

News Release



Release Date: 19 01 05

Q3 Trading Statement

Boots Group PLC today announces its trading results for the quarter ended 31st December 2004.

Sales and Growth Rates by Category

	Q3	
	Total %	LFL %
Boots The Chemists		
Health	4.7	4.2
Beauty and Toiletries	2.7	0.7
Lifestyle	8.3	5.9
Total	4.2	2.6
	Reported %	Comparable basis*
Boots Healthcare International	2.3	3.7

** comparable basis adjusted for currency movements and the disposal of a portfolio of small non-core brands in Australia*

Chief Executive Officer, Richard Baker commented:

"Boots The Chemists traded successfully during the quarter by focusing on giving customers good products, excellent value and better availability. We grew sales, maintained gross margins and built share in a highly competitive market.

Although there remains much to do on our change programme and consumer spending across the high street is subdued, we are progressing well in making Boots more modern, competitive and efficient. "

Boots The Chemists – Good trading performance

Boots The Chemists sales increased by 4.2% to £1.45bn (last year £1.39bn) with like for like growth of 2.6%. Growth was broadly based with strong contributions from dispensing, cosmetics and fragrance, seasonal merchandise and baby categories.

The trends identified at the half year continued. Sales benefited from a 4.1% increase in the volume of units sold and from a positive sales mix which contributed a further 2.5%. Overall deflation was 2.4%, reflecting lower prices in the most competitive categories and better value Christmas gift ranges.

Transactions in the quarter were up 3.8% (2.4% like for like) with average transaction value down 0.4% at £10.89. Measured footfall was 2% higher than last year.

The stock position is in line with expectations with clearance activity progressing well.

Healthcare

Dispensary sales were up 7.2% with volumes up 6.5% and average item value 0.7% higher. This continued the strong performance seen in the first half with growth believed to be at, or slightly above, market levels.

Sales of over the counter medicines were up 0.6% due to a flat market resulting from the low incidence of cough and cold.

Beauty and Toiletries

Market share was maintained or improved across the category. Toiletries sales were 0.8% lower than the same period last year due to investment in lower prices for customers. Electrical beauty product sales were down 4.2% against the strong Christmas performance last year. Premium cosmetics and fragrance sales were strong, up 6.1% and 9.0% respectively, showing the benefit of the investment in larger stores earlier this year.

Lifestyle

The Lifestyle category recorded a very strong performance. Major contributors were 8% growth in seasonal gift lines due to extended ranges, especially toys and games,

increased space and a bigger 'Mix & Match' offer and another strong quarter of baby items, up 13.3%. Sales in photo continued to decline.

Gross margin

Gross margin percentage for the quarter was maintained at the same level as last year due to better buying and an improved management of mix.

Outlook

Management expect consumer spending will remain subdued in the final quarter although full year operating profit for Boots The Chemists is anticipated to be broadly in line with current market expectations. Gross margin percentage for the year is anticipated to be slightly better than the guidance previously given.

Implementation risk remains as major change programmes resume following Christmas.

Boots Healthcare International

Boots Healthcare International sales were up 3.7% on a comparable basis in the third quarter. Sales growth was held back by German healthcare reforms, production issues which are now resolved and low incidence of flu in Europe.

Adverse exchange rate movements and the disposal of non-core brands, are likely to result in operating profits for the year between £80 and £85 million.

Other Group Businesses

The market in which the Boots Opticians business operates remains extremely competitive and operating profit for the year is expected to be in the range £4 – 6m. The exit from the Dentistry and Lasik businesses is progressing well and costs are in line with previous guidance.

Richard Baker, Chief Executive Officer and Howard Dodd, Chief Financial Officer will host a conference call for analysts at 08.30 GMT.

UK dial in number: 020 7081 9472

A replay facility will be available for seven days:

UK dial in number: 020 7081 9440

International number: +44 (0) 20 7081 9440

Account number: 352823

Recording number: 501091

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