

United Drug plc

Preliminary Announcement of Results

Year ended 30 September 2010

Highlights

	IFRS based €mn	Amortisation of intangible assets €mn	Adjusted €mn	Increase/ (decrease) on 2009 %
Revenue	1,726.1	-	1,726.1	1
Operating profit	61.0	13.2	74.2	(3)
Profit before tax	54.4	13.2	67.6	1
Diluted earnings per share (cent)	18.67	4.13	22.80	(3)
Dividend per share (cent)	8.40	-	8.40	5

	2010	2009
Net debt (€mn)	109.3	162.5
Net debt/EBITDA* (times)	1.22	1.78

* EBITDA before 2009 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.

2010 Financial highlights

- Revenues ahead of 2009.
 - Pre-tax profit growth for the year after taking account of the start up costs of the Medco UK homecare joint venture.
 - Tight working capital management has helped to deliver another strong cash flow performance and a reduction in net debt of over €53 million in the year.
 - A 5% increase in dividend is proposed reflecting good trading performance and strong cash flow.
 - Strong balance sheet at year end with modest debt levels and significant capital resources available.
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2010 Strategic & operating highlights

- Excellent performance throughout the Contract Sales & Marketing Services division. Expansion of our marketing services offering during the year with the acquisition of InforMed.
- Over 60% of profits now generated outside Ireland with 15% coming from the US.
- Strengthened our market leadership positions in wholesale and pre-wholesale.
- Good performance in our packaging business, particularly in the US.
- Completed a re-financing during the year to increase debt capacity and lengthen debt maturities.
- UK homecare joint venture with Medco Health Solutions Inc., established and secured its first contract wins.

Chief Executive's comment

Commenting on the 2010 performance, United Drug Chief Executive Officer, Liam FitzGerald said:

“Through 2010 United Drug has effectively managed the challenges and opportunities presented by healthcare austerity measures and weak economies. These pressures have resulted in lower capital spending in hospitals and reductions in medicine pricing and reimbursement but also a marked increase in demand for outsourced services from healthcare manufacturers and payors.”

“Group revenues for the year of €1.73 billion are 1% higher than in 2009 and pre-tax profits have increased by 1% to €67.6 million. The Group has also delivered another very strong cash flow performance with year-end net debt down to €109 million”.

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Dividends

The directors are proposing a final dividend of 6.06 cent per share. This gives a total dividend for the year of 8.40 cent per share, an increase of 5% on the 2009 total dividend.

The directors are pleased to advise that all shareholders will be given the opportunity of receiving all or part of their 2010 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 2011.

Payments in respect of the final dividend or, alternatively, share certificates will be issued, on 25 February 2011 to shareholders on the Company's register at 5.00pm on 26 November 2010.

Group development and outlook

The development of United Drug is based on building upon our strong position in the healthcare supply chain and broadening the range of high quality outsourced services we offer to international healthcare manufacturers and payors. United Drug provides high quality outsourced services to healthcare manufacturers in the areas of distribution, sales and marketing and packaging across six international markets. Over 60% of profits are now generated outside of Ireland. During the past 12 months we have strengthened our market leadership in wholesale and pre-wholesale businesses in markets confronted by significant healthcare austerity measures. These measures bring challenges to the business but also provide opportunities to further strengthen our market positions through increased outsourcing or cost advantage leading to market share gains.

Over the last year we have increased the breadth of our outsourcing offering. Our UK homecare joint venture with Medco Health Solutions Inc. ("Medco") is now up and running and has already won a number of significant contracts. In packaging we have grown our biotech and generic manufacturer customer base and added to our capability in batch tracking and serialisation. Our Contract Sales & Marketing Services division has had a very successful trading year and has added to its range of services with the acquisition of InforMed late in the year. InforMed provides healthcare communications and consultancy services to global pharmaceutical and biotechnology companies.

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. Revenue for the division for the period of €1.44 billion is less than 1% lower than in 2009.

In Pharma Wholesale, United Drug has made further market share gains and strengthened its position as market leader in providing services to retail pharmacy in the Republic of Ireland and Northern Ireland. Both markets have seen a reduction in medicine prices during the year.

In the Republic of Ireland, the implementation on 1 February 2010 of the new Health Service Executive (HSE) agreement with the pharmaceutical industry led to a 40% reduction in the price of most off-patent products. A similar reduction to the reimbursement price of generic products was introduced in September this year. The value of the full line wholesale market in the Republic of Ireland has fallen over the year. This is as a result of the price reductions, lower growth in prescription volumes due to the weak economy and the continued growth in the parallel importation of product. Despite these challenges, revenue in the Republic of Ireland wholesale business is just 1% lower than in 2009 and our share of the full line wholesaling market has grown.

In Northern Ireland, our wholesale business has continued to increase its market share and revenues. This is against a background of a further Government imposed price reduction of 1.9% from 1 January 2010, lower consumer spending on over-the-counter products and the continuing move to Direct-to-Pharmacy distribution in Northern Ireland. Over 50% of pharmaceutical companies have now adopted some form of alternative distribution model. We remain the most efficient and customer focused wholesaler in the market and best placed to react to the evolving requirements of pharmacy customers and manufacturers in Northern Ireland.

In pre-wholesale, the Group also strengthened its market leading position in providing outsourced logistics services to pharmaceutical manufacturers in the Republic of Ireland. There were a number of new contract wins in both the pharmaceutical and consumer parts of the business during the year including the distribution contract for the swine flu vaccine in the Republic of Ireland. Our UK joint venture with Alliance Boots has continued to perform well as the leading pre-wholesaling business in the growing UK market. It has recently won a number of significant new contracts which will assist in its continued growth.

Our Medical & Scientific business sells, distributes and supports consumable and capital equipment to healthcare providers, industry and research institutions. The trading environment for this business continues to be challenging with Governments in both the UK and Ireland imposing restrictions on hospital spending. This is having an impact on expenditure on medical devices and scientific instruments, particularly for capital items. Profitability is lower than in the prior year and the business now has a different revenue mix with the more stable consumable and service business accounting for over 80% of total revenues.

Over the last quarter of the financial year we have changed our Medical & Scientific management structure and strengthened our general management and business development teams, with a focus on retaining and growing current agencies, adding new product offerings and generating cost and process efficiencies. This change process has stabilised the business and we are forecasting a return to earnings growth over the next 12

months. Long term, the overall market place will benefit from aging populations and advances in medical and scientific technology solutions and we remain confident that we are well placed to exploit these opportunities.

In the UK, the Group prepares and distributes special medicines. A “special” is a unique formulation of a commonly prescribed product prepared in response to a specific patient prescription requirement. Our special wholesale and manufacturing businesses continue to perform well and have grown strongly during the year. A departmental review of the special market is currently underway in the UK with the likely outcome being a lower reimbursement price for some of the more popular special products. Both companies have a strong position in this market and this should enable them to successfully manage any proposed changes.

Contract Sales & Marketing Services

The Contract Sales & Marketing Services (CSMS) division provides contract sales outsourcing and related marketing services to healthcare manufacturers in the UK, the US and Ireland. Revenue for the division for the year of €167 million is 9% higher than in 2009.

The core contract sales outsourcing (CSO) business has grown its market leading position in the UK and Ireland during the year and built up its US customer base. These successes have been achieved by providing our pharmaceutical manufacturing customers with a flexible means to reduce headcount and infrastructure cost whilst maintaining a top quality sales resource and route-to-market solution for their products. The demand for CSO services, in all markets served continues to be strong as manufacturers seek more and more flexibility in their sales models and are increasing the proportion of their sales effort that they outsource. A number of new contract wins during the year leaves the business well positioned going into the new financial year.

Our US medical affairs business has had an exceptional year and performed well ahead of last year and current year targets. Part of this success comes from bundling our medical affairs service with the tele-detailing service offered by our CSO business and also our compliance packaging capabilities. There are further opportunities to combine our services to build an even more compelling offering for manufacturers. In 2011 we are planning to provide a multi-lingual European regulatory affairs service and tele-web detailing to physicians in the UK.

Our events management business has been through a year of change. The businesses in the UK and the US were moved to their respective divisional head offices during the year. This allowed the streamlining of our operating structure and was completed without losing any customers. The business is now benefitting from having ready access to all client relationships within the CSMS division and has recently won new business through those relationships.

The division expanded its global marketing services capability during the year with the acquisition of InforMed in August 2010. With offices in the UK and US, InforMed provides healthcare communications and consultancy services to a range of global pharmaceutical and biotechnology companies. Core services include medical writing and publication planning, market research and business analysis, and marketing and sales training and consultancy delivered at all stages in the product lifecycle from early phase development to post launch. These services expand the range of healthcare solutions offered within the division and will provide opportunities to further enhance the value added services available to our clients.

Packaging & Speciality

Overall revenues for the Packaging & Speciality division for the year of €121 million are 2% ahead of 2009.

United Drug provides outsourced packaging solutions for pharmaceutical manufacturers with facilities in the US, the UK, the Netherlands and Belgium. Significant gains were made during 2010 in this business with revenues well ahead of last year. Momentum for outsourcing has increased largely due to decisions taken by pharmaceutical companies to defer investment or eliminate fixed cost infrastructure in a bid to reduce operating costs. Our business in the US performed well in its core bottling and blister packaging operations and made real progress in growing its biotech franchise and making its mark in the more specialised services of batch tracking and serialisation. The European businesses performed exceptionally well in the hormone and generic markets. The flagship facility in the Netherlands (commissioned in 2009) is proving to be very attractive to generic companies seeking to upscale production as significant products come off patent. A new management structure was implemented in Europe in the latter half of 2010 with the aim of strengthening our European wide presence; streamlining our operations across the three European locations and, in conjunction with the team in the US, building our international business development focus.

This division also provides speciality services focused on delivering better patient care, resulting in better patient outcomes on behalf of the pharmaceutical company and/or the relevant health authority in both the UK and Ireland. Better patient care usually involves treating the individual in their own home either directly with the drug via nurse administration or by training the person to use a device within the home setting. In either case, the patient is not required to attend a hospital. In Ireland, our business had great success in 2010, growing as the market begins to open up to homecare. This service is delivered in the UK through our joint venture with Medco which was established at the end of 2009. In its first year of operation, the business has secured a number of homecare contracts, several pilots and provides cold-chain logistics services for all of United Drug's requirements in the UK. The prospects for this business remain good although continued investment will be required in 2011 to establish the joint venture as the pre-eminent force in UK homecare.

Our vaccines and travel health business also falls under the heading of speciality services. This business performed below expectations during the year due to a restriction in supply of flu vaccine and a reduction in travel due to the economic downturn and the impact of the volcanic ash cloud. However, the extension of our occupational health service has proved successful and should put the business back on a sustainable path to growth.

Finance Review

Overview

Group revenue for the year of €1.73 billion is 1% higher than in 2009. Pre-tax profit, before amortisation of intangible assets, is also 1% ahead of 2009 at €67.6 million. These results take into account the impact of healthcare regulatory changes in the Republic of Ireland and Northern Ireland businesses that have reduced revenues and profits in our wholesale and pre-wholesale businesses.

The revenues and profits for the year are directly comparable with the prior year with no major currency translation differences. In each of the two previous years the weakening of the dollar, and more particularly sterling, relative to the euro has reduced reported revenues and profits when compared to the prior year. In the current year our average foreign currency translation rates are very similar to the prior year resulting in almost no currency translation differences.

Very strong cash flows throughout the Group has seen year end net debt fall to €109 million. This is a reduction in net debt of €53 million and is after net acquisition expenditure of €9 million and a further €3 million in deferred consideration on prior year acquisitions.

During the year the Group completed a re-financing of its debt facilities. This re-financing combines a 4 year €135 million syndicated bank facility with a new 7 and 10 year \$130 million Private Placement note issue. These new facilities significantly extend our debt maturities and with our existing \$102 million Private Placement adds to our debt capacity. \$40 million of the original Private Placement is due for repayment in 2011. All other debt facilities mature on dates between 2014 and 2020.

Revenue

Revenue for the year is 1% ahead of 2009 at €1.73 billion. Revenues in the Contract Sales & Marketing Services and Packaging & Speciality divisions are ahead of last year while Healthcare Supply Chain division revenues are slightly down on the prior year as a result of reductions in medicine prices and lower capital spending in hospitals.

Adjusted Operating Profit*

Operating profit for the year of €74.2 million is 3% lower than in 2009. This is after taking account of the start-up costs associated with the new Medco UK homecare joint venture and the impact of the various regulatory changes introduced during the year.

Adjusted Profit before Tax*

Net interest costs for the year of €6.5 million are €3.3 million lower than in 2009 as a result of strong cash flows through the year and continuing low interest rates. After interest costs profit before tax of €67.6 million is 1% higher than in 2009.

Adjusted Earnings per Share*

Earnings per share for the year of 22.80 cent is 3% lower than in 2009. The underlying tax rate for the year is higher than in 2009 with more of group profits coming from higher tax rate jurisdictions.

Cash Flow

Net cash flow from operating activities during the year is €84 million, an increase of €20 million from 2009. Tight working capital management throughout the Group has allowed us to reduce our overall working capital levels despite an increase in turnover. A total of €11.9 million was spent during the year to acquire InforMed and on deferred consideration

payments for acquisitions completed in prior years. The net cash flow results in a reduction in net debt of €53 million during the year.

Balance Sheet

Year end net debt is €109.3 million. The net debt to EBITDA ratio is 1.22 times and interest is covered 13.6 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

2010 Annual Report and Annual General Meeting

The 2010 Annual Report and Accounts will be published in January 2011 and the Annual General Meeting of the Company will be held on 17 February 2011.

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.

Group income statement

for the year ended 30 September 2010

	Notes	2010 Total €000	2009		Total €000
			Pre- exceptional item	Exceptional item	
Revenue	3	1,726,066	1,717,937	-	1,717,937
Cost of sales		(1,458,972)	(1,452,585)	(502)	(1,453,087)
Gross profit		267,094	265,352	(502)	264,850
Distribution expenses		(187,118)	(184,950)	(12,556)	(197,506)
Administrative expenses		(7,792)	(6,732)	(866)	(7,598)
Other operating expenses		(13,180)	(13,853)	-	(13,853)
Share of joint ventures' profit after tax	5	1,951	3,088	-	3,088
Operating profit		60,955	62,905	(13,924)	48,981
Finance income	6	10,250	3,433	-	3,433
Finance expense	6	(16,766)	(13,266)	-	(13,266)
Profit before tax		54,439	53,072	(13,924)	39,148
Income tax expense		(9,796)	(8,618)	2,762	(5,856)
Profit for the financial year		44,643	44,454	(11,162)	33,292
Profit attributable to:					
Owners of the parent		44,585			33,292
Non-controlling interests		58			-
		44,643			33,292
Earnings per share					
Basic	7	18.70c			14.24c
Diluted	7	18.67c			14.22c

Group statement of comprehensive income

for the year ended 30 September 2010

	Notes	2010 €000	2009 €000
Profit for the financial year		44,643	33,292
Other comprehensive income:			
Foreign currency translation adjustment	9	21,239	(41,978)
(Loss)/gain on hedge of net investment in foreign operations	9	(5,303)	1,571
Group defined benefit pension schemes:			
- Actuarial loss		(8,766)	(2,844)
- Movement in deferred tax		1,257	348
Group cash flow hedges:			
- <i>Effective portion of cash flow hedges - movement into reserve</i>		(104)	(3,713)
- <i>Effective portion of cash flow hedges - movement out of reserve</i>		2,638	782
Effective portion of cash flow hedges	9	2,534	(2,931)
- <i>Movement in deferred tax - movement into reserve</i>		13	464
- <i>Movement in deferred tax - movement out of reserve</i>		(330)	(98)
Net movement in deferred tax	9	(317)	366
Other comprehensive income/(expense) for the financial year		10,644	(45,468)
Total comprehensive income/(expense) for the financial year		55,287	(12,176)
Total comprehensive income/(expense) attributable to:			
Owners of the parent		55,229	(12,176)
Non-controlling interests		58	-
		55,287	(12,176)

Group statement of changes in equity

for the year ended 30 September 2010

	Equity share capital €000	Share premium €000	Retained earnings €000	Other reserves (Note 9) €000	Attributable to owners of the parent €000	Non-controlling interests €000	Total Equity €000
At 1 October 2009	12,155	122,710	264,119	(77,574)	321,410	-	321,410
Profit for the financial year	-	-	44,585	-	44,585	58	44,643
Other comprehensive income/(expense):							
Effective portion of cash flow hedges	-	-	-	2,534	2,534	-	2,534
Deferred tax on cash flow hedges	-	-	-	(317)	(317)	-	(317)
Translation adjustment	-	-	-	21,239	21,239	-	21,239
Loss on hedge of net investment in foreign operations	-	-	-	(5,303)	(5,303)	-	(5,303)
Actuarial loss on defined benefit schemes	-	-	(8,766)	-	(8,766)	-	(8,766)
Deferred tax on defined benefit schemes	-	-	1,257	-	1,257	-	1,257
Total comprehensive income for the year	-	-	37,076	18,153	55,229	58	55,287
New shares issued	241	10,181	-	-	10,422	-	10,422
Share based payment expense	-	-	-	598	598	-	598
Translation adjustment	-	-	-	4	4	-	4
Dividends paid to equity holders	-	-	(19,246)	-	(19,246)	-	(19,246)
Acquisition of treasury shares	-	-	-	(58)	(58)	-	(58)
Release from share based payment reserve	-	-	337	(337)	-	-	-
At 30 September 2010	12,396	132,891	282,286	(59,214)	368,359	58	368,417

for the year ended 30 September 2009

	Equity share capital €000	Share premium €000	Retained earnings €000	Other reserves (Note 9) €000	Attributable to owners of the parent €000	Non-controlling interests €000	Total Equity €000
At 1 October 2008	12,002	116,409	252,010	(36,191)	344,230	-	344,230
Profit for the financial year	-	-	33,292	-	33,292	-	33,292
Other comprehensive income/(expense):							
Effective portion of cash flow hedges	-	-	-	(2,931)	(2,931)	-	(2,931)
Deferred tax on cash flow hedges	-	-	-	366	366	-	366
Translation adjustment	-	-	-	(41,978)	(41,978)	-	(41,978)
Profit on hedge of net investment in foreign operations	-	-	-	1,571	1,571	-	1,571
Actuarial loss on defined benefit schemes	-	-	(2,884)	-	(2,844)	-	(2,844)
Deferred tax on defined benefit schemes	-	-	348	-	348	-	348
Total comprehensive income for the year	-	-	30,796	(42,972)	(12,176)	-	(12,176)
New shares issued	153	6,301	-	-	6,454	-	6,454
Share based payment expense	-	-	-	1,555	1,555	-	1,555
Translation adjustment	-	-	-	(4)	(4)	-	(4)
Dividends paid to equity holders	-	-	(18,649)	-	(18,649)	-	(18,649)
Transfer to share based payment reserve	-	-	(85)	85	-	-	-
Release from share based payment reserve	-	-	47	(47)	-	-	-
At 30 September 2009	12,155	122,710	264,119	(77,574)	321,410	-	321,410

Group balance sheet

as at 30 September 2010

	Notes	2010 €000	2009 €000
ASSETS			
Non-current			
Property, plant and equipment		99,222	99,483
Goodwill	8	206,089	188,066
Intangible assets	8	46,963	50,727
Investment in joint ventures	8	22,433	19,040
Deferred income tax assets		797	-
Employee benefits	12	13,214	12,113
Total non-current assets		388,718	369,429
Current			
Inventories		144,984	169,402
Trade and other receivables		267,262	278,354
Cash and cash equivalents	10	156,212	75,651
Total current assets		568,458	523,407
Total assets		957,176	892,836
EQUITY			
Capital and reserves attributable to owners of the parent			
Equity share capital		12,396	12,155
Share premium		132,891	122,710
Other reserves	9	(59,214)	(77,574)
Retained earnings		282,286	264,119
		368,359	321,410
Non-controlling interests		58	-
Total equity		368,417	321,410
LIABILITIES			
Non-current			
Interest-bearing loans and borrowings	10	220,030	220,775
Provisions		5,578	13,891
Employee benefits	12	20,479	12,273
Derivative financial instruments	10	11,255	14,032
Deferred income tax liabilities		11,331	9,379
Total non-current liabilities		268,673	270,350
Current			
Interest-bearing loans and borrowings	10	30,416	2,597
Trade and other payables		269,119	281,362
Current income tax liabilities		4,584	4,808
Provisions		12,130	11,606
Derivative financial instruments	10	3,837	703
Total current liabilities		320,086	301,076
Total liabilities		588,759	571,426
Total equity and liabilities		957,176	892,836

Group cash flow statement

for the year ended 30 September 2010

	2010 €000	2009 €000
Cash flows from operating activities		
Profit before tax	54,439	39,148
Finance income	(10,250)	(3,433)
Finance expense	16,766	13,266
Exceptional item	-	13,924
Operating profit (pre-exceptional item)	60,955	62,905
Share of joint ventures' profit after tax	(1,951)	(3,088)
Depreciation charge	14,249	13,821
(Profit)/loss on disposal of property, plant and equipment	(68)	45
Amortisation of intangible assets	13,180	13,853
Share-based payment expense	598	1,555
Decrease/(increase) in inventories	27,123	(7,037)
Decrease in trade and other receivables	18,407	22,718
Decrease in trade payables, provisions and other payables	(29,182)	(14,240)
Exceptional item	-	(8,245)
Interest paid	(7,552)	(9,139)
Income taxes paid	(11,521)	(8,387)
Net cash inflow from operating activities	84,238	64,761
Cash flows from investing activities		
Interest received	1,536	900
Purchase of property, plant and equipment	(10,971)	(11,973)
Proceeds from disposal of property, plant and equipment	1,090	4,397
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	(8,708)	(25,938)
Deferred acquisition consideration paid	(3,237)	(10,910)
Investment in joint ventures	(3,192)	(1,433)
Dividends received from joint ventures	2,300	2,573
Net cash outflow from investing activities	(21,182)	(42,384)
Cash flows from financing activities		
Proceeds from issue of shares (including share premium thereon, net of scrip dividend)	4,026	2,439
Acquisition of treasury shares	(58)	-
Proceeds from interest-bearing loans and borrowings	186,000	51,835
Repayments of interest-bearing loans and borrowings	(160,762)	(61,329)
Decrease in finance leases	(1,157)	(306)
Dividends paid to equity holders of the Company	(12,850)	(14,634)
Net cash inflow/(outflow) from financing activities	15,199	(21,995)
Net increase in cash and cash equivalents	78,255	382
Translation adjustment	2,306	(8,497)
Cash and cash equivalents at beginning of year	75,651	83,766
Cash and cash equivalents at end of year	156,212	75,651
Cash and cash equivalents is comprised of:		
Cash at bank and short term deposits	156,212	75,651

Notes to the preliminary announcement

for the year ended 30 September 2010

1. Reporting entity

United Drug plc (the "Company") is a company domiciled in Ireland. The preliminary consolidated financial statements of the Company for the year ended 30 September 2010, are comprised of the Company and its subsidiaries and joint ventures (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 financial information does not include all the information and disclosures required in the annual financial statements. The statutory financial statements for the year ended 30 September 2009, on which the auditors gave an unqualified opinion, have 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 2010 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 the following standards and amendments to existing standards during the financial year:

- IFRS 8 Operating Segments

This standard requires the reporting of information for operating segments to reflect the Group's management structure and the way financial information is regularly reviewed by the Group's Chief Operating Decision Maker, which the Group has defined as the Board of Directors. The business segments reported have not changed as a result of the adoption of this standard. Operating profit before exceptional items and intangible amortisation represents the key measure utilised in assessing the performance of business segments.

- IAS 1 Presentation of Financial Statements

This revised standard includes non-mandatory changes of the titles of the primary financial statements. The Group has adopted the "two statements" approach of presenting income and expense within an income statement as before and components of other comprehensive income within a statement of other comprehensive income. In addition, the standard requires the presentation of a statement of changes in equity as a primary statement.

- IFRS 3 (Revised 2008) – Business Combinations

From 1 October 2009, the Group has applied IFRS 3 Business Combinations (Revised 2008) in accounting for business combinations. The change in accounting standard applies prospectively. For acquisitions on or after 1 October 2009, the Group measures goodwill at the acquisition date as the fair value of the consideration transferred (including the fair value of any previously held equity interest in the acquiree) and the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in the income statement.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

The following are the other new standards that are effective for the Group's financial year ending on 30 September 2010 and that had no significant impact on the results or financial position of the Group:

- Amendments to IFRS 2 – Share Based Payment – Vesting Conditions and Cancellations
- Amendments to IAS 27 – Consolidated and Separate Financial Statements
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged items
- IFRIC 17 – Distribution of Non-Cash Assets to Owners
- Amendment to IFRS 7 – Financial Instruments: Disclosures
- Amendment to IAS23 – Borrowing Costs
- Amendment to IAS 32 – Puttable Financial Instruments and Obligations Arising on Liquidation

Notes to the preliminary announcement (continued)

for the year ended 30 September 2010

2. Basis of preparation (continued)

- IFRIC 15 – Agreements for the construction of Real Estate
- Improvements to IFRS's (issued by IASB in April 2009)

Prospective accounting changes

The following standards, amendments to existing standards, and interpretations published by the IASB are not yet effective for the year ended 30 September 2010 and have not been early adopted in preparing the financial statements.

- Amendments to IFRS 2 – Share Based Payment – Group Cash-Settled Share Based Payment Transactions
- Amendment to IAS 24 – Related Party Disclosures
- Amendment to IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues
- Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments
- IFRIC 18 – Transfer of Assets from Customers

These amendments are not expected to have a material impact on the Group.

3. Segmental analysis

The Group's operations are divided into the following segments:

- Healthcare Supply Chain

The Healthcare Supply Chain segment combines all of the Group's healthcare logistics based businesses.

- Packaging & Speciality

The Packaging & Speciality segment provides outsourced packaging solutions to pharmaceutical manufacturers.

- Contract Sales & Marketing Services

The Contract Sales & Marketing Services segment provides contract sales outsourcing and related marketing services to healthcare manufacturers.

The segmental analysis of the business corresponds with the Group's organisational structure, the nature of reporting lines to the Chief Operating Decision Maker (as defined in IFRS 8 Operating Segments), which the Group has defined as the Board of Directors, and the Group's internal reporting for the purpose of managing the business and assessing performance. It is consistent with the requirements of IFRS 8 Operating Segments which came into effect for accounting periods commencing on or after 1 January 2009.

Notes to the preliminary announcement (continued)

for the year ended 30 September 2010

3. Segmental analysis (continued)

The amount of revenue and operating profit under the Group's operating segments is as follows:

	2010 €000	2009 €000
Revenue		
Healthcare Supply Chain	1,438,528	1,446,549
Packaging & Speciality	120,549	118,235
Contract Sales & Marketing Services	166,989	153,153
	1,726,066	1,717,937
Operating profit before exceptional item and intangible amortisation		
Healthcare Supply Chain	47,678	52,083
Packaging & Speciality	9,620	9,028
Contract Sales & Marketing Services	16,837	15,647
	74,135	76,758
Intangible amortisation	(13,180)	(13,853)
Exceptional item	-	(13,924)
	60,955	48,981
Operating profit		
Finance income	10,250	3,433
Finance expense	(16,766)	(13,266)
	54,439	39,148
Profit before tax		
Income tax expense	(9,796)	(5,856)
	44,643	33,292
Operating segment assets		
Healthcare Supply Chain	649,452	663,987
Packaging & Speciality	186,241	144,209
Contract Sales & Marketing Services	121,483	84,640
	957,176	892,836
Total non-current liabilities		
	957,176	892,836
Geographical analysis of revenue		
Republic of Ireland	1,125,185	1,148,512
United Kingdom	453,842	468,200
United States	112,859	73,013
Continental Europe	34,180	28,212
	1,726,066	1,717,937

4. Exceptional item

	2010 €000	2009 €000
Restructuring costs	-	13,924

During the prior year, 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 related to a redundancy programme applied across the Group.

Notes to the preliminary announcement (continued)

for the year ended 30 September 2010

5. Share of joint ventures' profit after tax

	2010 €000	2009 €000
Group share of revenue	679,019	492,305
Group share of expenses, inclusive of tax	(677,068)	(489,217)
Group share of profit after tax	1,951	3,088

6. Finance income and expense

	2010 €000	2009 €000
Finance income		
Income arising from cash deposits	1,536	900
Fair value adjustments to fair value hedges	5,986	1,711
Foreign currency gain on retranslation of bank borrowings	2,638	782
Ineffective portion of cash flow hedges	90	40
	10,250	3,433
Finance expense		
Interest on bank loans and other loans		
-wholly repayable within 5 years	(6,190)	(8,165)
-wholly repayable after 5 years	(832)	(790)
Interest on finance leases	(175)	(170)
Unwinding of discount on provisions	(242)	(795)
Fair value movement on interest rate swaps not designated as hedges	(703)	(842)
Fair value adjustment to guaranteed senior unsecured notes	(5,986)	(1,711)
Fair value of cash flow hedges transferred from equity	(2,638)	(782)
Ineffective portion of cash flow hedges	-	(11)
	(16,766)	(13,266)
Net finance expense	(6,516)	(9,833)

7. Earnings per ordinary share

	2010 €000	2009 €000
Profit attributable to the owners of the parent	44,585	33,292
Adjustment for amortisation of intangible assets (net of tax)	9,872	10,387
Adjustment for exceptional item (net of tax)	-	11,162

Earnings adjusted for amortisation of intangible assets and exceptional item	54,457	54,841
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	Number of shares	Number of shares
Weighted average number of shares	238,389,691	233,857,959
Number of dilutive shares under option	436,108	323,142

Weighted average number of shares, including share options	238,825,799	234,181,101
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Basic earnings per share – cent	18.70	14.24
Diluted earnings per share – cent	18.67	14.22
Adjusted basic earnings per share - cent*	22.84	23.45
Adjusted diluted earnings per share - cent*	22.80	23.42

* 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.

Notes to the preliminary announcement (continued)
for the year ended 30 September 2010

8. 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 2009	188,066	50,727	19,040	257,833
Acquired during the year	10,164	7,248	-	17,412
Investment during the year	-	-	3,192	3,192
Deferred consideration written back	(1,674)	-	-	(1,674)
Amortisation of intangible assets	-	(13,180)	-	(13,180)
Share of joint ventures' profit after tax	-	-	1,951	1,951
Dividends received from joint ventures	-	-	(2,300)	(2,300)
Translation adjustment	9,533	2,168	550	12,251
Balance at 30 September 2010	206,089	46,963	22,433	275,485

9. Other reserves

	Cash flow hedge €000	Share based payment €000	Foreign exchange €000	Treasury shares €000	Total €000
Balance at 1 October 2009	(1,191)	5,929	(75,811)	(6,501)	(77,574)
Effective portion of cash flow hedges	2,534	-	-	-	2,534
Deferred tax on cash flow hedges	(317)	-	-	-	(317)
Share based payment expense	-	598	-	-	598
Release from share based payment reserve	-	(337)	-	-	(337)
Loss on hedge of net investment in foreign operations	-	-	(5,303)	-	(5,303)
Translation adjustment	-	4	21,239	-	21,243
Acquisition of treasury shares	-	-	-	(58)	(58)
Release of treasury shares on vesting	-	(311)	-	311	-
Balance at 30 September 2010	1,026	5,883	(59,875)	(6,248)	(59,214)

	Cash flow Hedge €000	Share based payment €000	Foreign Exchange €000	Treasury Shares €000	Total €000
Balance at 1 October 2008	1,374	4,417	(35,404)	(6,578)	(36,191)
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)
Profit on hedge of net investment in foreign operations	-	-	1,571	-	1,571
Translation adjustment	-	(4)	(41,978)	-	(41,982)
Release of treasury shares on vesting	-	(77)	-	77	-
Balance at 30 September 2009	(1,191)	5,929	(75,811)	(6,501)	(77,574)

Notes to the preliminary announcement (continued)

for the year ended 30 September 2010

10. Net debt

	As at 30 September 2010 €000	As at 30 September 2009 €000
<i>Current assets</i>		
Cash at bank and short term deposits	156,212	75,651
<i>Current liabilities</i>		
Interest bearing loans and borrowings	(29,894)	(1,444)
Finance leases	(522)	(1,153)
Derivative financial instruments	(3,837)	(703)
<i>Non-current liabilities</i>		
Interest bearing loans and borrowings	(219,494)	(219,713)
Finance leases	(536)	(1,062)
Derivative financial instruments	(11,255)	(14,032)
	(109,326)	(162,456)

11. Acquisition of subsidiary undertakings

On 11 August 2010, the Group acquired the entire issued share capital of The InforMed Group of companies ("Informed"), a provider of health communications and consultancy services to a range of global pharmaceutical and biotechnology companies. Including deferred consideration payable of €7,702,000, the total consideration was €16,410,000.

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 €000
Property, plant & equipment	307	-	307
Intangible assets	-	7,248	7,248
Trade and other receivables	3,338	-	3,338
Trade and other payables (current)	(2,408)	-	(2,408)
Current and deferred income tax	(753)	(1,486)	(2,239)
Net identifiable assets and liabilities acquired	484	5,762	6,246
Goodwill arising on acquisition			10,164
			16,410
Satisfied by:			
Cash consideration			11,356
Net cash and cash equivalents acquired on acquisition			(2,648)
			8,708
Deferred consideration			7,702
			16,410

The initial assignment of fair values to identifiable net assets acquired has been performed on a provisional basis in respect of the business combination disclosed above given the timing of completion of this transaction. Any amendments to these acquisition date fair values within the twelve month timeframe from the date of acquisition will be disclosed in the 2011 Annual Report as stipulated by IFRS 3 (Revised 2008), Business Combinations.

Notes to the preliminary announcement (continued)

for the year ended 30 September 2010

11. Acquisition of subsidiary undertakings (continued)

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 acquisition related costs for this acquisition included in the Group income statement amounted to €307,000.

The Group's results for the year ended 30 September 2010 includes the following amounts in respect of the business acquired during the year:

	2010 €000
Revenue	1,444
Gross profit	481
Distribution expenses	(328)
Other operating expenses*	(183)
Operating loss	(30)
Net interest expense	(107)
Loss before tax	(137)
Income tax	38
Loss after tax	(99)

*Other operating expenses consists of amortisation of intangible assets

Had these acquisitions been effected on 1 October 2009, the combined Group would have recorded total revenues of €1,736,078,000 and profit after interest and tax for the financial year of €45,040,000.

12. Employee benefits

	Employee benefit asset €000	Employee benefit liability €000	Employee benefit Total €000
Employee benefit asset/(liability) at 1 October 2009	12,113	(12,273)	(160)
Current service cost	(899)	(1,474)	(2,373)
Interest on scheme obligations	(101)	(2,456)	(2,557)
Expected return on scheme assets	991	2,067	3,058
Contributions paid	-	2,798	2,798
Actuarial gain/(loss)	174	(8,940)	(8,766)
Translation adjustment	936	(201)	735
	13,214	(20,479)	(7,265)

As set out in the consolidated financial statements for the year ended 30 September 2009, the Group operates a number of defined benefit pension schemes which are funded by the payments of contributions to separately administered trust funds. The employee benefit asset relates to the United States pension scheme and the employee benefit liability relates to the Republic of Ireland and Northern Ireland pension schemes. The actuarial losses during the current period primarily relate to a change in the discount rate in respect of the Republic of Ireland pension schemes. The reduction in the discount rate is reflective of changes in bond yields during the period. A number of the other assumptions used to derive the actuarial valuations at 30 September 2010 have changed from the assumptions used at 30 September 2009.

Notes to the preliminary announcement (continued)

for the year ended 30 September 2010

The principal assumptions and associated changes are as follows:

	Republic of Ireland Schemes		Northern Ireland Scheme		United States Scheme	
	2010	2009	2010	2009	2010	2009
Rate of increase in salaries	3.50%	3.50%	4.00%	4.10%	2.75-4.00%	2.75-4.00%
Rate of increase in pensions	0-2.00%	0-2.25%	2.20-3.30%	2.20-3.40%	0.00%	0.00%
Inflation rate	2.00%	2.25%	3.50%	3.60%	2.75%	2.75%
Discount rate	4.80%	6.20%	5.00%	5.35%	5.00%	5.80%

13. Dividends

The Board has declared a final dividend of 6.06 cent per share, which gives a total dividend of 8.40 cent. This dividend has not been provided for in the balance sheet at 30 September 2010, as there was no present obligation to pay the dividend at the end of the reporting date. During the financial year, the final dividend for 2009 (5.77 cent per share) and the interim dividend for 2010 (2.34 cent per share), was paid giving rise to a reduction in shareholders' funds of €19,246,000.

14. Related parties

The Group trades in the normal course of business with its joint venture undertakings. The aggregate value of these transactions is not material in the context of the Group's financial results.

Other than key management personnel compensation in the form of short-term employee benefits, post-employment benefits and equity compensation benefits, there were no other key management related party transactions.

15. Board Approval

This announcement was approved by the Board of Directors of United Drug plc on 16 November 2010.