

Operating Review

DCC Healthcare

DCC Healthcare comprises DCC Vital, which is focused on the sales, marketing and distribution of pharmaceuticals and medical devices, to the hospital and retail pharmacy channels, and DCC 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

DCC Vital

DCC Vital has a significant and growing position in Britain in the sales, marketing and distribution of pharmaceuticals and medical devices and is the market leader in these activities in Ireland.

Pharma - DCC Vital sells, markets and distributes innovative and generic pharma products in Britain and Ireland through the hospital, retail pharmacy and homecare channels. DCC Vital has been active in the pharmaceutical market since 2002, initially focused on intravenous hospital products. DCC Vital has been building its presence in the retail pharmacy channel in recent years including through the acquisition in May 2011 of the trade and assets of Neolab, a small British generic pharma business. This development was significantly accelerated during the year with the acquisition of Kent Pharmaceuticals (announced in December 2012 and completed in February 2013), a leading provider of generic pharma products to the British market.

Kent Pharma is involved in the development, manufacture, sales, marketing and distribution of generic pharmaceuticals for the British, Irish and international markets. It has a broad portfolio of its own licensed products with a particular focus on beta lactam antibiotics including penicillin V, flucloxacillin and amoxicillin, which are long established antibiotics typically used to treat bacterial infections such as throat, ear and respiratory tract infections. Kent Pharma is the market leader in these

products in Britain and also operates a specialist beta lactam manufacturing facility located in Roscommon, Ireland (Athlone Pharmaceuticals). The balance of the Kent product portfolio covers a broad range of therapy areas. Kent has strong relationships with the leading retail/wholesale pharmacy groups and independent pharmacies in Britain. While Kent Pharma principally sells to the retail pharmacy channel, it also sells to hospitals, other generic pharma companies and international distributors.

Following the acquisition of Kent Pharma, DCC Vital now has a comprehensive portfolio of own and third party innovative and generic pharmaceuticals for the hospital and retail channels across a range of therapy areas including antibiotics, oncology, pain management, respiratory, haematology, emergency medicine and addiction.

DCC Vital 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 Vital 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 Vital, in conjunction with a subsidiary of United Drug plc, was

awarded a contract to provide a national Outpatient Parenteral Antimicrobial Therapy (OPAT) Service, the first national pharma homecare contract to be awarded by the Irish public healthcare system.

Devices - DCC Vital 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 last year by the acquisition of the Forth Medical Group in January 2012.

DCC Vital 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. Sales of capital equipment represents only a very 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.



Revenue

€393.2m

2012: €330.0m

Change on prior year

Reported: +19.1%

Constant currency: +13.6%

Operating profit

€27.2m

2012: €23.4m

Change on prior year

Reported: +16.2%

Constant currency: +10.3%

Return on total capital employed

13.1%

2012: 15.4%

DCC Vital's Brands - Biorad, Cipla, Diagnostica Stago, Fannin*, Fresenius Kabi, Grifols, Hikma, ICU Medical, Kent Pharmaceuticals*, Martindale Pharma, Molnlycke, Neolab*, Oxoid, Smiths Medical.

* DCC owned brands

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



Operating Review DCC Healthcare (continued)



Case Study

CONTRACT MANUFACTURE OF HEALTHCARE CREAMS AND LIQUIDS – A DEVELOPING GROWTH SECTOR FOR DCC HEALTH & BEAUTY SOLUTIONS
DCC Health & Beauty Solutions is rapidly developing its capability and revenues in healthcare creams and liquids. While its creams and liquids facility in Alton, Hampshire has been licensed by the MHRA for many years, historically it has principally focused on products for the beauty sector.

Having identified a lack of high quality capacity in the contract manufacturing of pharmaceutical creams and liquids in Britain, DCC invested to establish a dedicated pharmaceutical manufacturing area within its Alton facility in mid 2010. DCC installed a purpose built pharmaceutical grade dispensary and a new development laboratory and enhanced its bottle filling capability, including the addition of in-line automated carton erection and pharmacode reading capability. In addition to its MHRA licence, the Alton facility is FDA audited and holds other international accreditations in the pharmaceutical and medical devices areas.

Over the last two years, leveraging on its strong regulatory and technical expertise and accreditations, the business has added new customers and generated significant revenue growth in topical creams, liquids and suspensions across OTC pharma, consumer healthcare and medical device categories. The range of products now contract manufactured and packed by DCC Health & Beauty Solutions includes Forest Laboratories' Infacol®, a paediatric oral suspension, and a liquid nutritional product for one of Britain's leading vitamin brands.

While healthcare creams and liquids is a modest part of the overall DCC Health & Beauty Solutions business today, based on current trends and growth rates, it is expected to continue to increase in importance over the coming years.

DCC HEALTHCARE'S STRATEGY IS TO BUILD A SUBSTANTIAL EUROPEAN HEALTHCARE BUSINESS PRINCIPALLY FOCUSED ON THE SALES, MARKETING AND DISTRIBUTION OF PHARMACEUTICALS AND MEDICAL DEVICES AND THE PROVISION OF OUTSOURCED SERVICES TO THE HEALTH AND BEAUTY SECTOR.

Logistics - DCC Vital 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 Vital operates in the pharma and medical device markets in Britain and Ireland which are primarily government funded. Fiscal budgets in Ireland and, to a lesser extent, Britain have tightened in recent years 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 generic pharmaceuticals and medical products as well as outsourcing activities deemed to be non-core. DCC Vital is well placed to benefit from these trends.

DCC Health & Beauty Solutions

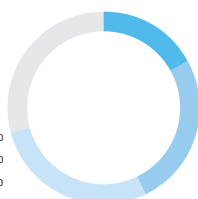
DCC Health & Beauty Solutions is a leading outsourced service provider to the health and beauty sector in Europe with operations in Britain, and, following the acquisition of Vitamex Manufacturing AB during the year, in Scandinavia also. Its range of outsourced services is focused principally on the areas of nutrition (vitamin and health supplements) and beauty products (skin care and bath and body care). The service offering encompasses product development, formulation, stability and other testing and regulatory compliance as well as manufacturing and packing. DCC operates five licensed manufacturing facilities – three in Britain and two in Sweden and contract manufactures in a wide variety of product formats (tablets, soft gel and hard shell capsules, creams and liquids). The business continues to enhance its reputation and market share in continental

Europe, especially in Scandinavia, Benelux and Germany.

Consumer demand for nutrition and beauty products has been robust through the economic downturn with continued demand for product innovation. More importantly, there is an increasing trend for health and beauty brand owners to outsource non-sales and marketing activities (including product development) and to streamline their supply chains. Further trends towards increased regulation and higher manufacturing standards add to the generally positive market background for contract manufacturing in the health and beauty sector. These trends favour well-funded contract manufacturers like DCC Health & Beauty Solutions which has the resources to invest in regulatory expertise, customer specific product innovation and high quality facilities.

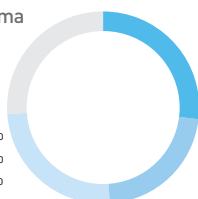
Revenue for the year ended 31 March 2013 by product/service area

Pharma	17%
Devices	26%
Logistics	28%
Health & Beauty	29%



DCC Healthcare - Pro Forma Sales Analysis (post acquisition of Kent Pharma)

Pharma	27%
Devices	22%
Logistics	25%
Health & Beauty	26%



Strategy and Development

DCC Healthcare's strategy is to build a substantial European healthcare business principally focused on sales, marketing and distribution of pharmaceuticals and medical devices and the provision of outsourced services to the health and beauty sector.

In pharma, DCC Vital is currently focusing on the integration of Kent Pharma. This acquisition brings a highly complementary product portfolio, product licence ownership and strong

relationships in the British retail pharmacy channel. Combining Kent Pharma with DCC Vital's pre-existing pharma activities creates a substantial pharma business with aggregate revenues in excess of £100 million and a leading position in the British generics market. In the near term, the enlarged pharma product portfolio and increased sales and marketing capability is generating growth opportunities for DCC Vital in Britain. Over time the enhanced pharma regulatory and business development capability will also create opportunities for sales development in other geographic markets, in particular within the EU and in the Middle East and North Africa region. Furthermore, the combined business will attract, and provide a strong platform for product in-licensing and bolt on acquisition opportunities.

In devices, DCC Vital is continually seeking to strengthen its market positions and expand its product portfolio organically and through bolt on acquisitions. The devices market is increasingly polarising between high tech products in specialist therapy areas and commodity products. DCC Vital seeks to attract quality specialist agencies while also selectively launching commodity products under its own brand. DCC Vital has invested in sales and marketing capability in Britain, including the acquisition of Forth Medical in 2012, which has provided an enhanced platform for the development of our medical device activities in this territory.

In Britain, DCC Vital is also building a growth platform in the provision of stock management and distribution services. DCC Vital has strengthened its management team, IT platform and physical infrastructure in this area and established a new state of the art distribution centre in Derbyshire. As a result the logistics business has significant scope for growth and operating efficiencies. This is a potentially interesting growth opportunity as DCC seeks to exploit British acute care hospitals' appetite for cost savings and operating efficiencies from customised just-in-time distribution solutions which reduce stock obsolescence and improve product availability.

In DCC Health & Beauty Solutions, the high quality of DCC's facilities, together with the strength and depth of DCC's related product development and technical resources, has enabled the business 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. DCC will continue to leverage this capability across a broader customer base by expanding its European customer base, both organically and by acquisition. The acquisition of Vitamex Manufacturing has introduced some valuable new customer relationships to DCC and the business is working to deploy the full range of its service offering to these customers. DCC is also expanding its service offering organically into related areas such as sports nutrition and OTC pharma and will seek to accelerate these developments by acquisition.

Customers

DCC Vital's market coverage in pharma extends beyond the hospital sector into retail pharmacy, pharma wholesalers and the homecare channel, as well as international distributors. The acquisition of Kent Pharmaceuticals has broadened and strengthened DCC Vital's key account relationships with the major retail and wholesale pharmacy groups in Britain including Alliance Boots, Lloyds, Phoenix and The Co-op.

DCC Vital has deep market coverage in the sales and marketing of medical devices into the hospital sector in Ireland and Britain and enjoys strong relationships with the HSE in Ireland, the NHS in Britain as well as individual acute care hospitals, procurement groups and private hospital groups.

DCC Vital's British value added logistics services business services a broad customer base of brand owners, hospitals and procurement groups including Guys & St Thomas's Hospital, the Sheffield Hospital Trust and HCA.

Operating Review

DCC Healthcare (continued)

DCC Health & Beauty Solutions principally focuses on providing services to 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. The acquisition of Vitamex Manufacturing AB during the year has strengthened DCC Healthcare's presence in the European market, particularly northern Europe. Today approximately half of the output from DCC's facilities is consumed in international markets outside of Britain. 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 Apoteket, Merck, Omega Pharma, Oriflame and Unilever.

DCC Healthcare has a broad customer base with its ten largest customers accounting for approximately 29% of revenue in the year ended 31 March 2013.

Suppliers

DCC Vital works with leading innovative and generic pharma companies like Cipla, Fresenius Kabi, Grifols, Hikma, Martindale Pharma, Medac and Rosemont as well as having its own specialist manufacturing plant for beta lactam antibiotics in Ireland, which was acquired as part of the acquisition of Kent Pharmaceuticals.

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

DCC Vital's British value added distribution services business services has a very broad supplier base including Applied Medical, Baxter, Covidien, Gambro, J&J and Molnlycke.

DCC Health & Beauty Solutions 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 28% of revenue in the year ended 31 March 2013.

Our People

DCC Healthcare employs 1,584 people principally based in Britain and Ireland, led by strong, entrepreneurial management teams. In DCC Vital, the senior management team has been strengthened during the year, including the appointment of new directors to lead its pharma and devices activities respectively, reflecting the increased scale of the business 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 and resulting fiscal pressures 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.

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.

DCC Healthcare trades with a very broad supplier and customer base and its 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.

Sustainability

DCC Healthcare continues to improve the sustainability of its businesses 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 we have undertaken a number of new initiatives during the year to meet and in some cases exceed customers' expectations in this regard. Within our logistics business, the new state of the art distribution centre in Derbyshire has been designed to be energy efficient, in addition we are using more fuel efficient vehicles, as well as engaging with both healthcare suppliers and providers on mapping and understanding the Scope 3 carbon emissions of products supplied into the NHS. As highlighted in the Laleham Health & Beauty case study in the Sustainability Report on pages 49 to 57, DCC Healthcare is also working with one of its key customers as they engage with the Carbon Disclosure Project Supply Chain programme.

DCC Healthcare: Key Financial Performance Indicators

Strategic objective	KPI	Performance	
Drive for enhanced operational performance	Revenue growth (constant currency)	<div><div></div><div></div></div> <div>€393.2m2013 €330.0m2012</div> <div>Constant currency 2013 v 2012: +13.6%</div>	
Drive for enhanced operational performance	Operating profit growth (constant currency)	<div><div></div><div></div></div> <div>€27.2m2013 €23.4m2012</div> <div>Constant currency 2013 v 2012: +10.3%</div>	
Drive for enhanced operational performance	Operating margin	<div><div></div><div></div></div> <div>6.9%2013 7.1%2012</div>	
Deliver superior shareholder returns	Return on capital employed ('ROCE')	<div><div></div><div></div></div> <div>13.1%2013 15.4%2012</div>	
Generate cash flows to fund organic and acquisition growth and dividends	Operating cash flow	<div><div></div><div></div></div> <div>€25.3m2013 €19.1m2012</div>	
Deliver superior shareholder returns	10 year operating profit CAGR	<div><div></div><div></div></div> <div>7.7%2013 7.5%2012</div>	

Performance for the Year Ended 31 March 2013

DCC Healthcare made good progress during the year, growing its operating profit by 10.3% on a constant currency basis and significantly enhancing its growth platform in the pharma sector through the acquisition of Kent Pharma.

DCC Vital (formerly DCC Hospital Supplies & Services), which is involved in the sales, marketing and distribution of pharmaceuticals and medical devices and the provision of value added logistics services, had a good year with the impact of a challenging market in Ireland offset by acquisitions in both the current and prior year.

DCC Vital's pharma business achieved excellent profit growth. It generated good organic growth in the British retail pharmacy channel, especially in respiratory and pain management products, and benefited from a number of NHS contract wins for antibiotic products for the hospital sector. The result included a modest first time contribution from Kent Pharma, acquired in February 2013.

Kent Pharma has a strong portfolio of own licence antibiotics and other generic pharmaceuticals together with an excellent sales network into the British retail pharmacy channel. Its strengths are highly complementary to DCC Vital's pre-existing pharma activities which were more weighted to intravenous pharmaceuticals for the hospital sector with a geographical bias towards Ireland. The integration of Kent Pharma is progressing well.

DCC Vital's devices business achieved strong growth in Britain, boosted by a first full year contribution from Forth Medical Group, a specialist distributor of neurological, orthopaedic and niche surgical devices acquired in February 2012. This offset the impact on its Irish activities of the budgetary constraints within the public healthcare system which have resulted in continued price pressure, especially in more commoditised medical and surgical products. DCC Vital's British value added logistics business recorded good profit growth for the year and benefited from continued market interest in its range of customised

stock management and just-in-time logistics solutions for hospitals and manufacturers.

DCC Health & Beauty Solutions, a leading provider of outsourced services to brand owners in the health and beauty sectors, achieved excellent organic profit growth and benefited from a modest first time contribution from Vitamex Manufacturing, acquired in June 2012. Growth was achieved across both the nutrition (vitamins and health supplements) and beauty categories. The business benefited from successful new product development for existing British and European customers and from a number of new business wins, including in healthcare creams and liquids.