



# Creating an international pharmacy-led healthcare group

3 October 2005

Alliance Boots plc



Alliance UniChem



# Legal disclaimer

This presentation does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor shall there be any sale, issuance or transfer of the securities referred to in this presentation in any jurisdiction in contravention of applicable law.

Copies of this presentation and any documentation relating to the Proposed Merger are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into, or by use of the mails of, or by any means or instrumentality (including, without limitation, facsimile transmission, telex, telephone or e-mail) of interstate or foreign commerce of, or of any facility of a national securities exchange of, Australia, Canada, Japan or the United States or any other jurisdiction where to do so would be unlawful.

The New Boots Shares to be issued pursuant to the Proposed Merger have not been and will not be registered under or offered in compliance with applicable securities laws of any state, province, territory or jurisdiction of Australia, Canada or Japan. Accordingly, the New Boots Shares may not be offered, sold or delivered, directly or indirectly, in Australia, Canada or Japan except pursuant to exemptions from applicable requirements of any such jurisdiction.

These materials are not an offer of securities for sale in the United States. The New Boots Shares to which these materials relate have not been registered under the US Securities Act of 1933, as amended (the "US Securities Act") and may not be offered or sold in the United States absent registration or an exemption from registration under the US Securities Act. There will be no public offering of the New Boots Shares in the United States.

This presentation contains certain statements that are neither reported results nor other historical information. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond Alliance UniChem's or Boots' ability to control or estimate precisely, such as future market and economic conditions, the behaviour of other market participants, the ability to successfully integrate Alliance UniChem and Boots and achieve anticipated synergies and the actions of government regulators. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this presentation. Neither Boots nor Alliance UniChem undertakes any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this presentation.

The expected synergies have been calculated on the basis of existing cost and operating structures of Alliance UniChem and Boots. These statements of estimated synergies relate to future actions and circumstances which, by their nature involve risks, uncertainties, contingencies and other factors. As a result, the synergies referred to may not be achieved, or those achieved may be materially different from those estimated.

**Not for distribution in or into or from Australia, Canada, Japan or the United States**





# Sir Nigel Rudd

## Chairman



# Agenda

- Overview Sir Nigel Rudd
- Merger terms and financial overview George Fairweather
- Merger rationale Richard Baker
- Strategy and integration Stefano Pessina



# Overview

- Merger of equals
  - complementary skills and businesses
  - accelerates existing strategies of both companies
- Creates Europe's leading pharmacy-led healthcare group
  - just under 2,700 owned pharmacies\*
  - wholesale network serving over 88,000 outlets\*
- Enhances international growth opportunities
- Delivers substantial cost savings
- Generates incremental revenue opportunities
- Delivers value for both sets of shareholders

\* including associates

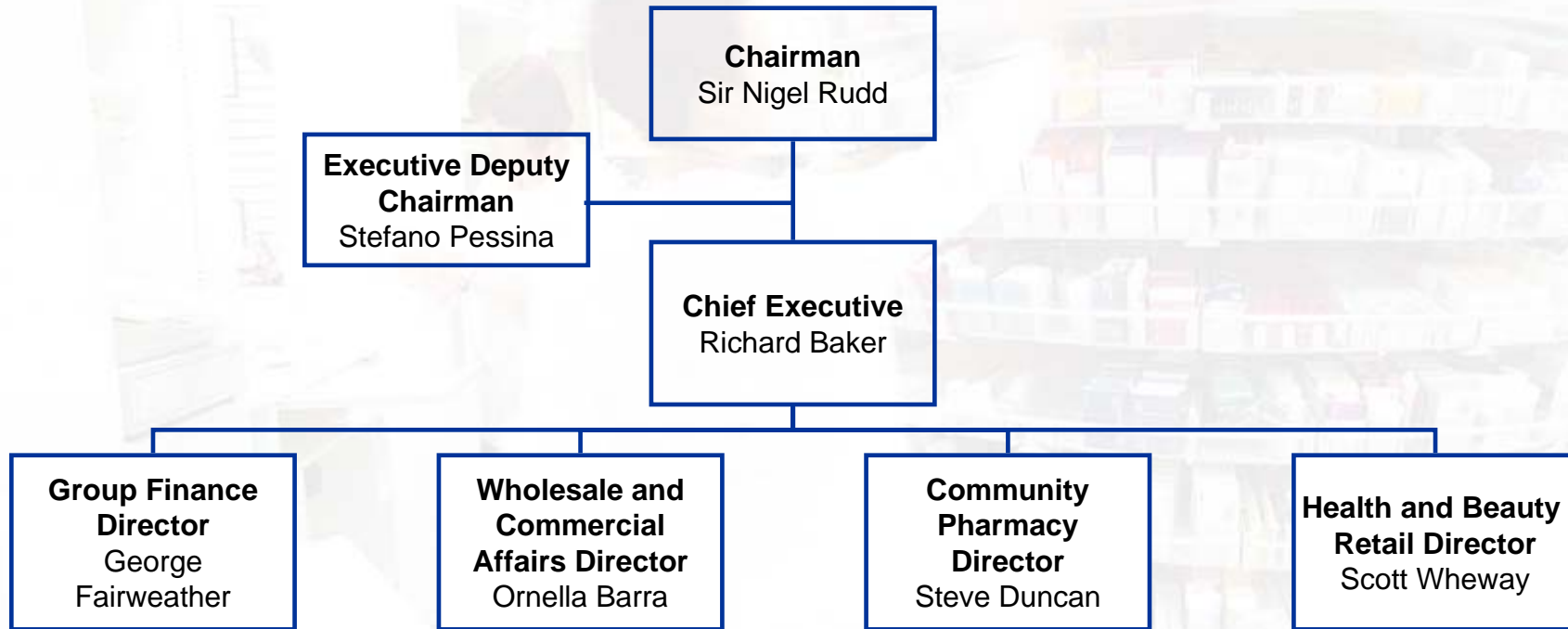


Alliance UniChem

Creating an international  
pharmacy-led healthcare group



# Board



## Non-executive Directors

Guy Dawson, Adrian Loader, Tim Parker, H el ene Ploix, Patrick Ponsolle, Manfred Stach



# George Fairweather

## Group Finance Director



Alliance UniChem

Creating an international  
pharmacy-led healthcare group



# Merger terms

- Merger of equals
  - Boots shareholders will own 50.2%
  - Alliance UniChem shareholders will own 49.8%
- Pre conditional on Boots disposal of BHI
  - £400 million retained by the merged group
  - balance of net proceeds returned to Boots shareholders
- Offer subject to regulatory and shareholder approval
- Scheme of Arrangement possible
- Completion anticipated in 2006





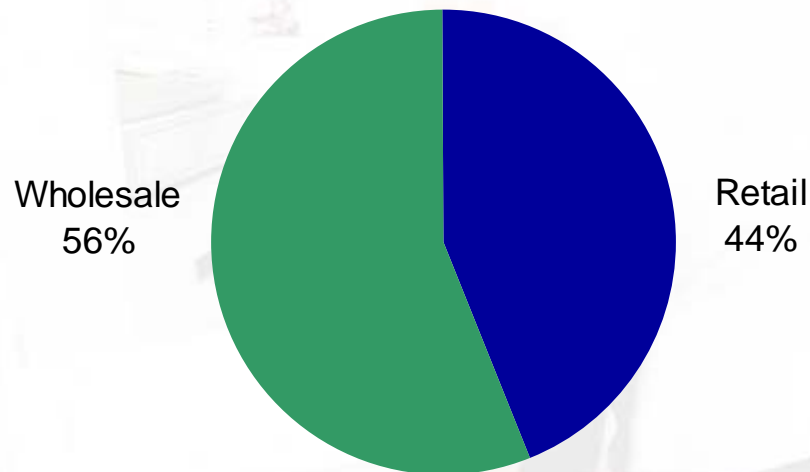
# Merger cost synergies

- Annual pre-tax cost savings of at least £100 million - by fourth full year following completion
- Phasing
  - over 60% in year 2
  - 100% in year 4
- Achieved from
  - purchasing, logistics and wholesale network ~ £80 million
  - corporate costs ~ £20 million
- Total cost to achieve
  - aggregate exceptional P&L charges ~ £53 million - all cash
  - additional capital expenditure ~ £7 million

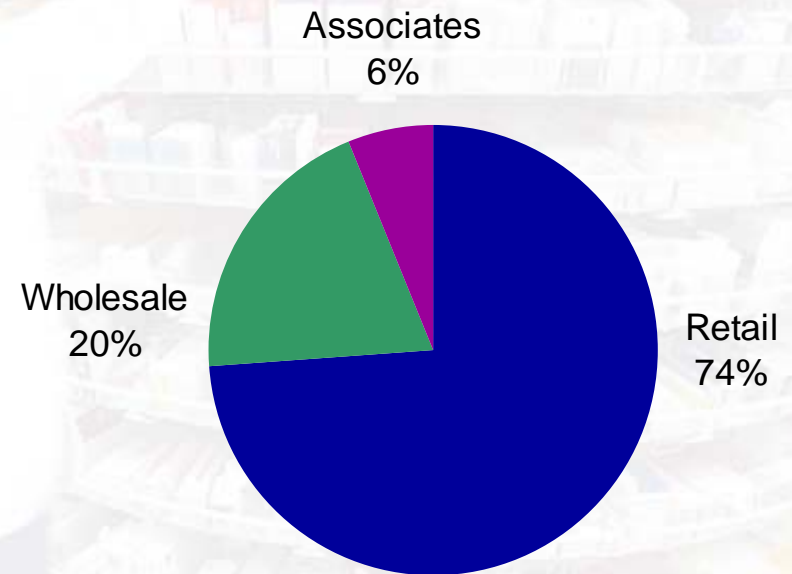


# Pro forma group overview

**Turnover\***  
**£13.8 billion**



**Total operating profit\* \*\***  
**£711 million**



\* pro forma data comprises Alliance UniChem data as published in The Annual Report for the year ended 31 December, 2004 plus Boots data (excluding data related to Boots Healthcare International and discontinued operations) as published in The Annual Report for the year ended 31 March, 2005

\*\* total operating profit before amortisation of intangible assets

# Balance sheet and dividends

- Strong balance sheet
  - investment grade credit rating
- Dividends – pre merger
  - existing policies maintained
  - additional stub dividend
- Dividends – post merger
  - progressive policy
  - balance returns with investment opportunities
  - target dividend cover 2.0 – 2.5 times





# Richard Baker

## Chief Executive



# Building on existing strengths



- Major European wholesale and retail pharmacy presence
- Advice driven pharmacy model
- Acquisition expertise ~ 80 - 100 pharmacy acquisitions annually
- Proven track record of international expansion and integration
- Strong associate relationships
- Exclusive Almus range of generic drugs



- A world renowned brand
- UK's leading health and beauty retailer
  - 19 million customers per week
- 14 million active Advantage Card holders
- Brands and product development expertise
- Market leading own brand products
  - Boots – No. 1 OTC brand
  - No 7 – No. 1 cosmetic brand
  - Soltan – No. 1 suncare brand

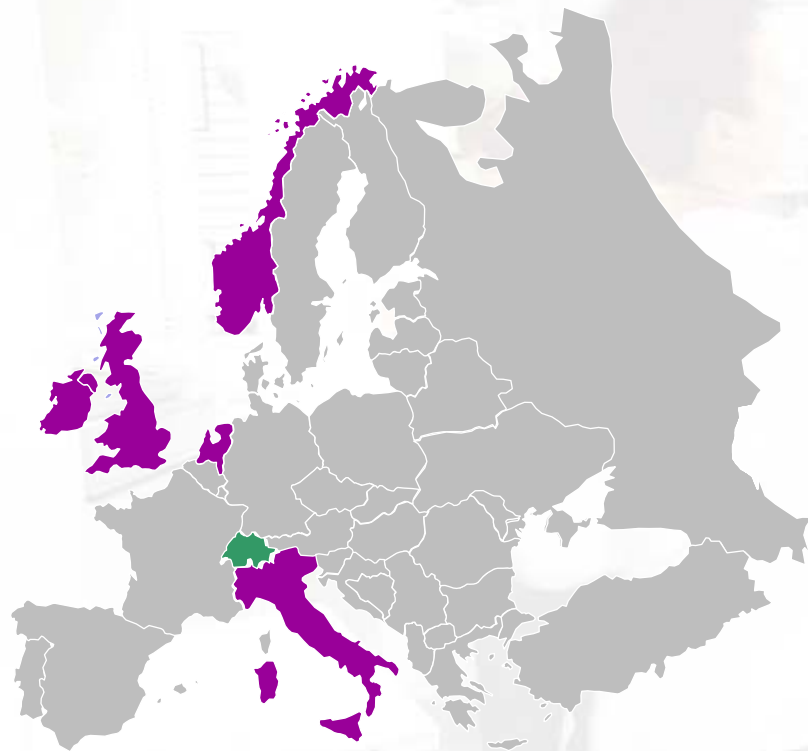
# Rationale for the merger

We will create:

- Europe's leading retail pharmacy business
- Enhanced international growth opportunities
- Cost savings of at least £100 million
- Incremental revenue opportunities



# Europe's leading pharmacy group



■ Denotes retail businesses  
■ Denotes associates

## Overview

- 7 countries\*
- ~ 3,000 outlets\*
  - ~ 2,700 with pharmacies\*
- Over 160 million prescriptions dispensed per annum\*\*

\* including associates  
\*\* excluding associates



Alliance UniChem



# UK retail formats

## Community pharmacies

- ~ 1,500 pharmacies
- Community locations - typically close to doctors' surgeries
- Pharmacist-led prescriptions and healthcare services focus
- Selected product range tailored to local patient needs

## Health and beauty stores

- ~ 800 destination stores - most with pharmacies
- Prime high street and edge of town locations
- Health and beauty experts
- Broad product range with significant promotional activity

**Uniting under the Boots brand**





# UK retail strategy

## Community pharmacies

- Healthcare first
  - capture increased share of healthcare spending
- Expert customer care
  - new services
  - tailor retail offering to local community needs

## Health & beauty stores

- Only at Boots
  - drive product mix towards higher margin Boots brand products
  - differentiate through new and exclusive product
- Right stores, right place
  - follow trend to edge of town
- Optimise space
- Expert customer care
  - specialist consultants in store



**Roll out Boots Advantage Card across both formats**



# UK integration programme

## Initially

*“Commence cost delivery with minimal disruption”*

- Begin integrating distribution and IT networks
- Capture initial buying synergies
- Eliminate duplicated corporate costs
- Pilot aligned community pharmacy operation

## Follow on

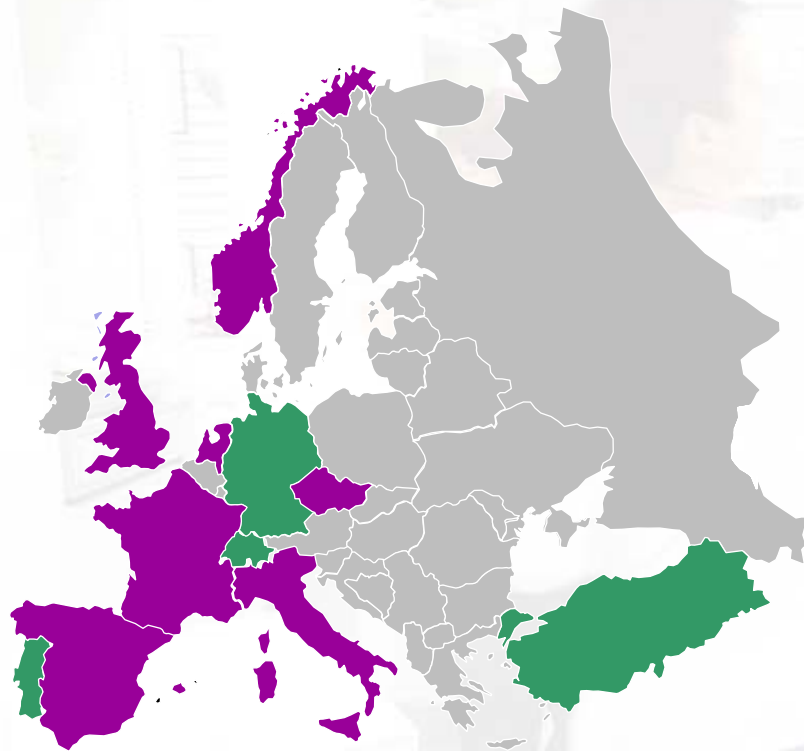
*“Progressive retail integration to deliver revenue benefits”*

- Move ~ 500 Boots community pharmacies into community pharmacy format
- Commence re-branding of existing Alliance Unichem outlets to Boots
- Capture further buying synergies and corporate cost

**Progressive Integration**



# Wholesale



■ Denotes wholesale businesses  
■ Denotes associates

## Overview

- 11 countries\*
- 272 depots\*
- Serves over 88,000 outlets\*
- Two or more deliveries per day

\* including associates

# Wholesale - business model

- High core service levels to dispensing pharmacists
- Innovative value added services
- Competitive pricing
- Strong partnerships with manufacturers
- Efficient logistics
- Excellent people





# Wholesale - merger benefits

- Economies of scale
  - streamlined UK logistics and distribution network
  - combined purchasing across the group
- Access to pharmacy-exclusive brands and product development expertise
- Improved retail offering for independent pharmacies
- Boots brand increases the group's appeal to potential partners, customers and pharmacists



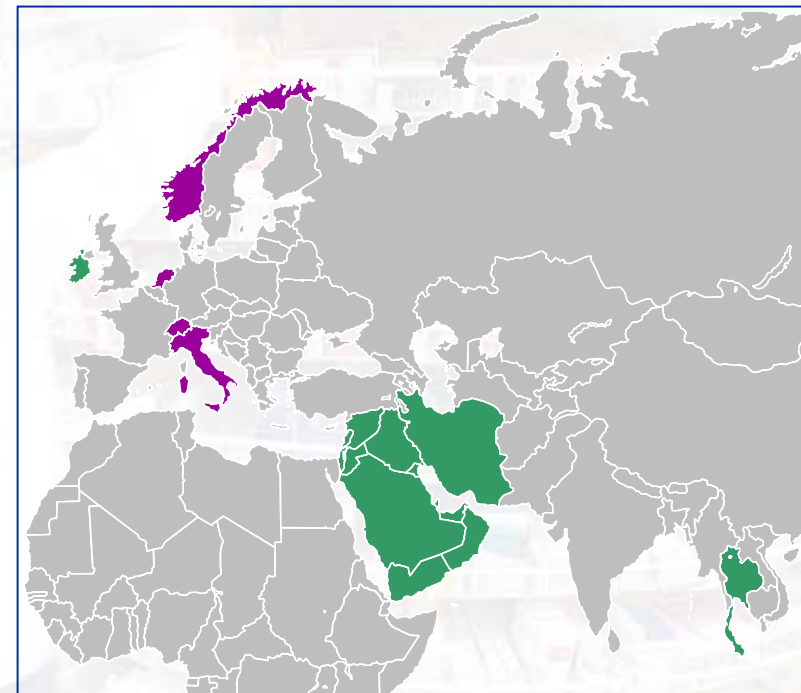
# International retail

## Alliance UniChem

- Over 300 pharmacies\*
  - Norway, The Netherlands, Italy, Switzerland\*\*

## Boots

- Over 100 pharmacies
  - Thailand, Ireland
- Partnership arrangement in Middle East
- ~ 400 “implants” in 9 countries



■ Alliance UniChem

■ Boots

\* including associates

\*\* associate interest



# Stefano Pessina

## Executive Deputy Chairman

# Responsibilities

- Integration programme
- Acquisitions
- Strategy



# Integration programme

- Delivering cost synergies
- Capturing revenue opportunities
- Applying best practice from both organisations
- Focus on core skills
- Building a common culture



**While continuing to provide our customers with  
great service and innovative products**



# Enhanced international growth opportunities

- Continue to lead international consolidation of wholesale and pharmacy
- Accelerate the pipeline of existing acquisition opportunities
  - management expertise
  - internationally recognised brands
  - strong balance sheet
- Maintain rigorous financial discipline



# Strategy

- Healthcare driven
- International
- Trusted brands
- Strong customer focus

Accelerating existing  
strategies

**Building a leading global pharmacy-led healthcare group**



Alliance UniChem

Creating an international  
pharmacy-led healthcare group



27



Alliance UniChem



Alliance UniChem

Creating an international  
pharmacy-led healthcare group





# Alliance Boots plc

Creating an international pharmacy-led  
healthcare group



Alliance UniChem



29