

United Drug plc

Preliminary Announcement of Results

Year ended 30 September 2011

Highlights

	IFRS based €mn	Exceptional item and amortisation of intangible assets €mn	Adjusted €mn	Increase on 2010 %
Revenue	1,746.5	-	1,746.5	1
Operating profit	52.5	24.3	76.8	4
Profit before tax	44.2	24.3	68.5	1
Diluted earnings per share (cent)	15.05	7.76	22.81	-
Dividend per share (cent)	8.66	-	8.66	3

	2011	2010
Net debt (€mn)	121.5	109.3
Net debt/EBITDA* (times)	1.31	1.22

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

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

2011 Financial highlights

- Revenues 1% ahead of 2010 despite significant regulatory pressures continuing to impact our Irish business.
 - Operating profit growth of 4% for the year with further margin improvement.
 - Successful working capital management has helped to deliver another good cash flow performance.
 - A 3% increase in dividend is proposed, reflecting good trading performance and cash flow.
 - The share buyback announced in May was completed just after year end with 5 million shares purchased.
 - Strong balance sheet at year end with modest debt levels and significant capital resources available.
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2011 Strategic & operating highlights

- The continued internationalisation of the Group with our US businesses now accounting for 20% of operating profit and in total 65% of profit is generated outside of Ireland.
- Group restructuring announced in the year to deliver in excess of €5 million in annualised savings at a cost of €7.8 million, net of tax.
- Increased market leadership positions in wholesale and pre-wholesale.
- Very strong performance in the Sales, Marketing & Medical division. Expansion of our service offering during the year with the acquisition of World Events to provide global events management services.
- Strong performance in our packaging business, particularly in the US.

Chief Executive's comment

Commenting on the 2011 performance, United Drug Chief Executive Officer, Liam FitzGerald said:

“2011 has been an important year for United Drug and the company reported a strong performance in the period. The continuing internationalisation of the Group now sees almost two-thirds of our earnings generated outside of Ireland with growth in our higher margin services businesses increasing overall Group margins. We have taken steps to address the more challenging environment facing our Irish business with a restructuring that will deliver significant cost savings in 2012. In addition, we have delivered another strong cash flow performance.”

“Group revenues for the year of €1.75 billion are 1% higher than in 2010. Margins have increased during the year, as we grow our international services business, and operating profit for the year of €76.8 million is 4% ahead of the previous year.”

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Dividends

The directors are proposing a final dividend of 6.25 cent per share. This gives a total dividend for the year of 8.66 cent per share, an increase of 3% on the 2010 total dividend.

Payments in respect of the final dividend or, alternatively, share certificates will be issued, on 20 February 2012 to shareholders on the Company's register at 5.00pm on 25 November 2011.

Group development and outlook

The internationalisation of the Group continues as we develop our range of outsourced healthcare services in the areas of distribution, sales and marketing and packaging. Our US businesses now account for 20% of operating profit and in total 65% of profits are now generated outside of Ireland.

The Group had another year of good cash flow performance with operating cash flow of €51.8 million. Consequently, the Board announced a share buyback in May and this has been completed since year end with 5 million shares purchased.

In the Healthcare Supply Chain division, despite healthcare markets experiencing significant austerity measures, we continued to gain market share during the period strengthening our market leading positions in our wholesale and pre-wholesale businesses in Ireland and the UK.

The Sales, Marketing & Medical division had another very successful year with significant business wins in the contract sales outsourcing area. Through the acquisition of World Events in December 2010, the division now has a leading global events management business specialising in serving the healthcare sector. The acquisition of InforMed made late last year, which has extended our offering into healthcare communication and consultancy services, has also been successfully integrated into the division.

In the Packaging & Specialty division, our US packaging business had an exceptional year of growth and our international business development efforts have been successful in winning a number of contracts across the US and EU. Our Irish specialty business has also grown its market leading position, winning contracts with both the pharmaceutical and private health insurance industry.

United Drug continues to develop and grow its range of international healthcare services and remains positive about the growth opportunities in its businesses. The Group has a strong balance sheet and good internally generated cash flow to support its objectives. Additionally, savings will start to be realised in 2012 from the Group restructuring announced in August to rationalise our cost base in Ireland, integrate recent acquisitions and offset the impact of healthcare austerity measures.

Review of Operations

Healthcare Supply Chain

The Healthcare Supply Chain division combines all of the Group's healthcare logistics based businesses. In 2011, divisional revenue of €1.41 billion was 2% lower than last year.

Despite significant healthcare austerity measures in Ireland, revenue in the wholesale business is in line with 2010 due to the continued growth in our market share of the full-line wholesaling market. The total wholesale market has fallen in value by 4.6% during the year. In pre-wholesale, we also strengthened our market leading position in providing outsourced logistics services through a number of new contract wins in both the branded pharmaceutical, generic and consumer parts of the business.

In August we announced a Group restructuring programme. As part of this programme, we have implemented changes within our Irish business, including the outsourcing of all deliveries to third party operators, a reduction in working hours in certain locations and staff redundancies. This will yield significant cost savings beginning in the 2012 financial year to offset the impact of the austerity measures being implemented by government.

In Northern Ireland, despite ongoing government and economic pressure, our wholesale business continues to gain market share by focusing on providing a quality and cost effective service. We are also making market share gains by successfully moving to the Direct to Pharmacy model that is now being adopted by the majority of our major manufacturing partners.

Our UK joint venture with Alliance Boots has continued to perform well as the leading pre-wholesaling business in the growing UK outsourcing market. We have recently won a number of new contracts which will enable this business to grow significantly in 2012 and beyond.

Our medical and scientific businesses in Ireland, the UK and the Netherlands are benefiting from a strengthened management team which has begun to deliver an improved performance. Agency losses have reduced substantially and we have added a number of new agencies, including several new market entrants, which we believe can gain substantial market share with our support. We have also recently introduced an own brand consumable offering in the UK. Whilst the market place remains difficult, the management changes we have made together with our new agency offerings leave us confident that we are well placed to deliver profit growth in the coming years.

Our pharmaceutical 'specials' businesses in the UK continue to deliver strong results with margin improvements generated through improved sourcing and more efficient manufacturing. Revenues are down slightly driven by uncertainty surrounding the expected introduction of a drug tariff by the NHS, which will regulate the prices of some 'specials' products. To respond we are developing new offerings for manufacturers and hospitals to assist with sourcing, regulatory requirements and distribution of unlicensed products. We expect these new offerings and further efficiencies in sourcing and manufacturing to offset any potential impact from the introduction of a tariff.

Sales, Marketing & Medical (SMM)

The SMM division provides sales outsourcing and related marketing and medical services to the healthcare industry in the UK, the US, Ireland, Continental Europe and Asia. In 2011, divisional revenue grew by 19% to €199 million.

The Contract Sales Outsourcing (CSO) business has grown its market leading position in the UK and Ireland during the year. There has been an increase in opportunities for nursing services in the UK and significant business wins have led to nurse headcount increasing in excess of 100% in the period. The Irish market has been more challenging due to price reductions and a contraction in the budget allocated to contract services. However, the business has responded well by winning several key new contracts which position it well going into 2012. In the US, the business is growing through expansion with existing clients and adding new ones, leading to a positive outlook for next year.

Our medical and regulatory services business had another exceptional year in the US with very strong growth coming from three primary areas of services: medical affairs, patient adherence and telesales. We also launched this business in the UK to provide similar services across Europe. The business has almost 50 medically-trained specialists providing the following services: tele-detailing to support pharmaceutical and device brands, pharmacovigilance and medical information services including multi-lingual and out of hours services. We are the only provider in the UK market with its own compliance and medical departments, which is proving extremely attractive to existing and new clients.

Our healthcare communications and consultancy business had a very good first full year in the Group. The performance is both ahead of last year and current year targets. This has been achieved through good growth with existing clients and significant new business wins. The overall performance has been driven by strong results from both the UK and the US communications businesses and the market research business. We are also well positioned for 2012 with a number of new programmes in development for key clients, which highlights the group-wide benefits of adding this business to the division.

Our events management business is now a leading global player specialising in serving the healthcare sector. In December 2010, the Group acquired World Events to globalise the business and at the end of February 2011 merged it with our existing events management business to form Universal World Events. With offices in the US, across Europe and in Asia the business is global and well positioned to grow substantially in the coming years.

Packaging & Specialty

The Packaging & Specialty division combines the Group's packaging businesses in the US and EU and our speciality homecare businesses in Ireland and the UK. In 2011, divisional revenue grew by 14% to €138 million.

Our packaging business provides outsourced packaging solutions to the pharmaceutical industry. The global outsourced packaging market continues to grow as the pharmaceutical industry seeks flexible solutions to manage their fixed cost base. Market growth has also been driven by an increase in the number of virtual pharmaceutical and biotechnology companies. These virtual companies have no packaging infrastructure and therefore rely on outsourced providers to package their products for the market. We have a compelling packaging offering in this growing market, being able to offer capacity in both the US and Europe.

The US contract packaging business had an exceptional year, gaining market share and performing well ahead of targets and prior year. This success is the result of initiatives taken since acquisition in 2008 to provide high value-add packaging solutions, and to increase the

focus on business development and customer service. Revenue growth has been combined with careful management of the cost base to produce excellent results in 2011.

The European contract packaging business continued to integrate and streamline its operations during the year and is now well placed to meet the increasing demand for region-wide packaging solutions. This supports the increased interest from big pharmaceutical and generic companies looking to enter into strategic packaging relationships across the region as well as the virtual companies looking for EU solutions. We have also focused on international business development and have won a number of packaging contracts across both the US and EU.

Our specialty business provides pharmacy, homecare and compliance services for pharmaceutical companies, health authorities and private health insurance companies. The core contracts typically involve treating complex diseases in the patient's home thereby ensuring that the patient remains out of hospital while at the same time improving compliance. The Irish business has grown its market leading position through contract wins with both the pharmaceutical and private health insurance industry. We recently announced the sale of our interest in our UK business to our partner Medco Health Solutions, Inc. following a proposed change of ownership of Medco Inc. We have gained considerable experience from this venture, retain a good relationship and will continue to provide nursing and logistics services to Medco UK.

Finance Review

Overview

Group revenue for the year of €1.75 billion is 1% higher than in 2010. Operating profit, before the exceptional item and amortisation of intangible assets, is 4% ahead of 2010 at €76.8 million. Pre-tax profit, on the same basis, is 1% ahead of 2010 at €68.5 million. Our interest charge for the year is higher than in 2010 due to the costs associated with the re-financing completed in 2010. The re-financing significantly increased the Group's financing capability and lengthened our debt maturities.

The revenues and profits for the year are directly comparable with the prior year with no major currency translation differences.

Strong cash flows throughout the Group resulted in a year end net debt of €121 million. This is after net acquisition-related expenditure of €28 million, €17 million on capital expenditure, and the majority of the share buyback.

The Group completed the share buyback and cancellation of 5 million shares on 1 November. At 30 September 2011, 4.6 million of the shares had been bought back and cancelled.

The Group's share of investment in the Medco joint venture has been classified as an asset held for sale at 30 September 2011. This asset has subsequently been sold to our joint venture partners as announced on 17 October 2011 for stg£8.2 million.

Revenue

Revenue for the year is 1% ahead of 2010 at €1.75 billion. Revenues in the Sales, Marketing & Medical and Packaging & Specialty divisions are ahead of last year while Healthcare Supply Chain division revenues are slightly down on the prior year as a result of reductions in medicine prices and lower capital spending in hospitals.

Adjusted Operating Profit*

Operating profit for the year of €76.8 million is 4% higher than in 2010. This is after taking account of the various regulatory changes introduced during the year.

Adjusted Profit before Tax*

Net interest costs for the year of €8.3 million are €1.8 million higher than in 2010. After interest costs profit before tax of €68.5 million is 1% higher than in 2010.

Adjusted Earnings per Share*

Earnings per share for the year of 22.81 cent is slightly ahead of 2010.

Cash Flow

Net cash flow from operating activities during the year is €51.8 million. A total of €19.7 million was spent during the year on acquisitions and on deferred consideration payments for acquisitions completed in prior years. A further €9.4 million was invested in joint ventures.

Balance Sheet

Year end net debt was €121 million. The net debt to EBITDA ratio is 1.31 times and interest is covered 11 times by EBITDA. Our financial covenants are based on net debt to EBITDA not to exceed 3.5 times and EBITDA interest cover to be greater than 3 times.

*before exceptional item and amortisation of intangible assets

2011 Annual Report and Annual General Meeting

The 2011 Annual Report and Accounts will be published in January 2012 and the Annual General Meeting of the Company will be held on 7 February 2012.

Forward-looking information

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

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

Group income statement

for the year ended 30 September 2011

	Notes	2011			2010 Total €000
		Pre- exceptional item €000	Exceptional item €000	Total €000	
Revenue	3	1,746,452	-	1,746,452	1,726,066
Cost of sales		(1,470,014)	-	(1,470,014)	(1,458,972)
Gross profit		276,438	-	276,438	267,094
Distribution expenses		(193,381)	(9,752)	(203,133)	(187,118)
Administrative expenses		(7,405)	-	(7,405)	(7,792)
Other operating expenses		(14,534)	-	(14,534)	(13,180)
Share of joint ventures' profit after tax	5	1,134	-	1,134	1,951
Operating profit		62,252	(9,752)	52,500	60,955
Finance income	6	8,322	-	8,322	10,250
Finance expense	6	(16,657)	-	(16,657)	(16,766)
Profit before tax		53,917	(9,752)	44,165	54,439
Income tax expense		(9,699)	1,991	(7,708)	(9,796)
Profit for the financial year		44,218	(7,761)	36,457	44,643
Profit attributable to:					
Owners of the parent				36,419	44,585
Non-controlling interests				38	58
				36,457	44,643
Earnings per share					
Basic	7			15.10c	18.70c
Diluted	7			15.05c	18.67c

Group statement of comprehensive income

for the year ended 30 September 2011

		2011	2010
	Notes	€000	€000
Profit for the financial year		36,457	44,643
Other comprehensive income:			
Foreign currency translation adjustment	9	(3,625)	21,239
Loss on hedge of net investment in foreign operations	9	(98)	(5,303)
Group defined benefit pension schemes:			
- Actuarial gain/(loss)		297	(8,766)
- Movement in deferred tax		552	1,257
Group cash flow hedges:			
- <i>Effective portion of cash flow hedges - movement into reserve</i>		4,222	(104)
- <i>Effective portion of cash flow hedges - movement out of reserve</i>		(3,207)	2,638
Effective portion of cash flow hedges	9	1,015	2,534
- <i>Movement in deferred tax - movement into reserve</i>		(528)	13
- <i>Movement in deferred tax - movement out of reserve</i>		401	(330)
Net movement in deferred tax	9	(127)	(317)
Other comprehensive (expense)/income for the financial year		(1,986)	10,644
Total comprehensive income for the financial year		34,471	55,287
Total comprehensive income attributable to:			
Owners of the parent		34,433	55,229
Non-controlling interests		38	58
		34,471	55,287

Group statement of changes in equity

for the year ended 30 September 2011

	Equity share capital €000	Share premium €000	Retained earnings €000	Other reserves (Note 9) €000	Attributable to owners of the parent €000	Non-controlling interests €000	Total equity €000
At 1 October 2010	12,396	132,891	282,286	(59,214)	368,359	58	368,417
Profit for the financial year	-	-	36,419	-	36,419	38	36,457
Other comprehensive income/(expense):							
Effective portion of cash flow hedges	-	-	-	1,015	1,015	-	1,015
Deferred tax on cash flow hedges	-	-	-	(127)	(127)	-	(127)
Translation adjustment	-	-	-	(3,625)	(3,625)	-	(3,625)
Loss on hedge of net investment in foreign operations	-	-	-	(98)	(98)	-	(98)
Actuarial gain on defined benefit schemes	-	-	297	-	297	-	297
Deferred tax on defined benefit schemes	-	-	552	-	552	-	552
Total comprehensive income for the year	-	-	37,268	(2,835)	34,433	38	34,471
New shares issued	163	6,713	-	-	6,876	-	6,876
Share buyback	-	-	-	(10,467)	(10,467)	-	(10,467)
Cancellation of treasury shares	(228)	-	(10,467)	10,695	-	-	-
Share based payment expense	-	-	-	1,154	1,154	-	1,154
Translation adjustment	-	-	-	(4)	(4)	-	(4)
Dividends paid to equity holders	-	-	(20,429)	-	(20,429)	-	(20,429)
Release from share based payment reserve	-	-	484	(484)	-	-	-
At 30 September 2011	12,331	139,604	289,142	(61,155)	379,922	96	380,018

for the year ended 30 September 2010

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

Group balance sheet

as at 30 September 2011

	Notes	2011 €000	2010 €000
ASSETS			
Non-current			
Property, plant and equipment		100,902	99,222
Goodwill	8	222,226	206,089
Intangible assets	8	40,419	46,963
Investment in joint ventures	8	20,036	22,433
Derivative financial instruments	10	1,460	-
Deferred income tax assets		385	797
Employee benefits	13	12,209	13,214
Total non-current assets		397,637	388,718
Current			
Inventories		142,636	144,984
Trade and other receivables		284,687	267,262
Cash and cash equivalents	10	108,256	156,212
Derivative financial instruments	10	1,338	-
Assets classified as held for sale	8	9,243	-
Total current assets		546,160	568,458
Total assets		943,797	957,176
EQUITY			
Capital and reserves attributable to owners of the parent			
Equity share capital		12,331	12,396
Share premium		139,604	132,891
Other reserves	9	(61,155)	(59,214)
Retained earnings		289,142	282,286
		379,922	368,359
Non-controlling interests		96	58
Total equity		380,018	368,417
LIABILITIES			
Non-current			
Interest-bearing loans and borrowings	10	221,697	220,030
Provisions	11	9,606	5,578
Employee benefits	13	18,099	20,479
Derivative financial instruments	10	9,744	11,255
Deferred income tax liabilities		10,799	11,331
Total non-current liabilities		269,945	268,673
Current			
Interest-bearing loans and borrowings	10	476	30,416
Trade and other payables		278,812	269,119
Current income tax liabilities		4,584	4,584
Provisions	11	9,358	12,130
Derivative financial instruments	10	604	3,837
Total current liabilities		293,834	320,086
Total liabilities		563,779	588,759
Total equity and liabilities		943,797	957,176

Group cash flow statement

for the year ended 30 September 2011

	2011 €000	2010 €000
Cash flows from operating activities		
Profit before tax	44,165	54,439
Finance income	(8,322)	(10,250)
Finance expense	16,657	16,766
Exceptional item	9,752	-
Operating profit (pre-exceptional item)	62,252	60,955
Share of joint ventures' profit after tax	(1,134)	(1,951)
Gain on previously held interest	(2,530)	-
Impairment of property, plant & equipment	672	-
Depreciation charge	14,884	14,249
Profit on disposal of property, plant and equipment	(87)	(68)
Amortisation of intangible assets	14,534	13,180
Share-based payment expense	1,154	598
Decrease in inventories	2,075	27,123
(Increase)/decrease in trade and other receivables	(9,953)	18,407
Decrease in trade payables, provisions and other payables	(6,940)	(29,182)
Exceptional item	(2,956)	-
Interest paid	(10,824)	(7,552)
Income taxes paid	(9,371)	(11,521)
Net cash inflow from operating activities	51,776	84,238
Cash flows from investing activities		
Interest received	1,835	1,536
Purchase of property, plant and equipment	(17,001)	(10,971)
Proceeds from disposal of property, plant and equipment	201	1,090
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	(12,048)	(8,708)
Acquisition consideration refunded in respect of prior years	984	-
Deferred acquisition consideration paid	(7,651)	(3,237)
Investment in joint ventures	(9,368)	(3,192)
Dividends received from joint ventures	2,303	2,300
Net cash outflow from investing activities	(40,745)	(21,182)
Cash flows from financing activities		
Proceeds from issue of shares (including share premium thereon, net of scrip dividend)	4,031	4,026
Acquisition of treasury shares	-	(58)
Shares purchased under share buyback programme	(10,467)	-
Proceeds from interest-bearing loans and borrowings	-	186,000
Repayments of interest-bearing loans and borrowings	(34,048)	(160,762)
Decrease in finance leases	(471)	(1,157)
Dividends paid to equity holders of the Company	(17,584)	(12,850)
Net cash (outflow)/inflow from financing activities	(58,539)	15,199
Net (decrease)/increase in cash and cash equivalents	(47,508)	78,255
Translation adjustment	(448)	2,306
Cash and cash equivalents at beginning of year	156,212	75,651
Cash and cash equivalents at end of year	108,256	156,212
Cash and cash equivalents is comprised of:		
Cash at bank and short term deposits	108,256	156,212

Notes to the preliminary announcement (continued)

for the year ended 30 September 2011

1. Reporting entity

United Drug plc (the "Company") is a company domiciled in Ireland. The preliminary consolidated financial statements of the Company for the year ended 30 September 2011, are comprised of the Company and its subsidiaries and joint ventures (together referred to as the "Group").

The financial information presented herein does not amount to statutory financial statements that are required by Section 7 of the Companies (Amendment) Act, 1986 to be annexed to the annual return of the Company. The financial information does not include all the information and disclosures required in the annual financial statements. The statutory financial statements for the year ended 30 September 2010, on which the auditors gave an unqualified opinion, have been attached to the annual return of the Company and filed with the Registrar of Companies. The statutory financial statements for the year ended 30 September 2011 will be annexed to the next annual return of the Company and filed with the Registrar of Companies.

2. Basis of preparation

This announcement has been prepared on the basis of the results and financial position that the directors expect will be reflected in the audited statutory accounts when these are completed. The financial information presented in this report has been prepared in accordance with the Group's accounting policies under International Financial Reporting Standards (IFRS), as adopted by the EU and as set out more fully in the Group's last Annual Report. The Group has adopted the following standards and amendments to existing standards during the financial year:

- Amendments to IFRS 2 Share-Based Payments: Group Cash-Settled Share Based Payment Transactions
This amendment incorporates the changes previously applied under IFRIC 8 and IFRIC 11. This standard did not have a significant impact on the Group's financial statements.
- Amendment to IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues
This amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. This standard did not have a significant impact on the Group's financial statements.
- IFRIC Interpretation 19 - Extinguishing Financial Liabilities with Equity Instruments
This interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to extinguish all or part of the liability. This IFRIC will have no effect on the Group's financial statements.
- IFRIC Interpretation 18 – Transfer of Assets from Customers
This interpretation gives guidance for utility companies on receipt from customers of property, plant and equipment that must be used to connect those customers to a utilities network. The IFRIC had no effect on the Group's financial statements.
- Improvements to IFRSs
The improvements include changes in presentation, recognition and measurement plus terminology and editorial changes. These improvements have not had a significant impact on the Group's financial statements.

Prospective accounting changes

The following standards, amendments to existing standards, and interpretations published by the IASB are not yet effective for the year ended 30 September 2011 and have not been early adopted in preparing the financial statements.

- Amendment to IAS 24 – Related Party Disclosures
- Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement
- Amendment to IAS 1 – Presentation of items of Other Comprehensive Income
- IFRS 9 – Financial Instruments: Recognition and Measurement
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interest in Other Entities
- IFRS 13 – Fair Value Measurement

A number of the standards set out above have not yet been EU endorsed and management are assessing whether these amendments will have a material impact on the Group.

Notes to the preliminary announcement (continued)

for the year ended 30 September 2010

3. Segmental analysis

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

- Healthcare Supply Chain

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

- Packaging & Specialty

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

- Sales, Marketing & Medical

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

The segmental analysis of the business corresponds with the Group's organisational structure, the nature of reporting lines to the Chief Operating Decision Maker (as defined in IFRS 8 Operating Segments), which the Group has identified as the Board of Directors, and the Group's internal reporting for the purpose of managing the business and assessing performance.

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

	2011 €000	2010 €000
Revenue		
Healthcare Supply Chain	1,409,496	1,438,528
Packaging & Specialty	137,967	120,549
Sales, Marketing & Medical	198,989	166,989
	1,746,452	1,726,066
Operating profit before exceptional item and intangible amortisation		
Healthcare Supply Chain	44,378	47,678
Packaging & Specialty	12,278	9,620
Sales, Marketing & Medical	20,130	16,837
	76,786	74,135
Intangible amortisation	(14,534)	(13,180)
Exceptional item	(9,752)	-
	52,500	60,955
Operating profit	52,500	60,955
Finance income	8,322	10,250
Finance expense	(16,657)	(16,766)
	44,165	54,439
Profit before tax	44,165	54,439
Income tax expense	(7,708)	(9,796)
	36,457	44,643
Profit after tax for the financial year	36,457	44,643
Operating segment assets		
Healthcare Supply Chain	581,886	649,452
Packaging & Specialty	203,475	186,241
Sales, Marketing & Medical	155,638	121,483
	940,999	957,176
Unallocated assets	2,798	-
	943,797	957,176
Geographical analysis of revenue		
Republic of Ireland	1,097,992	1,125,185
United Kingdom	483,623	453,842
United States	124,217	112,859
Continental Europe	40,620	34,180
	1,746,452	1,726,066

Notes to the preliminary announcement (continued)

for the year ended 30 September 2011

4. Exceptional item

	2011 €000	2010 €000
Redundancy costs	8,264	-
Onerous leases	816	-
Impairment of property, plant & equipment	672	-
	9,752	-
Exceptional taxation credit	(1,991)	-
Net exceptional items after taxation	7,761	-

During the year, redundancy costs were incurred in relation to the rationalisation of the Group's businesses. This rationalisation gave rise to onerous leases and an impairment of property, plant & equipment.

The cash impact of these costs during the year amounted to €2,956,000, while the remaining costs are due to be paid within one year.

5. Share of joint ventures' profit after tax

	2011 €000	2010 €000
Group share of revenue	618,468	679,019
Group share of expenses, inclusive of tax	(617,334)	(677,068)
Group share of profit after tax	1,134	1,951

6. Finance income and expense

	2011 €000	2010 €000
Finance income		
Income arising from cash deposits	1,835	1,536
Fair value adjustments to fair value hedges	-	5,986
Foreign currency gain on retranslation of bank borrowings	-	2,638
Fair value of cash flow hedges transferred from equity	3,207	-
Fair value adjustment to guaranteed senior unsecured loan notes	2,539	-
Fair value movement on interest rate swaps not designated as hedges	741	-
Ineffective portion of cash flow hedges	-	90
	8,322	10,250
Finance expense		
Interest on bank loans and other loans		
-wholly repayable within 5 years	(5,194)	(6,190)
-wholly repayable after 5 years	(4,626)	(832)
Interest on finance leases	(38)	(175)
Unwinding of discount on provisions	(642)	(242)
Fair value movement on interest rate swaps not designated as hedges	-	(703)
Fair value adjustment to guaranteed senior unsecured notes	-	(5,986)
Fair value of cash flow hedges transferred from equity	-	(2,638)
Foreign currency loss on retranslation of bank borrowings	(3,207)	-
Fair value adjustment to fair value hedges	(2,539)	-
Ineffective portion of cash flow hedges	(411)	-
	(16,657)	(16,766)
Net finance expense	(8,335)	(6,516)

Notes to the preliminary announcement (continued)

for the year ended 30 September 2011

7. Earnings per ordinary share

	2011 €000	2010 €000
Profit attributable to the owners of the parent	36,419	44,585
Adjustment for amortisation of intangible assets (net of tax)	11,004	9,872
Adjustment for exceptional item (net of tax)	7,761	-
Earnings adjusted for amortisation of intangible assets and exceptional item	55,184	54,457
	Number of shares	Number of shares
Weighted average number of shares	241,134,302	238,389,691
Number of dilutive shares under option	834,662	436,108
Weighted average number of shares, including share options	241,968,964	238,825,799
Basic earnings per share – cent	15.10	18.70
Diluted earnings per share – cent	15.05	18.67
Adjusted basic earnings per share - cent*	22.89	22.84
Adjusted diluted earnings per share - cent*	22.81	22.80

* excluding amortisation of intangible assets and exceptional item (net of tax)

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 2010	206,089	46,963	22,433	275,485
Acquired during the year	20,518	8,567	-	29,085
Revision to prior year acquisitions	92	-	-	92
Investment during the year	-	-	9,368	9,368
Deferred consideration written back	(1,019)	-	-	(1,019)
Acquisition consideration refunded	(984)	-	-	(984)
Amortisation of intangible assets	-	(14,534)	-	(14,534)
Share of joint ventures' profit after tax	-	-	1,134	1,134
Dividends received from joint ventures	-	-	(2,303)	(2,303)
Transfer to subsidiary undertaking	-	-	(1,090)	(1,090)
Translation adjustment	(2,470)	(577)	(263)	(3,310)
	222,226	40,419	29,279	291,924
Assets classified as held for sale	-	-	(9,243)	(9,243)
Balance at 30 September 2011	222,226	40,419	20,036	282,681

During the year, the Group completed the acquisition of the remaining 50% interest in Temperature Controlled Pharmaceuticals Limited ('TCP') that it did not previously own. As a result, TCP is now accounted for as a subsidiary undertaking and not as a joint venture undertaking. This gave rise to a gain of €2,530,000 being the difference between the fair value of the previously held interest in TCP and its carrying value which has been included within distribution expenses in the Group income statement.

The investment in joint ventures during the year represents the Group's share of the investment in Medco Health Solutions [Ireland] Limited. This investment has been classified as an asset held for sale at 30 September 2011. On the 17 October 2011, the Group agreed to dispose of this asset, see note 16.

During the year, acquisition consideration of €984,000 was refunded in relation to a warranty claim on a prior year acquisition.

Notes to the preliminary announcement (continued)

for the year ended 30 September 2011

9. Other reserves

	Cash flow hedge €000	Share based payment €000	Foreign exchange €000	Treasury shares €000	Capital redemption reserve €000	Total €000
Balance at 1 October 2010	1,026	5,883	(59,875)	(6,248)	-	(59,214)
Effective portion of cash flow hedges	1,015	-	-	-	-	1,015
Deferred tax on cash flow hedges	(127)	-	-	-	-	(127)
Share based payment expense	-	1,154	-	-	-	1,154
Release from share based payment reserve	-	(484)	-	-	-	(484)
Loss on hedge of net investment in foreign operations	-	-	(98)	-	-	(98)
Translation adjustment	-	(4)	(3,625)	-	-	(3,629)
Release of treasury shares on vesting	-	(356)	-	356	-	-
Share buyback	-	-	-	(10,467)	-	(10,467)
Cancellation of treasury shares	-	-	-	10,467	228	10,695
Balance at 30 September 2011	1,914	6,193	(63,598)	(5,892)	228	(61,155)

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

The capital redemption reserve of €228,000 (2010:nil) is a legal reserve which arose during the year as the Company bought back and cancelled 4,560,611 of its ordinary shares.

10. Net debt

	As at 30 September 2011 €000	As at 30 September 2010 €000
<i>Current assets</i>		
Cash at bank and short term deposits	108,256	156,212
Derivative financial assets	1,338	-
<i>Non-current assets</i>		
Derivative financial assets	1,460	-
<i>Current liabilities</i>		
Interest bearing loans and borrowings	(200)	(29,894)
Finance leases	(276)	(522)
Derivative financial instruments	(604)	(3,837)
<i>Non-current liabilities</i>		
Interest bearing loans and borrowings	(221,386)	(219,494)
Finance leases	(311)	(536)
Derivative financial instruments	(9,744)	(11,255)
	(121,467)	(109,326)

Notes to the preliminary announcement (continued)

for the year ended 30 September 2011

11. Provisions

	Deferred consideration €000	Onerous leases €000	Redundancy costs €000	Total €000
Balance at 1 October 2010	16,169	1,539	-	17,708
Increase in provision during the year	-	816	8,264	9,080
Deferred consideration written back	(1,019)	-	-	(1,019)
Arising on acquisition	4,053	-	-	4,053
Utilised during the year	(7,651)	(707)	(2,608)	(10,966)
Unwinding of discount	605	37	-	642
Translation adjustment	(529)	(7)	2	(534)
Balance at 30 September 2011	11,628	1,678	5,658	18,964

12. Acquisition of subsidiary undertakings

During the year, the Group completed three acquisitions:

- On 1 December 2010, the Group acquired the entire issued share capital of World Events Group Limited ('World Events'), a leading events management company providing event management, logistics and marketing services to international pharmaceutical companies.
- On 6 December 2010, the Group acquired the remaining 50% shareholding interest in Temperature Controlled Pharmaceuticals Limited ('TCP'), a leading supplier in Ireland of healthcare services at home, which brings the Group's interest up to 100%.
- On 27 June 2011, the Group acquired the entire issued share capital of Arjun Products Limited ('Arjun'), a batch manufacturer of specialty medical products.

The Group has also revised its estimate of the acquisition date fair value of current and deferred income tax in respect of prior year acquisitions. This has resulted in a corresponding increase in goodwill relative to amounts previously recorded. On the basis that this adjustment was not deemed to be material, it was accounted for in the current period.

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

	Book values €000	Fair value adjustments €000	Total in respect of current year acquisitions €000	Adjustments to prior year acquisitions €000	Total €000
Property, plant & equipment	830	-	830	-	830
Goodwill	400	(400)	-	-	-
Intangible assets	-	8,567	8,567	-	8,567
Inventories	173	-	173	-	173
Trade and other receivables	6,417	-	6,417	-	6,417
Trade and other payables (current)	(14,397)	-	(14,397)	-	(14,397)
Current and deferred income tax	(590)	(1,797)	(2,387)	(92)	(2,479)
Net identifiable assets and liabilities acquired	(7,167)	6,370	(797)	(92)	(889)
Goodwill arising on acquisitions			20,518	92	20,610
			19,721	-	19,721
Satisfied by:					
Cash consideration			20,957	-	20,957
Fair value of previously held 50% interest in TCP			3,620	-	3,620
Net cash and cash equivalents acquired on acquisition			(8,909)	-	(8,909)
			15,668	-	15,668
Deferred consideration			4,053	-	4,053
			19,721	-	19,721

Notes to the preliminary announcement (continued)

for the year ended 30 September 2011

12. Acquisition of subsidiary undertakings (continued)

None of the business combinations completed during the year were considered sufficiently material to warrant separate disclosure of the fair values attributable to those combinations.

The initial assignment of fair values to identifiable net assets acquired has been performed on a provisional basis in respect of the business combinations disclosed above given the timing of completion of these transactions. Any amendments to these acquisition date fair values within the twelve month timeframe from the date of acquisition will be disclosed in the relevant Annual Report as stipulated by IFRS 3 (Revised 2008), 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 businesses 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 intangible assets arising on the acquisitions are primarily related to the trade names, customer relationships and technology.

The acquisition related costs for these acquisitions included in the Group income statement amounted to €199,847, which has been included in administration expenses in the Group income statement.

The Group's results for the year ended 30 September 2011 includes the following amounts in respect of the businesses acquired during the year:

	2011 €000
Revenue	48,660
Gross profit	8,646
Distribution expenses	(7,423)
Other operating expenses*	(1,276)
Operating loss	(53)
Net interest expense	(429)
Loss before tax	(482)
Income tax	60
Loss after tax	(422)

*Other operating expenses consists of amortisation of intangible assets

Had these acquisitions been effected on 1 October 2010, the combined Group would have recorded total revenues of €1,753,541,000 and profit after interest and tax for the financial year of €36,373,000.

13. Employee benefits

	Employee benefit asset €000	Employee benefit liability €000	Employee benefit Total €000
Employee benefit asset/(liability) at 1 October 2010	13,214	(20,479)	(7,265)
Current service cost	(780)	(1,443)	(2,223)
Interest on scheme obligations	(130)	(2,638)	(2,768)
Expected return on scheme assets	1,036	2,225	3,261
Contributions paid	-	2,201	2,201
Actuarial (loss)/gain	(1,120)	1,417	297
Curtailement gain	-	560	560
Translation adjustment	(11)	58	47
Employee benefit asset/(liability) at 30 September 2011	12,209	(18,099)	(5,890)

Notes to the preliminary announcement (continued)

for the year ended 30 September 2011

13. Employee benefits (continued)

As set out in the consolidated financial statements for the year ended 30 September 2010, 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. A number of assumptions used to derive the actuarial valuations at 30 September 2011 have changed from the assumptions used at 30 September 2010.

The principal assumptions are as follows:

	Republic of Ireland Schemes		Northern Ireland Scheme		United States Scheme	
	2011	2010	2011	2010	2011	2010
Rate of increase in salaries	3.00%	3.50%	4.00%	4.00%	2.75%-4.00%	2.75-4.00%
Rate of increase in pensions	0-2.00%	0-2.00%	1.90-3.30%	2.20-3.30%	0.00%	0.00%
Inflation rate	2.00%	2.00%	2.60%	3.50%	2.75%	2.75%
Discount rate	5.25%	4.80%	5.05%	5.00%	4.70%	5.00%

14. Dividends

The Board has proposed a final dividend for 2011 of 6.25 cent per share, which gives a total dividend of 8.66 cent for 2011. This dividend has not been provided for in the balance sheet at 30 September 2011, as there was no present obligation to pay the dividend at the end of the reporting date. During the financial year, the final dividend for 2010 (6.06 cent per share) and the interim dividend for 2011 (2.41 cent per share), was paid giving rise to a reduction in shareholders' funds of €20,429,000.

15. Related parties

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

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

16. Events after the balance sheet date

On 17 October 2011 the Group agreed to dispose of its 50% shareholding in Medco Health Solutions [Ireland] Limited to Medco Health Solutions, Inc. for consideration of stg£8.2 million.

17. Going concern

The directors have a reasonable expectation that the company, and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the preliminary announcement.

18. Board Approval

This announcement was approved by the Board of Directors of United Drug plc on 15 November 2011.