pressrelease

3 November 2009

Alliance Boots mid-year update

Following the publication in May of the 2008/09 Annual Review for the year ended 31 March 2009, Alliance Boots today provides a mid-year update covering the six months ended 30 September 2009.

Highlights

Group
- Continuing strong financial performance
- Revenue up 11.6%
- Andy Hornby joined as Group Chief Executive on 1 July 2009

Health & Beauty Division
- Revenue up 6.2% - up 5.4% in constant currency
- Boots UK
  - Revenue up 4.0%
  - Like for like revenue up 3.4%
  - Highly successful launch of No7 Protect & Perfect Intense Beauty Serum
- Boots Opticians merger with Dollond & Aitchison completed in May 2009

Pharmaceutical Wholesale Division
- Revenue up 13.8% - up 6.7% in constant currency
- Division-wide business improvement programme progressing well

Financing
- Robust financial position - £367 million of acquisition borrowings repurchased

Group overview

Overall the Group continues to perform strongly, with trading in the six months ended 30 September 2009 ahead of our expectations at the time our 2008/09 Annual Review was published. As a result, we are well on track to deliver our 2009/10 operational and financial targets.

Outlook

We are well positioned for the second half of the year which includes the important Christmas trading period, notwithstanding the weak global economy and the continuing pressures on both governmental and consumer expenditure. We expect our performance to continue to be driven by our transformation and improvement programmes, together with our focus on excellent customer service and our increasingly differentiated product offerings.

Stefano Pessina, Executive Chairman, Alliance Boots, said:

"I am pleased that Alliance Boots continues to perform strongly, with revenue in the first half of the year up 11.6%, which puts us on track to deliver our 2009/10 targets. This performance is particularly encouraging despite the challenging economic conditions we all face. Our success continues to reflect the strength of our two core business activities, the markets in which we operate and the benefits we are generating through investment and through further developing and transforming the Group."

Financial information

The financial information in this press release is unaudited. Figures quoted are for the six months ended 30 September 2009.

Revenue by Division

	Total £million	Growth over first half of last year
Health & Beauty	3,576	+6.2%
Pharmaceutical Wholesale	6,049	+13.8%
Contract Manufacturing[1]	124	
Intra-group	(743)	
	9,006	+11.6%

[1] From 1 April 2009 includes intra-group revenues

Health & Beauty

Revenue in our Health & Beauty Division increased by 6.2% on the first half of last year to £3,576 million, an increase of 5.4% on a constant currency basis and 2.8% on a like for like basis.

In the UK total revenue, including Boots Opticians, increased by 5.9% on the first half of last year, Boots UK revenue increasing by 4.0% which was up 3.4% on a like for like basis.

Boots UK dispensing volumes increased by 5.0%, up 4.3% on a like for like basis, with double digit growth in Related Income from pharmacy services. In the first half of the year a further four doctors' surgeries were opened in Boots stores, bringing the total to ten.

We continue to work with health bodies and governments to deliver initiatives that improve the health and wellbeing of our customers and patients. In September, Boots UK launched a pharmacy-led service to help protect women against two of the viruses responsible for the majority of cervical cancer cases. Following a successful pilot in London, the service is being extended to 134 Boots stores across England and Wales.

In October we launched BootsWebMD, our consumer health and wellness information portal created in partnership with WebMD, the leading US provider of healthcare services on the web. This groundbreaking website provides users with comprehensive and objective health information.

Retail sales growth in the first half of the year was good in both our Retail Health and Beauty & Toiletries categories. In the Retail Health category, sales of Boots branded non-prescription medicines and healthcare products were particularly strong, as customers increasingly recognise the value these products offer.

In Beauty, we benefited from the successful launch of a number of new products, including No7 Protect & Perfect Intense Beauty Serum, the clinically proven skincare product which provides genuine long term anti-ageing benefits. The launch in April 2009 was widely reported in the media, generating strong consumer demand which has continued through repeat purchases. We have also recently published our latest Christmas gift catalogue and have a number of product launches planned over the coming months.

We continue to invest in our store portfolio and in making our product offering more accessible and convenient for our customers to buy. The roll out of the "your local Boots pharmacy" branded format is on track for completion before Christmas, by which time nearly 1,000 pharmacies will trade under this format. We are also rebranding as Boots the 13 pharmacies we operate in Waitrose stores. In addition Boots and Waitrose are in discussions to trial the sale of selective product ranges in each others' stores. Boots.com "Order-on-line collect-in-store" is also now available in nearly 2,000 Boots stores across the UK, providing customers with convenient access to the extended Boots product range, including the full seasonal gift offerings.

In September we completed our major supply chain reconfiguration programme, with our automated central distribution centre in Nottingham now handling all the Boots UK retail volume.

Total revenue in countries outside the UK increased by 7.8% on the first half of last year, an increase of 1.6% on a constant currency basis. Like for like revenue on a constant currency basis decreased by 0.5%, due to lower retail sales in the Republic of Ireland reflecting the fragile state of the Irish economy. This more than offset like for like growth in all our other countries. In Norway the roll out of our new "Boots apotek" branded format is well underway, with over half of our pharmacies converted to date. Following promising results from the initial test of a new "Boots apotheek" pharmacy concept in The Netherlands, which has a much stronger retail offering than is typical in Dutch pharmacies, we are currently extending the trial to additional stores.

Pharmaceutical Wholesale

As in 2008/09, market conditions continue to be difficult, reflecting regulatory changes in a number of markets, tough competition and evolving ways in which prescription medicines are supplied to pharmacies. Alliance Healthcare is at the forefront of adapting its business model to meet the needs of governments, pharmaceutical manufacturers and pharmacy customers and, as a result, is making good progress in most of the markets in which we operate.

Revenue in our Pharmaceutical Wholesale Division increased by 13.8% on the first half of last year to £6,049 million, an increase of 6.7% on a constant currency basis. Adjusting for acquisitions and disposals, like for like revenue on a constant currency basis was up 3.1%. This reflects strong revenue growth in Russia, the Czech Republic, Norway and the UK, partially offset by declines in The Netherlands and France, due to regulatory changes and strong competition.

The implementation of our Division-wide restructuring programme is well underway to further adapt our wholesale businesses to meet the changing expectations of customers and payors. To date, over 70% of our planned actions have been completed.

We continue to further differentiate our wholesale offering by developing the range of services offered to independent pharmacy customers. This includes membership of our Alphega Pharmacy concept. Following a doubling in 2008/09, membership is now approaching 2,500 pharmacies.

Contract Manufacturing

As previously announced, our Contract Manufacturing business, BCM, has operated as a standalone business since the beginning of this financial year. Total reported revenue increased by £75 million on the first half of the year to £124 million, as a result of the inclusion of intra-group sales for the first time.

Financial position

The Group's financial position remains strong, reflecting a continuing focus on profit and working capital management and the benefits of low interest rates. These, together with our secure long term funding arrangements, are enabling us to continue to invest in growing the Group.

In the first half of the year, the Group also repurchased acquisition borrowings with a nominal value of £367 million from holders in the secondary market, for a cash cost of £239 million. This brings the total repurchased since the programme began earlier in 2009 to £558 million in nominal value, for a cash cost of £324 million. At 30 September 2009 the total of the Group's unrestricted cash and cash equivalents and undrawn unutilised committed borrowing facilities was just under £0.5 billion.

Corporate development

We continue to expand the Group through selective corporate development activities in line with our well established strategy.

In May we completed the merger of Boots Opticians with Dollond & Aitchison, creating the second largest optical chain in the UK. The combined business was established with a single senior management team and regional structure. Since then, good progress has been made with the integration of the two businesses to deliver further merger synergies. This includes the recent rebranding of ten Dollond & Aitchison practices as Boots Opticians, combining the best of both former businesses with an enhanced product offering. We anticipate commencing the rebranding roll out when the trials are fully evaluated.

In August we acquired the 20% minority interest in Alliance BMP, the subsidiary that holds our 50% interest in Guangzhou Pharmaceuticals Corporation in China. Since the half year end, we have also acquired the 10% minority interest in Megapharm, our specialised German distributor of oncology products.

Board and corporate governance

In July 2009, Andy Hornby was appointed to the Board as Group Chief Executive. He has a wealth of retail and marketing experience, which complement our existing skills and expertise. Steve Duncan, Executive Chairman of our Health & Beauty Division, is to retire from the Board at the end of this year after 35 years service, of which nearly seven have been as a Group director. Steve has made a huge contribution to the development of the Group and we are pleased that we will continue to benefit from his expertise as an advisor, particularly in healthcare and pharmacy related matters.

Corporate social responsibility

In September we published our 2008/09 Corporate Social Responsibility Report, which outlines our progress and achievements in the main areas of corporate social responsibility activity.

-Ends -

Notes to editors:

Alliance Boots is a leading international pharmacy-led health and beauty group offering a wide range of products and services to our customers working in close partnership with manufacturers and pharmacists. Our two core business activities are pharmacy-led health and beauty retailing and pharmaceutical wholesaling. Alliance Boots is privately-owned and employs over 115,000* people. Its wholesale and distribution network serves over 140,000* pharmacies, doctors, health centres and hospitals from over 370* pharmaceutical wholesale distribution centres in 16* countries. We operate more than 3,200* health and beauty retail stores in nine* countries, of which just under 3,000* have a pharmacy.

* Figures stated are as at 31 March 2009, are approximate and include associates and joint ventures.

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