



United —drug

Interim Report 2010

FROM DISTRIBUTION
TO GLOBAL HEALTHCARE

FINANCIAL & OPERATING OVERVIEW

Financial highlights

	Amortisation of intangible assets			% Inc/(Dec) on 2009	Constant currency * % Inc/(Dec)
	IFRS €'mn	assets €'mn	Adjusted €'mn		
Revenue	853.3	-	853.3	-	2
Operating profit	28.6	6.4	35.0	-	2
Profit before tax	25.1	6.4	31.5	5	7
Diluted earnings per share (cent)	8.64	2.04	10.68	-	2
Dividend per share (cent)	2.34	-	2.34	5	5

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 are calculated by retranslating current period figures at prior period exchange rates.

Operating highlights

- Further strengthened market positions in wholesale and pre-wholesale businesses and maintained revenues despite price reductions during the period.
- Strong trading performance from packaging business, particularly in the US.
- Continued difficult capital spending environment in hospitals impacting medical & scientific business.
- Successful launch of home healthcare joint venture in the UK with Medco Health Solutions, Inc.
- Additional business wins and good profit growth in Contract Sales & Marketing Services.
- Another strong cash flow performance with a reduction in net debt and leverage levels.
- The strengthening of the euro relative to sterling and the US dollar when compared with the same period in the prior year reduced reported profits by €750,000. Pre-tax profits increased by 7% on a constant currency basis.

Summary results for the six months to 31 March 2010

Group revenue for the period is €853 million, in line with revenue in the same period in 2009. Pre-tax profits, before amortisation and the 2009 exceptional item, increased by 5% to €31.5 million. Fully diluted earnings per share, also before amortisation and the exceptional item is slightly ahead of 2009 at 10.68 cent per share. An interim dividend of 2.34 cent per share has been declared, an increase of 5% on the 2009 interim dividend.

These results have been achieved despite the strengthening in the value of euro relative to sterling and the US dollar when compared with the same period in the prior year. The strength in the euro has reduced the translated value of sterling and dollar denominated profits by €750,000. On a constant currency basis operating profits in the period are 2% ahead of 2009 and pre-tax profits are 7% ahead for the same period.

Chief Executive Officer's comment:

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

"The performance of the Group in the first half of 2010 has been encouraging. Government budgetary pressures are resulting in constrained capital spending in hospitals and reductions in medicine pricing and reimbursement but they are also helping to drive an increased demand for efficient, cost effective outsourcing services.

"Pre-tax profits for the period are 5% ahead of 2009 and the Group has produced another strong cash flow performance".

FINANCIAL & OPERATING OVERVIEW

CONTINUED

Dividend

The Board of Directors has declared an interim dividend of 2.34 cent per share, a 5% increase on the 2009 interim dividend.

The Directors are pleased to advise that all shareholders will be given the opportunity of receiving all or part of the 2010 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 4 June 2010.

The interim dividend will be paid or alternatively, share certificates issued, on 16 July 2010 to holders of ordinary shares whose names appear on the Company's register at the close of business on 21 May 2010.

Outlook

United Drug remains positive about the fundamentals of its core markets and its position within those markets. 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 profit before tax for the year to 30 September 2010 to be broadly in line with the prior year, on a constant currency basis.

REVIEW OF OPERATIONS

FOR THE SIX MONTHS TO 31 MARCH 2010

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 €715 million is in line with the same period in 2009.

In Pharma Wholesale, United Drug has further 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 introduced during the period.

In the Republic of Ireland, the implementation on 1 February 2010 of the new Health Service Executive (HSE) agreement with the Irish Pharmaceutical Healthcare Association (IPHA), governing the reimbursement price of medicines led to a 40% reduction in the price of most off-patent products. The re-negotiation of this agreement was not due until September 2010 and the early implementation of a price reduction had a significant impact on the market including a major slowdown in purchasing in advance of implementation of the agreement. In addition, market growth continues to be relatively low, with the general economic climate in the Republic of Ireland still impacting the consumer and a slowdown in the growth of prescription drug dispensing linked to a reduction in population and GP visits. Despite these challenges, revenue in the Republic of Ireland wholesale business is in line with the prior year for the first six months.

In Northern Ireland, the reimbursement price of branded pharmaceuticals was reduced by a further 1.9% from 1 January 2010 under the Pharmaceutical Price Regulation Scheme (PPRS). Revenue is in line with expected levels and ahead of last year despite the impact of the price reduction, lower consumer spending on over-the-counter products and the continuing move to Direct-to-Pharmacy (DTP) schemes in Northern Ireland.

In pre-wholesale, the Group also strengthened its market leading position in the provision of outsourced logistics services for pharmaceutical manufacturers in the Republic of Ireland and in the UK. New business wins include the distribution contract for the swine flu vaccine in the Republic of Ireland and a number of new agency wins in the consumer business unit.

The difficult market environment has put pressure on margins in both the wholesale and pre-wholesale businesses. In response to these market pressures, we have increased our market share and sought to ensure that we continue to operate the most cost efficient supply chain in the industry. Our restructuring programme from 2009 is complete and has achieved the targeted savings. We continue to make on-going investments in warehouse automation and have substantially reduced the level of cash tied up in working capital. In addition we have invested in a dedicated procurement resource to ensure we receive a value for money service from all our suppliers.

The medical & scientific business sells, distributes and supports consumable and capital equipment to healthcare providers, industry and research. The HSE in Ireland and the National Health Service (NHS) in the UK are the major customers for the medical group. Capital equipment sales in this sector continue to be weak as both health authorities continue to seek cost savings as part of the well publicised budget reductions announced by the respective governments. Despite this, the consumable medical businesses remain buoyant.

In the current economic climate the main opportunities for growth in our medical business, in the short term, lie in geographical expansion and in the development of new partners/agencies. These strategic thrusts will deliver economies of scale by leveraging existing infrastructure. Our new scientific business in Sweden became cash positive within six months of trading and we are working on other opportunities for geographic expansion. A number of new agency agreements have also been completed in the last six months and the pipeline for new agencies in existing markets is strong.

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, have consolidated their market position and performed strongly during the period.

CONTRACT SALES & MARKETING SERVICES (CSMS)

The Contract Sales & Marketing Services 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 period of €78 million is 2% higher than the same period in 2009. Revenue growth is 5% on a constant currency basis.

To maximise the efficiency of back office operations and enhance business development opportunities, all businesses within the CSMS division have been consolidated into one UK and one US head office. This consolidation has been successfully completed during the period and the benefits of having the businesses at central locations are already being seen.

REVIEW OF OPERATIONS

FOR THE SIX MONTHS TO 31 MARCH 2010 CONTINUED

The core Contract Sales Outsourcing (CSO) business continues to see an increasing demand from pharmaceutical companies for flexibility in their sales model. Existing clients are increasing the proportion of their sales effort that they outsource and the range of what can be outsourced is also expanding. Speciality sales teams once seen as a core in-house capability are now more commonly being outsourced. New client wins, including Galderma and Servier, along with the retention and expansion of teams with existing clients has helped Ashfield In2Focus to strengthen its position as market leader in the UK.

Trading conditions for our Irish CSO business have been more difficult. Resourcing decisions were delayed as clients awaited the terms of the revised IPHA agreement. The outlook for the rest of the year is better and the business should be back close to budgeted levels by year end.

Our CSO business in the US, has had a solid first six months, with some new business wins and the expansion of its nurse educator teams and Sales Force Effectiveness consultancy service. Efficiencies have also been realised at the US head office through the establishment of a central services function providing finance and HR services for the three CSMS businesses now located at this site. The benefits and synergies of all US businesses being located at one site have also been seen in business development activities, with a number of collaborations on new business opportunities.

Our US medical affairs business is on target for a record year with the new business pipeline holding a number of opportunities to make further gains. The fastest growing segments of our offering are in the physician detailing and compliance categories.

Following the relocation of the division's UK and US main offices our events management business has retained all existing customers. In the UK in particular we have leveraged existing relationships within the CSMS division to add a number of new clients. There is considerable demand from pharmaceutical companies for global event management solutions. To meet this demand we plan to open an office in the Far East later this year.

PACKAGING & SPECIALITY

In the Packaging & Speciality division, United Drug provides outsourced packaging solutions through facilities in the US, the UK, the Netherlands and Belgium. The Speciality Services businesses are focussed on solving complex supply chain problems for the manufacturer or the healthcare provider for products that require cold-chain logistics, specialist patient training and administration in the home via a nurse. Overall revenue for the division in the period of €60 million is 5% higher than in 2009. On a constant currency basis revenue growth is 11%.

During the first half of 2010, we continued to consolidate our position as a leading international provider of outsourced contract packaging services building from the bases in the US, the UK, the Netherlands and Belgium. Existing and potential clients benefit from being associated with a large corporation, delivering solutions on two continents. We specialise in a link of the supply chain that is non-core to the client and hence, can offer a more efficient, professional and flexible packaging service than the client might otherwise experience. This is an attractive proposition.

The US business Sharp, performed strongly in the first half of the year, benefiting from increased volumes from existing clients and business with new clients. Momentum will slow slightly in the second half of the year due to on-going delayed FDA approval decisions on new medicines which can be a feature of this market. Sharp has an exciting pipeline with a growing share of the more lucrative biotech market. The business has had excellent success in replacing the more volatile sample packaging business with more sustainable trade packaging business.

The European based businesses performed solidly and are trading ahead of last year. Particularly pleasing is the fact that new client volumes have grown significantly in the generic and pro-biotic markets. This negated some downward pressure resulting from generic tender based preference policies in the Netherlands and Germany and a fall in volumes in the UK business.

The breadth of service we now offer on an international basis is a key selling point which is being well received by our broad spectrum of clients.

REVIEW OF OPERATIONS

FOR THE SIX MONTHS TO 31 MARCH 2010 CONTINUED

During the first half of the year, in conjunction with our joint venture partner, Medco Health Solutions, Inc., we successfully launched the Medco Health Solutions (MHS) service in the UK. The primary aim of MHS is to provide an enhanced service direct to patients in the home by making smarter use of medicines for the NHS and the pharmaceutical company and partnering with pharmaceutical companies to add clinical input. The result is better patient care whilst all stakeholders benefit. From a standing start in August 2009, we have recruited a full team of pharmacist, nurse and logistics professionals; opened a state of the art facility in Northampton; put in place a logistics network with full national coverage and installed a robust IT system to support the entire operation. The formal launch of the service in March 2010 was well received by the industry and the business has already won two important contracts with major multinational pharmaceutical companies.

Our Irish homecare business enjoyed an excellent six months, its most successful ever. Whilst the overall contribution to Group profit is small, it is capitalising on the growing trend towards delivering services in the home and supports Medco UK's growing market position.

Our UK business, focused on delivering travel and other special vaccinations to the general public, experienced tougher trading conditions. The number of people travelling abroad, seeking private vaccinations fell during the period, primarily due to the economic downturn. In addition, the flu vaccination market proved to be slow due to the concentration on the H1N1 vaccination services by GPs. However, we launched a new Occupational Health service in April 2010 and current indications are that this service, coupled with recent more positive trends on demand for travel vaccinations should contribute to a better second half of the year.

FINANCE REVIEW

CONTINUED

Revenue

Revenue for the six months to 31 March 2010 of €853 million is in line with the same period in 2009. This revenue number is impacted by the strength of the euro relative to sterling and the US dollar when compared to the same period in the prior year. On a constant currency basis, revenue growth is 2%. Each of the three reporting divisions within the Group recorded constant currency revenue growth for the period.

Adjusted Operating Profit*

Operating profit of €35.0 million is the same as the profit in the first half of 2009. On a constant currency basis, operating profit is 2% higher than in 2009.

Adjusted Profit before Tax*

Net interest costs for the period of €3.52 million are €1.5 million lower than in 2009 as a result of a reduction in interest rates and the strong cash flow generated by the Group. After this interest charge, profit before tax of €31.5 million is 5% higher than in 2009. On a constant currency basis profit before tax is 7% higher than in 2009.

Adjusted Earnings per Share*

Diluted earnings per share for the period of 10.68 cent, is slightly ahead of 2009. Profit growth during the period is offset by a higher effective 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 2% higher than in 2009.

Cash Flow

Net cash inflow from operating activities for the period was €35 million compared with €13 million in the same period in 2009. This strong cash flow was added to by a further reduction in underlying working capital levels and in particular a reduction in inventory levels. Capital expenditure for the period was €3.7 million and €1.2 million was invested in the new UK homecare joint venture. For the six months to 31 March 2010 net debt has reduced by €22.2 million.

Balance Sheet

Net debt at the end of the period was €140 million giving a gearing ratio of 41%. The net debt to EBITDA ratio is 1.67 times and interest is covered 11.9 times by EBITDA. The financial covenants in our debt facilities are based on net debt to EBITDA not to exceed 3.5 times and EBITDA interest cover to be greater than 3 times.

* before amortisation of intangible assets and the 2009 exceptional item.

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.

PRINCIPAL RISKS AND UNCERTAINTIES

The Transparency (Directive 2004/109/EC) Regulations 2007 require disclosure of the principal risks and uncertainties which could have a material impact on the Group's performance over the remainder of the financial year.

Risk management is an integral part of the Group's business process. A detailed risk register is maintained by each division within the Group and plans to address the identified risks are updated and reviewed by the executive directors on a regular basis. The consolidated risk register is also reviewed and approved by the Board.

The key risks facing the Group in the six month period to 30 September 2010 include the following:

- Changes in government regulations, funding and price agreements, particularly in the healthcare and pharmaceutical sectors, may adversely affect the Group.
- The Group is subject to stringent medical, quality, environmental and health and safety regulations and standards and any significant change in these could result in increased compliance costs which could adversely affect profitability.
- Mergers and acquisition activity amongst healthcare manufacturers could lead to existing contracts being cancelled or not renewed.
- 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 the risk of adverse movements in foreign currency exchange rates.
- 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.
- 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.
- 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.
- 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, 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 an effective management team committed to achieving a strong performance in each division. Should the Group not attract or retain suitably qualified employees this could have an impact of business performance.

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 set of interim financial statements comprising the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, and the related notes have been prepared in accordance with IAS 34, *Interim Financial Reporting* as adopted by the EU;
- the half-yearly financial 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(i)

R. Kells
Director

L. FitzGerald
Director

10 May 2010

- (i) The Board of Directors is as disclosed in the Annual Report for the financial year ended 30 September 2009 with the exception of Kieran McGowan who retired from the Board on 8 February 2010 and Chris Brinsmead who was appointed to the Board on 12 April 2010.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2010

	Notes	Six months ended	Six months ended 31 March 2009		
		31 March 2010	Pre-exceptional item	Exceptional item	Total
		(Unaudited) €'000	(Unaudited) €'000	(Unaudited) €'000	(Unaudited) €'000
Revenue	3	853,297	850,861	-	850,861
Cost of sales		(723,895)	(721,349)	-	(721,349)
Gross profit		129,402	129,512	-	129,512
Distribution expenses	4	(92,483)	(92,849)	(5,980)	(98,829)
Administration expenses		(3,192)	(3,083)	-	(3,083)
Other operating expenses		(6,430)	(7,166)	-	(7,166)
Share of joint ventures' profit after tax	5	1,251	1,453	-	1,453
Operating profit		28,548	27,867	(5,980)	21,887
Finance income	6	6,588	9,810	-	9,810
Finance expense	6	(10,107)	(14,839)	-	(14,839)
Profit before tax		25,029	22,838	(5,980)	16,858
Income tax expense		(4,547)	(3,418)	1,232	(2,186)
Profit for the period attributable to equity holders of the Company		20,482	19,420	(4,748)	14,672
Earnings per share					
Basic	7	8.65c			6.30c
Diluted	7	8.64c			6.29c

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2010

	Six months ended 31 March 2010 (Unaudited) €'000	Six months ended 31 March 2009 (Unaudited) €'000
Profit for the period	20,482	14,672
Other comprehensive income		
Foreign currency translation adjustment	14,382	(35,476)
Loss on hedge of net investment in foreign operations	(6,275)	(5,736)
Group defined benefit pension schemes:		
Actuarial loss	12 (1,857)	(5,839)
Movement in deferred tax	224	1,161
Group cash flow hedges:		
<i>Effective portion of cash flow hedges - movement into reserves</i>	<i>3,323</i>	<i>2,083</i>
<i>Recycled to income statement</i>	<i>(3,122)</i>	<i>(2,853)</i>
Net movement in period	201	(770)
<i>Movement in deferred tax - movement into reserve</i>	<i>(415)</i>	<i>(260)</i>
<i>Movement in deferred tax - movement out of reserve</i>	<i>390</i>	<i>356</i>
Net movement in period	(25)	96
Total other comprehensive income	6,650	(46,564)
Total comprehensive income for the period	27,132	(31,892)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2010

	Equity share capital	Share premium	Other reserves			Treasury shares	Retained earnings	Total equity
			Cash flow hedge	Share-based payment	Foreign currency translation			
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	
At 1 October 2008 - audited	12,002	116,409	1,374	4,417	(35,404)	(6,578)	252,010	344,230
Profit for the period after taxation	-	-	-	-	-	-	14,672	14,672
Effective portion of cash flow hedges	-	-	2,083	-	-	-	-	2,083
Deferred tax on cash flow hedges	-	-	(260)	-	-	-	-	(260)
Recycled to income statement	-	-	(2,853)	-	-	-	-	(2,853)
Deferred tax on amounts recycled to income statement	-	-	356	-	-	-	-	356
Translation adjustment	-	-	-	-	(35,476)	-	-	(35,476)
Loss on hedge of net investment in foreign operations	-	-	-	-	(5,736)	-	-	(5,736)
Actuarial loss on defined benefit pension schemes	-	-	-	-	-	-	(5,839)	(5,839)
Deferred tax on defined benefit pension schemes	-	-	-	-	-	-	1,161	1,161
Total comprehensive income for the period	-	-	(674)	-	(41,212)	-	9,994	(31,892)
New shares issued	108	4,986	-	-	-	-	-	5,094
Share-based payment expense	-	-	-	853	-	-	-	853
Translation adjustment	-	-	-	32	-	(10)	-	22
Dividends paid to equity holders	-	-	-	-	-	-	(13,416)	(13,416)
Transfer to share-based payment reserve	-	-	-	88	-	-	(88)	-
Release of treasury shares on vesting	-	-	-	(61)	-	61	-	-
At 31 March 2009 - unaudited	12,110	121,395	700	5,329	(76,616)	(6,527)	248,500	304,891

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2010
CONTINUED

	Equity share capital €'000	Share premium €'000	Other reserves			Treasury shares €'000	Retained earnings €'000	Total equity €'000
			Cash flow hedge €'000	Share-based payment €'000	Foreign currency translation €'000			
At 1 October 2009 - audited	12,155	122,710	(1,191)	5,929	(75,811)	(6,501)	264,119	321,410
Profit for the period after taxation	-	-	-	-	-	-	20,482	20,482
Effective portion of cash flow hedges	-	-	3,323	-	-	-	-	3,323
Deferred tax on cash flow hedges	-	-	(415)	-	-	-	-	(415)
Recycled to income statement	-	-	(3,122)	-	-	-	-	(3,122)
Deferred tax on amounts recycled to income statement	-	-	390	-	-	-	-	390
Translation adjustment	-	-	-	-	14,382	-	-	14,382
Loss on hedge of net investment in foreign operations	-	-	-	-	(6,275)	-	-	(6,275)
Actuarial loss on defined benefit pension schemes	-	-	-	-	-	-	(1,857)	(1,857)
Deferred tax on defined benefit pension schemes	-	-	-	-	-	-	224	224
Total comprehensive income for the period	-	-	176	-	8,107	-	18,849	27,132
New shares issued	213	9,084	-	-	-	-	-	9,297
Share-based payment expense	-	-	-	701	-	-	-	701
Translation adjustment	-	-	-	2	-	-	-	2
Dividends paid to equity holders	-	-	-	-	-	-	(13,630)	(13,630)
Release from share-based payment reserve	-	-	-	(141)	-	-	141	-
Acquisition of treasury shares	-	-	-	-	-	(57)	-	(57)
Release of treasury shares on vesting	-	-	-	(285)	-	285	-	-
At 31 March 2010 - unaudited	12,368	131,794	(1,015)	6,206	(67,704)	(6,273)	269,479	344,855

The translation adjustment arises on the translation of non euro denominated assets and liabilities into euro at the reporting date and includes a translation profit of €386,000 (2009: loss of €1,894,000) in respect of the Group's investment in joint ventures. New shares issued and dividends to equity holders both included €5,634,000 (2009: €2,833,000) in respect of scrip issues.

CONDENSED CONSOLIDATED BALANCE SHEET

FOR THE SIX MONTHS ENDED 31 MARCH 2010

		As at 31 March 2010 (Unaudited) €'000	As at 31 March 2009 (Unaudited) €'000	As at 30 September 2009 (Audited) €'000
	Notes			
ASSETS				
Non-current				
Property, plant and equipment		99,407	108,363	99,483
Goodwill	8	193,631	189,495	188,066
Intangible assets	8	45,888	58,002	50,727
Investment in joint ventures	8	20,754	17,758	19,040
Employee benefits	12	13,651	12,162	12,113
Total non-current assets		373,331	385,780	369,429
Current				
Inventories		143,922	163,785	169,402
Trade and other receivables		284,239	301,644	278,354
Cash and cash equivalents	9	89,875	61,928	75,651
Derivative financial instruments	9	30	669	-
Total current assets		518,066	528,026	523,407
Total assets		891,397	913,806	892,836
EQUITY				
Equity share capital		12,368	12,110	12,155
Share premium		131,794	121,395	122,710
Other reserves		(68,786)	(77,114)	(77,574)
Retained earnings		269,479	248,500	264,119
Capital and reserves attributable to equity holders of the Company		344,855	304,891	321,410
LIABILITIES				
Non-current				
Interest-bearing loans and borrowings	9	194,989	253,257	220,775
Provisions	11	7,832	7,834	13,891
Employee benefits	12	13,843	23,547	12,273
Derivative financial instruments	9	8,494	4,106	14,032
Deferred tax liabilities		7,890	10,339	9,379
Total non-current liabilities		233,048	299,083	270,350
Current				
Bank overdrafts	9	-	525	-
Interest-bearing loans and borrowings	9	26,666	13,726	2,597
Trade and other payables		264,754	281,159	281,362
Current tax liabilities		8,053	7,241	4,808
Provisions	11	14,021	7,181	11,606
Derivative financial instruments	9	-	-	703
Total current liabilities		313,494	309,832	301,076
Total liabilities		546,542	608,915	571,426
Total equity and liabilities		891,397	913,806	892,836

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2010

	Six months ended 31 March 2010 (Unaudited) €'000	Six months ended 31 March 2009 (Unaudited) €'000
Cash flows from operating activities		
Profit before tax	25,029	16,858
Finance income	(6,588)	(9,810)
Finance expense	10,107	14,839
Operating profit	28,548	21,887
Share of joint ventures' profit after tax	(1,251)	(1,453)
Depreciation charge	6,940	6,815
Profit on disposal of property, plant and equipment	(75)	(32)
Amortisation of intangible assets	6,430	7,166
Share-based payment expense	701	853
Decrease/(increase) in inventories	27,075	(1,095)
(Increase)/decrease in trade and other receivables	(4,460)	8,662
Decrease in trade payables, employee benefits and other payables	(18,874)	(23,034)
Decrease in provisions (excluding deferred consideration)	(3,268)	-
Interest paid	(3,591)	(5,386)
Income taxes paid	(3,180)	(1,400)
Net cash inflow from operating activities	34,995	12,983
Cash flows from investing activities		
Interest received	194	663
Purchase of property, plant and equipment	(3,931)	(6,250)
Proceeds from disposal of property, plant and equipment	246	342
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	-	(25,690)
Deferred acquisition consideration paid	(300)	(8,696)
Investment in joint ventures	(1,193)	-
Dividends received from joint ventures	1,116	1,431
Net cash outflow from investing activities	(3,868)	(38,200)
Cash flows from financing activities		
Proceeds from issue of shares (including share premium thereon, net of scrip dividend)	3,663	2,261
Purchase of treasury shares	(57)	-
Proceeds from interest-bearing loans and borrowings	-	51,835
Repayments of interest-bearing loans and borrowings	(13,538)	(31,117)
Repayments of finance leases	(566)	(674)
Dividends paid to equity holders of the Company, net of scrip dividend	(7,996)	(10,583)
Net cash (outflow)/inflow from financing activities	(18,494)	11,722
Net increase/(decrease) in cash and cash equivalents	12,633	(13,495)
Translation adjustment	1,591	(8,868)
Cash and cash equivalents at beginning of period	75,651	83,766
Cash and cash equivalents at end of period	89,875	61,403
Cash and cash equivalents is comprised of:		
Cash at bank and short term deposits	89,875	61,928
Bank overdrafts	-	(525)
	89,875	61,403

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1 Reporting entity

United Drug plc (the "Company") is a company tax resident and incorporated in Ireland. The unaudited condensed consolidated interim financial statements of the Company for the six months ended 31 March 2010, is 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 statutory financial statements for the year ended 30 September 2009 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 following standards are effective for the Group from 1 October 2009 and affect the presentation of the financial statements of the Group:

- 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 amendment 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.

The following are other new standards that are effective for the financial year of the company ending on 30 September 2010. These standards had no impact on the results or financial position of the Group in the period to 31 March 2010.

- IFRS 2 Share-based Payments - Vesting Conditions and Cancellations Amendment;
- IFRS 3 Business Combination Revised;
- IAS 23 Borrowing Costs Amendment;
- IAS 27 Consolidated and Separate Financial Statements Revised;
- IAS 32 Financial Instruments Presentation Amendment;
- IAS 39 Financial Instruments Recognition and Measurement Amendment;
- IFRIC Interpretation 15 Agreements for the Construction of Real Estate; and
- IFRIC Interpretation 17 Distributions of Non-cash Assets to Owners.

All other 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 2009 and as those expected to apply for the financial year to 30 September 2010.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

CONTINUED

2 Statement of compliance (continued)

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 12.

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 10 May 2010.

As permitted by the Transparency (Directive 2004/109/EC) Regulations 2007 this Interim Report is available on www.united-drug.ie. However, if a physical copy is required, please contact the Company Secretary.

3 Segmental analysis

Business segment 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 for 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), 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 CONDENSED INTERIM FINANCIAL STATEMENTS

CONTINUED

3 Segmental analysis (continued)

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

	Six months ended 31 March 2010 €'000	Six months ended 31 March 2009 €'000
Revenue		
Healthcare Supply Chain	715,295	717,524
Packaging & Speciality	59,688	56,644
Contract Sales & Marketing Services	78,314	76,693
	853,297	850,861
Operating profit before exceptional item and intangible amortisation		
Healthcare Supply Chain	23,943	25,961
Packaging & Speciality	3,870	2,373
Contract Sales & Marketing Services	7,165	6,699
	34,978	35,033
Intangible amortisation	(6,430)	(7,166)
Exceptional item	-	(5,980)
	28,548	21,887
Operating profit	28,548	21,887
Finance income	6,588	9,810
Finance expense	(10,107)	(14,839)
	25,029	16,858
Profit before tax	25,029	16,858
Income tax expense	(4,547)	(2,186)
	20,482	14,672
Profit for the period attributable to equity holders of the Company	20,482	14,672

Operating segment assets are analysed below:

	As at 31 March 2010 €'000	As at 31 March 2009 €'000
Segment assets		
Healthcare Supply Chain	663,557	686,772
Packaging & Speciality	141,643	142,087
Contract Sales & Marketing Services	86,167	84,278
	891,367	913,137
Unallocated assets	30	669
	891,397	913,806

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

CONTINUED

3 Segmental analysis (continued) Geographical analysis of revenue

	Six months ended 31 March 2010 €'000	Six months ended 31 March 2009 €'000
Republic of Ireland	562,289	568,948
United Kingdom	219,977	221,433
United States	53,645	46,553
Continental Europe	17,386	13,927
	853,297	850,861

4 Exceptional item

	Six months ended 31 March 2010 €'000	Six months ended 31 March 2009 €'000
Restructuring costs	-	(5,980)

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

5 Share of joint ventures' profit after tax

	Six months ended 31 March 2010 €'000	Six months ended 31 March 2009 €'000
Group share of revenue	256,979	298,627
Group share of expenses, inclusive of tax	(255,728)	(297,174)
Group share of profit after tax	1,251	1,453

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

CONTINUED

6 Finance income and expense

	Six months ended 31 March 2010 €'000	Six months ended 31 March 2009 €'000
Finance income		
Income arising from cash deposits	375	663
Fair value adjustment to fair value hedges	3,013	6,294
Foreign currency gain on retranslation of bank borrowings	3,122	2,853
Ineffective portion of cash flow hedges	78	-
	6,588	9,810
Finance expense		
Interest on bank loans and overdrafts	-	(352)
-wholly repayable within 5 years	(3,106)	(2,926)
-wholly repayable after 5 years	(539)	(2,337)
Interest on finance leases	(53)	(77)
Unwinding of discount on provisions	(144)	-
Fair value movement on interest rate swaps not designated as hedges	(130)	-
Fair value adjustment to guaranteed senior unsecured notes	(3,013)	(6,294)
Fair value of cash flow hedges transferred from equity	(3,122)	(2,853)
	(10,107)	(14,839)
Net finance expense	(3,519)	(5,029)

7 Earnings per ordinary share

	Six months ended 31 March 2010 €'000	Six months ended 31 March 2009 €'000
Profit for the period attributable to equity holders of the company	20,482	14,672
Adjustment for amortisation of intangible assets (net of tax)	4,827	5,370
Adjustment for exceptional item (net of tax)	-	4,748
Earnings adjusted for intangible amortisation and exceptional item	25,309	24,790

	Number of shares	Number of shares
Weighted average number of shares	236,815,060	233,028,349
Number of dilutive shares under option	141,579	135,545
Weighted average number of shares, including share options	236,956,639	233,163,894

Basic earnings per share - cent	8.65	6.30
Diluted earnings per share - cent	8.64	6.29
Adjusted basic earnings per share - cent*	10.69	10.64
Adjusted diluted earnings per share - cent*	10.68	10.63

* excluding amortisation of intangible assets and exceptional item

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

CONTINUED

7 Earnings per ordinary share (continued)

The adjusted figures for earnings per share are intended to demonstrate the results of the Group after eliminating the impact of amortisation of intangible assets and exceptional items (net of tax) and are deemed by management to be a key metric of monitoring group performance.

Treasury shares have 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 2009	188,066	50,727	19,040	257,833
Investment during the period	-	-	1,193	1,193
Amortisation of intangible assets	-	(6,430)	-	(6,430)
Share of joint ventures' profit after tax	-	-	1,251	1,251
Dividends received from joint ventures	-	-	(1,116)	(1,116)
Translation adjustment	5,565	1,591	386	7,542
Balance at 31 March 2010	193,631	45,888	20,754	260,273

9 Net debt

	As at 31 March 2010 €'000	As at 31 March 2009 €'000	As at 30 Sept 2009 €'000
Current assets			
Cash at bank and short term deposits	89,875	61,928	75,651
Derivative financial instruments	30	669	-
Current liabilities			
Bank overdrafts	-	(525)	-
Interest-bearing loans and borrowings	(25,776)	(12,753)	(1,444)
Finance leases	(890)	(973)	(1,153)
Derivative financial instruments	-	-	(703)
Non-current liabilities			
Interest-bearing loans and borrowings	(194,230)	(252,384)	(219,713)
Finance leases	(759)	(873)	(1,062)
Derivative financial instruments	(8,494)	(4,106)	(14,032)
	(140,244)	(209,017)	(162,456)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

CONTINUED

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 2010 is set out below. The analysis excludes the movement in cash and cash equivalents.

	As at 31 March 2010 €'000
Balance at 1 October 2009	(238,107)
Amounts repaid	14,104
New drawdowns	-
Translation adjustment	(6,116)
Balance at 31 March 2010	(230,119)

11 Provisions

	Deferred consideration €'000	Onerous leases €'000	Pension €'000	Other €'000	Totals €'000
Balance at 1 October 2009	12,783	2,105	6,159	4,450	25,497
Utilised during the period	(300)	(318)	(219)	(2,731)	(3,568)
Unwinding of discount	90	-	54	-	144
Reclassification	-	-	-	(968)	(968)
Translation adjustment	86	44	555	63	748
Balance at 31 March 2010	12,659	1,831	6,549	814	21,853

The disclosure of amounts included in provisions into separate classes has been revised from that presented at 30 September 2009. The provision in respect of onerous leases relates to leases on properties that are no longer required but which the Group remains committed to following the restructuring of the Group's businesses. The provision for pension is in respect of future payments to a multi-employer defined benefit pension scheme in which the Group previously participated. Other provisions relate to costs associated with the implementation of the restructuring programme initiated by the Group during the previous financial year.

Amounts of €968,000 included in provisions as at 1 October 2009 have been reclassified from provisions and included in inventory, trade and other payables and property, plant and equipment during the current period. These amounts are not considered material and the balance sheet at 30 September 2009 has not been adjusted.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

CONTINUED

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	(416)	(752)	(1,168)
Interest on scheme obligations	(47)	(1,224)	(1,271)
Expected return on scheme assets	470	998	1,468
Contributions paid	-	1,738	1,738
Actuarial gain/(loss)	398	(2,255)	(1,857)
Translation adjustment	1,133	(75)	1,058
Employee benefit asset/(liability) at 31 March 2010	13,651	(13,843)	(192)

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 scheme. The reduction in the discount rate is reflective of changes in bond yields during the period. A number of the assumptions used to derive the actuarial valuations at 31 March 2010 have changed from the assumptions used at 30 September 2009.

The principal assumptions and associated changes are as follows:

	Republic of Ireland Schemes		Northern Ireland Scheme		United States Scheme	
	As at 31 March 2010	As at 30 September 2009	As at 31 March 2010	As at 30 September 2009	As at 31 March 2010	As at 30 September 2009
Rate of increase in salaries	3.50%	3.50%	4.45%	4.10%	2.75-4.00%	2.75-4.00%
Rate of increase in pensions	0-2.25%	0-2.25%	2.30-3.65%	2.20-3.40%	0.00%	0.00%
Inflation rate	2.25%	2.25%	3.95%	3.60%	2.75%	2.75%
Discount rate	5.50%	6.20%	5.40%	5.35%	5.90%	5.80%

13 Dividends

The Board has declared an interim dividend of 2.34 cent per share. This dividend has not been provided for in the balance sheet at 31 March 2010, 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 2009, of 5.77 cent per share, was paid giving rise to a reduction in shareholders' funds of €13,630,000.

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.

IAS 24 also requires the disclosure of compensation paid to the Group's key management personnel. This comprises 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 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 €2,071,000 for the six months ended 31 March 2010 (2009: €2,210,000).





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