United Drug plc

Preliminary Announcement of Results

Year ended 30 September 2007

Highlights

	IFRS based €'000	Intangible amortisation €'000	Adjusted €'000	Increase on 2006
Group revenue	1,583,622	-	1,583,622	8%
Operating profit	60,038	6,554	66,592	17%
Profit before tax	55,773	6,554	62,327	15%
Diluted earnings per share (cent)	20.81	2.21	23.02	14%
Dividend per share (cent)	7.30	-	7.30	15%

United Drug believes that the adjusted operating profit, adjusted profit before tax and adjusted diluted earnings per share are the most appropriate measures of the underlying group performance.

Preliminary Announcement

At a meeting of the Board of Directors, the preliminary announcement of the Group for the year ended 30 September 2007 was approved. The Group Income Statement, Statement of Recognised Income and Expense, Balance Sheet and Cash Flow Statement with comparative figures for the previous year, are attached.

Statement

During the last 12 months United Drug has made significant progress in its development as an international healthcare services company. Strong performance from our well managed Irish and UK based businesses has been enhanced by strategically important acquisitions in high growth areas enabling us to broaden our service offering to international healthcare manufacturers. This year has seen us take our first steps into Continental Europe with acquisitions in both Belgium and Holland in our pharma contract packaging business and since the end of the financial year we have added to our contract sales and marketing services in the United States with another bolt-on acquisition.

These developments have helped to deliver further record results for the year as we continue to deliver double-digit profit and earnings growth. Group revenue for the year of €1.58 billion is 8% ahead of 2006. Headline profit, before intangible amortisation and tax, is €62.3 million, an increase of 15%, and fully diluted earnings per share, measured on the same basis, increased 14% to 23.02 cent.

The Company remains committed to rewarding shareholders with improved dividend payments and this is reflected by a proposed final dividend of 5.33 cent per share, an increase of 15% over the 2006 final dividend. When combined with the interim dividend of 1.97 cent per share, the proposed final dividend brings the total dividend payable for 2007 to 7.30 cent per share, an increase of 15% on the 2006 total dividend.

Pharma Wholesale

2007 has been another year of strong performance from our Pharma Wholesale business with sales, profits and market share all increasing over the year. The Pharma Wholesale division continues to provide a top-quality, customer focused service to our independent pharmacy customers and gives them access to a full range of support services enabling them to compete effectively in the marketplace.

Our Republic of Ireland based pharmaceutical wholesale business, United Drug Wholesale (UDW), has further enhanced its position as the leading wholesaler supporting independent retail pharmacy in the growing Irish pharmaceutical market.

In the Irish retail pharmacy market, UDW's dynamic owner managed independent customers continue to outperform the corporate owned pharmacies of our wholesale competitors. As a result, we have again been able to further increase our market share in a market that continues to show good volume growth.

A significant focus for UDW during the year has been Government intervention in the market. A new four year agreement on drug prices in the Republic of Ireland market, announced in 2006, took effect on 1 March 2007. The new price agreement reduced growth in the market, in line with our expectations. The transition to the new pricing regime was very well managed within our Pharma Wholesale business and provides certainty on pricing until late 2010.

On 17 September 2007, after completing its review of the Irish Pharmaceutical Wholesaling sector, the Irish Health Service Executive (HSE) announced its intention to reduce the reimbursement price it pays to community pharmacy for any medicines that it funds via various HSE schemes. Discussions continue in relation to this matter but the announced measure will result in a reduction in the profitability of community pharmacy in Ireland.

We have again invested in automation within our businesses during 2007, to further improve productivity levels and to continue to drive reductions in our key cost to sales ratio. This has been a consistent focus within our business and allows us to manage the significant forecasted volume growth without significant cost growth, and to continue to provide the best possible service to our customers.

Within the UDW business, niche areas such as Ostomy supplies and our OTC supplies business, *Profitlines*, have performed well during the year. They form part of a broad range of support services for our independent community pharmacy customer. Services such as these, supplement our core offering which is a top-quality, customer-focused wholesale service at a competitive cost.

On 1 October 2007, we commenced supply to the Boots pharmacy chain of 43 shops in the Republic of Ireland. This will substantially increase sales and volumes within the business.

In Northern Ireland, our Sangers business has had another good year with sales, profits and market share all increasing and significant cash flows being generated. In an environment of ongoing Government cost saving interventions in this market over recent years, strong underlying volume growth continues to underpin value growth in the market. Sangers continues to thrive within this market, through a continuous focus on customer relationships and cost improvement.

During the past year, a number of pharmaceutical manufacturers in the UK market have introduced a variety of 'Direct to Pharmacy' schemes through which the manufacturer seeks to develop a closer relationship with community pharmacy. A significant amount of time and effort has been spent in Sangers during 2007 in amending our IT and general business processes to allow us to change our business model to successfully adapt to this change in the market. We are already servicing this market in Northern Ireland and, as the leading player in the market with the most efficient and flexible business processes, we are well placed to benefit further from this change in market structure.

In May 2007, we acquired Craig & Hayward, an Oxfordshire based distributor of specials medicines. A 'specials medicine' is a specially prepared product manufactured to meet specific patients' prescription requirements. Craig & Hayward act as a 'one stop specials shop' for the retail pharmacy sector in the UK.

Craig & Hayward has performed well since acquisition and the management team is now focusing on leveraging the Group's existing customer relationships to further expand its business base.

Each of the three business units within the Pharma Wholesale division has had a very successful year, and despite operating under difficult market conditions, each has increased sales, profits and market share during the period. Overall, despite exposure to markets which are the focus of ongoing Government cost saving initiatives, there is very strong underlying growth in our markets driven by increasing and ageing populations and the increased demand for the medicines and services we supply. Within these growth markets, our business units are well placed to continue to prosper based on our strong market positions, our focus on efficiency and our customer relationships.

Supply Chain Services

The Supply Chain Services division is focused on providing outsourced logistics and related services to pharmaceutical, biotech and veterinary manufacturers. Development in this division is based on adding a range of high value-add, higher margin services in growth areas that are complimentary to the core logistics offering in existing and new markets. The Division has recorded strong revenue and profit growth during the year and is well positioned to exploit future growth opportunities.

During the year, this division strengthened its position as a comprehensive supply chain solutions provider for the pharmaceutical industry. The acquisition of two contract packaging companies, Budelpack in Belgium and Pharma Logistics Investments in The Netherlands, were significant milestones as they represent the Group's first businesses in Continental Europe. These acquisitions add to our successful UK packaging business, TD Packaging, further enhancing the range of packaging solutions we provide and placing the Group in a good position to capitalise on the growing European Pharma contract packaging opportunities.

Our specialist supply chain solutions provider for vaccines in the UK, MASTA, performed very well during the year. MASTA offers route-to-market services to the vaccine manufacturer as well as administering vaccines to the travelling public through owned and partnered clinics. Our commitment to the specialist distribution area was further demonstrated in Ireland by the investment in, and successful operation of, the national vaccine contract for the HSE and the acquisition of an interest in Temperature Controlled Pharmaceuticals (TCP). TCP is a cold-chain logistics and specialist home care provider.

Our pre-wholesale business in Ireland, United Drug Distributors, had a solid performance during the year, benefiting from efficiencies accruing from high class infrastructure, while operating in a highly competitive environment. A smaller part of this division is our consumer products business, trading as Pemberton. Considerable time has been invested in this business in the current year and it has now been restructured to produce a more streamlined and efficient operation.

In the UK, our joint venture with Alliance Boots, UniDrug Distribution Group (UDG), had an excellent year. UDG provides full logistics services to pharmaceutical manufacturers and continues to strengthen its position in the growing outsourced pharma logistics market in the UK.

The Supply Chain Services division is well positioned to continue to provide value-added solutions for customers and to grow earnings for shareholders.

Medical & Scientific

The 2007 financial year has seen continued strong growth and significant development in the Medical & Scientific (M&S) division, both in Ireland and the UK. The growth is based on a focused provision of best-in-class sales, technical services and back-office support to high quality, technology-driven, medical equipment and devices manufacturers. The development comes through broadening the range of clinical areas that we service, both organically and through acquisition.

M&S Ireland produced another year of record profits for the division. Particular areas of success included the introduction of a comprehensive range of infection control products from Molnycke Healthcare and continued expansion of our hyper immunoglobulins products business, sourced from Biotest. Strong sales in the year saw us build on our position as a leading supplier of infusion devices and associated consumables, representing the 'Alaris' product range from Cardinal Health. The Scientific and Clinical Diagnostics business unit delivered another strong performance, built around the product offerings of Sysmex and Tosoh.

In Northern Ireland, the combined businesses of Vector Scientific, Primacare and Ulster Anaesthetics continued strong sales and profit growth. Particular successes were the first UK placements of the new Sysmex analyser, the CS2100, resulting in increased market share.

In the UK, our endoscopy business, Endoscopy UK (EUK) had a very successful year. Our offering of advanced products combined with strong clinical support continues to be well received in the private hospital sector. 2007 saw significant breakthroughs into the mainstream NHS sector, driven, in part, by a programme of increased cancer screening and also by improved market coverage. EUK is confident of building on this position.

Our core UK businesses of Mantis Surgical and New Splint continued their growth trend during the year, with both companies expanding the size and scope of their sales teams. New Splint hosted a revision knee-surgery symposium in June where over 50 specially invited orthopaedic surgeons spent two days in the presence of an eminent orthopaedic faculty discussing the management of this highly specialised area of surgery. The symposium was also attended by senior management from LINK, our manufacturer partner.

M&S UK was further strengthened by the acquisition of Pyramed in February 2007. Pyramed represents a range of clinically differentiated surgical products in the cardiology, radiology, neuroradiology and cardiothoracic sectors. During the year both Pyramed and Presearch, our Analytical Chemistry business, were successfully integrated into our Basingstoke headquarters, thereby benefiting from cost efficiency while gaining access to a quality administrative and logistics infrastructure.

Our investment in expanding our clinical training resource in support of the daVinci surgical robot was validated by strong sales growth in the year. Of particular note was the purchase of two systems in Ireland, in the Gynaecology and Urology specialities, which for the first time offers Irish patients direct access to the significant patient benefits of this surgical approach.

Once again, the M&S division is well placed to deliver further sales and profit growth for the year ahead.

Contract Sales Outsourcing

The Contract Sales Outsourcing (CSO) division provides flexibility to pharmaceutical manufacturers in the deployment of their sales and marketing effort. The flexibility is provided by delivering excellence in the recruitment, training and administration of sales representatives and nurse advisors and through solutions that add value to the manufacturers' sales efforts. The Division, which comprises market leading businesses in the UK and Ireland along with a small US operation, performed well during the year and recorded very good growth in revenue and profits. The strategy for the division is to continue to grow and develop the existing businesses while broadening the revenue streams both geographically within CSO and by diversification into selected complimentary service offerings.

2007 has seen the successful integration of the existing UK CSO businesses, Ashfield and In2Focus. The combined entity, now re-branded as AshfieldIn2Focus, provides a comprehensive service offering to pharma manufacturers and is now a more efficient organisation. AshfieldIn2Focus remains as the supplier of choice for the provision of field based sales and nursing services in the UK pharma marketplace.

In the UK, pharmaceutical manufacturers continue to restructure their sales efforts and seek the increased inbuilt flexibility which is achieved via the use of a CSO. Over the last 12 months, companies such as Pfizer, Sanofi Aventis and Janssen-Cilag have significantly downsized their in-house sales forces in the UK market and replaced much of that sales effort with out-sourced sales solutions. Many other companies are known to be actively considering new business models, to take advantage of the flexibility offered by CSO.

We expect this trend to continue, potentially resulting in fewer representatives directly employed but with a much higher proportion outsourced. AshfieldIn2Focus is well positioned to benefit from this trend, with the most sophisticated and extensive offering. During the financial year, new business has been won with AstraZeneca, Pfizer, Nycomed, Solvay, Roche Diagnostics and Daiichi Sankyo.

AshfieldIn2Focus Professional Nursing Services have continued to develop strongly, with a move towards more innovative programmes tailored to the individual and local needs of both our clients and the NHS. The first ever industry sponsored service redesign programme was launched in July in partnership with Schering Plough, and we have had significant business wins with AstraZeneca, Sanofi Aventis and Convatec for the provision of bespoke nursing services.

The marketplace within Ireland continues to be buoyant, which coupled with Ashfield Ireland's continued focus on business development and diversification of service offering has led to another strong performance with the company exceeding targets.

Notable business wins include, Schering Plough, Boehringer Ingelheim, Recordati and Astellas. Ashfield Ireland is also developing its Sales Force Effectiveness (SFE) function, which has been successfully pioneered in the UK, and has enjoyed recent success in this area with Janssen Cilag, AstraZeneca, MSD and Schering Plough.

Our SFE offering continues to enjoy international success and this year our largest ever event was held in Japan, which accommodated 1,000 people. We have now held events in 13 different countries.

The USA continues to be well positioned to deliver growth in what is a large and somewhat under-developed contract sales marketplace. This year it has won a new sales contract team with Pam Labs and has introduced two new services to the US market. The new SFE programme has been well received by the US pharmaceutical and device companies and this year we have run ten different SFE events within six different pharmaceutical companies. Additionally, we have started a new nurse adviser service and have secured two new contracts with Novartis.

Another important development for the CSO division occurred just after the end of the financial year with the acquisition of Alliance Healthcare Information Inc., in the US. Alliance provides a range of solutions to support pharma companies' sales and marketing efforts in the US market. This acquisition will allow us to bring additional scale to our existing US business and to broaden our service offering and customer relationships in the US market.

Dividends

The Directors are proposing a final dividend of 5.33 cent per share, a 15% increase on the 2006 final dividend. In addition to the interim dividend, this gives a total dividend for the year of 7.30 cent. This is a 15% increase on the 2006 dividend and maintains our progressive dividend policy. The Directors are pleased to advise that all shareholders will be given the opportunity of receiving all or part of their 2007 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 2008. Payments in respect of the final dividend or, alternatively, share certificates will be posted on 26 February 2008 to holders of ordinary shares whose names appear on the Company's register at the close of business on 30 November 2007.

2007 Annual Report and Annual General Meeting

The 2007 Annual Report will be published in January 2008 and the Annual General Meeting of the Company will be held on 26 February 2008.

Group Development and Outlook

During the last 12 months the Company has further broadened the range of services available for our healthcare manufacturer customers in existing and new markets and enhanced its offering to our retail pharmacy customers. The Company now has a more diversified earnings base and will continue to pursue its ambition to be a dynamic, leading international healthcare services organisation.

The Company has a well developed physical infrastructure, a strong management talent pool and access to significant capital resources enhanced by strong internally generated cash flows. The ability to leverage each of these assets and pursue a range of exciting opportunities within the healthcare services arena leaves us very confident in our ability to continue to produce strong growth in the business, continuing our long term successful track record.

I would like to extend my sincere thanks and appreciation to Dr. Dermot Egan on his retirement from the Board of United Drug, following 15 years service. Dermot's contribution to the growth of the Company over the years has been immense, and he has been a source of great guidance and advice to me personally. I would like to wish him well in the future.

Liam FitzGerald
Chief Executive

21 November 2007

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

Group income statement

for the year ended 30 September 2007

	Notes	2007 €'000	2006 €'000
Group revenue		1,583,622	1,466,979
Cost of sales		(1,352,186)	(1,266,916)
Gross profit		231,436	200,063
Distribution expenses		(161,617)	(141,797)
Administrative expenses		(6,372)	(3,704)
Other operating expenses		(6,554)	(2,410)
Share of joint ventures' profit after tax		3,145	2,365
Operating profit		60,038	54,517
Finance income		1,556	1,175
Finance expense		(5,821)	(3,916)
Profit before tax		55,773	51,776
Income tax expense		(8,443)	(8,880)
Profit for the financial year attributable to equity holders of the Company		47,330	42,896
Earnings per share			
Basic	2	20.96c	19.31c
Diluted	2	20.81c	19.14c

Group statement of recognised income and expense

for the year ended 30 September 2007

	2007 €'000	2006 €'000
Items of income/(expense) recognised directly within equity:		
Foreign currency translation effects	(7,211)	1,692
Group cash flow hedges:		
Effective portion of cash flow hedges	1,926	(1,429)
Movement in deferred tax	(241)	178
Group defined benefit pension schemes:		
Actuarial gain/(loss)	6,461	(666)
Movement in deferred tax	(1,265)	26
Net expense recognised directly within equity	(330)	(199)
Profit for the financial year	47,330	42,896
Total recognised income and expense for the year attributable to equity holders of the Company	47,000	42,697

The statement below has been included as a memorandum to the primary financial statements.

Group reconciliation of movement in shareholders' equity

for the year ended 30 September 2007

	2007 €'000	2006 €'000
Total equity at the beginning of year	283,237	240,709
Total recognised income and expense for the year	47,000	42,697
Equity shares issued	9,272	7,014
Scrip issue	5,218	4,480
Dividends	(14,854)	(12,602)
Share-based payments expense	1,126	921
Transfer to share entitlement scheme	70	18
Total equity at end of year	331,069	283,237

Group balance sheet

as at 30 September 2007

	Notes	2007 €'000	2006 €'000
ASSETS			
Non-current			
Property, plant and equipment		68,093	56,658
Goodwill		148,544	123,018
Intangible assets		39,404	15,661
Investment in joint ventures		20,857	18,955
Deferred tax assets		-	722
Total non-current assets		276,898	215,014
Current			
Inventories		161,882	154,668
Trade and other receivables		279,550	262,785
Cash and cash equivalents	3	57,547	45,912
Total current assets		498,979	463,365
Total assets		775,877	678,379
EQUITY			
Equity share capital		11,801	11,563
Share premium		103,473	94,439
Other reserves		(8,170)	(3,770)
Retained earnings		223,965	181,005
Capital and reserves attributable to equity holders of the Company		331,069	283,237
LIABILITIES			
Non-current			
Interest-bearing loans and borrowings	3	74,873	81,683
Derivative financial instruments	3	7,574	3,684
Other payables		9,161	5,535
Provisions		216	1,453
Employee benefits		6,334	12,930
Deferred tax liabilities		9,525	3,479
Total non-current liabilities		107,683	108,764
Current			
Bank overdrafts	3	8,000	2,764
Interest-bearing loans and borrowings	3	28,810	5,016
Derivative financial instruments	3	6,568	4,463
Trade and other payables		286,369	268,964
Current tax liabilities		6,915	4,811
Provisions		463	360
Total current liabilities		337,125	286,378
Total liabilities		444,808	395,142
Total equity and liabilities		775,877	678,379

Group cash flow statement

for the year ended 30 September 2007

	2007 €'000	2006 €'000
Cash flows from operating activities		
Profit before tax	55,773	51,776
Finance income	(1,556)	(1,175)
Finance expense	5,821	3,916
Operating profit	60,038	54,517
Share of joint ventures' profit after tax	(3,145)	(2,365)
Depreciation	8,171	7,305
(Profit)/loss on disposal of property, plant and equipment	(331)	134
Amortisation of intangible assets	6,554	2,410
Share-based payment expense	1,126	921
Charge in respect of share entitlement scheme	70	18
Increase in inventories	(3,449)	(14,434)
Increase in trade and other receivables	(12,020)	(15,073)
Increase in trade and other payables	13,011	11,997
Interest paid	(6,350)	(3,878)
Income taxes paid	(8,828)	(13,449)
Net cash inflow from operating activities	54,847	28,103
Cash flows from investing activities		
Interest received	1,556	1,175
Purchase of property, plant and equipment	(9,589)	(5,215)
Proceeds from disposal of property, plant and equipment	1,313	19,905
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	(52,978)	(27,887)
Deferred acquisition consideration paid	(11,727)	(5,306)
Investment in joint ventures	(809)	(7,429)
Dividends received from joint ventures	1,628	-
Net cash outflow from investing activities	(70,606)	(24,757)
Cash flows from financing activities		
Proceeds from issue of shares (including share premium thereon, net of scrip dividend)	9,272	7,014
Increase in interest-bearing loans and borrowings	22,535	2,566
Increase/(decrease) in finance leases	1,002	(63)
Dividends paid to equity holders of the Company	(9,636)	(8,122)
Net cash inflow from financing activities	23,173	1,395
Net increase in cash and cash equivalents	7,414	4,741
Currency translation adjustment	(1,015)	375
Cash and cash equivalents at beginning of year	43,148	38,032
Cash and cash equivalents at end of year	49,547	43,148
Cash and cash equivalents are broken down as follows:		
Cash at bank and short term deposits	57,547	45,912
Bank overdrafts	(8,000)	(2,764)
	49,547	43,148

Notes to the preliminary announcement

for the year ended 30 September 2007

1 Basis of preparation

The financial information presented in this report has been prepared in accordance with the Group's accounting policies under International Financial Reporting Standards (IFRS), as adopted by the EU and as set out more fully in the Group's last Annual Report. Certain comparative figures have been reclassified to conform to the current year presentation.

2 Earnings per ordinary share

	2007 €'000	2006 €'000
Profit for the financial year	47,330	42,896
Adjustment for intangible amortisation (net of tax)	5,040	2,410
Earnings adjusted for intangible amortisation	52,370	45,306
	Number of shares	Number of shares
Weighted average number of shares	225,863,180	222,155,656
Number of dilutive shares under option	1,617,076	1,957,140
Weighted average number of ordinary shares, including share options	227,480,256	224,112,796
Basic earnings per share - cent	20.96	19.31
Diluted earnings per share - cent	20.81	19.14
Adjusted basic earnings per share - cent*	23.19	20.39
Adjusted diluted earnings per share - cent*	23.02	20.22

* excluding intangible amortisation

The 7,623,066 *(2006: 7,623,066)* 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.

Notes to the preliminary announcement - continued

for the year ended 30 September 2007

3 Net debt

	2007 €'000	2006 €'000
Current Assets		
Cash at bank and short term deposits	57,547	45,912
Current liabilities		
Bank overdrafts	(8,000)	(2,764)
Loan notes	(3,604)	(3,960)
Bank borrowings	(24,630)	(1,013)
Finance leases	(576)	(43)
Derivative financial instruments	(6,568)	(4,463)
Non-current liabilities		
Interest bearing loans and borrowings	(74,404)	(81,683)
Finance leases	(469)	-
Derivative financial instruments	(7,574)	(3,684)
	(68,278)	(51,698)

United Drug believes that net debt is relevant for an understanding of the Group's financial position.

4 Dividends

	2007 €'000	2006 €'000
Dividends paid		
Final dividend for 2006 of 4.64 cent (2005: 4.00 cent)	10,389	8,804
Interim dividend for 2007 of 1.97 cent (2006: 1.71 cent)	4,465	3,798
Total dividends	14,854	12,602

The Directors have proposed a final dividend for 2007, subject to shareholder approval at the Annual General Meeting, of 5.33 cent per share (2006: 4.64 cent) thereby giving a total dividend for the year of 7.30 cent per share (2006: 6.35 cent). The final dividend for 2007 has not been provided for in the balance sheet at 30 September 2007, in accordance with IAS 10.

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