

OPERATING REVIEW – DCC HEALTHCARE

DCC HEALTHCARE COMPRISES HOSPITAL SUPPLIES & SERVICES, WHICH PROVIDES SALES, MARKETING, DISTRIBUTION AND OTHER SERVICES TO MEDICAL DEVICE AND PHARMA COMPANIES IN THE IRISH AND BRITISH HOSPITAL AND HOMECARE MARKETS, AND HEALTH & BEAUTY SOLUTIONS, WHICH PROVIDES OUTSOURCED PRODUCT DEVELOPMENT, MANUFACTURING, PACKING AND OTHER SERVICES TO HEALTH AND BEAUTY BRAND OWNERS, PRINCIPALLY IN THE AREAS OF NUTRITION AND BEAUTY PRODUCTS.

Markets and Market Position

Hospital Supplies & Services

DCC Healthcare has a market leading position in the sales, marketing and distribution of medical devices into Irish hospitals with an extensive, highly trained field sales force and strong relationships with senior management, clinicians and procurement professionals. The business has a developing position in the medical devices sector in Britain which was significantly enhanced during the year by the acquisition of the Forth Medical Group.

DCC Healthcare sells and markets a broad range of medical devices and consumables in areas such as woundcare, urology, procedure packs, critical care (anaesthesia, endovascular, cardiology, IV access), diagnostics, orthopaedics and neurology. Products are typically single use/consumable in nature. Capital equipment represents a small element of total sales and typically relates to generating sales of consumable products, for example the sale (or placing) of diagnostic testing equipment in order to drive sales of the consumable test kits used in the equipment.

DCC Healthcare sells, markets and distributes innovative and generic pharma products in Ireland and Britain through the hospital, pharmacy and homecare channels. DCC Healthcare's portfolio of pharmaceuticals encompasses a range of therapy areas including oncology, antibiotics,

anaesthesia, pain management, haematology, respiratory, addiction and emergency medicine. The business is now developing its product portfolio and sales network in the retail pharmacy channel and this process was accelerated during year through the acquisition of the trade and assets of Neolab Limited, a supplier of generic pharmaceuticals to the British retail pharmacy channel, with its own local market authorisations (product licences). DCC's current modest market share in this channel in both Britain and Ireland provides the business with significant scope for continued growth.

DCC Healthcare also provides outsourced pharma compounding services to hospitals in Ireland, through its licensed compounding facility in Dublin, which is involved in the aseptic filling of oncology, pain management, antibiotic and paediatric nutrition products into patient ready dosage forms i.e. syringes or IV bags. The compounding facility services the national contract for paediatric nutrition in Ireland in partnership with Fresenius Kabi. DCC Healthcare has leveraged its compounding capability to expand its service offering into the provision of pharma homecare services, an underdeveloped area in Ireland. During the year DCC launched a home antibiotics service for cystic fibrosis patients on behalf of one of Dublin's major teaching hospitals.

DCC Healthcare is also a leading provider of value added logistics services in Britain, providing innovative stock management and distribution services to hospitals and healthcare brand owners/manufacturers focused principally on theatre products.

DCC Healthcare operates in the medical device and pharma markets which are primarily government funded. Fiscal budgets in Ireland and Britain have tightened and, in common with the majority of developed economies, the burden of care, particularly to support ageing populations, is growing. As a result healthcare providers are increasing their focus on cost saving opportunities and value for money. Public and private healthcare payers and providers are leveraging procurement scale through increased use of tendering, framework agreements, reference pricing and pharma formularies. They are switching to equivalent quality, lower cost medical and pharma products as well as outsourcing activities deemed to be non-core. DCC Healthcare is well placed to benefit from these trends.

Health & Beauty Solutions

DCC Healthcare is the leading British based outsourced service provider to the health and beauty sector, including operating the only soft gel encapsulation facility in Britain. Its range of outsourced services is focused principally in the areas of nutrition (vitamin and health supplements) and beauty products (skin care and bath and body care). The service offering encompasses contract manufacturing in a wide range of product formats (tablets, soft gel and hard shell capsules, creams and liquids), packing and other services from its three MHRA licensed manufacturing facilities in Britain. The business is building its reputation and market share in continental Europe especially in Benelux and Scandinavia.

Revenue

€330.0m

2011: €311.1m*

Change on prior year

Reported: +6.1%

Constant currency: +7.5%

Operating profit

€23.4m

2011: €22.5m*

Change on prior year

Reported: +4.1%

Constant currency: +5.3%

Return on total capital employed

15.4%

2011: 16.3%*

* based on continuing activities excluding
 Mobility and Rehabilitation

Brands

Hospital Supplies & Services - Biorad, Boston Scientific, Cipla, Diagnostica Stago, Fannin**, Fresenius Kabi, Grifols, Hikma, ICU Medical, Martindale Pharma, Molnlycke, Neolab**, Oxoid, Sandoz, Smiths Medical.

Health & Beauty Solutions' Customers - The Body Shop, Elder Pharmaceuticals, Forest Labs, GSK, Healthspan, Merck (Seven Seas, Natures Best, Lamberts), Omega Pharma, Reckitt Benckiser, Space NK, Unilever, Vitabiotics.

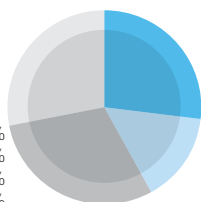
** DCC owned brands



OPERATING REVIEW – DCC HEALTHCARE (continued)

Revenue for the year ended 31 March 2012 by product/service area

Devices	27%
Pharma	15%
Distribution Services	30%
Health & Beauty	28%



Consumer demand for nutrition and beauty products has been robust through the current economic downturn with continued demand for product innovation. The trend for health and beauty brand owners to outsource non-sales and marketing activities (including product development) and to streamline their supply chains is a more important factor in driving demand in the contract manufacturing sector. There is also a trend towards increased regulation and higher manufacturing standards in the health and beauty sector. These trends will favour well funded contract manufacturers like DCC Healthcare which has the resources to invest in regulatory expertise and high quality facilities.

Strategy and Development

DCC Healthcare's strategy is to build a substantial healthcare business principally focused on the provision of value added services to the medical device, pharma and health and beauty sectors.

In medical devices, DCC Healthcare is continually seeking to strengthen its market positions and expand its product portfolio organically and through bolt on acquisitions. The medical market is increasingly polarising between high tech products in specialist therapy areas and commodity products. DCC Healthcare seeks to attract quality specialist agencies while also selectively launching commodity products under its own brand. DCC Healthcare's increased sales and marketing capability in Britain following the Forth Medical acquisition will provide an enhanced platform for development of our medical device portfolio in this territory.

In pharma, DCC is also seeking to strengthen its market positions and expand its product portfolio and service offering organically and through bolt on acquisitions. DCC Healthcare has a strong regulatory capability in the pharma area including product

in-licensing, quality control and assurance and pharmacovigilance. This capability, together with strength in sourcing and the uniformity of European Union product licensing regulations, will open up opportunities for the business to extend its pharma activities into new geographic markets over the coming years.

In Britain, DCC Healthcare is also building a growth platform in the provision of stock management and distribution services. During the year DCC Healthcare strengthened its management team in this area and invested in a new state of the art distribution centre in Derbyshire which has created significant scope for growth and operating efficiencies. This is a potentially interesting growth sector as British acute care hospitals seek cost savings and operating efficiencies from customised just-in-time distribution solutions which reduce stock obsolescence and improve product availability.

In Health & Beauty, the high quality of DCC's facilities, together with the strength and depth of DCC's related business development, product development and technical resources, has enabled DCC to build a reputation for providing a highly responsive and flexible service to its customers and for assisting customers in rapidly bringing new products from marketing concept through to finished, shelf-ready products. This service typically involves product development, formulation, stability and other testing and regulatory compliance, as well as manufacturing and packing. DCC will continue to leverage this capability across a broader customer base by expanding its European customer base both organically and by acquisition. DCC will also seek to expand its service offering into related areas such as sports nutrition and OTC pharma. During the year DCC enhanced its manufacturing capability in the creams and liquids area through

an investment in a small pharma suite and has already secured new business on the strength of this.

Customers

DCC Healthcare has deep market coverage in the sales and marketing of medical devices into the hospital sector in Ireland and Britain.

In pharma, DCC Healthcare's market coverage extends beyond the hospital sector and into retail pharmacy, pharma wholesalers and the homecare channel. Following the Neolab acquisition in May 2012, DCC now has key account relationships with major retail and wholesale pharmacy groups including Alliance Boots, Lloyds, Phoenix and The Co-op.

DCC's British value added distribution services business services a broad customer base of brand owners and hospitals including Guys & St Thomas's Hospital in London and the Sheffield Hospital Trust.

DCC Health & Beauty Solutions principally focuses on brand owners in the areas of nutrition (vitamin and health supplements) and beauty products (skin care and bath and body care). In addition to leading premium brand owners, DCC's customers include mail order companies, specialist health and beauty retailers and private label suppliers in Britain, continental Europe and other markets - in fact the ultimate consumers of approximately half of the output from DCC's facilities are in international markets. As the lines between pharma and consumer healthcare become increasingly blurred in the market place, DCC Health & Beauty Solutions is strengthening its relationships within blue chip companies such as Merck, GSK, Unilever and L'Oréal.

DCC Healthcare has a broad customer base with its ten largest customers accounting for approximately 16% of revenue in the year ended 31 March 2012.



CASE STUDY

MAKING AN IMPACT ON LIFE

DCC's subsidiary Fannin Pharma is making a very real and positive impact on people lives, for example in their role with Cystic Fibrosis (CF) patients. CF is a critical disease affecting patients' respiratory tract and digestive system from a very young age. Patients need specialist treatment and infection is always a serious risk. Often patients are required to attend hospital just to receive IV antibiotics when they would be safer at home avoiding hospital acquired infections.

Fannin Pharma's compounding and home delivery service means that patients do not need to travel to hospital to receive therapy. Individual prescriptions of IV antibiotics are compounded by Fannin in its state-of-the-art aseptic filling unit in Dublin and sent to patients' homes where they are administered by a local district nurse. This avoids patients' exposure to other potential infections as well as allowing more time with family and friends.

Fannin produces thousands of such prescriptions for patients all over the country for CF and other illnesses so that patients can get their treatment safely in their own homes and without filling hospital beds, which is good for both the patient and for the overall healthcare system.

Suppliers

DCC Healthcare represents leading medical, surgical and scientific device brands including BioRad, Boston Scientific, Diagnostica Stago, ICU Medical, Molnlycke, Oxoid and Smiths Medical.

DCC Healthcare works with leading innovative and generic pharma companies like Cipla, Fresenius Kabi, Grifols, Hikma, Martindale Pharma, Medac, Rosemont and Sandoz.

DCC Healthcare's British value added distribution services business has a very broad supplier

base including Baxter, Covidien, Gambro, J&J and Molnlycke.

In Health & Beauty, DCC Healthcare sources from high quality raw materials and ingredient suppliers across the globe in order to provide its customers with high quality and cost effective solutions and is increasingly focused on sourcing sustainability-certified raw materials, such as fish oils.

The supplier portfolio is broadly based with the top ten suppliers representing approximately 14% of revenue in the year ended 31 March 2012.

OPERATING REVIEW – DCC HEALTHCARE (continued)

Our People

DCC Healthcare employs 1,169 people principally based in Britain and Ireland, led by strong, entrepreneurial management teams. In pharma, DCC Healthcare strengthened its senior management team during the year reflecting the increased scale of its activities in this sector and the range of growth opportunities available to it. Training and education is critical in the healthcare sector and DCC Healthcare continually invests in ensuring that its people are experts in their respective product or service areas and are fully conversant with the relevant regulatory frameworks within which the business operates. DCC Healthcare's businesses are actively participating in the DCC Graduate Programme.

Key Risks

DCC Healthcare operates in geographic markets where healthcare spending is predominantly funded (directly or indirectly) by governments. The economic downturn is clearly influencing governments' healthcare budgets. DCC Healthcare's competitive product portfolio and outsourced service offering mitigates this risk and indeed is providing DCC Healthcare with new growth opportunities in the current environment.

DCC Healthcare trades with a very broad supplier and customer base and a constant focus on providing a value added service ensures excellent commercial relationships. In the case of a very small number of key suppliers/principals and customers, their loss could have a serious operational and financial impact on the business.

Product quality and regulatory compliance are critical matters for DCC Healthcare - poor product quality could have consequences for customer or public safety. DCC Healthcare continually invests in its technical and regulatory resources, quality systems, staff training and facilities to ensure quality standards are consistently maintained and the

requirements of the relevant regulatory authorities are met or surpassed.

Sustainability

DCC Healthcare strives to improve sustainability for the benefit of all stakeholders. By minimising waste, reducing water consumption, optimising energy efficiency and procuring sustainable ingredients such as fish oils certified by the Marine Stewardship Council, DCC Healthcare is reducing the environmental impacts from its operations.

DCC Healthcare's customers are increasingly interested in understanding its approach to sustainability and many request information on DCC Healthcare's sustainability policies and procedures. We are focused on exceeding customers expectations in this regard, including the provision of carbon metrics to our NHS customers, as highlighted in the Squadron Medical case study in the Sustainability Report on pages 47 to 55. DCC Healthcare is also engaging with the Carbon Disclosure Project Supply Chain programme to report carbon emissions data and carbon management initiatives to participating customers.

Performance for the Year Ended 31 March 2012

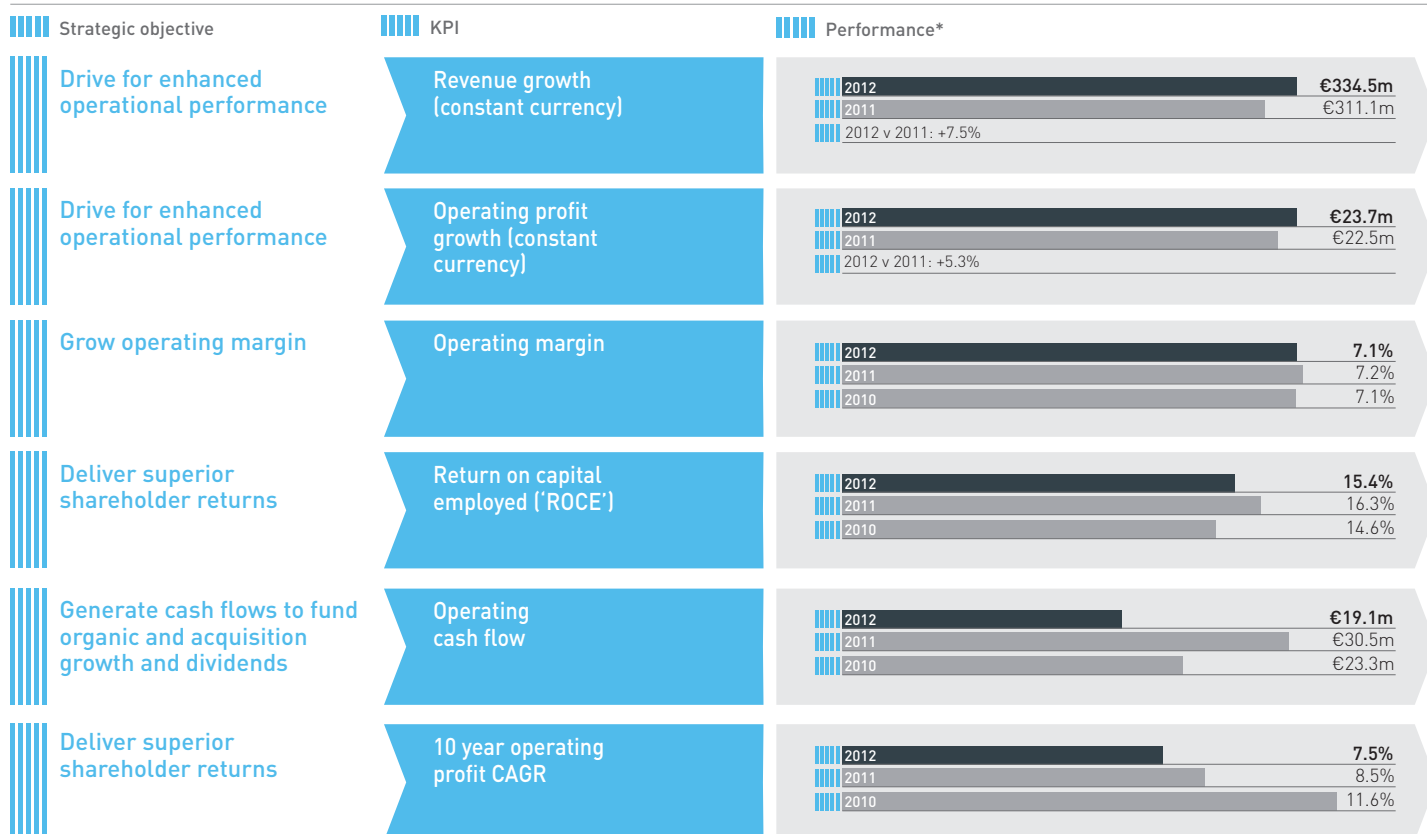
DCC Healthcare achieved growth in operating profit from continuing activities of 5.3% on a constant currency basis despite a challenging market background, particularly in Ireland.

DCC Hospital Supplies & Services which operates in medical devices, pharma and value added logistics, had a good year.

In medical devices, modest revenue growth was achieved and the scale of activities in Britain was significantly increased through the acquisition in February 2012 of the Forth Medical Group. Forth is a specialist distributor of neurology, orthopaedic and niche surgical devices and has strong relationships with clinicians in the British hospital sector.

**DCC HEALTHCARE EMPLOYS
1,169 PEOPLE PRINCIPALLY
BASED IN BRITAIN AND
IRELAND, LED BY STRONG,
ENTREPRENEURIAL
MANAGEMENT TEAMS.**

DCC HEALTHCARE : KEY FINANCIAL PERFORMANCE INDICATORS



* based on continuing activities excluding Mobility & Rehabilitation

In pharma, strong revenue growth was achieved and good progress was made in the development of the product portfolio, regulatory capability and market coverage in Britain and Ireland. Important in this regard was the acquisition in May 2011 of the business and certain assets of Neolab Limited, a British generic pharma business. The Neolab product range, where DCC Healthcare is the product licence holder, has opened up valuable new customer and supplier relationships. DCC Healthcare also achieved strong pharma sales growth in the British hospital sector driven by a number of NHS contract wins.

Good progress was made in value added logistics services in Britain and the business has recently moved into a newly built state of the art distribution centre in Derbyshire.

DCC Health & Beauty Solutions which provides outsourced solutions to nutrition and beauty brand owners, generated strong revenue and profit growth in nutrition driven by continued

strong development with existing customers and the expansion of its European customer base. Overall profit in DCC Health & Beauty Solutions was held back by the impact on its beauty operations of a reduction in contribution from one of its important customers due to destocking and an unfavourable change in sales mix.

Outlook

DCC Healthcare is well placed for the year to 31 March 2013, which will have the full year benefit of recent development activity in pharma and medical devices and an expected recovery in the performance of its beauty operations.

BY MINIMISING WASTE, REDUCING WATER CONSUMPTION, OPTIMISING ENERGY EFFICIENCY AND PROCURING SUSTAINABLE INGREDIENTS SUCH AS FISH OILS CERTIFIED BY THE MARINE STEWARDSHIP COUNCIL, DCC HEALTHCARE IS REDUCING ENVIRONMENTAL IMPACTS FROM ITS OPERATIONS.