

United Drug plc *Interim Report 2009*



From Distribution to Global Healthcare

Financial & operating overview

Financial highlights

	IFRS based €'mn	Amortisation of intangible assets and exceptional item €'mn	Adjusted €'mn	Increase/ (decrease) on 2008	Constant* currency Increase/ (decrease)
Revenue	850.9	-	850.9	1%	6%
Operating profit	21.9	13.1	35.0	(4%)	5%
Profit before tax	16.9	13.1	30.0	(10%)	-
Diluted earnings per share (cent)	6.29	4.34	10.63	(12%)	(3%)
Dividend per share (cent)	2.23	-	2.23	-	-

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.

* all constant currency figures quoted in this report are based on retranslating current period figures at prior period translation rates.

Operating highlights

- The fall in the value of sterling relative to the euro reduced the translated value of sterling profits by over €3 million when compared to last year. On a constant currency basis operating profits are 5% ahead of the prior year.
- Initiation of a restructuring programme to implement new divisional structure and drive cost efficiencies throughout the Group. Restructuring will cost circa €10 million in the full year and deliver annualised savings of €7-8 million.
- Difficult economic environment resulting in reduced consumer spending on over-the-counter medicines and cosmetics and lower hospital spending on capital equipment.
- Expansion of our presence in the specials market in the UK through the acquisition of The Specials Laboratory (TSL).
- Strong performance by the Contract Sales & Marketing Services division with new business wins in all markets served.
- Delay in spending decisions by US pharmaceutical companies and reduced volumes from one UK client resulting in below target performance in packaging business.
- At the end of the period our balance sheet remains strong, with modest debt levels.

Summary results

for the six months to 31 March 2009

Revenue for the period is €850.9 million, an increase of 1% over 2008. The restructuring programme announced at the end of the 2008 financial year gives rise to a once-off exceptional cost in the period of €6.0 million. Pre-tax profits, before amortisation and the exceptional item, fell by just under 10% to €30.0 million. Diluted earnings per share, also before amortisation and the exceptional item fell by 12% to 10.63 cent per share. Despite the fall in earnings, an interim dividend of 2.23 cent per share has been declared, in line with 2008.

These results have been achieved despite the 19% weakening in the value of sterling relative to the euro. The deterioration in the sterling exchange rate impacts on the translation of profits and reduced profits by over €3 million when compared with the same period last year. On a constant currency basis operating profits in the period are 5% ahead of 2008.

Chief Executive Officer's comment:

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

"The sharp decline in the economies in which United Drug operates has had a number of impacts on the business during the period resulting in more challenging trading conditions in some parts of the Group and buoyant trading in other parts. These factors combined with a 19% fall in the value of sterling relative to the euro have resulted in profits and earnings for the period below those reported in the same period last year.

At the end of the 2008 financial year, United Drug announced plans to streamline its operating structure into three new divisions; Healthcare Supply Chain, Packaging & Speciality and Contract Sales & Marketing Services; to provide a more efficient and cost effective service to our clients. This restructuring programme is well underway and will be completed before the end of the current financial year in line with the timetable set. This programme will deliver annualised savings of €7-8 million and leave United Drug as a more efficient organisation going into 2010. The timing of this restructuring, announced at the end of the last financial year, has proved very beneficial as it has allowed us to aggressively push forward necessary cost savings at a challenging time."

Dividend

The Board of Directors has declared an interim dividend of 2.23 cent per share. This is in line with the 2008 interim dividend despite the fall in earnings during the period.

The Directors are pleased to advise that all shareholders will be given the opportunity of receiving all or part of the 2009 interim 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 on 29 May 2009.

The interim dividend will be paid or alternatively, share certificates issued, on 10 July 2009 to holders of ordinary shares whose names appear on the Company's register at the close of business on 15 May 2009.

Outlook

United Drug remains positive about the fundamentals of its core markets and its position within those markets despite the current challenging economic environment. The Group continues to explore opportunities to expand its international healthcare services business, both organically and through acquisition, and has a strong balance sheet to support its growth objectives.

Based on current trading, the Group expects pre-tax profits (before exceptional item) for the year to 30 September 2009 at least in line with the prior year, on a constant currency basis.

Review of operations

for the six months to 31 March 2009

At the end of the 2008 financial year, United Drug announced structural and management changes to be implemented during the 2009 financial year. To better reflect the growth and changing nature of the business and the requirements of customers, a number of changes were made to the divisional structure. The Pharma Wholesale, contract distribution element of Supply Chain Services and Medical & Scientific businesses were combined to form a single Healthcare Supply Chain division. The remainder of the former Supply Chain Services division has been brought together as the Packaging & Speciality division. The Contract Sales & Marketing Services division did not change as part of this re-organisation.

Healthcare Supply Chain

The newly formed Healthcare Supply Chain division combines all the logistics based businesses under a single management and operating structure. The new division brings together the former Pharma Wholesale and Medical & Scientific divisions along with the contract distribution business of the former Supply Chain Services division. These businesses operate out of shared facilities and use the same delivery infrastructure. The establishment of this new division will provide a streamlined and more efficient service to our retail pharmacy and healthcare manufacturer customers.

Overall revenues for the division in the period of €718m are 5% lower than revenues for the first half of the 2008 financial year. On a constant currency basis revenues are 1% lower than the prior year comparative.

In the Pharma Wholesale business United Drug continues to have strong and growing market positions in both the Republic of Ireland and Northern Ireland markets where prescription volumes are increasing. Revenues in these businesses have been impacted by the implementation of previously announced price reductions in both markets, lower consumer spending on over-the-counter products and the continuing move to a Direct-to-Pharmacy (DTP) distribution model in Northern Ireland.

In the Republic of Ireland wholesale business the period saw the implementation of the second stage of the HSE agreement with the Irish Pharmaceutical Healthcare Association (IPHA) from 1 January 2009, with a 15% reduction in the reimbursement price of most off-patent products. In the Northern Ireland wholesale market the reimbursement price of branded pharmaceuticals was reduced by 3.9% from 1 February 2009 under the Pharmaceutical Price Regulation System (PPRS) in the UK.

During the period, the Group continued its expansion as an international healthcare services company with the acquisition of The Specials Laboratory (TSL), a leading manufacturer of unique formulations of medicines to meet patient prescriptions requirements, serving the retail pharmacy and hospital markets in the UK. The acquisition fits well with our existing specials wholesale business in the UK, Craig & Hayward, and both companies have performed well during the period.

The Group's pre-wholesale businesses in the UK and Ireland continue to perform solidly in competitive markets, however the Group's consumer products distribution business in the Republic of Ireland has seen a marked reduction in consumer spending particularly on premium brand cosmetics. In the UK, UDG, our pre-wholesale joint venture with Alliance Boots, has leased a new warehouse facility, adjacent to the existing facilities. This new facility provides capacity for future growth but has resulted in some additional costs being incurred as the facility is being fitted out to meet our requirements.

In the Medical & Scientific business the slowdown in hospital spending on capital equipment in both the UK and Irish markets noted through the last financial year has continued into the current year, and has proven to be even more difficult in some areas.

The Medical & Scientific business sells equipment, consumables and technical service support to the medical, diagnostics, scientific, pharma R&D and community sectors in the UK, Republic of Ireland and Northern Ireland. All geographies and sectors are exposed to the challenging economic climate, but revenues generated on the sale of consumable items and maintenance contracts to support installed equipment have not been impacted by the slower capital spending. In response to the challenging market conditions in Ireland and the UK, we have restructured the businesses to enhance operational efficiency and strengthened the management team.

Contract Sales & Marketing Services (CSMS)

The Contract Sales & Marketing Services business, with operations in the UK, US and Irish markets, continues to perform strongly. Revenues for the period of €77m are 36% up on revenues for the first half of the 2008 financial year including the UniversalProcon acquisitions. Revenue growth is 57% on a constant currency basis.

Review of operations *(continued)*

for the six months to 31 March 2009

The core contract sales outsourcing (CSO) business is continuing to win new clients by providing pharmaceutical manufacturers with a high quality, cost effective and more flexible means of deploying their sales efforts. New business wins during the period include contracts with Novartis, Lundbeck and NAPP Pharmaceuticals. This division has been broadened in recent years with the addition of a range of marketing services for pharmaceutical manufacturers that are complementary to the core sales offering. We are already benefiting from the ability to cross sell these related services in all markets.

In the UK, AshfieldIn2Focus combined with the recent bolt-on acquisitions of UniversalProcon and BEST provide a sophisticated and broad range of outsourced sales and marketing services to the pharmaceutical industry. The businesses are benefiting from increased demand from pharmaceutical companies for flexibility in their sales model along with a number of new "virtual" pharmaceutical and biotech companies coming onto the market that are using CSO for sales and marketing support rather than setting up their own infrastructure.

The increasing pressure on the pharmaceutical industry to improve efficiency is presenting a number of outsourcing opportunities. On-going changes within the NHS, with increasing emphasis on prevention and services delivered within primary care, present significant opportunities for contract nursing services within CSO. In an environment where accessing key decision makers is becoming increasingly difficult, the pharmaceutical industry is turning to novel and flexible approaches which ideally suit a contract service organisation. AshfieldIn2Focus is developing specific medical affairs services to take advantage of these opportunities.

Ashfield US continues to show good growth and in addition to renewing and growing existing business has increased its client portfolio with several important new business wins. Merger activity in the pharmaceutical sector, coupled with the trend of downsizing sales forces in the US, presents an opportunity for the CSO business with an increasing need for outsourced pharmaceutical representatives. The Sales Force Effectiveness training offering continues to increase business with existing clients and win new clients and has the potential for strong growth in the coming years.

Ashfield Ireland has produced another strong performance in the first half of the financial year. As with the other CSO businesses these impressive results have been driven by extending and expanding the scope of the contracts with existing clients and the initiation of teams for new clients.

For UniversalProcon, the overall trading conditions in the event management sector have remained relatively stable, albeit with an increased focus on costs and compliance. The US in particular has shown good growth.

Alliance Healthcare, our US medical affairs business, had a slow start to the year as pharmaceutical companies delayed decisions on projects waiting to see what healthcare reforms the new administration may introduce. This created a delay on some programme starts in our first quarter but has improved since then and the outlook for the remainder of the year is very positive. There continues to be a strong momentum to outsource medical product information.

Packaging & Speciality

As one of the leading international providers of outsourced packaging services with operations in the US, UK, The Netherlands and Belgium our focus is on being experts at providing shelf ready packaging solutions to the broad spectrum of ethical pharmaceutical, generic, biotech, probiotic and nutraceutical manufacturers. The Speciality businesses within the division concentrate on providing the manufacturer or healthcare provider with supply chain solutions from procurement right through to the end patient for products that require special handling or administration. Overall revenues for the division in the period of €57m are 76% higher than revenues for the first half of the 2008 financial year as a result of the acquisition of Sharp Corporation. Despite the increase in revenues, profits in the period are substantially below those reported in the prior year comparative.

During the period there has been some delay in the release of a number of packaging orders in the US market as customers struggle with reduced visibility on their revenues and expected changes to healthcare regulation. These delays have impacted on the revenues of our US business, Sharp Corporation, but the outlook for this business remains strong. Sharp continues to win business with existing and new clients and has a good pipeline of new business opportunities.

In Europe, one of the largest clients of TD Packaging (UK) substantially reduced its orders due to an internal restructuring. This will result in overall European revenues being below those reported in the prior year however a number of new business opportunities have been identified to fill the available capacity in the UK. Throughout the European operations we are seeing increased enquiries for outsourced packaging services.

Review of operations *(continued)*

for the six months to 31 March 2009

Elsewhere in Europe, European Packaging Centre (The Netherlands), which has a strong franchise in the generic outsourced packaging market, traded well. We have recently completed the construction of a state of the art packaging facility for European Packaging Centre, having outgrown the original premises. Enestia (Belgium) targets manufacturers that require specialist packaging solutions for products such as hormones and probiotics and is seeing good growth opportunities in these areas.

Turbulence in the general economy has caused a degree of uncertainty in the world of the pharmaceutical manufacturer. This is proving to be a catalyst for restructuring decisions, presenting opportunities for the outsourced service provider of activities that are not regarded as core to the manufacturer. As a global contract packaging provider, we are specialists in our field and can provide quality led, efficient solutions for a vast array of packaging requirements.

In our Speciality business, MASTA (UK) is the largest private provider of travel vaccines to the general public in the UK through proprietary and partnered clinics. During the period, MASTA continued to increase its penetration of the UK market, growing the number of clinics to over 50. Revenues on travel vaccines during the period are lower than in the prior year with fewer people undertaking long distance travel due to economic constraints but this has been offset by increased revenues from flu vaccines. Temperature Controlled Pharmaceuticals (TCP) in Ireland continued to extend its service offering in the provision of nurse-led services in the home or clinic setting for specialised or biotech products. We have successfully launched a greenfield operation in the UK, emulating the TCP service, and have already won two small contracts.

Finance review

Adjusted operating profit*

Operating profit for the period of €35.0 million is 4% below that reported in the same period in 2008. The fall in the value of sterling relative to the euro has impacted on this number and on a constant currency basis operating profit is 5% higher than in 2008.

Adjusted profit before tax*

Net interest costs in the period of €5.0 million are €1.7 million higher than in 2008 as we now have a cost for the full period of financing recently completed acquisitions. After these interest costs, profit before tax of €30.0 million is 10% lower than in 2008. On a constant currency basis pre tax profits are in line with 2008.

Adjusted diluted earnings per share*

Diluted earnings per share for the period of 10.63 cent, is 12% down on 2008. The fall in EPS relative to the prior year is higher than the fall in profits as a result of a slight increase in the average tax rate and an increase in the number of shares in issue following share issues under the scrip dividend and other share schemes. On a constant currency basis diluted earnings per share is 3% lower than 2008.

Cash flow

Net cash inflow from operating activities for the six months to 31 March 2009 amounted to €13.0 million. The absolute value of the investment in working capital increased during the period slightly above revenue growth as improvements in underlying inventory and trade receivables levels were offset by reduced credit from suppliers. Net capital expenditure for the period amounted to €5.9 million and a further €34.4 million was spent on acquiring new businesses or on deferred consideration payments due on acquisitions completed in earlier years.

Balance sheet

Net debt at the end of the period was €209.0 million giving a gearing ratio of 68%. Interest charges are covered 8 times by EBITDA.

Net assets at 31 March 2009 are €304.9 million. This is less than the level of net assets at 30 September 2008 as a result of a fall in the value of foreign currency net assets arising from the significant reduction in the value of sterling relative to the euro during the period.

* before exceptional item and amortisation of intangible assets

Principal risks and uncertainties

Under the Transparency (Directive 2004/109/EC) Regulations 2007, the Group is required to give a description of the principal risks and uncertainties it faces.

The key risks facing the Group in the six month period to 30 September 2009 include the following:

- The Group faces strong competition in its various markets and if it fails to compete successfully, market share and profitability may decline.
- Distribution of third party products by the Group is currently by agreement. There is no certainty that these agreements will be renewed when they expire, which could lead to a decline in sales and profitability.
- Mergers and acquisition activity amongst healthcare manufacturers could lead to existing contracts being cancelled or not renewed.
- Changes in government regulations and government funding, particularly in the healthcare and pharmaceutical sectors, may adversely affect the Group.
- Current global economic conditions have negatively impacted and may continue to impact the Group's business.
- As an international group with substantial operations and interests outside the euro zone, the Group is subject to adverse movements in foreign currency exchange rates.
- The Group requires access to capital to operate on a daily basis and for longer term development projects. Lack of availability of sufficient capital resources may adversely affect the Group.
- The Group is subject to stringent medical, quality, environmental and health and safety regulations and any significant change in these could result in increased compliance costs which could adversely affect profitability.
- The Group provides credit to customers as part of normal trading and there is a risk that customers may not be able to pay outstanding balances.
- Should the Group not be able to fulfil the demand for its products due to circumstances such as the loss of a packaging or storage facility or disruptions to its supply chains, sales volumes and profitability could be affected.
- Group IT facilities could be subject to external interference or viruses, which could result in downtime, which in turn could lead to a decline in sales and profitability.
- The success of the Group is built upon a strong effective management team committed to achieving a superior performance in each division. Should the Group not attract or retain suitably qualified employees, this could have an impact on business performance.

The Group has a comprehensive system of risk management and internal controls, which are an integral part of the Group's business processes and are intended to identify and mitigate such risks and uncertainties.

Statement of directors

in respect of the half yearly financial report

We confirm our responsibility for the half yearly financial report and that to the best of our knowledge:

- the condensed interim financial statements comprising the condensed interim income statement, the condensed interim statement of recognised income and expense, the condensed interim balance sheet, the condensed interim cash flow statement and the related notes have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - (a) Regulation 8(2) of the Transparency (Directive 2004/109/EC) Regulations 2007, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) Regulation 8(3) of the Transparency (Directive 2004/109/EC) Regulations 2007, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Group's auditor has not reviewed this condensed half yearly financial report.

On behalf of the Board

R. Kells

Director

L. FitzGerald

Director

5 May 2009

Condensed consolidated interim income statement

for the six months ended 31 March 2009

	Notes	Six months ended 31 March 2009			Six months ended 31 March 2008 (Unaudited) €'000
		Pre-exceptional item (Unaudited) €'000	Exceptional item (Unaudited) €'000	Total (Unaudited) €'000	
Revenue	3	850,861	-	850,861	845,065
Cost of sales		(721,349)	-	(721,349)	(715,689)
Gross profit		129,512	-	129,512	129,376
Distribution expenses	4	(92,849)	(5,980)	(98,829)	(90,659)
Administration expenses		(3,083)	-	(3,083)	(3,980)
Other operating expenses		(7,166)	-	(7,166)	(5,871)
Share of joint ventures' profit after tax	5	1,453	-	1,453	1,871
Operating profit		27,867	(5,980)	21,887	30,737
Finance income	6	9,810	-	9,810	5,629
Finance expense	6	(14,839)	-	(14,839)	(8,953)
Profit before tax		22,838	(5,980)	16,858	27,413
Income tax expense		(3,418)	1,232	(2,186)	(4,010)
Profit for the period attributable to equity holders of the Company		19,420	(4,748)	14,672	23,403
Earnings per share					
Basic	7			6.30c	10.22c
Diluted	7			6.29c	10.15c

Condensed consolidated statement of recognised income and expense

for the six months ended 31 March 2009

	Notes	Six months ended 31 March 2009 (Unaudited) €'000	Six months ended 31 March 2008 (Unaudited) €'000
Items of income/(expense) recognised directly within equity:			
Foreign currency translation adjustment	12	(35,476)	(30,687)
Loss on hedge of net investment in foreign operations	12	(5,736)	-
Group defined benefit pension schemes:			
Actuarial loss	12	(5,839)	(2,017)
Movement in deferred tax	12	1,161	(91)
Group cash flow hedges:			
<i>Effective portion of cash flow hedges - movement into reserves</i>		2,083	(2,361)
<i>Effective portion of cash flow hedges - movement out of reserves</i>		(2,853)	3,429
Effective portion of cash flow hedges	12	(770)	1,068
<i>Movement in deferred tax - movement into reserve</i>		(260)	295
<i>Movement in deferred tax - movement out of reserve</i>		356	(429)
Movement in deferred tax	12	96	(134)
Net expense recognised directly within equity		(46,564)	(31,861)
Profit for the period		14,672	23,403
Total recognised income and expense for the period attributable to equity holders of the Company		(31,892)	(8,458)

Condensed consolidated interim balance sheet

for the six months ended 31 March 2009

	Notes	As at 31 March 2009 (Unaudited) €'000	As at 31 March 2008 (Unaudited) €'000	As at 30 September 2008 (Audited) €'000
ASSETS				
Non-current				
Property, plant and equipment		108,363	68,488	109,923
Goodwill	8	189,495	151,985	187,627
Intangible assets	8	58,002	45,968	54,671
Investment in joint ventures	8	17,758	18,002	19,630
Employee benefits	11	12,162	1,250	11,720
Total non-current assets		385,780	285,693	383,571
Current				
Inventories		163,785	151,394	165,697
Trade and other receivables		301,644	285,938	313,951
Cash and cash equivalents	9	61,928	79,072	85,032
Derivative financial instruments	9	669	-	-
Total current assets		528,026	516,404	564,680
Total assets		913,806	802,097	948,251
EQUITY				
Equity share capital	12	12,110	11,922	12,002
Share premium	12	121,395	106,944	116,409
Other reserves	12	(77,114)	(37,846)	(36,191)
Retained earnings	12	248,500	237,879	252,010
Capital and reserves attributable to equity holders of the Company		304,891	318,899	344,230
LIABILITIES				
Non-current				
Interest-bearing loans and borrowings	9	253,257	140,782	217,201
Provisions		7,834	7,539	7,821
Employee benefits	11	23,547	6,834	17,569
Derivative financial instruments	9	4,106	9,959	11,376
Deferred tax liabilities		10,339	10,304	10,212
Total non-current liabilities		299,083	175,418	264,179
Current				
Bank overdrafts	9	525	787	1,266
Interest-bearing loans and borrowings	9	13,726	2,552	13,760
Trade and other payables		281,159	288,108	308,296
Current tax liabilities		7,241	8,218	4,441
Provisions		7,181	463	11,535
Derivative financial instruments	9	-	7,652	544
Total current liabilities		309,832	307,780	339,842
Total liabilities		608,915	483,198	604,021
Total equity and liabilities		913,806	802,097	948,251

Condensed consolidated cash flow statement

for the six months ended 31 March 2009

	Six months ended 31 March 2009 (Unaudited) €'000	Six months ended 31 March 2008 (Unaudited) €'000
Cash flows from operating activities		
Profit before tax	16,858	27,413
Finance income	(9,810)	(5,629)
Finance expense	14,839	8,953
Operating profit	21,887	30,737
Share of joint ventures' profit after tax	(1,453)	(1,871)
Depreciation charge	6,815	5,168
Profit on disposal of property, plant and equipment	(32)	(110)
Amortisation of intangible assets	7,166	5,871
Share-based payment expense	853	787
Transfer in respect of share entitlement scheme	-	29
(Increase)/decrease in inventories	(1,095)	6,893
Decrease/(increase) in trade and other receivables	8,662	(11,050)
Decrease in trade payables, employee benefits and other payables	(23,034)	(797)
Interest paid	(5,386)	(4,648)
Income taxes paid	(1,400)	(2,207)
Net cash inflow from operating activities	12,983	28,802
Cash flows from investing activities		
Interest received	663	1,091
Purchase of property, plant and equipment	(6,250)	(6,685)
Proceeds from disposal of property, plant and equipment	342	711
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	(25,690)	(28,981)
Deferred acquisition consideration paid	(8,696)	(3,472)
Dividends received from joint ventures	1,431	2,734
Net cash outflow from investing activities	(38,200)	(34,602)
Cash flows from financing activities		
Proceeds from issue of shares (including share premium thereon, net of scrip dividend)	2,261	3,592
Purchase of treasury shares	-	(617)
Proceeds from interest-bearing loans and borrowings	51,835	72,238
Repayments of interest-bearing loans and borrowings	(31,117)	(27,697)
Repayments of finance leases	(674)	(148)
Dividends paid to equity holders of the Company	(10,583)	(7,503)
Net cash inflow from financing activities	11,722	39,865
Net (decrease)/increase in cash and cash equivalents	(13,495)	34,065
Translation adjustment	(8,868)	(5,327)
Cash and cash equivalents at beginning of period	83,766	49,547
Cash and cash equivalents at end of period	61,403	78,285
Cash and cash equivalents is comprised of:		
Cash at bank and short term deposits	61,928	79,072
Bank overdrafts	(525)	(787)
	61,403	78,285

Notes to the condensed interim financial statements

for the six months ended 31 March 2009

1. Reporting entity

United Drug plc (the "Company") is a company domiciled in Ireland. The unaudited condensed consolidated interim financial statements of the Company for the six months ended 31 March 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 will be annexed to the annual return and filed with the Registrar of Companies. The audit report on those statutory financial statements was unqualified and did not contain any matters to which attention was drawn by way of emphasis.

2. Statement of compliance

These unaudited condensed consolidated interim financial statements ("the interim accounts") have been prepared in accordance with International Financial Reporting Standard, IAS34, *Interim Financial Reporting* as adopted by the EU. These interim accounts do not include all of the information required for full annual financial statements and should be read in conjunction with the most recent published consolidated financial statements of the Group.

The same accounting policies and methods of computation are followed in these financial statements as were applied in the consolidated financial statements for the year ended 30 September 2008 and as those expected to apply for the financial year to 30 September 2009.

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 period. 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.

The preparation of financial statements in conformity with IFRSs, as endorsed by the EU requires the use of certain critical accounting estimates and judgements. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, relate primarily to accounting for defined benefit pension schemes, financial instruments, share-based payments, property, plant and equipment, intangible assets, provisions, goodwill impairment and deferred tax. The assumptions and estimates made in the preparation of the interim accounts are the same as those identified in our most recent annual report. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. There was no significant change to any of these key estimates or judgements in the six month period, other than a change to certain actuarial assumptions as set out in note 11.

The income tax expense for the six month period is calculated by applying the Directors' best estimate of the annual effective tax rate to the profit for the period.

The Board approved the interim accounts on 5 May 2009.

3. Segmental analysis

Business segment analysis

	Six months ended 31 March 2009		Six months ended 31 March 2008	
	Revenue €'000	Net result* €'000	Revenue €'000	Net result* €'000
Healthcare Supply Chain	717,524	25,961	756,353	27,121
Packaging & Speciality	56,644	2,373	32,235	4,286
Contract Sales & Marketing Services	76,693	6,699	56,477	5,201
	850,861	35,033	845,065	36,608

* Net result represents operating profit excluding amortisation of intangible assets of €7,166,000 (2008: €5,871,000) and exceptional item of €5,980,000 (2008: €nil).

Notes to the condensed interim financial statements *(continued)*

for the six months ended 31 March 2009

4. Exceptional item

	Six months ended 31 March 2009 €'000	Six months ended 31 March 2008 €'000
Restructuring costs	(5,980)	-

During the six months ended 31 March 2009, the Group initiated a restructuring programme to implement a new divisional structure. Costs associated with the implementation of this programme for the period were €5,980,000 and primarily relate to a redundancy programme applied across the Group's businesses.

5. Share of joint ventures' profit after tax

	Six months ended 31 March 2009 €'000	Six months ended 31 March 2008 €'000
Group share of revenue	298,627	261,425
Group share of expenses, inclusive of tax	(297,174)	(259,554)
Group share of profit after tax	1,453	1,871

6. Finance income and expense

	Six months ended 31 March 2009 €'000	Six months ended 31 March 2008 €'000
Finance income		
Income arising from cash deposits	663	1,091
Fair value adjustment to fair value hedges	6,294	1,109
Foreign currency gain on retranslation of bank borrowings	2,853	3,429
	9,810	5,629
Finance expense		
Interest on bank loans and overdrafts	(352)	(247)
- wholly repayable within 5 years	(2,926)	(1,948)
- wholly repayable after 5 years	(2,337)	(2,197)
Interest on finance leases	(77)	(23)
Fair value adjustment to guaranteed senior unsecured notes	(6,294)	(1,109)
Fair value of cash flow hedges transferred from equity	(2,853)	(3,429)
	(14,839)	(8,953)
Net finance expense	(5,029)	(3,324)

As a consequence of the adoption of IFRS 7, the prior period analysis of finance income and finance expense has been presented on a basis consistent with the current period presentation.

Notes to the condensed interim financial statements *(continued)*

for the six months ended 31 March 2009

7. Earnings per ordinary share

	Six months ended 31 March 2009 €'000	Six months ended 31 March 2008 €'000
Profit for the period	14,672	23,403
Adjustment for amortisation of intangible assets (net of tax)	5,370	4,573
Adjustment for exceptional item (net of tax)	4,748	-
Earnings adjusted for intangible amortisation and exceptional item	24,790	27,976

	Number of shares	Number of shares
Weighted average number of shares	233,028,349	229,044,554
Number of dilutive shares under option	135,545	1,633,519
Weighted average number of shares, including share options	233,163,894	230,678,073

Basic earnings per share - cent	6.30	10.22
Diluted earnings per share - cent	6.29	10.15
Adjusted basic earnings per share - cent*	10.64	12.21
Adjusted diluted earnings per share - cent*	10.63	12.13

* excluding amortisation of intangible assets and exceptional item

Of the 7,737,612 (2008: 7,764,737) treasury shares held by the Group, 7,528,066 (2008: 7,528,066) of these shares 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.

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 2008	187,627	54,671	19,630	261,928
Acquired during the period	19,159	14,083	-	33,242
Amortisation of intangible assets	-	(7,166)	-	(7,166)
Share of joint ventures' profit after tax	-	-	1,453	1,453
Dividends received from joint ventures	-	-	(1,431)	(1,431)
Translation adjustment	(17,291)	(3,586)	(1,894)	(22,771)
Balance at 31 March 2009	189,495	58,002	17,758	265,255

9. Net debt

	As at 31 March 2009 €'000	As at 31 March 2008 €'000	As at 30 September 2008 €'000
Current assets			
Cash at bank and short term deposits	61,928	79,072	85,032
Derivative financial instruments	669	-	-
Current liabilities			
Bank overdrafts	(525)	(787)	(1,266)
Interest-bearing loans and borrowings	(12,753)	(2,071)	(12,603)
Finance leases	(973)	(481)	(1,157)
Derivative financial instruments	-	(7,652)	(544)
Non-current liabilities			
Interest-bearing loans and borrowings	(252,384)	(140,512)	(215,837)
Finance leases	(873)	(270)	(1,364)
Derivative financial instruments	(4,106)	(9,959)	(11,376)
	(209,017)	(82,660)	(159,115)

Notes to the condensed interim financial statements *(continued)*

for the six months ended 31 March 2009

10. Movements in debt

The movement in current and non-current interest-bearing loans and borrowings and finance leases during the period ended 31 March 2009 is set out below. The analysis excludes the movement in cash and cash equivalents.

	As at 31 March 2009 €'000
Balance at 1 October 2008	(242,881)
Amounts repaid	31,791
New drawdowns	(51,835)
Translation adjustment	(7,495)
Balance at 31 March 2009	(270,420)

11. Employee benefits

	Employee benefit asset €'000	Employee benefit liability €'000	Employee benefit total €'000
Employee benefit asset/(liability) at 1 October 2008	11,720	(17,569)	(5,849)
Reclassification	(770)	770	-
Current service cost	(16)	(1,322)	(1,338)
Contributions paid	-	1,485	1,485
Actuarial gain/(loss)	338	(6,177)	(5,839)
Translation adjustment	890	(734)	156
Employee benefit asset/(liability) at 31 March 2009	12,162	(23,547)	(11,385)

As set out in the consolidated financial statements for the year ended 30 September 2008, the Group operates a number of defined benefit pension schemes which are funded by the payments of contributions to separately administered trust funds. The actuarial losses during the current period primarily relate to a fall in the valuation of assets held by the pension schemes. A number of the assumptions used to derive the actuarial valuations at 31 March 2009 have changed from the assumptions used at 30 September 2008. The principal changes in assumptions are as follows:

	Republic of Ireland Schemes		Northern Ireland Scheme		US Schemes	
	As at 31 March 2009	As at 30 September 2008	As at 31 March 2009	As at 30 September 2008	As at 31 March 2009	As at 30 September 2008
Rate of increase in salaries	3.50%	3.50%	3.50%	4.20%	4.50%	4.50%
Rate of increase in pensions	2.00%	2.50%	2.90%	3.60%	4.50%	4.50%
Inflation rate	2.00%	2.50%	3.00%	3.70%	3.00%	3.00%
Discount rate	6.00%	6.10%	6.70%	7.30%	7.80%	8.10%

Notes to the condensed interim financial statements *(continued)*

for the six months ended 31 March 2009

12. Equity

	Other reserves							Total equity €'000
	Equity share capital €'000	Share premium €'000	Cash flow hedge €'000	Share-based payment €'000	Foreign exchange €'000	Treasury shares €'000	Retained earnings €'000	
At 1 October 2008	12,002	116,409	1,374	4,417	(35,404)	(6,578)	252,010	344,230
New shares issued	108	4,986	-	-	-	-	-	5,094
Effective portion of cash flow hedges	-	-	(770)	-	-	-	-	(770)
Deferred tax on cash flow hedges	-	-	96	-	-	-	-	96
Share-based payment expense	-	-	-	853	-	-	-	853
Translation adjustment	-	-	-	32	(35,476)	(10)	-	(35,454)
Loss on hedge of net investment in foreign operations	-	-	-	-	(5,736)	-	-	(5,736)
Profit for the period	-	-	-	-	-	-	14,672	14,672
Dividends to equity holders	-	-	-	-	-	-	(13,416)	(13,416)
Transfer in respect of share entitlement scheme	-	-	-	88	-	-	(88)	-
Actuarial loss on defined benefit pension schemes	-	-	-	-	-	-	(5,839)	(5,839)
Deferred tax on defined benefit pension schemes	-	-	-	-	-	-	1,161	1,161
Release of treasury shares on vesting	-	-	-	(61)	-	61	-	-
At 31 March 2009	12,110	121,395	700	5,329	(76,616)	(6,527)	248,500	304,891

The translation adjustment arises on the translation of non euro denominated assets and liabilities into euro at the reporting date.

13. Dividends

The Board has declared an interim dividend of 2.23 cent per share. This dividend has not been provided for in the balance sheet at 31 March 2009, as there was no present obligation to pay the dividend at the reporting date. During the first half of the financial year, the final dividend for 2008, of 5.77 cent per share, was paid giving rise to a reduction in shareholders' funds of €13,416,000.

14. 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 estimated deferred consideration payable of €5,181,000, the total consideration was €30,871,000.

The carrying amounts of assets and liabilities which were acquired, determined in accordance with IFRS, before completion of the combination were as follows:

	Book values €'000	Fair value adjustments €'000	Total €'000
Property, plant & equipment	1,056	-	1,056
Intangible assets	-	14,083	14,083
Inventories	705	-	705
Trade and other receivables	2,370	-	2,370
Trade and other payables (current)	(2,559)	-	(2,559)
Deferred tax	-	(3,943)	(3,943)
Net identifiable assets and liabilities acquired	1,572	10,140	11,712
Goodwill arising on acquisition			19,159
			30,871
Satisfied by:			
Cash consideration			25,753
Professional fees incurred			298
Net cash and cash equivalents acquired on acquisition			(361)
			25,690
Deferred consideration			5,181
			30,871

Notes to the condensed interim financial statements *(continued)*

for the six months ended 31 March 2009

14. Acquisition of subsidiary undertakings *(continued)*

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 the transaction. 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 period ended 31 March 2009 includes the following amounts in respect of the business acquired during the period:

	2009 €'000
Revenue	5,343
Gross profit	3,145
Distribution expenses	(1,093)
Other operating expenses*	(783)
Operating profit	1,269
Net interest expense	(268)
Profit before tax	1,001
Income tax	(280)
Profit after tax	721

* Other operating expenses consists of amortisation of intangible assets

Had the acquisition been effected on 1 October 2008, the combined Group would have recorded total revenues of €852,360,000 and profit after interest and tax for the financial period of €14,801,000.

15. Related parties

For the purposes of the disclosure requirements of IAS24 Related Party Transactions, the Group has defined the term "key management personnel", as its executive and non- executive directors, together with Persons Discharging Managerial Responsibility ('PDMRs') as defined in Section 12(8) of the Irish Market Abuse Directive (MAD) Regulations.

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and equity compensation benefits. Key management personnel received total compensation of €2,210,000 for the six months ended 31 March 2009 (2008: €2,371,000).

16. Comparative figures

In the current period, deferred consideration has been classified as a provision. For consistency, the deferred consideration at 31 March 2008 has been reclassified from trade and other payables to provisions. The segmental analysis information for the period ended 31 March 2008 has been presented on a consistent basis with the current period.

Notes



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