

## **AGM 20th July 2006**

### **SUMMARY QUESTIONS AND ANSWERS**

**Q Is the £70 million investment in the smaller stores an investment in existing Boots stores or will it also include stores that will become part of the merged group after the merger takes effect.**

A. It is stores currently within the Boots Group.

**Q Why were proceeds from the BHI sale distributed to shareholders as a special dividend and not as capital?**

A. We looked at all the ways of returning this cash to shareholders including share buy-back etc. This was one of the most tax-efficient schemes for the company. As far as private shareholders are concerned, the company could not advise them on their personal financial affairs because that would be against the law. We urged shareholders to talk to their advisers because there were ways in which this could be mitigated, but we could not tell shareholders what to do. We did it in the best interests of all the shareholders and clearly we are sorry some shareholders felt that they were disadvantaged, but that is the way it was.

**Q Was it necessary to sell BHI to accept the merger?**

A. The decision was made prior to and independently of the merger. It was a commercial decision to take a very, very high price and to distribute the vast majority of that to the shareholders.

**Q Could AGM attendance be improved by providing an audio-visual link between a meeting in Nottingham and one in London?**

A. We are always concerned that more shareholders do not come along to AGMs. AGMs are attended by the smaller shareholders and smaller shareholders should be encouraged. We welcome attendance by shareholders who are very interested in the company and take a long-term view. You can do some things to encourage attendance - sometimes they work and sometimes they don't but we will certainly take a look at video conferencing.

**Q The store manager is a key person and does not necessarily have to be a pharmacist as in the past. Are pay rates sufficiently competitive to recruit and retain appropriate quality store managers?**

A. We agree wholeheartedly that the key people in a retail business are the store management population. Its performance is only a function of the performance of each and every store, and the store manager has the greatest influence over

that. Most of our managers actually do still come from the pharmacy graduates that we recruit and having the best quality and the best calibre pharmacists is both fundamental to the quality of our pharmacy business and also to the pipeline of future managers. That said, they are not the only managers we recruit and in the last two years we believe we've recruited over 150 store managers from other retail organizations such as Marks & Spencer, Asda, Tesco, WH Smith and from some of the DIY sheds. So actually we are recruiting a very good blend of people and people are now joining this company from other very reputable organizations. That bodes well for the future of our store management population.

**Q Sherwin-Williams, the biggest US retailers of paint have been refurbishing their stores at very modest cost by using the ideas of the local staff and getting them to implement these changes resulting in phenomenal increases in sales per . Would Boots look at what Sherwin-Williams did?**

A We absolutely agree that listening to both customers and to the people that work for you is a key dimension to running a successful retail business and we are confident that we have a lot of those strategies in place, but we will go back and just have a look at what Sherwin-Williams have been doing to make sure that there's nothing further that we can learn from them.

**Q There is no way of disposing of batteries safely, no one does anything about it. Would Boots consider facilitating the recycling of spent batteries as a way of bringing people into your shops?**

A. We will take a look at it .

**Q How much have we paid in professional fees to our separate advisers for all the deals we have done in the last eighteen months?**

A. In all of these transactions, we're required to take proper advice from our lawyers and investment advisers and they are very complicated transactions, and we do want to take the very best advice and the best advice is never cheap. The fees on the transaction with Alliance Unichem were stated as £42 million. Over the last eighteen months we have also sold BHI. We haven't disclosed the exact amount of the fees that we paid to advisers on the BHI sale, what we have said is the total of costs both of separating the businesses and of advisors plus the total tax we paid as a company amounts to £100 million.

**Q After the merger, will the company continue to pay its suppliers as promptly as now?**

A. We take our responsibility in terms of credit very, very seriously, as part of corporate social responsibility and we have no wish, nor would we, extend credit terms longer than we agree to contractually.

**Q Why is it necessary to publicise that a store is open on Sundays to such a large extent that it covers up the whole store window ?**

A. The competitive environment in which we operate as a business that's competing hard with some very strong competitors week in, week out, means that if they're trading on a Sunday and we're not, it's like playing 7-a-side football with only six men in your team and seven in theirs. Reality is that we must compete on an equal footing with our competitors; if they're open, we must open too.

Having made the investment and asked our people to come in and open the store on a Sunday, we have a duty to tell our customers that we are open and whilst those walking by on a Sunday will see that we're open, unless we say 'Open on Sunday', the people who are walking by Monday to Saturday wouldn't know it. We need to tell our customers that we are there and serving them all of the hours that they may wish to shop with us. It is important to market the investment we've made.

**Q My local store suffers from lengthy lunchtime queues. Someone should get down to the nitty-gritty and go and see what's happening.**

A. We will get someone to go along and check it out. Our retail director spends at least one day a week in and around the stores and very rarely tells the stores which ones he is going to visit so knows that things aren't perfect in every store. Also we measure the queues in our stores in every single store, once every fifteen minutes and that should show up the problem

We are pleased to report that generally things are better than they have been over the last two or three years and that most of the measures that we use to look at how our customers are responding to the service we are giving are going to up. We know that there's still plenty more that we can do about that, but we're pleased that the tactics that we're using are taking us in the right direction.