

United Drug plc

Preliminary Announcement of Results

Year ended 30 September 2005

Highlights

	2005 €'000	2004 €'000	Increase
Group turnover	1,325,915	1,252,557	6%
Trading profit*	51,843	45,741	13%
Profit before taxation**	49,220	42,420	16%
Fully diluted earnings per share**	18.13c	15.76c	15%
Dividend per share	5.50c	4.80c	15%

* excluding goodwill amortisation

**excluding goodwill amortisation and exceptional item

The logo for United Drug, featuring the word "United" in a serif font above the word "drug" in a lowercase sans-serif font, with a horizontal line separating 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 2005 were approved. The Group Profit & Loss Account, Balance Sheet and Cash Flow Statement, with comparative figures for the previous year, are attached.

Statement

2005 marks the 20th anniversary of United Drug reporting as a public listed company and also our 20th year of delivering double-digit compound annual profit, earnings and dividend growth. 2005 has also seen the completion of major infrastructural investments to support our growing business, three strategically important bolt-on acquisitions to enhance our service offering and customer base, and further record financial results.

Group turnover for 2005 of €1.326 billion increased by 6% over 2004. Headline profit before amortisation of goodwill, exceptional items and tax of €49.220 million is 16% ahead of the prior year and fully diluted earnings per share, measured on the same basis, increased by 15% to 18.13 cent. The move of our Dublin based businesses to the new Magna Park facility and the resultant disposal of surplus properties gave rise to a once-off exceptional gain of €8.897 million in the period.

Our continuing policy of improving returns to shareholders is reflected in a proposed final dividend for 2005 of 4.00 cent per share, a 15% increase over 2004. When combined with the interim dividend paid of 1.50 cent per share this brings the total dividend for the year to 5.50 cent per share, an increase of 15% over the 2004 dividend.

Pharma Wholesale

United Drug is committed to providing a top-quality service to our independent pharmacy customers and to providing a full range of support services that enables them to compete effectively in the marketplace.

In the Republic of Ireland, United Drug Wholesale has again substantially increased turnover and profitability during the year. United Drug continues to attract a large number of ambitious, entrepreneurial, independent pharmacist customers who, with our support, are more than capable of competing in their local markets with pharmacies owned by our fellow wholesalers and by the large corporate owned groups. As a result, we have been able to further increase our market share in a market that continues to grow strongly.

The Irish economy continues to perform well. This factor, combined with our ageing and rapidly expanding population, is underpinning the growth in the Irish pharmaceutical market. Spending on health and drugs continues to be a priority for the Irish Government. The recent substantial increase in the number of 'doctor only' medical cards will also drive demand growth for drugs in the years ahead.

United Drug Wholesale has further reduced its key expenses-to-sales ratio by getting better utilisation out of our high-class facilities in Ballina, Dublin and Limerick. Our policy of sharing best practice amongst our facilities continues to make our operations more efficient. In addition, our ability to leverage the combined purchasing power of all Group operations to achieve better value from service providers has cemented our position as the most efficient operator in our market.

In Northern Ireland, Sangers has maintained its clear market leadership position. Significant new customer gains at the start of the financial year were offset by a 7% reduction in the price of ethical pharmaceuticals effective from the 1st January, under the UK Pharmaceutical Price Regulation System (PPRS) resulting in limited wholesale turnover growth in the period. This price intervention happened earlier and more aggressively than we had anticipated, yet we were able to deliver a profit increase in Sangers in the year as a result of good margin management and the impact of our ongoing cost control programme. As the lowest cost operator in the Northern Ireland market, Sangers is best positioned to capitalise on any further opportunities in the market. The pharmaceutical market in Northern Ireland is returning to normal growth levels after the once-off impact of PPRS, and further profit growth is expected in 2006.

Pemberton Health & Beauty (Northern Ireland) and Sangers Distribution continue to perform strongly in the Northern Ireland market. Sangers Distribution had a number of new hospital supply contract wins during the period. Bradbury Surgical, our specialist surgical distribution business, produced significant sales growth and made an important contribution to profitability during the year.

Overall the Pharma Wholesale division has had another successful year where sales, profits and market share have all increased significantly and we have continued to grow our Northern Ireland business despite the once-off impact of the PPRS price reduction. As the market leader and most efficient player in both markets, United Drug is well placed to continue to develop its business within these growing markets.

Contract Distribution Outsourcing

The Contract Distribution Outsourcing (CDO) division has enjoyed another strong year of trading. The division provides supply chain, administrative and specialist services to our multinational manufacturing partners and is at the core of our manufacturer facing businesses. Our customer base for this service offering is predominantly pharmaceutical manufacturers, of both human and veterinary medicines, but we also work with companies in cosmetics, consumer products and photographic products. The CDO division has a number of business units that reflect the various suppliers on the one hand and also the customers we serve on the other.

The most significant event over the course of the past year for CDO was the transfer of our businesses from our facility at Belgard Road, which we had occupied for twelve years, to our new state-of-the-art facility at Magna Park, Citywest. We invested in this facility to increase capacity, improve our service offering especially in terms of quality, and to keep ahead of the expectations of our Principals and the bodies who regulate pharmaceutical distribution, such as the Irish Medicines Board. The transfer involved moving over 17,000 pallets of product and was completed in an efficient manner, following rigorous planning. The move has given us many advantages, which result from having the businesses located together on the same site.

United Drug Distributors (UDD) is the largest business unit and provides storage and logistics solutions to pharmaceutical manufacturers in the Irish market. The transfer of the business to Citywest provided a challenge to the business in terms of continuity of supply to the market, however, due to vigorous planning, much hard work and the support of our customers, the project was completed on time and with no business interruption. At the time of the transfer, we took the opportunity to upgrade our Warehouse Management System, the new version of which allows us to work in a more flexible way and so maximise our outputs. During the year, we are delighted to have added the Tillotts Pharma, Mayne Pharma and Chefaro businesses to our distribution portfolio.

The year has seen a number of changes in personnel to back up our facility and systems changes, with increased resources in both Account Management and the Quality function. We believe in investing in people as well as facilities, in order to grow our business and offer a best-in-class service.

The hospital distribution business continues to form an important part of the overall service offering to manufacturers in terms of providing a focussed channel service directly to the end user. The main focus for the hospital business this year has been on internal processes, again with the overall aim of further improving the service offering to manufacturers and hospital pharmacists.

UDD has re-focused on the veterinary distribution business with the significant addition of Intervet, the animal health arm of Akzo Nobel, to our portfolio. Intervet are a major player in the animal health market, with a broadly based portfolio of products. Intervet are market leaders in both the Republic and Northern Ireland markets, both of which we serve on their behalf. This business together with that of Vetoquinol and BSN, provide a good platform for us to aggressively seek out new opportunities in the veterinary arena, with the aim of becoming the number one distributor in the market.

The business of packaging pharmaceuticals has been developed as a value added service offering to our Principals over the past year. A small pilot business Pharmaceutical Packaging Services (PPS) was developed locally to service the secondary repackaging needs of both pharmaceutical and cosmetic manufacturers. This gave us an insight into the actual needs of manufacturers and led to the purchase of TD Packaging based in Swindon in the UK, in June of this year. TD Packaging employs 230 people and actually moved into specially designed premises in July. They are involved in both primary and secondary packaging and have capabilities for processing tablets, blister packs, sachets and liquid formulations. They include both pharmaceutical and nutritional manufacturers in their customer base, and offer other value added services such as packaging design, assembly of clinical trial packs and also some regulatory activities including QP release. The recent re-engineering of their facilities has created additional capacity for the business. PPS has been integrated with TD Packaging.

Pemberton, our consumer products marketing and distribution business, also transferred operations from Belgard Road to Magna Park during the course of the year. As well as moving location, Pemberton underwent a significant systems change, as we moved to new technologies for storage of product and picking of orders. The business made a substantial investment in the technology in order to move from a paper-based system to an automated system and gain operational efficiencies. The technology facilitates better stock management, as the portfolios we handle generally have quite broad ranges, but involve relatively small volumes at high value. We will be leveraging the competitive advantage of the technology to attract further new business. During the period, Pemberton added a number of international fragrance brands through the expanding Cofri range - namely Cosmopolitan, Escada, Anna Sui, Ghost, Dunhill, Inis, and Fragrances of Ireland. The portfolio was also added to by the integration of the Intra Pharma business into Pemberton, expanding the range to include brands such as Nuk and Spatone.

Blackhall Pharmaceuticals, based in Swords, distribute, market and promote both ethical and consumer products into retail pharmacy and into dental surgeries. They have experienced another very profitable year and have added Medisource, Pharmaher and BMC Healthcare to their list of partners.

Through this past year, significant changes have been made to the infrastructure of UDG, our joint venture in the UK. Not least was the completion in December 2004 of the second warehouse, Amber Park II, just in time to take advantage of winning a major contract with Smith & Nephew for the warehousing of stock and production of orders for their global markets. In addition, we have successfully completed the roll out of replacement IT systems across the operations, placing technological competence at the core of our services offering. Finally, we have further consolidated our primary transport fleet that now handles the majority of our palletised distribution. Toward the end of the year, we have added further warehouse and distribution contracts to our portfolio including both the human and animal pharmaceutical businesses of the largest global pharmaceutical company, Pfizer. The investments in warehousing and IT provide the platform for further and significant business developments and growth and UDG looks forward to another exciting and prosperous year through 2006.

Medical & Scientific

2005 was another key year in the ongoing expansion and development of the Medical & Scientific (M&S) division. The Division successfully managed challenging structural and integration issues as well as achieving significant business successes, which will create new platforms for growth of the Division.

The first half of the year was dominated by the integration of the Unitech, Intraveno and Intra Pharma business units to create an M&S centre-of-excellence for the Irish businesses, in United Drug's Magna Park business campus.

The integration strategy for Magna Park focussed on maintaining the customer-facing trading identities, sales focus and business practices of the three business units, while developing an enhanced, integrated back-office structure to support them.

In the newly integrated organisation, Unitech retained its sales structure and identity as the biotechnology, scientific and clinical diagnostics arm of the division in Ireland. Intraveno retained its identity as the medical-surgical arm and Intra Pharma as the pharma-focussed business.

The formation of two first class M&S structures in Basingstoke and now in Magna Park is the final element of our strategy to offer both Principals and end-user customers an unparalleled service.

The second half of 2005 began with the acquisition of Presearch in the UK. Based in Hitchin in Hertfordshire, Presearch was founded in 1991 to support the sale of specialised scientific instrumentation to the pharma manufacturing sector in the UK. Presearch differentiated itself in this competitive market by offering a superior technical and applications support service. In the intervening years, Presearch has carved out a niche for itself as a super-specialised supplier to the chromatography sector, representing leading edge, technology-driven companies such as Teledyne Isco, SPARK Holland, Antec and ATAS. Presearch's position as an added-value supplier in this key niche sector complements the Division's strategy to develop such businesses in the UK. Our two-centre structure has also allowed us to win distribution rights for these agencies in the Irish market. Key Presearch technical personnel will actively support this expansion.

The acquisition of Presearch was quickly followed by the sale of two DaVinci operating robots in the UK by Mantis Surgical, our Minimally Invasive Surgery (MIS) unit in the UK. Developed by Intuitive Surgical Inc. (US), the DaVinci robot is one of the most sophisticated and technologically advanced medical devices available today.

The upcoming launch on the Irish market of Biotest's Intratect immunoglobulin, distributed by Unitech, will provide a strong business opportunity for the years ahead. A worldwide shortage of immunoglobulin products has constrained medical practice in Ireland to date and the medical community has welcomed the new source of supply. This will greatly strengthen the position of our Intra Pharma hospital pharmacy business.

Other initiatives such as Unitech's Point-of-Care (POC) team delivering quicker access to diagnostic results through technology-led, portable and less-complex analysis methods, and New Splint's launch of the MEGA-C Revision System from Waldemar LINK have enjoyed significant success this year, and will continue to contribute to the on-going growth of the Division.

Once again, the M&S division has advanced significantly in the year in terms of structure, strategic development and profit contribution. Developing our presence in the medical and scientific sector continues to be a strategic priority for the Group.

Contract Sales Outsourcing

Ashfield Healthcare continued its outstanding development and enjoyed another record year. All business units performed strongly. Ashfield Ireland achieved its best ever year and moved into new premises, whilst the state-of-the-art UK office is currently undergoing some expansion to facilitate business growth. The client base is further broadened through specialist teams with Astra Zeneca, Rosemont, Crawford Pharma, Servier, Pliva, Valeant, Provalis, Coloplast, Ranbaxy and Meda. The acquisition of In2Focus, the third largest UK contract sales outsourcing (CSO) provider, was completed at the beginning of June 2005. This acquisition will further broaden our client base. The acquisition now means that the combined United Drug CSO group is the largest provider of CSO services to the UK pharma market with the group now employing in excess of 1,000 people. By combining operational support facilities and ensuring enhanced procurement efficiencies across a broadened client base, the combined group has additional efficiency and growth opportunities in the competitive UK market.

The CSO group is constantly looking to add value to its service offering thereby maintaining one of our key objectives of maximising shareholder return. Over the last 12 months a part-time Medical Director and a full time Compliance Manager have been added to our ever expanding CSO skill set.

The CSO group also remains focused on generating new revenue streams and adding new clients to its ever-expanding and prestigious list of customers to ensure the continuation of its phenomenal record of year-on-year growth and to this end is setting up a new pilot division called Satellite CARE. This new division will add the NHS to its current list of clients by providing intermediate treatment and assessment centres to help Primary Care Trusts (PCT's) manage the treatment of patients with long term conditions, provide specialist assessment units, reduce emergency admissions, move healthcare provision closer to the patient's home, provide a collaborative approach to care provision and provide fixed-cost healthcare.

One of the key drivers of Ashfield's success remains the genuine belief that the training and development of employees is fundamental to its continued success. Highly skilled sales representatives and nurses ensure maximum commercial benefit is achieved. External accreditation therefore continues to be the best benchmark to ensure we are meeting these objectives and has this year come in the form of the Leicestershire Business Awards 2005 where Ashfield was awarded the 'Success through People' category. This was further supported through the 'Investors in People' award where Ashfield became one of the first companies in the UK to successfully gain re-accreditation against the new challenging 'Profile' standard.

Group Development

2005 has seen the completion of major infrastructural projects throughout the Group. These major investments are now finalised and combined with our enhanced IT platform, developing pool of management talent and strong Balance Sheet provide a solid base for further strong growth in the coming years. This strong base also allows us to bolt-on additional businesses where we have been able to identify quality healthcare services companies who see the benefits of joining forces with the enlarged United Drug group. I am delighted that we have been able to complete three such acquisitions this year and believe that In2Focus, TD Packaging and Presearch will make a significant contribution to the future development of United Drug.

The end of the financial year also saw another milestone for United Drug with the retirement of Martin Rafferty, our Chairman of 20 years. Martin's first involvement with United Drug dates back to 1971, when as a banker he helped to finance the early stages of the development of the business. Since then his knowledge, experience and integrity have been invaluable to the continued success of the business. I would like to thank him for his guidance to me, and all the management team, over the years. I would also like to wish our incoming Chairman, Ronnie Kells, well in his new role.

Dividends

The Directors are proposing a final dividend of 4.00 cent per share. In addition to the interim dividend, this gives a total dividend for the year of 5.50 cent per share. This is a 15% increase on the 2004 dividend and continues on our 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 2005 final dividend as a scrip dividend in the form of new ordinary shares. The share alternative election/mandate forms, setting out the details of the share alternative offer and the procedures to be followed, will be posted to shareholders in January 2006. Cheques in respect of the final dividend or, alternatively, share certificates will be posted on 15 February 2006 to holders of ordinary shares whose names appear on the Company's register at the close of business on 2 December 2005.

2005 Annual Report and Annual General Meeting

The 2005 Annual Report and Accounts will be published in January 2006 and the Annual General Meeting of the Company will be held on 21 February 2006.

Liam FitzGerald

Chief Executive

23 November 2005

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 2005

	Notes	Continuing Operations 2005 €'000	Acquisitions 2005 €'000	Total 2005 €'000	2004 €'000
Turnover: including share of joint ventures		1,722,248	15,788	1,738,036	1,605,012
Less: share of joint ventures		(412,121)	-	(412,121)	(352,455)
Group turnover		1,310,127	15,788	1,325,915	1,252,557
Operating costs		(1,261,648)	(14,909)	(1,276,557)	(1,208,939)
Goodwill amortisation		(4,100)	(610)	(4,710)	(4,138)
Group operating profit		44,379	269	44,648	39,480
Share of joint venture's operating profit				2,485	2,123
Trading profit, including share of joint ventures				47,133	41,603
Exceptional item (net)	2			8,897	-
Group interest payable (net)				(2,624)	(3,378)
Share of joint ventures' net interest				1	57
Profit on ordinary activities before taxation				53,407	38,282
Tax on profit on ordinary activities				(11,011)	(8,375)
Profit for the financial year attributable to ordinary shareholders				42,396	29,907
Dividends paid	3			(3,283)	(2,789)
proposed	3			(8,804)	(7,532)
Profit retained for the financial year attributable to ordinary shareholders				30,309	19,586
Profit and loss account at beginning of year				116,044	92,646
Scrip dividends				4,685	3,812
Transfer in respect of share entitlement scheme				74	-
Profit and loss account at end of year				151,112	116,044
Restriction arising on treasury shares				(6,033)	(5,667)
Profit and loss account at end of year as restricted				145,079	110,377
Earnings per ordinary share					
<i>Before goodwill amortisation and before exceptional item</i>					
- basic	4			18.41c	15.97c
- diluted	4			18.13c	15.76c
<i>Before goodwill amortisation and after exceptional item</i>					
- basic	4			21.57c	15.97c
- diluted	4			21.24c	15.76c
<i>After goodwill amortisation and after exceptional item</i>					
- basic	4			19.41c	14.03c
- diluted	4			19.12c	13.84c

Group Balance Sheet

at 30 September 2005

	2005 €'000	2005 €'000	2004 €'000	2004 €'000
Fixed Assets				
Goodwill		95,315		62,233
Tangible fixed assets		58,801		58,223
Financial Assets				
<i>Interest in joint venture</i>				
Share of gross assets	83,660		67,880	
Share of gross liabilities	(74,756)	8,904	(60,759)	7,121
		163,020		127,577
Current Assets				
Stocks	135,852		123,994	
Contract work-in-progress	-		29,300	
Debtors	264,104		208,524	
Cash at bank and in hand	39,804		48,671	
	439,760		410,489	
Creditors: amounts falling due within one year				
Bank and other financial obligations	(2,826)		(20,392)	
Other creditors	(259,499)		(228,330)	
	(262,325)		(248,722)	
Net current assets		177,435		161,767
Total assets less current liabilities		340,455		289,344
Creditors: amounts falling due after more than one year				
Bank and other financial obligations		(89,993)		(90,557)
Other creditors		(8,271)		-
Provisions for liabilities and charges		(4,408)		(2,957)
Net assets		237,783		195,830
Capital and reserves				
Called up share capital		11,382		11,153
Share premium account		87,606		80,433
Profit and loss account		145,079		110,377
Other reserves		(6,284)		(6,133)
Shareholders' funds - equity		237,783		195,830

Group Cash Flow Statement

for the year ended 30 September 2005

	2005 €'000	2004 €'000
Operating cash flow before contract work-in-progress	26,815	39,180
Cash flow from contract work-in-progress	30,289	(27,115)
Cash flow from operating activities	57,104	12,065
Returns on investments and servicing of finance	(3,489)	(3,409)
Corporation tax paid	(7,363)	(6,909)
Capital expenditure and financial investment	(12,014)	(1,557)
Acquisitions and disposals	(25,312)	(3,233)
Equity dividends paid	(6,105)	(5,243)
Cash flow before financing	2,821	(8,286)
Financing	(13,543)	57,717
Decrease/(increase) in cash for the year	(10,722)	49,431
Reconciliation of net cash flow to movement in net debt		
(Decrease)/increase in cash for the year	(10,722)	49,431
Net decrease/(increase) in debt	20,579	(50,746)
Changes in net debt resulting from cash flows	9,857	(1,315)
Loan notes issued	-	(4,098)
Finance leases acquired with new subsidiaries	(529)	-
Loans acquired with new subsidiaries	(150)	-
Translation adjustments	84	31
Movement in net debt	9,262	(5,382)
Net debt at beginning of year	(62,278)	(56,896)
Net debt at end of year	(53,016)	(62,278)

Notes to the preliminary announcement

for the year ended 30 September 2005

1 Accounting Policies

The accounting policies and presentation applied are consistent with those applied in the 2005 Annual Report, and are in accordance with applicable accounting standards.

The Group continues to prepare for the adoption of International Financial Reporting Standards ('IFRS') as its primary accounting basis, following the adoption of Regulation No. 1606/2002 by the European Parliament in 2002. IFRS will apply for the first time in the Group's Annual Report for the year ending 30 September 2006 and for the Group's Interim Report for the six month period ending 31 March 2006.

2 Exceptional item (net)

	2005 €'000	2004 €'000
Disposal of fixed assets	8,897	-

The exceptional item relates to the net gain which was recognised following the rationalisation of the Group's property portfolio as a result of the move by the Republic of Ireland based operating entities to Magna Business Park. This includes a profit on disposal of fixed assets of €11,397,000 and the associated costs of the property rationalisation programme of €2,500,000.

The net tax charge in respect of the above was €1,995,000.

3 Dividends - equity shares

	2005 €'000	2004 €'000
Paid: interim dividend of 1.50 cent per share (2004: 1.32 cent per share)	3,283	2,789
Proposed: final dividend of 4.00 cent per share (2004: 3.48 cent per share)	8,804	7,532
	12,087	10,321

Notes to the preliminary announcement continued

for the year ended 30 September 2005

4 Earnings per ordinary share	2005	2004
<i>Basic earnings per share</i>		
Profit on ordinary activities after tax	€42,396,000	€29,907,000
Weighted average shares outstanding during the year	218,449,852	213,103,041
Basic EPS – cent	19.41	14.03
Goodwill amortisation – cent	2.16	1.94
Basic EPS before goodwill amortisation – cent	21.57	15.97
Exceptional item (net of tax) – cent	(3.16)	-
Basic EPS before goodwill amortisation and exceptional item – cent	18.41	15.97
<i>Fully diluted earnings per share</i>		
Profit on ordinary activities after tax	€42,396,000	€29,907,000
Weighted average shares outstanding during the year	218,449,852	213,103,041
Number of dilutive shares under option	3,299,029	2,920,129
Weighted average shares for calculation of fully diluted EPS	221,748,881	216,023,170
Fully diluted EPS – cent	19.12	13.84
Goodwill amortisation – cent	2.12	1.92
Fully diluted EPS before goodwill amortisation – cent	21.24	15.76
Exceptional item (net of tax) – cent	(3.11)	-
Fully diluted EPS before goodwill amortisation and exceptional item – cent	18.13	15.76

The 7,623,066 (2004: 7,528,066) treasury shares held by the Group do not rank for dividend and have therefore been excluded from the weighted average number of shares in issue used in the calculation of earnings per share.



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