

United Drug plc

Preliminary Announcement of Results

Year ended 30 September 2003

Highlights

	2003 €'000	2002 €'000	Increase %
Group turnover	1,128,868	974,278	16%
Trading profit*	38,471	31,341	23%
Profit before taxation*	35,047	28,317	24%
Earnings per share*	13.35c	11.45c	17%
Dividend per share	4.11c	3.57c	15%

* excluding goodwill amortisation and exceptional item

United
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Preliminary Announcement

At a meeting of the Board of Directors, the financial statements of the Group for the year ended 30 September 2003 were approved. The Group Profit & Loss Account, Balance Sheet and Cash Flow Statement, with comparative figures for the previous year, are attached.

Statement

2003 has been another year of major progress for United Drug. This progress is evidenced by a record financial performance, a continuation of our long-term track record of delivering superior financial returns, and significant strategic development within each of our four business divisions.

Group turnover for the year increased by 16% to €1.13 billion. Profit before tax before once-off exceptional costs and amortisation of goodwill is €35.05 million, an increase of 24% over 2002 and fully diluted earnings per share, measured on the same basis, advanced by 17% to 13.35 cent. As reported with the interim results, a once-off exceptional cost of €1.15 million was incurred during the year on the rationalisation of the acquired Ventiv contract sales business in the UK. This business has now been fully integrated into Ashfield Healthcare.

The Company's continued commitment to improving dividend payments is reflected in a final dividend proposed for 2003 of 2.97 cent per share, a 16% increase over the 2002 final dividend. The total dividend payable to shareholders for 2003 increases to 4.11 cent, a 15% increase on 2002.

The strategic developments within the business in 2003 include the successful integration of our recent acquisitions, New Splint, Ventiv UK and IntraVeno; the acquisition of Mantis Surgical, enhancing our position further in the UK medical/surgical market; the commencement of construction on two significant new facilities to create further growth capacity for our Contract Distribution Outsourcing businesses in the UK and Republic of Ireland; the completion of and move into our new state-of-the-art training and head office centre in our UK Contract Sales business; and a combination of market share gains and further significant improvement in our expenses to sales ratio within our wholesaling businesses, North and South.

In Pharma Wholesale, we have made further improvements in our market position through market share gains, new service offerings and greater operating efficiencies in a focused effort to support the growing businesses of our independent retail pharmacist customers. We are now the only major pharmaceutical wholesaler not involved in owning retail pharmacy as part of our strategy, and therefore the only wholesaler not competing with our customers. In contrast to our competitors, we have supported a large number of independent pharmacists to make acquisitions and to grow their businesses further in order to compete with corporate owned groups, through our new Catalyst support package.

In Contract Distribution Outsourcing, our continued commitment to, and investment in quality, has been rewarded by important new business wins both in Ireland and the UK. Commitments to build new warehousing facilities in both markets will allow these businesses to continue to grow and meet and exceed the requirements of our customers.

In our Medical & Scientific division, the acquisition of IntraVeno Healthcare in mid- 2002 has consolidated our position in the Irish market and we continue to derive competitive advantage from that positioning. Our UK market offering was significantly enhanced during the year with the acquisition of Mantis Surgical, a specialised high value added product and service provider to surgeons in the UK and elsewhere. Mantis and New Splint combined provide a high quality platform on which to grow our Medical & Scientific business in the UK. To support the rapid growth of this Medical & Scientific business, a number of senior management appointments have been made to both the Irish and UK businesses, and to the overall enlarged structure of the division.

In our Contract Sales Outsourcing division, the 2003 financial year has seen major development for Ashfield Healthcare. The acquisition and integration of the UK business of Ventiv Inc. has consolidated Ashfield's position as the best-in-class contract sales and nurse advisor provider to pharmaceutical manufacturers in both the UK and Ireland. The impact of the acquisition was complemented by the opening of our new training centre for Ashfield in the UK and the move of the Irish business to new premises. Both facilities offer the best available training facilities to the industry and have significantly enhanced Ashfield's market position.

Pharma Wholesale

The United Drug Pharma Wholesale business is committed to supporting the growth and development of independent retail pharmacists and to providing a range of services that allow those customers to compete effectively in the marketplace. United Drug is now the only pharmaceutical wholesaler in the Irish market that supports rather than competes with the independent retail pharmacists and continues to win business in the market as a result.

In the Republic of Ireland, United Drug Wholesale continued to develop its customer base, its services to those customers and further improved its operating efficiency. Management focus is on business development, service to customers and cost control. It is pleasing to report that in a fiercely competitive market characterised by a steady flow of changes in retail ownership, United Drug Wholesale has continued to increase its market share and also to reduce its expenses to sales ratio.

During the year, some of our customer support initiatives were re-branded. Catalyst is a comprehensive support service for buyers and vendors of retail pharmacies. By contrast with other schemes in the market, United Drug takes no equity in any pharmacy and facilitates the immediate transfer of ownership to the purchaser at a significantly lower cost. It is a directly comparable entry option with other equity based buying schemes in the market, but a scheme through which the entering pharmacist incurs far lower acquisition costs in the long-term.

Following the reorganisation of OTC assembly and delivery logistics, United Drug 'Profitlines' was launched in August 2003, offering low cost OTC products to customers each month. Changes in our OTC arrangements reflects our commitment to provide every day low prices for fast moving products and is complemented by other enhanced retail services such as category management and store layout consultancy that we are developing in line with evolving customer requirements.

Through our investment in wholesale facilities in Dublin, Limerick and Ballina in recent years, we now have in place an infrastructure that will accommodate significant future growth requiring little further investment. This will allow us to continue to broaden our service offering to our independent pharmacy customers and to do so more efficiently.

In Northern Ireland, Sangers Wholesale made significant progress during the year. The continuing policy of supporting independent pharmacists has seen some major new business wins. Sangers is the only wholesaler in Northern Ireland that continues to invest heavily in its operations locally and to support its customers from a local base. This new business, combined with tight cost control and a further reduction in the expenses to sales ratio, has seen a strong profit performance by the Sangers business during the year.

An important strategic development during the year was the development of a local healthcare grocery distribution service, effectively opening up a new and important channel for healthcare clients. This addition to the Pemberton and Sangers Distribution offering enhances management's ability to pitch for new business requiring both grocery and pharmacy coverage. New business wins included Lacoste, Slendertone and Nicorette which have contributed to very satisfactory profit growth within Sangers Distribution.

In a year of modest expenditure on infrastructure and equipment, Sangers delivered strong growth in sales and cash flows, tight expense control and a very satisfactory profit growth. With new business wins, new initiatives, a continued cost focus and an infrastructure with capacity for future growth, Sangers is well positioned for the coming years.

Contract Distribution Outsourcing

The Contract Distribution Outsourcing division had another successful year, with sales and profits well ahead of last year. The division offers distribution, sales and administration services to multinational manufacturers of human and veterinary pharmaceuticals, consumer products, and also to cosmetic and photographic manufacturers.

There are several operating units within the division.

United Drug Distributors offers distribution services to pharmaceutical manufacturers in the Republic of Ireland. This business grew its sales and profits significantly during the year in a market that continues to grow strongly. We won the business of Schering Plough in January last and secured significant additional business from Pfizer in the latter part of the year. We also commenced distribution for Provalis.

Our newly established Hospital Business Unit made very satisfactory progress during the year with a much-improved performance. It is focused totally on providing an excellent distribution service to the hospital channel on behalf of pharma manufacturers. The huge complexity and cost of hospital distribution requires a totally dedicated service and continued process improvement and efficiency. We believe the high level of service now being provided to hospitals on behalf of pharma and healthcare companies is a source of competitive advantage.

During the year, we commenced operations in contract packaging on behalf of multinational pharmaceutical manufacturers. This fledgling business has already shown considerable potential for development not just from local manufacturers but also from manufacturers in the United Kingdom. We are in the process of establishing our packaging business as a discreet business unit. We have secured contracts from various companies including manufacturers that are not clients of our other service units. Packaging services offer good revenue generation opportunities and can be cross-sold with other service offerings.

UniDrug Distribution Group (UDG), our joint venture with Alloga, offers the same services as United Drug Distributors but in the United Kingdom market. UDG had an excellent trading year and added a number of new clients to its portfolio during the period, including Stiefel, Novo Nordisk, Profile Pharma, Nutricia and Strakan. As a consequence of its substantial growth, the Board of UDG has sanctioned the building of a second premises of similar size to the original premises at Amber Park, near Nottingham. Construction of this facility has already commenced and should be available for occupation in mid 2004. This investment is an indication of our confidence in the ability of UDG to grow its business significantly over the coming years.

Our Consumer Products business units, Pemberton Marketing and Blackhall Pharmaceuticals, both had excellent results at sales and net profit level. Pemberton has significantly strengthened its operations and customer service, benefiting both its customers and its Principals. It has gained new business from Slendertone, Baxolve and VistaPharm. Blackhall Pharmaceuticals had an outstanding year and made a substantial contribution to Group profitability. Following the completion of the new premises extension at their Swords facility, there is adequate capacity for further expansion. Blackhall extended its list of clients to include Niche Generics, Bristol Myers Squibb, Calotherm, Chemgro, Crawford Pharmaceuticals, GlenDimplex, Firstaid Supplies, Graffiti Art, Profoot Footcare Products, Masterfoods, Visage International and 3M.

The recent Board decision to commence development of the second phase of the Magna Park facility will greatly enhance the development potential of the Contract Distribution division in the Republic of Ireland. The new warehouse and office environment will provide us with significant expansion capability and will also allow us to operate our existing business more efficiently.

Medical & Scientific

Mantis Surgical, a medical and surgical business based in Newbury, UK, and involved in exclusively distributing devices and equipment for laparoscopic and vascular surgery, was acquired by the Group in July 2003. This acquisition broadens the Medical & Scientific division's presence in the UK and sees the further implementation of our strategy to grow our clinical niche specialist surgeon preference business, both organically and by acquisition, in this important market. Since the acquisition, Mantis Surgical has performed very strongly and has integrated well with the existing New Splint business.

New Splint, the division's entry vehicle into the UK medical sector, remains firmly focused on the specialist joint replacement sector and the supply of quality surgical instrumentation. It too has had a very strong year, demonstrating strong market share gains in the demanding revision surgery sector, based on the provision of superior products underpinned by excellent clinical and technical support.

The acquisition of Mantis Surgical provides the opportunity to develop a consolidated Unitech UK business, maximising the expertise, skills and strong market profile of both companies. The Unitech UK business base will also serve to facilitate the introduction into the UK of successful life sciences and distribution business models developed in the Republic of Ireland, transferring business relationships first formed in the Irish market. Unitech UK now has a strong and established business in orthopaedics, vascular and laparoscopic surgery, and surgical instruments.

The Irish based business activities of the division, focused on the biotechnology, clinical diagnostics, medical and industrial sectors, represented by Unitech and IntraVeno in the Republic and Ulster Anaesthetics/Vector Scientific in Northern Ireland, enjoyed another excellent year, and were again significantly ahead of last year in terms of revenues and profits. IntraVeno completed its first year in the division and overachieved in terms of both sales and profitability as well as delivering extra value to the division by bringing our existing product portfolio into new market sectors and providing access to some exciting product opportunities for other divisional companies.

The year has seen the Medical & Scientific division continue its dramatic growth trajectory and build a strong platform to drive sustainable, high-quality profit growth going forward.

Contract Sales Outsourcing

2003 continued where 2002 left off with another impressive performance from the contract sales business. It was a landmark year in many respects, with the undoubted highlight being the acquisition in October 2002 of Ventiv Health UK, the 3rd largest contract sales outsourcing provider in the UK market. This strategic move not only strengthened Ashfield's position in the UK as the premier contract service organisation but more importantly established Ashfield as the premier provider of nurse advisors.

Ashfield continued to broaden its client relationships and this year in the UK has added GSK, Bayer, Convatec, Aventis, Eli Lilly, 3M and Biogen to its already impressive and expanding list of clients.

In December 2002, the move to a new training centre and head-office, Ashfield House, took place ensuring all the UK head office staff are now in situ on one site. With over a third of this state-of-the-art building dedicated to training, it shows the emphasis that Ashfield continues to place on training and developing its head office and field based employees alike and endorses our view that excellence in training is a key aspect of the value we add as part of our service to pharma companies.

Ashfield continues to obtain endorsements from external bodies and following on from the Investors in People accreditation last year, this year Ashfield won the 'Investing in Leicestershire' Award and was a finalist in the 'Leicestershire Business Award and Sales and Marketing Award'.

In May 2003, Ashfield Ireland moved into new premises with additional space provided for the delivery of training to the pharmaceutical industry, a most unique and original offering in Ireland. With a strong management team in place, the business is now the market leader in the Irish market and has added to its client base with business from Pfizer, Alliance, Owen Mumford, Provalis and AstraZeneca.

Group Development

2003 has been another year of significant development for United Drug. This development is based on providing services to our retail pharmacy and healthcare manufacturer customers that seek to add value to their businesses. This value is added by good people supported by strong management working together in best-in-class facilities focused on services to our customers in areas where we have significant competence. Our strategy is clear. Looking up the healthcare supply chain, we are focused on providing outsourced sales and distribution related services to a wide variety of healthcare companies to an exceptional quality standard, that offer manufacturers flexibility and lower costs in the commercialisation of their products. Looking down the supply chain, we are focused on creating a range of services for our independent pharmacy customers that allows them to compete with corporate owned groups.

As a service business, people, and the development of those people, is a cornerstone of ensuring strategic development within the Group. During the year, we have made a number of significant external recruitments to bring new talent into the Group, promoted high potential, high achieving people within the team to move to more responsible positions, initiated a dedicated and focused high potential management training and cross-fertilisation programme in conjunction with the Irish Management Institute, added to our HR resources, and have undertaken a major consultancy project to research, describe and reinforce the values that we want to become endemic in our culture, throughout the Group.

We are making great efforts to ensure that United Drug offers continuous and equal opportunity for all of our staff to develop and grow within the organisation, and that there is a continuity at a senior management level through constantly training and developing management talent at all levels of the Group.

Continuity and growth of strong management and staff, along with a focused strategy for the future, will continue to drive our success along with further acquisitions that fit strategically with our business unit ambitions.

My sincere thanks to all the management and staff in the Group and all our clients and customers who contributed to another great year, United Drug's nineteenth year of producing earnings growth as a public company.

Dividends

The Directors are proposing a final dividend of 2.97 cent per share. In addition to the interim dividend this gives a total dividend for the year of 4.11 cent. This is a 15% increase on the 2002 dividend and is consistent with our stated policy of rewarding shareholders with significant dividend improvements. The Directors are pleased to advise that all shareholders will be given the opportunity of receiving all or part of their 2003 final dividend as a scrip dividend in the form of new ordinary shares. The share alternative election/mandate forms, setting out details of the share alternative offer and the procedures to be followed, will be posted to shareholders in January 2004. Cheques in respect of the final dividend or, alternatively, share certificates will be posted on 11 February 2004 to holders of ordinary shares whose names appear on the Company's register at the close of business on 5 December 2003.

2003 Annual Report and Annual General Meeting

The 2003 Annual Report and Accounts will be published in January 2004 and the Annual General Meeting of the Company will be held on 11 February 2004.

Liam FitzGerald

Chief Executive

25 November 2003

This announcement and further information is available on our web-site: www.united-drug.ie

Group Profit & Loss Account

for the year ended 30 September 2003

	Notes	2003 €'000	2002 €'000
Turnover: including share of joint ventures		1,446,358	1,168,731
Less: share of joint ventures		(317,490)	(194,453)
Group turnover		1,128,868	974,278
Operating costs		(1,092,776)	(944,989)
Exceptional item	2	(1,149)	-
Goodwill amortisation		(3,675)	(1,591)
Group operating profit		31,268	27,698
Share of joint ventures' operating profit		2,379	2,052
Trading profit, including share of joint ventures		33,647	29,750
Group interest payable (net)		(3,380)	(2,986)
Share of joint ventures' net interest		(44)	(38)
Profit on ordinary activities before taxation		30,223	26,726
Tax on profit on ordinary activities		(6,666)	(5,276)
Profit for the financial year attributable to equity shareholders		23,557	21,450
Dividends paid	3	(2,381)	(2,016)
proposed	3	(6,237)	(5,279)
Profit retained for the financial year attributable to equity shareholders		14,939	14,155
Profit and loss account at beginning of year		74,918	62,228
Scrip dividends		2,536	2,806
Realisation of revaluation surplus		253	-
Redemption of treasury shares		-	(4,271)
Profit and loss account at end of year		92,646	74,918
Restriction arising on treasury shares		(5,667)	(5,667)
Profit and loss account at end of year as restricted		86,979	69,251
Earnings per ordinary share			
<i>Before goodwill amortisation and before exceptional item</i>			
- basic	4	13.48c	11.58c
- diluted	4	13.35c	11.45c
<i>Before goodwill amortisation and after exceptional item</i>			
- basic	4	13.09c	11.58c
- diluted	4	12.97c	11.45c
<i>After goodwill amortisation and after exceptional item</i>			
- basic	4	11.32c	10.78c
- diluted	4	11.22c	10.66c

Group Balance Sheet

at 30 September 2003

	2003 €'000	2003 €'000	2002 €'000	2002 €'000
Fixed Assets				
Goodwill		65,485		51,333
Tangible fixed assets		63,367		62,599
Financial Assets				
<i>Interest in joint ventures</i>				
Share of gross assets	63,893		52,469	
Share of gross liabilities	(58,161)	5,732	(48,058)	4,411
		134,584		118,343
Current Assets				
Stocks	113,801		105,450	
Debtors	192,127		160,793	
Cash at bank and in hand	9,939		14,348	
	315,867		280,591	
Creditors: amounts falling due within one year				
Bank and other financial obligations	37,002		24,803	
Other creditors	218,401		203,131	
	255,403		227,934	
Net current assets		60,464		52,657
Total assets less current liabilities		195,048		171,000
Creditors: amounts falling due after more than one year				
Bank and other financial obligations		29,833		21,783
Provisions for liabilities and charges		2,566		1,973
Net assets		162,649		147,244
Capital and reserves				
Called up share capital		10,871		9,720
Share premium account		72,320		68,314
Profit and loss account		86,979		69,251
Revaluation reserve		-		253
Other reserves		(7,521)		(294)
Shareholders' funds - equity		162,649		147,244

Group Cash Flow Statement

for the year ended 30 September 2003

	2003	2002
	€'000	€'000
Cash flow from operating activities	15,118	16,282
Returns on investments and servicing of finance	(3,456)	(3,444)
Corporation tax paid	(6,097)	(3,557)
Capital expenditure and financial investment	(7,281)	(11,393)
Acquisitions	(24,067)	(19,676)
Equity dividends paid	(5,120)	(3,518)
Cash flow before financing	(30,903)	(25,306)
Financing	23,624	18,493
Decrease in cash for the year	(7,279)	(6,813)
Reconciliation of net cash flow to movement in net debt		
Decrease in cash for the year	(7,279)	(6,813)
Net (increase)/decrease in debt	(18,468)	2,532
Changes in net debt resulting from cash flows	(25,747)	(4,281)
Finance leases acquired with new subsidiaries	(80)	(500)
Translation adjustments	1,169	(84)
Movement in net debt	(24,658)	(4,865)
Net debt at beginning of year	(32,238)	(27,373)
Net debt at end of year	(56,896)	(32,238)

Notes to the Financial Statements

for the year ended 30 September 2003

1 Accounting Policies

The accounting policies and presentation applied are consistent with those applied in the 2003 Annual Report, and are in accordance with applicable accounting standards.

2 Exceptional Item

Redundancy costs

2003	2002
€'000	€'000
1,149	-

The exceptional item relates to redundancy costs incurred following the acquisition of the UK operations of Ventic Inc in October 2002.

3 Dividends - equity shares

Paid: interim dividend of 8.00c per 32c share
(2002: 7.00c per 32c share)

Proposed: final dividend of 2.97c per 5c share
(2002: 18.00c per 32c share)

2003	2002
€'000	€'000
2,381	2,016
6,237	5,279
8,618	7,295

Notes to the Financial Statements *continued*

for the year ended 30 September 2003

4 Earnings per ordinary share	2003	2002
	€'000	€'000
<i>Basic earnings per share</i>		
Profit on ordinary activities after tax	23,557	21,450
Weighted average shares outstanding during the year	208,055,954	198,903,432
Basic EPS	11.32c	10.78c
Goodwill amortisation	1.77c	0.80c
Basic EPS before goodwill amortisation	13.09c	11.58c
Exceptional item (net of tax)	0.39c	0.00c
Basic EPS before goodwill amortisation and exceptional item	13.48c	11.58c
<i>Fully diluted earnings per share</i>		
Profit on ordinary activities after tax	23,557	21,450
Weighted average shares outstanding during the year	208,055,954	198,903,432
Number of dilutive shares under option	1,952,787	2,326,233
Weighted average shares for calculation of fully diluted EPS	210,008,741	201,229,665
Fully diluted EPS	11.22c	10.66c
Goodwill amortisation	1.75c	0.79c
Fully diluted EPS before goodwill amortisation	12.97c	11.45c
Exceptional item (net of tax)	0.38c	0.00c
Fully diluted EPS before goodwill amortisation and exceptional item	13.35c	11.45c



United Drug plc,
Belgard Road, Dublin 24
Tel: +353 1 459 8877. Fax: +353 1 459 6893
website: www.united-drug.ie