalid and you will receive cash as if you had not elected for the Loan Note Alternative.

2. OTHER PROVISIONS RELATING TO THE LOAN NOTE ALTERNATIVE

- 2.1 Without prejudice to any other provisions of this Part Eleven, AB Acquisitions reserves the right (subject to the terms of the Transaction and the provisions of the City Code) to treat as valid in whole or in part any election for the Loan Note Alternative which is not entirely in order. In that event, no Loan Notes will be issued in respect of such election until after the relevant share certificate(s) and/or other document(s) of title or indemnities satisfactory to AB Acquisitions have been received.
- 2.2 The Form of Election and all elections thereunder, all action taken or made or deemed to be taken or made pursuant to any of these terms and the relationship between a Scheme Shareholder, AB Acquisitions or Capita shall be governed by and interpreted in accordance with English law.
- 2.3 Execution of a Form of Election or submission of a TTE instruction by or on behalf of a Scheme Shareholder will constitute his agreement that the courts of England are (subject to paragraph 2.4 below) to have non-exclusive jurisdiction to settle any dispute which may arise in connection with the creation, validity, effect, interpretation or performance of the legal relationships established by the Form of Election or otherwise arising in connection with the Scheme and the Form of Election, and for such purposes that he irrevocably submits to the jurisdiction of the English courts.
- 2.4 Execution of the Form of Election by or on behalf of a Scheme Shareholder will constitute his agreement that the agreement in paragraph 2.3 above is included for the benefit of AB

PART ELEVEN: NOTES ON ELECTING FOR THE LOAN NOTE ALTERNATIVE

- Acquisitions, Capita and/or its or their respective agents and accordingly, notwithstanding the agreement in paragraph 2.3 above, each of AB Acquisitions, Capita and/or its or their respective agents shall retain the right to, and may in its absolute discretion, bring proceedings in the courts of any other country which may have jurisdiction and that the electing shareholder irrevocably submits to the jurisdiction of the courts of any such country.
- 2.5 All powers of attorney, appointments as agent and authorities on the terms conferred by or referred to in this document or in the Form of Election are given by way of security for the performance of the obligations of the Scheme Shareholder concerned and are irrevocable (in respect of powers of attorney in accordance with section 4 of the Powers of Attorney Act 1971) except as required by law or as determined by the Panel in accordance with the City Code.
- 2.6 No acknowledgement of receipt of any Form of Election, communication, notice, share certificate(s) and/or other document(s) of title will be given by or on behalf of AB Acquisitions.
- 2.7 All communications, notices, certificates, documents of title and remittances to be delivered by or sent to or from any Scheme Shareholders (or their designated agents) in respect of the Loan Note Alternative will be delivered by or sent to or from them (or their designated agents) at their own risk. No such document shall be sent to an address in the United States, Australia, New Zealand, Switzerland or Japan.
- 2.8 AB Acquisitions and/or its agents reserve the right to notify any matter to all or any Scheme Shareholder(s) with (i) registered addresses outside the UK, or (ii) whom AB Acquisitions and/or its agents know to be nominees, trustees or custodians for such Scheme Shareholder(s) with registered addresses outside the UK, by announcement in the UK or paid advertisement in any daily newspaper published and circulated in the UK or any part thereof, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Scheme Shareholders to receive or see such notice. All references in this document to notice in writing, or the provision of information in writing, by or on behalf of AB Acquisitions and/or its agents shall be construed accordingly.
- 2.9 If the Scheme does not become effective in accordance with its terms, all documents of title lodged pursuant to the Scheme will be returned by post within 14 days of the Scheme lapsing, at the risk of the Scheme Shareholders concerned, and the escrow agent shall give TTE instructions to CRESTCo to transfer all such Scheme Shares which are held in escrow balances to the original stock accounts of the holders of the Scheme Shares concerned.
- 2.10 Neither AB Acquisitions nor any of its respective advisers or any person acting on its behalf shall have any liability to any person for any loss or alleged loss arising from any decision as to the treatment of elections under the Loan Note Alternative on any of the bases set out in this Part Eleven or otherwise in connection therewith.

PART TWELVE: NOTICES OF ALLIANCE BOOTS MEETINGS

NOTICE OF COURT MEETING

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

No. 3066 of 2007

REGISTRAR RAWSON

IN THE MATTER OF ALLIANCE BOOTS PLC

and

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that, by an order dated 4 May 2007 made in the above matters, the Court has directed a meeting to be convened of the holders of Scheme Shares (other than the Excluded Voting Shares) (each as defined in the Scheme of Arrangement referred to below) for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement proposed to be made between Alliance Boots plc (the "Company") and the holders of Scheme Shares and that such meeting will be held at Goldman Sachs International, River Court, 120 Fleet Street, London EC4A 2QQ on 31 May 2007 at 10.00 a.m. at which place and time all holders of Scheme Shares (other than the Excluded Voting Shares) are requested to attend.

A copy of the said Scheme of Arrangement and a copy of the statement required to be furnished pursuant to section 426 of the Companies Act 1985 are incorporated in the document of which this notice forms part.

Holders of Scheme Shares (other than the Excluded Voting Shares) may vote in person at the meeting or they may appoint another person as their proxy to attend and vote in their stead. A proxy need not be a member of the Company. A blue form of proxy for use at the meeting is enclosed with this notice. Completion and return of a form of proxy will not preclude a holder of Scheme Shares from attending and voting in person at the meeting, or any adjournment thereof. Shareholders with Scheme Shares held through CREST may also appoint a proxy using CREST by following the instructions set out in note 7 of the Alliance Boots EGM notice contained in Part Twelve of the document of which this notice forms part. Shareholders who prefer to register the appointment of their proxy electronically by the internet can do so by following the instructions set out in note 6 of such EGM notice.

In the case of joint holders of Scheme Shares (other than the Excluded Voting Shares) the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder (s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

It is requested that forms appointing proxies be lodged with Capita Registrars at Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the start of the meeting but, if forms are not so lodged, they may be handed to a representative of Capita Registrars or to the chairman before the start of the meeting.

Entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the register of members of the Company at 6.00 p.m. on the day prior to the day immediately before the meeting or any adjourned meeting (as the case may be).

PART TWELVE: NOTICES OF ALLIANCE BOOTS MEETINGS

By the said order, the Court has appointed Sir Nigel Rudd, or failing him, Guy Dawson or, failing him, Tim Parker to act as chairman of the meeting and has directed the chairman to report the result of the meeting to the Court.

The said Scheme of Arrangement will be subject to the subsequent sanction of the Court.

Dated 8 May 2007

SLAUGHTER AND MAY

One Bunhill Row
London EC1Y 8YY

Solicitors for the Company

PART TWELVE: NOTICES OF ALLIANCE BOOTS MEETINGS

ALLIANCE BOOTS PLC

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting of Alliance Boots plc (the "Company") will be held at Goldman Sachs International, River Court, 120 Fleet Street, London EC4A 2QQ on 31 May 2007 at 10.15 a.m. (or as soon thereafter as the meeting of the holders of Scheme Shares (other than Excluded Voting Shares) (each as defined in the Scheme as referred to in paragraph 1 of the resolution set out below) convened for 10.00 a.m.) on the same day and at the same place, by an order of the High Court of Justice, shall have concluded or been adjourned) for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed as a special resolution.

SPECIAL RESOLUTION

THAT:

1. for the purpose of giving effect to the Scheme of Arrangement dated 8 May 2007 (the "**Scheme**") in its original form or with or subject to any modification, addition or condition (including, without limitation, any modification or addition which represents an improvement in the value and/or terms of the Scheme to holders of Scheme Shares (as defined therein)) agreed by the Company and AB Acquisitions Limited which the Court may think fit to approve or impose:
 - (i) the directors of the Company be authorised to take all such action as they consider necessary or appropriate for carrying the Scheme into effect;
 - (ii) the issued share capital of the Company shall be reduced by cancelling and extinguishing all of the Cancellation Shares (as defined in the Scheme);
 - (iii) subject to, and forthwith upon, the reduction of capital referred to in paragraph (ii) above taking effect and notwithstanding anything to the contrary in the articles of association of the Company:
 - (A) the authorised share capital of the Company be increased to its former amount by the creation of such number of new ordinary shares of 37⁷/₃₉ pence each as have an aggregate nominal value equal to the aggregate nominal value of the Cancellation Shares cancelled pursuant to paragraph (ii) above;
 - (B) the reserve arising in the books of account of the Company as a result of the cancellation of the Cancellation Shares be applied in paying up in full at par the new ordinary shares of 37⁷/₃₉ pence so created, such new ordinary shares to be allotted and issued credited as fully paid to AB Acquisitions Limited and/or its nominee(s); and
 - (iv) the directors of the Company be authorised pursuant to and in accordance with section 80 of the Companies Act 1985 to give effect to this resolution and accordingly to effect the allotment of the new ordinary shares referred to in paragraph (iii) (B) above, provided that:
 - (A) this authority shall expire on the fifth anniversary of this resolution;

PART TWELVE: NOTICES OF ALLIANCE BOOTS MEETINGS

- (B) the maximum aggregate nominal amount of shares which may be allotted hereunder shall be the aggregate nominal amount of the new ordinary shares created pursuant to paragraph (iii) (A) above; and
 - (C) this authority shall be without prejudice and in addition to any other authority under the said section 80 previously granted before the date on which this resolution is passed; and
2. the articles of association of the Company be amended by the adoption and inclusion of the following new article 151:

“SCHEME OF ARRANGEMENT

151.(A) In this article:

- (i) references to the “**Scheme**” are to the Scheme of Arrangement between the company and the Scheme Shareholders (as defined in the Scheme) dated 8 May 2007 in its form at that date or with or subject to any modification, addition or condition (including, without limitation, any modification or addition which represents an improvement in the value and/or terms of the Scheme to holders of Scheme Shares (as defined in the Scheme)) agreed by the company and AB Acquisitions Limited which the Court may think fit to approve or impose;
 - (ii) terms defined in the Scheme shall have the same meanings in this article; and
 - (iii) references to “spouse” shall include a civil partner under the Civil Partnership Act 2004.
- (B) If the company issues any shares (other than to AB Acquisitions Limited or any subsidiary of AB Acquisitions Limited (an “**AB Acquisitions Company**”)) on or after the date of the adoption of this article and prior to the Reduction Record Time such Alliance Boots shares shall be issued subject to the terms of the Scheme (and shall be Scheme Shares for the purposes thereof) and the holder or holders of such shares shall be bound by the Scheme accordingly.
- (C) Subject to the Scheme and Reduction of Capital becoming effective and notwithstanding the other provisions of these articles, if any shares are issued, or transferred pursuant to paragraph (D) below, to any person (a “**New Member**”) at or after the Reduction Record Time (the “**Post-Scheme Shares**”) they will, subject to paragraph (D) below and provided that the Scheme becomes or has become effective, be immediately transferred to AB Acquisitions Limited or its nominee(s) (unless such shares are issued to an AB Acquisitions Company) in consideration of and conditional on:
- (i) the payment by AB Acquisitions Limited to the New Member of such amount of cash consideration as would have been paid pursuant to the Scheme for each such share as if it were a Scheme Share; and/or,
 - (ii) the issue of the same nominal amount of Loan Notes per ordinary share in the capital of the company as would have been issued to the holder of Loan

PART TWELVE: NOTICES OF ALLIANCE BOOTS MEETINGS

Note Elected Shares under the Scheme (subject to and on the terms of the Loan Note Alternative) provided that:

- (a) such new shares are issued no later than the later of (A) two business days after the Reduction Order is filed with the Registrar of Companies of England and Wales and (B) 3 July 2007;
 - (b) the conditions for making the Loan Note Alternative available under the terms of the Scheme have been satisfied;
 - (c) the New Member makes a valid election to receive Loan Notes in respect of the relevant shares before the Election Return Time in such manner as the Board shall prescribe;
 - (d) the maximum principal amount of Loan Notes available under the Loan Note Alternative has not previously been allocated pursuant to the Scheme; and
 - (e) if after the allocation of Loan Notes pursuant to the Scheme the number of Loan Notes available is insufficient to satisfy in full all valid elections made by New Members pursuant to this article, each such election shall be scaled down *pro rata* (or as near thereto as AB Acquisitions Limited in its absolute discretion considers practicable) amongst the electors and each such election shall be valid only in respect of the number of shares so scaled down and the balance of the consideration due to those New Members who made such elections will be satisfied by the payment by AB Acquisitions Limited of Cash Consideration in accordance with sub-paragraph (i) above.
- (D) Any New Member may, prior to the issue of Post-Scheme Shares to him or her pursuant to the exercise of an option or satisfaction of an award under one of the company's employee share schemes, give not less than two business days' written notice to the company in such manner as the board shall prescribe of his or her intention to transfer some or all of such Post-Scheme Shares to his or her spouse and may, if such notice has been validly given, on such Post-Scheme Shares being issued to him or her, immediately transfer to his or her spouse any such Post-Scheme Shares, provided that such Post-Scheme Shares will then be immediately transferred from that spouse to AB Acquisitions Limited or its nominee(s) pursuant to paragraph (C) above as if the spouse were a New Member. If notice has been validly given pursuant to this paragraph (D) but the New Member does not immediately transfer to his or her spouse the Post-Scheme Shares in respect of which notice was given, such shares will be transferred to AB Acquisitions Limited or its nominee(s) pursuant to paragraph (C) above.
- (E) On any reorganisation of, or material alteration to, the share capital of the company (including, without limitation, any subdivision and/or consolidation, but excluding the Scheme), the value of the consideration per share to be paid under paragraph (C) of this article 151 shall be adjusted by the directors in such manner as the auditors of the company or an independent investment bank selected by the company may determine to be appropriate to reflect such reorganisation or alteration. References in this article 151 to shares shall, following such adjustment, be construed accordingly.
- (F) To give effect to any such transfer required by this article 151, the company may appoint any person to execute a form of transfer on behalf of or as attorney for the New Member or his or her spouse in favour of AB Acquisitions Limited or its

PART TWELVE: NOTICES OF ALLIANCE BOOTS MEETINGS

nominee(s). Pending the registration of AB Acquisitions Limited or its nominee(s) as the holder of any share to be transferred pursuant to this article 151, AB Acquisitions Limited shall be irrevocably empowered to appoint a person nominated by the directors of AB Acquisitions Limited to act as attorney on behalf of each holder of any such share in accordance with such directions as AB Acquisitions Limited may give in relation to any dealings with or disposal of such share (or any interest therein), exercising any rights attached thereto or receiving any distribution or other benefit accruing or payable in respect thereof and the registered holder of such share shall exercise all rights attaching thereto in accordance with the directions of AB Acquisitions Limited but not otherwise. The company shall not be obliged to issue a certificate to the New Member or his or her spouse for any such share.

- (G) Payment will be made and certificates for any Loan Notes will be despatched in respect of any shares transferred under this article 151 within 14 days of the date of transfer of such shares.”

8 May 2007

By Order of the Board
Marco Pagni
Company Secretary

Registered Office:

Sedley Place
4th Floor
361 Oxford Street
London
W1C 2JL

Registered in England and Wales No. 04452715

Notes:

1. Only holders of ordinary shares of 37⁷/₃₉ pence in the capital of the Company are entitled to attend and vote at this meeting and may appoint one or more proxies to attend and vote instead of them. A proxy need not be a member of the Company.
2. A pink form of proxy is enclosed for use at this meeting. To be valid, completed forms of proxy must be returned so as to arrive at the offices of the Company's registrar, Capita Registrars at The Registry, Corporate Actions, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive not later than 10.15 a.m. on 29 May 2007 or, in the case of an adjourned meeting, 48 hours before the time for which the adjourned meeting is convened.
3. Completion and return of a pink form of proxy will not preclude a shareholder from attending and voting in person.
4. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the register of members of the Company at 6.00 p.m. on the day prior to the day immediately before the meeting or any adjourned meeting (as the case may be). Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
5. In the case of joint holders of ordinary shares the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the other joint holder(s)

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and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

6. Shareholders who prefer to register the appointment of their proxy electronically via the internet can do so at www.allianceboots-shareholder.com where full instructions on the procedure are given. Your investor code, family name and UK post code (if you have one) will be required to use this electronic proxy appointment system. The deadline for receipt of electronic proxies is 10.15 a.m. on 29 May 2007 or in the case of an adjournment not later than 48 hours before the time fixed for the holding of the adjourned meeting. Any electronic communication found to contain a computer virus will not be accepted. If you return more than one proxy appointment, either by paper or electronic communication, that received last by Capita Registrars before the latest time for the receipt of proxies will take precedence.
7. Shareholders who hold shares through CREST and who wish to appoint a proxy or proxies for the meeting or any adjournment(s) by using the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Capita Registrars by no later than 10.15 a.m. on 29 May 2007. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers, should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulation 2001.

8. The website address and telephone numbers provided in these notes are only to be used for the purposes explicitly stated in these notes. They are not to be used for submitting any other documents or information.

