

United Drug plc

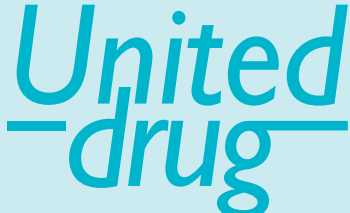
Preliminary Announcement of Results

Year ended 30 September 2004

Highlights

	2004 €'000	2003 €'000 <i>As restated</i>	Increase %
Group turnover	1,252,557	1,079,672	16%
Trading profit*	45,741	38,471	19%
Profit before taxation*	42,420	35,047	21%
Fully diluted earnings per share*	15.76c	13.35c	18%
Dividend per share	4.80c	4.11c	17%

* excluding goodwill amortisation and exceptional item (in 2003)

The logo for United Drug, featuring the word "United" in a large, blue, sans-serif font above the word "drug" in a smaller, blue, sans-serif font. A horizontal line is positioned between the two words.

Preliminary Announcement

At a meeting of the Board of Directors, the financial statements of the Group for the year ended 30 September 2004 were approved. The Group Profit & Loss Account, Balance Sheet and Cash Flow Statement, with comparative figures for the previous year, are attached.

Statement

2004 has been a year of further significant development at United Drug and our long-term track record of delivering superior financial returns for our shareholders has been continued, and indeed enhanced, during the year. This is our nineteenth successive year of delivering year-on-year earnings growth as a public company – a track record we are very proud of and one that few other plc's can match. Development has taken place in all four business divisions and each has progressed strategically and financially in the period.

Group turnover for the year increased by 16% to €1.253 billion. Headline profit before tax, amortisation of goodwill and a once-off exceptional cost (incurred in 2003), amounted to €42.42 million an increase of 21% over 2003 and after the exceptional item and goodwill amortisation pre-tax profits have increased by almost 27% to €38.28 million. Fully diluted earnings per share, before the exceptional item and goodwill amortisation, advanced by 18% to 15.76 cent and after the exceptional and goodwill amortisation increased by 23% to 13.84 cent per share.

The Company's continued commitment to improving dividend payments is reflected in a final dividend proposed for 2004 of 3.48 cent per share, a 17% increase over the 2003 final dividend. Combined with the interim dividend of 1.32 cent per share paid during the year, the proposed dividend brings the total dividend payable to shareholders for 2004 to 4.80 cent per share, an increase of 17% on the 2003 total dividend per share.

The major developments within the businesses in 2004 include the following:

Pharma Wholesale: As the only wholesaler on the island of Ireland not involved in owning retail pharmacy we continue to attract new independent retail customers with our cost-effective services and impartial support and advice in the growing and competitive Irish pharmaceutical market. By leveraging the infrastructure we have put in place to support this business, we are able to grow more cost-efficiently and capitalise on our position of being the lowest cost service provider in the market to the benefit of our customers and our shareholders.

Contract Distribution Outsourcing: Our focus on providing the highest quality service, continually broadening our range of services to our healthcare manufacturer clients and managing our cost base has allowed us to report significant growth and new clients in this business. Our strong performance was achieved despite delays in a construction project resulting in a below expectation performance in our UK joint venture business UniDrug Group (UDG).

Medical & Scientific: The last 12 months have been a period of growth and consolidation for the Medical & Scientific business. Two centres of excellence have been established, to service manufacturer clients in the UK and Irish businesses, and to provide first class administrative support for the business. This structure will allow us to present a professional face to the manufacturer client and at the same time maintain the niche customer focus for the end user. Our increased capacity in both territories will allow us develop new business and to bolt-on further acquisitions in defined sectors.

Contract Sales Outsourcing: Ashfield, the trading name for our Contract Sales business, continues to increase its market share in the contract sales outsourcing business by building relationships with healthcare manufacturers and investing in training and developing its employees to provide the highest quality service to those manufacturers. Ashfield won significant new clients during the year.

Pharma Wholesale

United Drug continues to be the only wholesaler in Ireland not buying pharmacies and truly the only wholesaler focused on supporting the growth of the independent retail pharmacy sector, giving impartial advice and services to independent community pharmacists keen to expand and grow their business. Other wholesalers now own a significant number of pharmacies throughout the country. They are competing directly with their independent pharmacy customers in the market and are competing directly for new openings and acquisitions. Furthermore, one major wholesaler is re-selling pharmacies to new entrants in a way that delivers returns heavily weighted to that group at the expense of the new entrant. The conflict of interest is clear and our strategy of supporting, unequivocally, rather than competing with our customers, continues to reap rewards in terms of new business wins.

In the Republic of Ireland, United Drug Wholesale has significantly increased turnover and profitability during the year. This growth has been achieved by providing cost-effective high quality service and support to our customers to allow them to compete and to facilitate their growth in the growing Irish pharmaceutical market. United Drug provides a range of services and supports for our independent retail pharmacy customers over and above the core wholesale service. These services include merchandising and store planning, more cost-effective OTC buying, category management, training and financial advice and support. United Drug also seeks to support pharmacists looking to acquire their own pharmacy or increase their presence in the market through our Catalyst scheme. Catalyst is a fast, "no strings attached", efficient and confidential scheme that matches pharmacists wishing to sell their business with pharmacists wishing to purchase. It provides financial support and ongoing confidential advice in order to facilitate this process. Since its launch in mid-2003, Catalyst has exceeded our expectations and has facilitated a large number of independent community pharmacists in acquiring or expanding their businesses. It is the most cost-efficient route into retail pharmacy ownership for new entrants with the purchaser taking 100% of the equity in the business from day 1.

United Drug Wholesale continued to leverage the significant capital investment of recent years by driving down cost to sales ratios in our facilities in Dublin, Limerick and Ballina. Our new infrastructure allows us to accommodate significant current and future growth with minimal incremental cost, and to further enhance our position as a "cost leader" with the lowest cost to sales ratio in our market.

During the year, a new management structure has been put in place in United Drug Wholesale. This new structure, headed by Alan Ralph, is now well established and is allowing the business to share best-in-class practices among all our wholesale depots.

In Northern Ireland, Sangers market share continues to grow as we support independent pharmacists and emphasise the importance of focusing on local management skills as opposed to devolving authority to a national level. This emphasis provides a strong platform for future growth as we continue to invest in our facilities and services in Northern Ireland. Sangers has recently won business from our main competitors with two significant new customers in Northern Ireland.

Sangers Wholesale had a very good year, with profits well ahead of last year. We have continued to increase our clear market leadership, building on last year's significant gains. These gains together with market growth have resulted in strong wholesale turnover growth, an exceptional performance given the background of increasing generic prescribing and the continued competition from short line wholesalers. This growth in turnover combined with tight cost control and a further reduction in the expenses to sales ratio, has resulted in a significant increase in overall profitability.

Pemberton Health and Beauty in Northern Ireland has performed well with good turnover growth and profits up substantially on last year. Prima Brands Ltd, our healthcare grocery company is now well established and contributing significantly to the overall profits. Sangers Distribution produced a satisfactory performance with increases at both gross and net profit level. Discussions are ongoing with manufacturers to further consolidate the position of our agency division as the partner of choice in Northern Ireland.

Against a background of modest expenditure on infrastructure and equipment, Sangers delivered strong growth in sales and cash flows, tight expense control and a significant 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 (CDO) division has reported another very successful year, with sales and profits well ahead of last year.

United Drug Distributors offers distribution services to pharmaceutical and veterinary medicines manufacturers in the Republic of Ireland. This business recorded substantial growth in sales and profits in the year aided by new business added to the portfolio over the period, with BSN, Chefaro and Meda. We have also recently been successful in winning the business of Intervet, part of the Akzo Nobel Group and one of the major veterinary health suppliers in Ireland. We will begin to operate a service for Intervet in the second half of 2005.

United Drug Distributors continues to develop in line with or ahead of the growing Irish pharmaceutical market. This growth is achieved due to its positioning as the leading premium service provider in the Irish market. The focus in the business is to develop by providing manufacturers with innovative and value-added solutions in the areas of distribution, sales and administration and to allow them to outsource non-core high fixed cost activities. To this end we have developed our service in the area of supply of marketing and point of sale materials to include a web based ordering system that allows field based personnel to order their materials on-line for direct delivery. Similarly, we are well positioned to manage all clinical trials materials locally, and to store and dispatch these materials directly to the trial sites. Both of these systems tie in with our management information system - PARIS - that gives full visibility of the movement of these items and all stock lines on a next day basis. This gives manufacturers the ability to manage their stocks of all items in an efficient and cost-effective manner and also facilitates performance management.

The coming year will see the move of the business to a new state-of-the-art facility at Magna Park in City West in Dublin. This site will give us added capacity to grow the business further. Detailed plans have already been made to ensure that the business is transferred successfully, and seamlessly, to the new premises. The facility has been designed to the highest international standards and will consolidate further our position as the best-in-class in Ireland, if not in Europe. This investment has been made to ensure we meet and exceed the quality requirements of international manufacturers and the Irish Medicines Board, who are constantly raising the standards, and we are delighted to embrace their demands as we strive for excellence.

The other business units within the Division have also flourished over the period. Our consumer goods distribution business, Pemberton, had another successful year with increased turnover and substantial growth on its bottom line. Pemberton is also ready for the impending move to Magna Park where we have installed order storage and retrieval (OSR) technology, a highly automated picking system. This system will allow many more orders to be processed and so increase capacity and productivity substantially. This technology will position Pemberton as the distributor of choice in the Irish market for premium cosmetics. Blackhall Pharmaceuticals continues to perform ahead of expectations and has consolidated its business during this year, following the extension to the Blackhall premises last year.

Our repackaging business has been branded as Pharmaceutical Packaging Services (PPS) and has relocated to bespoke premises during the course of the year. It continues to grow its client base in both pharmaceuticals and consumer goods and has good potential for future growth.

There have been a number of changes within the United Drug Distributors management team, following the retirement of our colleague Philip Caffrey at the end of the year. Mick Dunne has assumed Philip's role as manager of the agency business, and he has increased our management resources within the division to ensure that we continue to provide the highest quality service to our customers and stay close to our clients.

UDG, our joint venture with Alloga, offers the same service as United Drug Distributors but in the UK market. UDG has had a challenging trading year and performed below expectations and below last year in the year just ended. Most frustrating has been the difficulty in bringing the new warehouse construction project to a conclusion. The project has been delayed by a number of factors outside our direct control and although completion will occur in December 2004 this is many months behind schedule. This has meant that, for an inordinate period, operations conducted from our single warehouse have been compromised by over-capacity and therefore poor productivity. Although these issues have been successfully managed in the circumstances, substantial additional costs have been incurred in so doing.

During the year, the outsourced market changed only minimally with no additional major pharma companies taking the outsource option. Despite these challenges, UDG has won new clients during the year. We have put in place our first 'transport only' contract with BSN, have won a new pre-wholesaling contract with UCB, have retained the Wilkinson Sword business following its sell-off by Pfizer to Energizer and have welcomed Ceuta Healthcare back as a Principal. Distribution contracts have also been put in place with GSK, Nutricia, Ark Therapeutics and Lifes2Good.

Going forward, we are completing the roll-out of new warehouse management and sales order processing IT systems, (a project due for completion by the end of Q1 2005) have new business wins that will fill between 6,000 and 8,000 pallet spaces of the 30,000 presently under construction and are rapidly developing our own palletised and refrigerated transport operations that we took back from a sub-contractor in mid-year.

The new support infrastructures, (warehouse, computer technologies and transport) will allow us to focus on and develop fully the additional service offerings that have been identified as strategic growth areas and opportunities. These services include delivering medicines and nutritional products direct to patient homes, (approval for the necessary dispensing licence has already been granted), labelling and secondary repackaging of pharmaceutical products, transport only arrangements and warehousing and distribution of representative materials.

Medical & Scientific

The focus for 2004 has been the creation of two consolidated Medical & Scientific business centres of excellence, one serving the Republic of Ireland, the other serving the UK, while delivering strong year-on-year market share and profit growth.

In the UK, the acquisition of Mantis Surgical in July 2003 moved forward the development of a consolidated UK business and during the year we integrated Mantis with New Splint (acquired in 2002) to form Unitech UK. Both businesses came together in a new 38,000 square foot office/warehouse facility in Basingstoke in June 2004.

The integration strategy focused on maintaining the customer-facing trading identity, sales focus, and business practices of the individual companies whilst developing an enhanced back-office centre of excellence. Unitech UK now operates within an AWARDS IT environment, facilitating the introduction of sophisticated sales data analysis tools to Principals and staff alike along the lines of our pharma distribution division.

The Unitech UK business base can now support the introduction of both the life science and distribution business models operated in the Republic of Ireland as well as enabling us to easily accommodate bolt-on acquisitions to broaden our market offering.

The integration of the two businesses proceeded to plan and the combined entity delivered strong profit growth in the year. The UK organisation is now well placed to expand its activities into identified new sectors.

In the Republic of Ireland this process has been mirrored by the integration of Unitech and Intraveno. Following the same business model, both businesses will be resourced from a purpose-built logistics and support facility in the Magna Park II complex. Operating in an AWARDS IT environment, the Irish operation will also now offer sales data analysis to all its staff and Principals. The two businesses will move together to Magna Park in early January 2005.

Operating from the Magna Park base, Unitech will retain its sales structure and identity, positioning itself as the biotechnology, scientific and clinical diagnostics arm of the division in Ireland. Intraveno will also retain its own identity and focus, positioning itself as the medical-surgical arm of the division. Similar to the UK, this structure will facilitate the addition of bolt-on acquisitions and the development of new business activities. The Republic of Ireland companies of Unitech and Intraveno and UAL/Vector Scientific operating in Northern Ireland delivered another year of strong profit growth.

The Medical & Scientific division has advanced significantly in the past year in terms of structure, strategic development and profit contribution, and is well positioned for the future. Developing our presence in this sector continues to be a strategic priority.

Contract Sales Outsourcing

Ashfield Healthcare retains its outstanding record of strong year-on-year growth since its inception some 8 years ago, with impressive growth in headcount, turnover and both gross and net margins. With a market share in excess of 40%, Ashfield continues to strengthen its position as the second largest and fastest growing contract sales outsourcing company and premier provider of nursing services.

By continuing to build relationships, understand and respond to the needs of pharmaceutical manufacturers and broaden and develop its service offering, Ashfield has not only maintained but expanded its client base. With business wins with Pfizer, Proctor & Gamble, Organon, Strakan, BSN, Takeda, Beiersdorf, Valeant and Merck Pharma, Ashfield now has a relationship with 8 of the top 10 pharma companies. Ashfield remains focused on providing a first class service to all its clients and has enhanced its service offering by adding a legal services department and medical director to its ever-expanding talent pool, ensuring the protection of all stakeholders is maximised.

The emphasis placed on training and developing our employees remains at the forefront of Ashfield's ethos and has led to external accreditation in the form of a regional training award for work done in partnership with Molnlycke Health Care and accreditation from the Institute of Leadership and Management (ILM) at Loughborough College for the impressive Ashfield Academy development programme. An additional external seal of approval came when Ashfield was named Leicestershire Business of the Year in the Leicestershire Business awards in May 2004. The winning of this extremely prestigious award came on top of the award won in 2003 for Investment in Leicestershire. Throughout 2004 the company has continued to raise its profile as a major high quality employer in the county.

The fledgling Ashfield USA business continues to develop steadily with a small but growing team of wound care representatives with Molnlycke Health Care. Due to its initial success this team is currently expanding and additionally we have won, and are operating a multi-state-team of 11 Federal Market Consultants and 1 Regional Manager with Reliant. We have also developed strong contacts within US Pharmaceutical Companies, which has led to the generation of additional revenue from filling headcount recruitment vacancies.

Ashfield Ireland continues to show steady growth and now has over 40% of the Irish CSO market. The current client list includes companies such as AstraZeneca, Sanofi-Aventis, BMS, Pfizer, Amgen, Servier, Boehringer Ingelheim and Reckitt Benckiser. The focus in Ireland is on delivering the highest quality contract, training and recruitment service to the pharmaceutical and healthcare industry. The nursing services side of the business has doubled in the last twelve months and this impressive growth is set to continue in the coming year.

Group Development

2004 has been a year of further significant development at United Drug. This development comes about as a result of executing our clearly defined strategy, completing vital infrastructural investments, focusing on quality as a core proposition, and integrating acquisitions well. United Drug is a healthcare services provider dedicated to maximising shareholder value and our strategy continues to be one of providing value added services to our partners at both ends of the healthcare supply chain – healthcare manufacturers and retail pharmacists.

To ensure that we have available, at the right price, the future investment capacity we believe will be necessary to service our growing customer base and to drive shareholder value, we have further strengthened our balance sheet during the year. The announcement of a sale and leaseback transaction on our soon to be completed Magna Park II facility and the completion of a US\$102 million long term debt private placement significantly add to our long-term financial capability.

In our interim report for the six months to 31 March 2004, I paid tribute to my colleague Philip Caffrey who retired during the year. Philip formally stepped down from the Board of Directors on 30 September 2004 and I would again like to acknowledge his outstanding contribution to the Group over 30 years and wish him well in his retirement. I would also like to extend my sincere thanks to all our staff for their excellent dedication to task and commitment to making this another year of great progress.

Dividends

The Directors are proposing a final dividend of 3.48 cent per share. In addition to the interim dividend, this gives a total dividend for the year of 4.80 cent per share. This is a 17% increase on the 2003 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 2004 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 2005. Cheques in respect of the final dividend or, alternatively, share certificates will be posted on 16 February 2005 to holders of ordinary shares whose names appear on the Company's register at the close of business on 3 December 2004.

2004 Annual Report and Annual General Meeting

The 2004 Annual Report and Accounts will be published in January 2005 and the Annual General Meeting of the Company will be held on 16 February 2005.

Liam FitzGerald

Chief Executive

23 November 2004

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 2004

	Notes	2004 €'000	2003 €'000 <i>As restated</i>
Turnover: including share of joint ventures		1,605,012	1,397,162
Less: share of joint ventures		(352,455)	(317,490)
Group turnover		1,252,557	1,079,672
Operating costs		(1,208,939)	(1,043,580)
Exceptional item	2	-	(1,149)
Goodwill amortisation		(4,138)	(3,675)
Group operating profit		39,480	31,268
Share of joint ventures' operating profit		2,123	2,379
Trading profit, including share of joint ventures		41,603	33,647
Group interest payable (net)		(3,378)	(3,380)
Share of joint ventures' net interest		57	(44)
Profit on ordinary activities before taxation		38,282	30,223
Tax on profit on ordinary activities		(8,375)	(6,666)
Profit for financial year attributable to ordinary shareholders		29,907	23,557
Dividends paid	3	(2,789)	(2,381)
proposed	3	(7,532)	(6,237)
Profit retained for the financial year attributable to ordinary shareholders		19,586	14,939
Profit and loss account at beginning of year		92,646	74,918
Scrip dividends		3,812	2,536
Realisation of revaluation surplus		-	253
Profit and loss account at end of year		116,044	92,646
Restriction arising on treasury shares		(5,667)	(5,667)
Profit and loss account at end of year as restricted		110,377	86,979
Earnings per ordinary share			
<i>Before goodwill amortisation and before exceptional item</i>			
- basic	4	15.97c	13.48c
- diluted	4	15.76c	13.35c
<i>Before goodwill amortisation and after exceptional item</i>			
- basic	4	15.97c	13.09c
- diluted	4	15.76c	12.97c
<i>After goodwill amortisation and after exceptional item</i>			
- basic	4	14.03c	11.32c
- diluted	4	13.84c	11.22c

Group Balance Sheet

at 30 September 2004

	Notes	2004 €'000	2004 €'000	2003 €'000	2003 €'000
Fixed Assets					
Goodwill			62,233		65,485
Tangible fixed assets			58,223		63,367
Financial Assets					
<i>Interest in joint ventures</i>					
Share of gross assets		67,880		63,893	
Share of gross liabilities		(60,759)	7,121	(58,161)	5,732
			127,577		134,584
Current Assets					
Stocks		123,994		113,801	
Contract work-in-progress	5	29,300		-	
Debtors		208,524		192,127	
Cash at bank and in hand		48,671		9,939	
		410,489		315,867	
Creditors: amounts falling due within one year					
Bank and other financial obligations		20,392			37,002
Other creditors		228,330			218,401
		248,722			255,403
Net current assets			161,767		60,464
Total assets less current liabilities			289,344		195,048
Creditors: amounts falling due after more than one year					
Bank and other financial obligations			90,557		29,833
Provisions for liabilities and charges			2,957		2,566
Net assets			195,830		162,649
Capital and reserves					
Called up share capital			11,153		10,871
Share premium account			80,433		72,320
Other reserves			(6,133)		(7,521)
Profit and loss account			110,377		86,979
Shareholders' funds - equity			195,830		162,649

Group Cash Flow Statement

for the year ended 30 September 2004

	2004 €'000	2003 €'000
Operating cash flow before contract work-in-progress	39,180	15,118
Cashflow from contract work-in-progress	(27,115)	-
Cash flow from operating activities	12,065	15,118
Returns on investments and servicing of finance	(3,409)	(3,456)
Corporation tax paid	(6,909)	(6,097)
Capital expenditure and financial investment	(1,557)	(7,281)
Acquisitions and disposals	(3,233)	(24,067)
Equity dividends paid	(5,243)	(5,120)
Cash flow before financing	(8,286)	(30,903)
Financing	57,717	23,624
Increase/(decrease) in cash for the year	49,431	(7,279)
Reconciliation of net cash flow to movement in net debt		
Increase/(decrease) in cash for the year	49,431	(7,279)
Net increase in debt	(50,746)	(18,468)
Changes in net debt resulting from cash flows	(1,315)	(25,747)
Non cash movements	(4,098)	-
Finance leases acquired with new subsidiaries	-	(80)
Translation adjustments	31	1,169
Movement in net debt	(5,382)	(24,658)
Net debt at beginning of year	(56,896)	(32,238)
Net debt at end of year	(62,278)	(56,896)

Notes to the Preliminary Announcement

for the year ended 30 September 2004

1 Accounting Policies

The accounting policies and presentation applied are consistent with those applied in the 2004 Annual Report, and are in accordance with applicable accounting standards.

2 Exceptional item

Redundancy costs

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

2004
€'000

2003
€'000

-

1,149

3 Dividends - equity shares

Paid: interim dividend of 1.32c per share
(2003: 1.14c per share)

Proposed: final dividend of 3.48c per share
(2003: 2.97c per share)

2004
€'000

2003
€'000

2,789

2,381

7,532

6,237

10,321

8,618

Notes to the Preliminary Announcement continued

for the year ended 30 September 2004

4 Earnings per ordinary share

	2004 €'000	2003 €'000
<i>Basic earnings per share</i>		
Profit on ordinary activities after tax	29,907	23,557
Weighted average shares outstanding during the year	213,103,041	208,055,954
Basic EPS	14.03c	11.32c
Goodwill amortisation	1.94c	1.77c
Basic EPS before goodwill amortisation	15.97c	13.09c
Exceptional item (net of tax)	-	0.39c
Basic EPS before goodwill amortisation and exceptional item	15.97c	13.48c
<i>Fully diluted earnings per share</i>		
Profit on ordinary activities after tax	29,907	23,557
Weighted average shares outstanding during the year	213,103,041	208,055,954
Number of dilutive shares under option	2,920,129	1,952,787
Weighted average shares for calculation of fully diluted EPS	216,023,170	210,008,741
Fully diluted EPS	13.84c	11.22c
Goodwill amortisation	1.92c	1.75c
Fully diluted EPS before goodwill amortisation	15.76c	12.97c
Exceptional item (net of tax)	-	0.38c
Fully diluted EPS before goodwill amortisation and exceptional item	15.76c	13.35c

5 Contract work-in-progress

During the year, the Group sold its land at Magna Park II, City West, Dublin. At the same time, the Group entered into a contract with the purchaser of the land to develop a building on the land and to sell the completed building to the purchaser at a fixed price of €35.3m. The Group will then leaseback the completed building under an operating lease.

The amount shown as contract work-in-progress represents the costs incurred to date under the development contract. No attributable profit has been recognised at the balance sheet date as the contract was not sufficiently advanced. All costs to completion are expected to be fully recoverable from the agreed contract price.



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