pressrelease

3 November 2011

Alliance Boots mid-year update
Continued strong financial performance

Following the publication in May of the Annual Report 2010/11 for the year ended 31 March 2011, Alliance Boots today provides a mid-year update covering the six months ended 30 September 2011.

Highlights

Group

- Continued strong financial performance
- Revenue* up 31.3%
- Ownership of Hedef Alliance increased from 70% to 80%
- Internationalisation of product brands accelerating

Health & Beauty Division

- Revenue* up 0.4%
- Boots UK
  - Like for like dispensing volume up 1.8%
  - Like for like retail revenue up 0.7% (incl. VAT)

Pharmaceutical Wholesale Division

- Revenue* up 49.5%
  - Like for like revenue up 2.7%
- Development of businesses acquired last year progressing well

* continuing operations

Group overview

Overall the Group continues to perform strongly, with trading profit in the six months ended 30 September 2011 in line with our expectations at the time our Annual Report 2010/11 was published. We have been able to achieve this through a continuing focus on customer service, effective margin management and tight cost control. As a result, we are on track to deliver our 2011/12 operational and financial targets.

Outlook

Notwithstanding the weak global economy and the continuing pressures on both consumer and governmental expenditure, we are well positioned for the second half of our financial year which includes the important Christmas trading period. We expect our performance to be driven by our differentiated product offering, excellent customer care and service, our transformational programmes and international expansion. We have a strong operating cash flow, secure long term funding arrangements and are continuing to benefit from relatively low interest rates.

Stefano Pessina, Executive Chairman commented:

“We performed strongly in the first half of the year, despite subdued consumer demand and governmental action across Europe to contain growth in healthcare expenditure, and are on track to deliver our 2011/12 targets.

“Boots delivered a good performance, taking into account the difficult UK consumer environment and governmental measures to curb healthcare spending. This was a result of its ongoing focus on value, customer care, innovation and costs. Our Pharmaceutical Wholesale Division continues to grow rapidly, its results benefiting from last year’s acquisitions and a strong focus on service and costs.”

Financial information

The financial information in this press release is unaudited. Figures quoted are for the six months ended 30 September 2011.

Revenue by Division

for the half year ended 30 September 2011

£million	Total	Growth*
Health & Beauty	3,652	+0.4%
Pharmaceutical Wholesale	8,841	+49.5%
Contract Manufacturing	133	+10.8%
Intra-group	(882)	
	11,744	**+31.3%**

* Growth over first half of last year – continuing operations

Health & Beauty

Revenue in our Health & Beauty Division increased by 0.4% on the first half of last year to £3,652 million.

Boots UK dispensing volumes increased by 1.8% on a like for like basis, our growth being particularly strong in the patient specific packs category and from prescriptions collected on behalf of patients from doctors' practices. We also increased the number of Medicine Check-ups carried out by our pharmacists in England and Wales by over 20% against the prior period.

Boots UK retail revenue increased by 0.7% (including VAT) on a like for like basis. Growth was impacted by the continuing pressures on consumer income with reduced footfall on high streets, which was more significant outside London and the South of England.

Key product categories that performed well versus the first half of last year included positive healthcare products such as vitamins, premium beauty, self selection cosmetics, fragrances, indulgent bathing, hair products and baby. We were particularly pleased to increase market share in our key beauty category, assisted by our strong brand offer, including No7, the UK's leading skincare brand which we own. Boots Pharmaceuticals, the major new healthcare brand which we launched last year, also performed well. Already it has the widest range of healthcare products of any brand in the UK.

Customers remain at the heart of our business. Customer care and value are key drivers of our success, along with the Boots Advantage Card and product innovation where we work closely with key suppliers and through our own product development laboratories. In addition, we continue to implement our programme to optimise end-to-end business processes which is having a significant beneficial cost impact.

In August, Boots launched a high-profile brand positioning campaign designed to celebrate the 'ta dah!' beauty moments that No7 products create for British women. This highlights that No7 anti-ageing skincare products are tailored for different ages. No7 beauty consultants provide advice as to which products are most suitable for a particular person's skin. Boots recently launched its Christmas range in stores and online. This includes a wide range of exclusive gift sets from brands such as No7, 17, Champneys and Soap & Glory.

The UK optical market was challenging in the first half of the year. In this context, Boots Opticians revenue decreased by 1.4% on a like for like basis due to lower average transaction values resulting from the introduction of attractively priced new spectacle ranges. Eye test and spectacle volumes both increased on the first half of last year.

In countries outside the UK, total revenue increased by 8.6% on the first half of last year. On a constant currency basis, revenue increased by 3.9% in total. Like for like revenue decreased by 0.3%, mainly due to the weak Irish economy. A net 20 new stores were opened during the period outside the UK, of which nine were in Thailand where we expect to open our 200th store later this financial year. In The Netherlands, we increased the number of "Boots apotheek" pharmacies to 16, more rebrandings being planned over the coming months. In addition, our No7 brand continues to perform strongly in the United States, benefiting from recent product awards.

Pharmaceutical Wholesale

Revenue in our Pharmaceutical Wholesale Division increased by 49.5% on the first half of last year to £8,841 million, an increase of 47.7% on a constant currency basis. This growth was mainly as a result of the acquisitions of Hedef Alliance and ANZAG last year.

Adjusting for these acquisitions, like for like revenue on a constant currency basis increased by 2.7%. This performance was good given the difficult market conditions which were mainly due to regulatory changes, competition from co-operatives and ongoing changes in the way which prescription medicines are supplied to pharmacies. Good progress was made in implementing the second phase of the division-wide restructuring programme announced last year.

We continue to differentiate our wholesale offering through the range of services we offer to pharmaceutical manufacturers and independent pharmacy customers. The latter includes membership of our Alphega Pharmacy network, which celebrated its 10th anniversary in August with membership now totalling over 3,750 pharmacies (including members in our associate Italian business). Following the acquisition of ANZAG last year, Alphega Pharmacy is working closely with vivesco, ANZAG's network of around 1,100 independent pharmacies in Germany, to enhance the range of services offered by both.

Almus, our range of generic medicines, continued to expand its product ranges in the first half of the year. Almus is sold through our Pharmaceutical Wholesale Division in the UK, France and Spain, and through our associates in Italy and Portugal.

Contract Manufacturing

Revenue from Contract Manufacturing increased by 10.8% on the first half of last year, mainly as a result of higher third party sales. We continue to work on the development of our long term co-operation agreement in the beauty category with Carrefour, which we announced in February.

Corporate development

We have an ongoing focus on corporate development in support of our strategy to enter new geographical markets and to expand our presence in existing markets through acquisitions and strategic partnerships. Increasingly this includes the international development of our product brands.

In May, we increased our ownership of Hedef Alliance, one of the largest pharmaceutical wholesalers in Turkey, from 70% to 80%.

Following our announcement in July of the signature of a letter of intent and confirmation of discussions with Nanjing Pharmaceutical Group Limited, we are in ongoing discussions to take a stake in Nanjing Pharmaceutical Company Limited, one of the leading pharmaceutical wholesalers in China. Execution of a transaction is subject, inter alia, to regulatory and governmental approval in China.

We continue to make good progress to internationalise our product brands, creating a third dimension to our long term growth plans. Following the successful launch in Italy of the Boots Laboratories beauty range last year in partnership with Procter & Gamble, we are extending this partnership to sell Boots Laboratories through pharmacies in Germany, Austria and Switzerland from January 2012. Following these launches, the Boots Laboratories brand will be available in pharmacies across seven European countries.

Corporate social responsibility

In September, we published our Corporate Social Responsibility Report 2010/11, which outlines our progress and achievements in the main areas of corporate social responsibility activity. This year, for the first time, the report included an independent assurance report on our data issued by KPMG.

In June, we announced a new pan-European partnership with the European Organisation for Research and Treatment of Cancer (EORTC) Charitable Trust. The partnership between the EORTC Charitable Trust and Alliance Boots aims to raise €5 million over the next five years to support the creation and funding of a 'Biobank' for colorectal cancer, with the aim of extending the project to other types of cancer later. This is all part of our Group's wider commitment to support people affected by cancer and directly complements, for example, our ongoing partnership with Macmillan Cancer Support in the UK.

– Ends –

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