

30 October 2008

Alliance Boots mid-year update

Following the publication in June of the 2007/08 Annual Review for the year ended 31 March 2008, Alliance Boots today provides a mid-year update.

Highlights

- Overall trading in line with our expectations
- Total revenue up 11.3%
- UK Health & Beauty - like for like dispensing volume up 4.7%
- like for like retail revenue up 0.5%
- Pharmaceutical Wholesale like for like revenue up 3.6%
- Well positioned for second half of year
- Secure financing and robust financial position underpins future growth
- Key developments underway in Brazil, France and Germany

Group overview

Overall the Group's trading performance in the six months ended 30 September 2008 is in line with our expectations at the time our 2007/08 Annual Review was published. As a result, we are on track to deliver our 2008/09 profit and cash flow goals.

Outlook

Despite the weak outlook for overall consumer spending, we are well positioned for the second half of our year which includes the important Christmas trading period. In particular, we expect our business transformation and integration programme, together with our strong focus on customer service, value and our increasingly differentiated product offerings, to continue to drive business performance.

As a pharmacy-led health and beauty group, more than three quarters of our revenue comes from health related activities, the majority of which is from prescription medicines. We expect demand for medicines to continue to grow in both the short and long term, with health and well-being continuing as key priorities for both individuals and governments.

Stefano Pessina, Executive Chairman, Alliance Boots, said:

"The Group's recent trading performance has remained relatively resilient with revenue in the first half of the year up 11.3%. This reflects the underlying strengths of our two core business activities and the continued importance of health and well-being to both individuals and governments. We are also extracting increasing benefits from our comprehensive business transformation and integration programme, including further cost savings, and continue to build on this position. The business is on track and there remains a great deal of potential to unlock value from our leading brands and market positions."

Financial information

The financial information in this press release is unaudited. Figures quoted are for the six months ended 30 September 2008 with comparatives on a pro forma basis as if the acquisition of Alliance Boots plc by AB Acquisitions Limited had taken place prior to 31 March 2007.

Revenue by Division

	Total £million	Growth over first half of last year
Health & Beauty	3,368	+3.5%
Pharmaceutical Wholesale	5,315	+17.3%
Contract Manufacturing	49	-3.5%
Intra-group	(663)	
	8,069	+11.3%

Health & Beauty

Revenue in our Health & Beauty Division increased by 3.5% on the first half of last year to £3,368 million, like for like revenue growth being flat.

In the UK total revenue increased by 1.8% on the first half of last year. Like for like revenue growth was flat, price reductions for prescriptions offsetting like for like dispensing volume and retail revenue growth. Dispensing volumes increased by 8.3%, up 4.7% on a like for like basis, income from services, such as Medicine Use Reviews, increasing by over a third. Retail like for like revenue (which excludes Dispensing & Related Income) increased by 0.5%. We view this growth as particularly good given the exceptional demand for No7 Protect & Perfect Beauty Serum in the early months of the 2007/08 comparative period.

During the first half of the year our UK business continued to focus on delivering excellent customer care while at the same time investing in upgrading our store portfolio. The roll out of our new “your local Boots pharmacy” branded format is well underway with over 200 pharmacies converted to date. Good progress continues to be made in accelerating our business transformation and integration programme.

We are also investing in new product development and in our brands. This includes No7, the UK’s leading cosmetics and skincare brand, which has recently launched a number of new products, including No7 Extreme Length Mascara and a new No7 Protect & Perfect Foundation range, with further launches planned. We have just published our latest Christmas gift catalogue and have recently re-launched an upgraded boots.com website which we will continue to enhance.

Total revenue in countries outside the UK increased by 17.7% on the first half of last year. Like for like revenue increased by 0.1% on a constant currency basis, growth in Norway and Thailand being largely offset by declines in The Netherlands, where there were significant reductions in generics reimbursement prices, and in the Republic of Ireland. In Norway we have recently embarked on a programme to convert our Alliance Apotek pharmacies to Boots Apotek. This follows successful trials of this new format which sells a targeted range of Boots beauty products in addition to other health and beauty products.

Pharmaceutical Wholesale

Revenue in our Pharmaceutical Wholesale Division increased by 17.3% on the first half of last year to £5,315 million. Adjusting for acquisitions and disposals, like for like revenue on a constant currency basis increased by 3.6% in what were particularly difficult market conditions in many countries. This growth was mainly as a result of strong growth in the UK, Russia and the Czech Republic where we continue to win new business, which was partly offset by a decline in Spain where domestic competition was particularly strong. France and Italy both remain relatively difficult markets.

In the UK we continue to build on our market leading position in the provision of direct deliveries to pharmacies on behalf of manufacturers, winning a number of new contracts. These are accounted for on an agency basis with only the fees included in revenue.

In France, and through our associate in Portugal, we have recently launched Boots Laboratories Serum7, a new skincare brand developed for our independent pharmacy customers. Sales of Almus, our exclusive range of generic medicines, and Alvita healthcare products continue to grow. These are particularly popular with independent pharmacy customers who are members of our fast growing Alphega Pharmacy network.

Financial position

The Group's financial position remains strong, reflecting a continuing focus on profit generation and working capital management. This, together with our secure long term funding arrangements put in place before the banking crisis, will enable us to continue to invest in growing the Group over the coming years. At 30 September 2008 the Group had unrestricted cash and cash equivalents and undrawn unutilised committed borrowing facilities totalling over £800 million.

Corporate development

In our 2007/08 Annual Review we explained that our new ownership has allowed us to spend more time on future expansion and that we had increased and broadened the scope of our corporate development activities. Since then we have announced a number of value enhancing transactions in line with our Group strategy.

In August we announced that we had signed an agreement to enter the Brazilian pharmaceutical market through the acquisition of an initial 25% equity shareholding in Athos Farma, one of Brazil's leading pharmaceutical wholesalers. Brazil is the largest pharmaceutical market in Latin America and the tenth largest in the world. Athos Farma, whose revenues were approximately £556 million in 2007, is among the four largest wholesalers in Brazil serving approximately 26,000 pharmacies from 17 warehouses across the country. Completion of the transaction, which is subject to various conditions, is expected to take place in the next few months.

On 6 October we announced that we had signed an agreement to acquire Depolabo, a leading provider of pharmaceutical prewholesale and contract logistics services in France. This acquisition will enable us to accelerate the expansion of our prewholesale and contract logistics services across Europe as well as enhancing our range of added-value services for pharmaceutical manufacturers. Completion of the purchase, which is subject to various conditions including approval by the French competition regulator, is also expected to take place in the next few months.

On 16 October we acquired 90% of Megapharm in Germany, which provides a range of wholesaling and logistics services for oncology products. This acquisition further extends

the range of specialist added-value services we offer our manufacturer and pharmacist customers and is in line with our strategy of broadening our wholesaling services beyond traditional pharmaceutical wholesaling. This follows on from the acquisition in April of Central Homecare which provides home healthcare services to patients in the UK who require management of complex drug therapies.

We also continue to acquire pharmacies, mainly in the UK, acquiring ten in total in the first half. This is lower than in prior periods and reflects restricted availability following the change in UK capital gains taxation in April this year which meant that a larger than usual number of transactions took place in March.

Corporate social responsibility

We remain committed to maintaining our tradition of excellence in corporate social responsibility, both in terms of performance and reporting. In September we published a separate 2007/08 Corporate Social Responsibility Report which was significantly more comprehensive in terms of reported measures than the previous year's report.

-Ends -

Notes to editors:

Alliance Boots GmbH is an international pharmacy-led health and beauty group with two core businesses, pharmacy-led health and beauty retailing and pharmaceutical wholesaling. Working in partnership with manufacturers and pharmacists, the Group delivers a range of products and services that help millions of consumers and patients look and feel their best. Formed on 31 July 2006, Alliance Boots is privately owned and employs over 110,000* employees. It has a presence in over 20* countries operating over 370* pharmaceutical wholesale warehouses delivering to over 135,000* pharmacies, doctors, health centres and hospitals. It operates more than 3,200* health and beauty retail outlets, of which over 2,900* have a pharmacy, dispensing more than 210 million* items each year.

* Figures stated are as at 31 March 2008, are approximate and include associates and joint ventures.

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