

# United Drug plc

## Preliminary Announcement of Results

### Year ended 30 September 2009

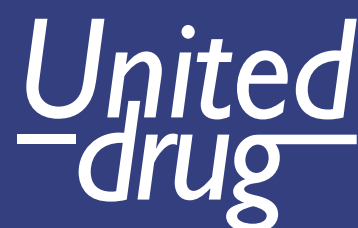
## Highlights

	IFRS based €'mn	Amortisation of intangible assets and exceptional item €'mn	Adjusted €'mn	Increase/ (decrease) on 2008 %	Constant* currency increase/ (decrease) %
Revenue	1,717.9	-	1,717.9	2	5
Operating profit	49.0	27.8	76.8	(2)	5
Profit before tax	39.1	27.8	66.9	(5)	2
Diluted earnings per share (cent)	14.22	9.20	23.42	(9)	(2)
	2009	2008			
Dividend per share (cent)	8.00	8.00			
Net debt	162.5	159.1			
Net debt/EBITDA** (times)	1.78	1.65			

\* all constant currency figures are based on retranslating current year figures at prior year exchange rates

\*\* EBITDA before exceptional item including annualised EBITDA of companies acquired during the year

United Drug believes that the adjusted operating profit, adjusted profit before tax and adjusted diluted earnings per share are more appropriate measures of the underlying group performance than those measurements set out in the primary financial statements, as this information is in a format communicated to and reviewed by the investment community.



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

---

## 2009 Financial highlights

- Good revenue growth in a difficult trading environment. Revenue 2% ahead of 2008 and 5% ahead on a constant currency basis.
- Operating profit growth of 5% in the year, before the fall in the value of sterling relative to the euro, which reduced the translated value of sterling profits by over €5 million.
- Tight working capital management has helped to deliver a strong cash flow performance and a reduction in net debt of over €46 million in the second half of the year.
- Dividend maintained at last year's level reflecting good operating performance and strong cash flow.
- Strong balance sheet at year end with modest debt levels and significant capital resources available.

---

## 2009 Strategic & operating highlights

- Excellent performance throughout the Contract Sales & Marketing Services division.
- Strengthened market positions in wholesale and pre-wholesale.
- Expansion of our specials medicines business with the acquisition of The Specials Laboratory.
- Strong second half performance in our US packaging business.
- Launched UK homecare joint venture with Medco Health Solutions, Inc.

---

## Chief Executive's comment

---

Commenting on the 2009 performance, United Drug Chief Executive Officer, Liam FitzGerald said:

“In line with businesses operating in most major economies, 2009 has been a more difficult year for United Drug. We have experienced very buoyant trading conditions in parts of the Group but challenging conditions in other parts. The year has also seen a 15% fall in the value of sterling relative to the euro that reduces sterling profits when translated to euro for reporting purposes. Despite the challenges we have faced, operating profit on a constant currency basis is 5% ahead of last year. During the year the Group announced a restructuring and cost reduction programme. This programme gives rise to a once-off exceptional charge this year of €13.9 million but will generate significant savings in future years.

The restructuring and cost reduction programme has allowed us to better align our business with the needs of our customers and to streamline our cost base leaving us in a stronger position going into a new financial year. The last year has also seen another strong cash flow performance and we have the balance sheet capability to avail of further opportunities in the growth markets in which we operate, even in a more difficult economic environment”.

### Dividends

The directors are proposing a final dividend of 5.77 cent per share. This gives a total dividend for the year of 8.00 cent per share, the same as the 2008 total dividend.

The directors are pleased to advise that all shareholders will be given the opportunity of receiving all or part of their 2009 final dividend as a scrip dividend in the form of new shares. It is expected that 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 2010.

Payments in respect of the final dividend or, alternatively, share certificates will be issued, on 10 February 2010 to holders of ordinary shares whose names appear on the Company's register at the close of business on 27 November 2009.

### Group development and outlook

During 2009, United Drug has continued its development as a major international healthcare services company. This development is evidenced in each of our three divisions. In Healthcare Supply Chain, we have strengthened our positions in the wholesale and pre-wholesale businesses and added to our specials medicines business with the acquisition of The Specials Laboratory. In Packaging & Speciality, we had a strong performance in the second half of the year in Sharp, our US packaging business, and announced a joint venture with Medco. The Medco joint venture aims to service the UK homecare market and is a very exciting development with a good platform for us to develop in one of the fastest growing distribution channels in healthcare. In Contract Sales & Marketing Services, we have grown the business significantly in each of the markets in which we operate. In addition, the Group has produced another strong cash flow performance in the year.

United Drug continues to develop from its base as the leading pharmaceutical distributor in Ireland and to grow its range of international healthcare services that seek to provide healthcare manufacturers and health authorities with best-in-class, cost efficient outsourcing solutions for high fixed cost non-core activities. United Drug remains positive about the growth opportunities in its business and has a strong balance sheet and good internally generated cash flows to support its growth objectives.

# Review of Operations

## Healthcare Supply Chain

The Healthcare Supply Chain division combines all of the Group's healthcare logistics based businesses. Overall revenues for the division in the year of €1.45 billion are 2% lower than revenues in 2008. On a constant currency basis, revenues are 1% higher than 2008.

In Pharma Wholesale, United Drug is the market leader in providing services to retail pharmacy in the Republic of Ireland and Northern Ireland and has strengthened those positions during the year and made market share gains at the expense of our full-line competitors. Both markets have seen new Government initiatives introduced during the year reducing the price of medicines and lowering our revenue growth.

In the Republic of Ireland, market growth has slowed as a result of the general economic climate with lower consumer spending on non prescription products, changes in demographics and a reported slowdown in GP visits impacting prescription product sales. In January 2009, the second stage of the HSE agreement with the Irish Pharmaceutical Healthcare Association (IPHA) was introduced, with a 15% reduction in the reimbursement price of most off-patent products. A revised retail pharmacy reimbursement and fee structure was introduced by the Minister for Health and Children on 1 July 2009. United Drug made a submission to the Minister outlining our concerns in relation to the potential impact of these changes on the continued viability of some retail pharmacy outlets. The steep decline in the value of sterling against the euro has also led to the increase in products being parallel imported into Ireland, particularly from the UK. United Drug does not engage in parallel trade in the Republic of Ireland.

In Northern Ireland, Sangers has once again increased both revenue and profits. This is against a background of continued moves towards Direct to Pharmacy (DTP) distribution and a 3.9% price reduction for branded pharmaceutical products effective from 1 February 2009. Sangers has continued to build on its clear market leadership position and combined with effective margin management and cost control is showing a good increase in profitability.

In pre-wholesale, United Drug is the market leader in providing outsourced logistics services for pharmaceutical manufacturers in both the Republic of Ireland and the UK. The UK business operates by way of a joint venture with Alliance Boots. These businesses have performed well during the year and had important new business wins including contracts with MSD, Teva, Ceuta and Shire. The UK joint venture, UDG, has taken on additional warehousing capacity during the year to manage future growth. The costs associated with this new facility have impacted short term profitability with profits for the year slightly below the prior year.

In pre-wholesale in Ireland, United Drug acts as a distributor and, in some cases, sales agent for a number

of consumer products manufacturers. This consumer products business has seen a sharp reduction in its revenues as a result of significantly reduced consumer spending.

The Medical & Scientific business sells, distributes and supports a range of medical equipment and devices in both the Republic of Ireland and the UK, on behalf of international healthcare manufacturers. The sale of capital equipment has proven to be very challenging throughout the year in both markets due to healthcare budgetary constraints. Revenues generated from the sale of consumable items and service contracts to maintain installed equipment have not been subject to the same trend and have been stable during the year. Total revenues and profits for this business are below those reported last year due to the significant reduction in capital spending and a manufacturer client moving to a direct distribution model during the year.

In response to the challenging conditions in the Medical & Scientific business we have strengthened the management team, restructured to enhance operational efficiency and added to our business development capability. We are also reviewing the competitive environment and positioning of each of our product offerings and how we manage supplier relationships. We continue to see growth opportunities in this business and these include vertical integration (getting closer to the patient), expanding the breadth and depth of our product range and looking to extend our reach into Europe as a distribution partner. We have also developed two new products in endoscopy and orthopaedics with high growth potential and will be selling these through our existing sales force.

Earlier in the year the Group acquired The Specials Laboratory (TSL), a leading manufacturer of unique formulations of medicines to meet patient prescription requirements, serving the retail pharmacy and hospital markets in the UK. TSL fits well with our existing specials wholesale business in the UK, Craig & Hayward, and both companies have performed strongly during the year.

## Contract Sales & Marketing Services

The Contract Sales & Marketing Services division provides contract sales outsourcing and related marketing services to healthcare manufacturers in the UK, Ireland and the US. Revenues for the year of €153 million are 13% higher than revenues in 2008. Revenue growth is 26% on a constant currency basis.

The core contract sales outsourcing (CSO) business, trading as Ashfield In2Focus, provides pharmaceutical manufacturers with a high quality, cost effective means of deploying their sales investments. Ashfield In2Focus has increased its market leading positions in the UK and Ireland and grown its presence in the US during the year. This growth has come from a combination of new business wins and the expansion of many of its existing contracts. Business wins include new contracts with Abbott, Coloplast, NAPP, Galen, Nutricia and Galderma.

Growth within this division has also been driven by adding a range of marketing services that complement the sales offering. These additional services help to bring Ashfield closer to its clients. The recent merging of sales force effectiveness consultancy services with the development training offering from Business Edge Solutions and Training, has been particularly well received by clients. This combination allows us to provide tailor-made training programmes for gaps that may be identified in manufacturer's sales capabilities. Recently, there have been some pan-European opportunities for sales force benchmarking that allow clients to combine our core sales and consultancy services with the event management and venue finding services of UniversalProcon, further differentiating our offering from the competition.

In the US our contract sales business has had a solid year, capitalising on the growing interest in both its core outsourced detailing services and its nurse educator advisory service. Pharmaceutical manufacturers increasing need to cut costs is driving them to outsource more and more functions, including sales. In addition, increased regulation at both state and federal level is leading manufacturers to look at alternative ways of detailing products; our nurse educator advisory service is ideally positioned to meet this need. During the year the US contract sales business was integrated into the Alliance Healthcare premises in Ivyland, Pennsylvania. In addition to providing cost synergies having the businesses in the same building has already led to a number of joint business development opportunities. These opportunities combined with the recruitment of some new business development personnel leaves this business well positioned going into the new financial year.

Alliance Healthcare, our US medical affairs business, made a slow start to the year, in line with a number of US healthcare services businesses, as several contracted client projects were delayed or cancelled. The market, and the performance of Alliance, picked up considerably as the year progressed and the business achieved its budget for the year.

On 1 October 2008 the new brand of UniversalProcon was born bringing together the Universal group and Procon Conferences. This restructuring involved the strengthening of the venue finding service and the consolidation of UK event management logistics in Slough. The combined business exceeded its budget for the year with particular success in the US.

### **Packaging & Speciality**

In the Packaging & Speciality division United Drug provides outsourced packaging solutions for pharmaceutical manufacturers through facilities in the US, the UK, The Netherlands and Belgium. Overall revenues for the division of €118 million are 66% higher than revenues in 2008 including a full year contribution from Sharp.

In packaging, we convert bulk pills, powders, liquids and gels to shelf ready product, offering dynamic, flexible and efficient packaging solutions to the pharmaceutical industry. Our position as one of the leading international outsourced packaging providers for the pharmaceutical industry was strengthened during 2009 as the Group enjoyed a full year's contribution from our most recent acquisition, Sharp in the US. Sharp performed strongly in the second half of the year, having experienced a number of delays in orders in the first six months. The US business now enjoys an exciting pipeline of new business opportunities.

The European markets experienced mixed trading during the year. In The Netherlands the introduction of a tender-based generic preference pricing policy impacted the market and resulted in some generic manufacturers reducing the level of their orders. The UK business lost some revenues due to an in-sourcing decision by a major client. The Belgian business, which focuses on specialist and dedicated packaging solutions, performed strongly in the year. This was primarily due to a growing position in the pro-biotic market and strong demand from some clients. As the worst of the economic downturn passes, the pharmaceutical industry is now looking for ways in which they can divest of high fixed cost non-core activities and are increasingly considering other more flexible and efficient solutions. Hence, both existing and prospective clients have responded very positively to the commissioning of our new, state of the art packaging facility in The Netherlands. This facility gives us a strong platform from which to develop and promote our services and grow as the market evolves. Already, we have been awarded preferred partner status by a new large client in the industry.

The Speciality Services businesses are focused on delivering high-end solutions to the manufacturer or the healthcare provider for products that require cold-chain logistics, specialist patient training and administration in the home. We progressed significantly in our efforts to penetrate the UK homecare market during the year by signing a 50/50 joint-venture agreement with Medco Health Solutions, Inc. Medco is a US company that is a leader in its field, providing clinically driven services designed to improve the quality of care, improve medicine compliance and lower total health care costs. The objective for the UK business is to couple our knowledge of the market and our physical infrastructure with Medco's patient care solutions to deliver an enhanced service to the patient and the healthcare provider. We are now well placed to capitalise on opportunities in the developing specialist and biotech markets. This is a very exciting development for the Group in one of the fastest growing distribution channels in healthcare.

In Ireland, we operate a similar service through Temperature Controlled Pharmaceuticals. This company expanded during the year – building on its nurse-led service offering, provided in the home, across a broad range of pharmaceutical products.

# Finance Review

## Overview

Group revenue for the year grew by 2% to €1.72 billion in a much more difficult environment. The relatively high operating leverage in some of our businesses is highlighted by the fact that, for the first time in many years, margins have fallen and operating profit, before amortisation of intangible assets and the exceptional item, is down by 2% to €76.8 million.

To implement a revised divisional structure announced last year and to reduce costs, given the more difficult trading environment, the Group undertook a restructuring programme resulting in a once-off exceptional charge in the year of €13.9 million. The cost benefits from this restructuring will flow into 2010 and beyond, with annualised savings of €9 - 10 million expected.

The continued weakening of sterling relative to the euro has had a negative impact on the translation of results. We have seen a 15% fall in the value of sterling over the year and this has reduced reported revenues by €58 million and operating profits by €5 million when compared with the prior year.

Acquisition spend during the year amounted to €37 million, with €11 million paid on deferred consideration on prior year acquisitions and €26 million to acquire The Specials Laboratory in November 2008. Year end net debt, after the acquisition expenditure, is €162.5 million with a reduction in underlying working capital levels helping to drive a very strong cash flow performance. Debt is a combination of committed bank facilities and a Private Placement with all lines extending into 2011 and beyond and we are operating comfortably within our financial covenants.

## Revenue

Revenue for the year of €1.72 billion is 2% ahead of 2008. This revenue number is impacted by the fall in the value of sterling relative to the euro and on a constant currency basis revenue growth in the year is 5% with each of the three divisions reporting growth on this basis. Revenue growth has been reduced by price reductions in the Republic of Ireland and Northern Ireland wholesale businesses and reduced spending on medical equipment and consumer products but boosted by the full year contribution from Sharp, the US packaging business acquired late last year, and a very strong performance in the Contract Sales & Marketing Services business.

## Adjusted Operating Profit\*

Operating profit for the year, before amortisation of intangible assets and the exceptional item, is €76.8 million and is 2% lower than that reported in 2008. On a constant currency basis operating profit is 5% higher than in 2008.

## Exceptional Item

During the year the Group announced a restructuring and cost reduction programme. This programme gives rise to a once-off exceptional charge this year of €13.9 million. The main items included in this charge are redundancy payments and payments or provisions for the termination of lease obligations.

## Adjusted Profit before Tax\*

Net interest costs in the year of €9.8 million are €2.2 million higher than in 2008 as a result of the full year costs of financing acquisitions completed in 2008 and the acquisition in 2009 of The Specials Laboratory. After these interest costs, profit before tax of €66.9 million is 5% lower than in 2008 but is 2% higher than 2008 on a constant currency basis.

## Adjusted Earnings per Share\*

Earnings per share for the year of 23.42 cent is 9% lower than in 2008, on a constant currency basis the fall in earnings per share is 2%. The underlying tax rate for the year is higher than in 2008 with an increase in profits generated in higher tax rate jurisdictions.

## Cash Flow

Free cash flow for the year, before acquisition expenditure and dividends, is €58.1 million. Tight working capital management across the Group has enabled us to reduce our investment in working capital despite an increase in turnover of €34 million. A total of €36.8 million was spent during the year to acquire The Specials Laboratory and on deferred consideration payments for acquisitions completed in prior years. The net cash flow for the year results in an increase in net debt of €3.3 million. For the six months to 30 September 2009 net debt has reduced by €46.6 million.

## Balance Sheet

Year end net debt is €162.5 million. The net debt to EBITDA ratio is 1.78 times and interest is covered 9.2 times by EBITDA. Our financial covenants are based on net debt to EBITDA not to exceed 3.5 times and EBITDA interest cover to be greater than 3 times.

\* before amortisation of intangible assets and exceptional item

---

# 2009 Annual Report and Annual General Meeting

---

The 2009 Annual Report and Accounts will be published in January 2010 and the Annual General Meeting of the Company will be held on 9 February 2010.

## **Forward-looking information**

Some statements in this announcement are forward looking. They represent expectations for the Group's business, and involve risks and uncertainties. The Group has based these forward-looking statements on current expectations and projections about future events. The Group believes that expectations and assumptions with respect to these forward-looking statements are reasonable. However, because they involve known and unknown risks, uncertainties and other factors, which in some cases are beyond the Group's control, actual results or performance may differ materially from those expressed or implied by such forward-looking statements.

This announcement and further information is available on our web-site: [www.united-drug.ie](http://www.united-drug.ie)

# Group income statement

for the year ended 30 September 2009

	Notes	2009			2008 €'000
		Pre- exceptional item €'000	Exceptional item €'000	Total €'000	
<b>Revenue</b>	3	1,717,937	-	1,717,937	1,683,712
Cost of sales		(1,452,585)	(502)	(1,453,087)	(1,423,978)
<b>Gross profit</b>		265,352	(502)	264,850	259,734
Distribution expenses		(184,950)	(12,556)	(197,506)	(178,185)
Administrative expenses		(6,732)	(866)	(7,598)	(6,741)
Other operating expenses		(13,853)	-	(13,853)	(11,977)
Share of joint ventures' profit after tax	5	3,088	-	3,088	3,389
<b>Operating profit</b>		62,905	(13,924)	48,981	66,220
Finance income		3,433	-	3,433	3,121
Finance expense		(13,266)	-	(13,266)	(10,790)
<b>Profit before tax</b>		53,072	(13,924)	39,148	58,551
<b>Income tax expense</b>		(8,618)	2,762	(5,856)	(8,346)
<b>Profit for the financial year attributable to equity holders of the Company</b>		44,454	(11,162)	33,292	50,205
<b>Earnings per share</b>					
Basic	6			14.24c	21.81c
Diluted	6			14.22c	21.61c

# Group statement of recognised income and expense

for the year ended 30 September 2009

	Notes	2009 €'000	2008 €'000
<b>Items of income/(expense) recognised directly within equity:</b>			
Foreign currency translation adjustment	9	<b>(41,978)</b>	(25,908)
Gain/(loss) on hedge of net investment in foreign operations	9	<b>1,571</b>	(3,806)
Group defined benefit pension schemes:			
Actuarial loss	9	<b>(2,844)</b>	(5,361)
Movement in deferred tax	9	<b>348</b>	402
Group cash flow hedges:			
<i>Effective portion of cash flow hedges - movement into reserve</i>		<b>(3,713)</b>	818
<i>Effective portion of cash flow hedges - movement out of reserve</i>		<b>782</b>	105
Effective portion of cash flow hedges	9	<b>(2,931)</b>	923
<i>Movement in deferred tax - movement into reserve</i>		<b>464</b>	(102)
<i>Movement in deferred tax - movement out of reserve</i>		<b>(98)</b>	(13)
Movement in deferred tax	9	<b>366</b>	(115)
<b>Net expense recognised directly within equity</b>		<b>(45,468)</b>	(33,865)
<b>Profit for the financial year</b>		<b>33,292</b>	50,205
<b>Total recognised income and expense for the year attributable to equity holders of the Company</b>		<b>(12,176)</b>	16,340

# Group balance sheet

as at 30 September 2009

	Notes	2009 €'000	2008 €'000
<b>ASSETS</b>			
<b>Non-current</b>			
Property, plant and equipment		99,483	109,923
Goodwill	7	188,066	187,627
Intangible assets	7	50,727	54,671
Investment in joint ventures	7	19,040	19,630
Employee benefits		12,113	11,720
<b>Total non-current assets</b>		<b>369,429</b>	383,571
<b>Current</b>			
Inventories		169,402	165,697
Trade and other receivables		278,354	313,951
Cash and cash equivalents	8	75,651	85,032
<b>Total current assets</b>		<b>523,407</b>	564,680
<b>Total assets</b>		<b>892,836</b>	948,251
<b>EQUITY</b>			
Equity share capital	9	12,155	12,002
Share premium	9	122,710	116,409
Other reserves	9	(77,574)	(36,191)
Retained earnings	9	264,119	252,010
<b>Capital and reserves attributable to equity holders of the Company</b>		<b>321,410</b>	344,230
<b>LIABILITIES</b>			
<b>Non-current</b>			
Interest-bearing loans and borrowings	8	220,775	217,201
Provisions		13,891	7,821
Employee benefits		12,273	17,569
Derivative financial instruments	8	14,032	11,376
Deferred tax liabilities		9,379	10,212
<b>Total non-current liabilities</b>		<b>270,350</b>	264,179
<b>Current</b>			
Bank overdrafts	8	-	1,266
Interest-bearing loans and borrowings	8	2,597	13,760
Trade and other payables		281,362	308,296
Current tax liabilities		4,808	4,441
Provisions		11,606	11,535
Derivative financial instruments	8	703	544
<b>Total current liabilities</b>		<b>301,076</b>	339,842
<b>Total liabilities</b>		<b>571,426</b>	604,021
<b>Total equity and liabilities</b>		<b>892,836</b>	948,251

# Group cash flow statement

for the year ended 30 September 2009

	2009 €'000	2008 €'000
<b>Cash flows from operating activities</b>		
Profit before tax	39,148	58,551
Finance income	(3,433)	(3,121)
Finance expense	13,266	10,790
Exceptional item	13,924	-
<b>Operating profit (pre-exceptional item)</b>	<b>62,905</b>	<b>66,220</b>
Share of joint ventures' profit after tax	(3,088)	(3,389)
Depreciation charge	13,821	10,167
Loss/ (profit) on disposal of property, plant and equipment	45	(193)
Amortisation of intangible assets	13,853	11,977
Share-based payment expense	1,555	1,430
Transfer in respect of share entitlement scheme	-	32
Increase in inventories	(7,037)	(1,825)
Decrease/(increase) in trade and other receivables	22,718	(15,938)
(Decrease)/increase in trade payables, employee benefits and other payables	(14,240)	13,449
Exceptional item	(8,245)	-
Interest paid	(9,139)	(9,389)
Income taxes paid	(8,387)	(13,335)
<b>Net cash inflow from operating activities</b>	<b>64,761</b>	<b>59,206</b>
<b>Cash flows from investing activities</b>		
Interest received	900	1,613
Purchase of property, plant and equipment	(11,973)	(26,845)
Proceeds from disposal of property, plant and equipment	4,397	2,744
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	(25,938)	(100,590)
Deferred acquisition consideration paid	(10,910)	(7,921)
Investment in joint ventures	(1,433)	-
Dividends received from joint ventures	2,573	2,735
<b>Net cash outflow from investing activities</b>	<b>(42,384)</b>	<b>(128,264)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares (including share premium thereon, net of scrip dividend)	2,439	7,119
Purchase of treasury shares	-	(617)
Proceeds from interest-bearing loans and borrowings	51,835	135,929
Repayments of interest-bearing loans and borrowings	(61,329)	(21,379)
Decrease in finance leases	(306)	(627)
Dividends paid to equity holders of the Company	(14,634)	(11,318)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(21,995)</b>	<b>109,107</b>
<b>Net increase in cash and cash equivalents</b>	<b>382</b>	<b>40,049</b>
Translation adjustment	(8,497)	(5,830)
Cash and cash equivalents at beginning of year	83,766	49,547
<b>Cash and cash equivalents at end of year</b>	<b>75,651</b>	<b>83,766</b>
<b>Cash and cash equivalents is comprised of:</b>		
Cash at bank and short term deposits	75,651	85,032
Bank overdrafts	-	(1,266)
	<b>75,651</b>	<b>83,766</b>

# Notes to the preliminary announcement

for the year ended 30 September 2009

## 1 Reporting entity

United Drug plc (the "Company") is a company domiciled in Ireland. The preliminary financial statements of the Company for the year ended 30 September 2009, is comprised of the Company and its subsidiaries (together referred to as the "Group").

The financial information presented herein does not amount to statutory financial statements that are required by Section 7 of the Companies (Amendment) Act, 1986 to be annexed to the annual return of the Company. The statutory financial statements for the year ended 30 September 2008, on which the auditors gave an unqualified opinion, has been attached to the annual return of the Company and filed with the Registrar of Companies. The statutory financial statements for the year ended 30 September 2009 will be annexed to the next annual return of the Company and filed with the Registrar of Companies.

## 2 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.

The Group has adopted an accounting policy in respect of exceptional items. The Group has applied an income statement format which seeks to highlight significant items within Group results for the year. Such items may include restructuring costs, profit or loss on disposal or termination of operations, litigation costs and settlements, profit or loss on disposal of investments and impairment of assets. The Group exercises judgement in accessing the particular items, which by virtue of their scale and nature, should be disclosed in the income statement and related notes as exceptional items. The Group believes that such a presentation provides a more helpful analysis as it highlights material items of a non-recurring nature.

## 3 Segmental analysis

### Business segment analysis

	2009		2008	
	Revenue €'000	Net result* €'000	Revenue €'000	Net result* €'000
Healthcare Supply Chain	1,446,549	52,082	1,477,351	56,960
Packaging & Speciality	118,235	9,029	71,273	8,420
Contract Sales & Marketing Services	153,153	15,647	135,088	12,817
	<b>1,717,937</b>	<b>76,758</b>	1,683,712	78,197

\* Net result represents reported operating profit excluding amortisation of intangible assets of €13,853,000 (2008: €11,977,000) and exceptional item of €13,924,000 (2008: €Nil).

## 4 Exceptional item

	2009 €'000	2008 €'000
Restructuring costs	13,924	-

During the year ended 30 September 2009, the Group initiated a restructuring programme to implement a new divisional structure. Costs associated with the implementation of this programme for the year were €13,924,000 and primarily relate to a redundancy programme applied across the Group's business and relocation and onerous lease costs associated with the closure of offices no longer required.

## 5 Share of joint ventures' profit after tax

	2009 €'000	2008 €'000
Group share of revenue	492,305	406,027
Group share of expenses, inclusive of tax	(489,217)	(402,638)
<b>Group share of profit after tax</b>	<b>3,088</b>	3,389

6 Earnings per ordinary share	2009 €'000	2008 €'000
Profit for the financial year	33,292	50,205
Adjustment for amortisation of intangible assets (net of tax)	10,387	9,500
Adjustment for exceptional item (net of tax)	11,162	-
<b>Earnings adjusted for amortisation of intangible assets and exceptional item</b>	<b>54,841</b>	<b>59,705</b>
	Number of shares	Number of shares
Weighted average number of shares	233,857,959	230,237,796
Number of dilutive shares under option	323,142	2,060,526
<b>Weighted average number of shares, including share options</b>	<b>234,181,101</b>	<b>232,298,322</b>
Basic earnings per share - cent	14.24	21.81
Diluted earnings per share - cent	14.22	21.61
Adjusted basic earnings per share - cent*	23.45	25.93
<b>Adjusted diluted earnings per share - cent*</b>	<b>23.42</b>	<b>25.70</b>

\* excluding amortisation of intangible assets and exceptional item

Treasury shares have been excluded from the weighted average number of shares in issue used in the calculation of earnings per share.

7 Movement in goodwill, intangible assets and investment in joint ventures	Goodwill €'000	Intangible assets €'000	Investment in joint ventures €'000	Total €'000
Balance at 1 October 2008	187,627	54,671	19,630	261,928
Acquired during the year	19,407	14,083	-	33,490
Investment during the year	-	-	1,433	1,433
Revision to prior year acquisitions	(510)	-	-	(510)
Amortisation of intangible assets	-	(13,853)	-	(13,853)
Share of joint ventures' profit after tax	-	-	3,088	3,088
Dividends received from joint ventures	-	-	(2,573)	(2,573)
Translation adjustment	(18,458)	(4,174)	(2,538)	(25,170)
<b>Balance at 30 September 2009</b>	<b>188,066</b>	<b>50,727</b>	<b>19,040</b>	<b>257,833</b>

8 Net debt	As at 30 September 2009 €'000	As at 30 September 2008 €'000
<i>Current assets</i>		
Cash at bank and short term deposits	75,651	85,032
<i>Current liabilities</i>		
Bank overdrafts	-	(1,266)
Interest bearing loans and borrowings	(1,444)	(12,603)
Finance leases	(1,153)	(1,157)
Derivative financial instruments	(703)	(544)
<i>Non-current liabilities</i>		
Interest bearing loans and borrowings	(219,713)	(215,837)
Finance leases	(1,062)	(1,364)
Derivative financial instruments	(14,032)	(11,376)
	<b>(162,456)</b>	<b>(159,115)</b>

# Notes to the preliminary announcement (continued)

for the year ended 30 September 2009

## 9 Equity

	Equity share capital €'000	Share premium €'000	Other reserves				Retained earnings €'000	Total equity €'000
			Cash flow hedge €'000	Share-based payment €'000	Foreign exchange €'000	Treasury shares €'000		
At 1 October 2008	12,002	116,409	1,374	4,417	(35,404)	(6,578)	252,010	344,230
New shares issued	153	6,301	-	-	-	-	-	6,454
Effective portion of cash flow hedges	-	-	(2,931)	-	-	-	-	(2,931)
Deferred tax on cash flow hedges	-	-	366	-	-	-	-	366
Share-based payment expense	-	-	-	1,555	-	-	-	1,555
Transfer to share-based payment reserve	-	-	-	85	-	-	(85)	-
Release from share-based payment reserve	-	-	-	(47)	-	-	47	-
Translation adjustment	-	-	-	(4)	(41,978)	-	-	(41,982)
Profit on hedge of net investment in foreign operations	-	-	-	-	1,571	-	-	1,571
Profit for the financial year	-	-	-	-	-	-	33,292	33,292
Dividends to equity holders	-	-	-	-	-	-	(18,649)	(18,649)
Actuarial loss on defined benefit pension schemes	-	-	-	-	-	-	(2,844)	(2,844)
Deferred tax on defined benefit pension schemes	-	-	-	-	-	-	348	348
Release of treasury shares on vesting	-	-	-	(77)	-	77	-	-
<b>At 30 September 2009</b>	<b>12,155</b>	<b>122,710</b>	<b>(1,191)</b>	<b>5,929</b>	<b>(75,811)</b>	<b>(6,501)</b>	<b>264,119</b>	<b>321,410</b>

The translation adjustment arises on the translation of non euro denominated assets and liabilities into euro at the reporting date and includes a loss of €2,538,000 (2008: €1,881,000) in respect of the Group's investment in joint ventures. New shares issued and dividends to equity holders both include €4,015,000 (2008: €6,018,000) in respect of scrip issues.

## 10 Dividends

The directors have proposed a final dividend of 5.77 cent per share (2008: 5.77 cent per share), subject to shareholder approval at the Annual General Meeting. This dividend has not been provided for in the balance sheet at 30 September 2009 as there was no present obligation to pay the dividend at the reporting date.

## 11 Acquisition of subsidiary undertakings

On 18 November 2008, the Group acquired the entire issued share capital of The Specials Laboratory Holdings Limited, a manufacturer of unique formulations of medicines to meet patient prescriptions requirements, serving the retail pharmaceutical and hospital markets in the United Kingdom. Including deferred consideration payable of €5,181,000, the total consideration was €31,119,000.

The Group has also revised its estimate of the fair value of trade and other receivables in respect of prior year acquisitions. This has resulted in a corresponding decrease in goodwill.

## 11 Acquisition of subsidiary undertakings (continued)

The carrying amount of the assets and liabilities which were acquired, determined in accordance with IFRS, before completion of the combination, together with the adjustments made to those carrying values to arrive at the fair values were as follows:

	Book values €'000	Fair value adjustments €'000	Total in respect of current year acquisitions €'000	Adjustments to prior year acquisitions €'000	Total €'000
Property, plant & equipment	1,056	-	1,056	-	1,056
Intangible assets	-	14,083	14,083	-	14,083
Inventories	705	-	705	-	705
Trade and other receivables	2,370	-	2,370	510	2,880
Trade and other payables (current)	(2,559)	-	(2,559)	-	(2,559)
Deferred tax	-	(3,943)	(3,943)	-	(3,943)
<b>Net identifiable assets and liabilities acquired</b>	<b>1,572</b>	<b>10,140</b>	<b>11,712</b>	<b>510</b>	<b>12,222</b>
Goodwill arising on acquisition			19,407	(510)	18,897
			<b>31,119</b>	-	<b>31,119</b>
<b>Satisfied by:</b>					
Cash consideration			25,753	-	25,753
Professional fees incurred			546	-	546
Net cash and cash equivalents acquired on acquisition			(361)	-	(361)
			25,938	-	25,938
Deferred consideration			5,181	-	5,181
			<b>31,119</b>	-	<b>31,119</b>

The initial assignment of fair values to identifiable net assets acquired has been performed on a provisional basis in respect of the business combinations disclosed above given the timing of completion of these transactions. Any amendments to these fair values within the twelve month timeframe from the date of acquisition will be disclosable in the 2010 Annual Report as stipulated by IFRS 3, *Business Combinations*.

Goodwill is attributable to the future economic benefits arising from assets which are not capable of being individually identified and separately recognised. The significant factors giving rise to the goodwill include the value of the workforce and management teams within the business acquired and the enhancement of the competitive position of the Group in the marketplace and the strategic premium paid by United Drug plc to create the combined Group.

The Group's results for the year ended 30 September 2009 includes the following amounts in respect of the businesses acquired during the year:

	2009 €'000
Revenue	12,020
Gross profit	7,065
Distribution expenses	(2,806)
Other operating expenses*	(1,721)
Operating profit	2,538
Net interest expense	(589)
Profit before tax	1,949
Income tax	(546)
<b>Profit after tax</b>	<b>1,403</b>

\*Other operating expenses consists of amortisation of intangible assets

Had these acquisitions been effected on 1 October 2008, the combined Group would have recorded total revenues of €1,719,436,000 and profit after interest and tax for the financial year of €33,421,000.



United Drug House  
Magna Drive  
Magna Business Park  
Citywest Road  
Dublin 24  
Ireland  
Telephone: +353 1 463 2300  
Facsimile: +353 1 459 6893  
Email: [info@united-drug.ie](mailto:info@united-drug.ie)  
Website: [www.united-drug.ie](http://www.united-drug.ie)