

# PRELIMINARY REVIEWED GROUP RESULTS

## FOR THE YEAR ENDED 31 DECEMBER 2007

- Revenues increase 19% to R940,7 million (2006: R789,5 million)
- Basic EPS of 31,0 cents (2006: 26,0 cents)
- Basic HEPS of 24,7 cents (2006: 24,9 cents)



### Condensed Consolidated Income Statement

	Year ended 31 December 2007 Reviewed R'000	Restated Year ended 31 December 2006 Audited R'000
<b>Continuing operations</b>		
Revenue	806 234	673 586
Cost of Sales	(392 611)	(343 171)
<b>Gross profit</b>	<b>413 623</b>	<b>330 415</b>
Other income	14 864	3 842
Selling and distribution expenses	(154 179)	(111 751)
Administrative expenses	(54 512)	(30 325)
Other expenses	(21 099)	(8 478)
<b>Profit before financing costs and income tax</b>	<b>198 697</b>	<b>183 703</b>
Net finance costs	(33 666)	(23 888)
Finance costs	(54 182)	(31 322)
Finance income	20 516	7 434
Share of profit of equity accounted investees (net of tax)	317	-
<b>Profit before income tax</b>	<b>165 348</b>	<b>159 815</b>
Income tax expense	(58 880)	(60 104)
<b>Profit from continuing operations</b>	<b>106 468</b>	<b>99 711</b>
<b>Discontinued operations</b>		
Profit from discontinued operations (net of tax)*	26 348	4 804
<b>Profit for the year</b>	<b>132 816</b>	<b>104 515</b>
<b>Attributable to:</b>		
Equity holders of the parent	131 841	104 079
Minority interest	975	436
<b>Profit for the year</b>	<b>132 816</b>	<b>104 515</b>
Number of shares ('000)		
Weighted average (basic)	425 603	400 609
Weighted average (diluted)	426 550	408 530
<b>Total</b>		
Earnings per share (cents)		
Basic	31,0	26,0
Diluted	30,9	25,5
<b>Continuing operations</b>		
Earnings per share (cents)		
Basic	25,0	24,9
Diluted	24,9	24,4
<b>Headline earnings</b>		
<b>Reconciliation of headline earnings</b>		
Profit attributable to ordinary shareholders	131 841	104 079
Adjusted for:	(26 865)	(4 257)
Gain on disposals of property, plant and equipment	(188)	(3 073)
Gain on disposals of intangible assets	(8 236)	-
Gain on disposals of discontinued operations	(24 642)	-
Excess of assets acquired over purchase price	(74)	(1 184)
Impairment of property, plant and equipment	5 616	-
Impairment of intangible assets	976	-
Share of profit of equity accounted investees	(317)	-
<b>Total</b>	<b>104 976</b>	<b>99 822</b>
Headline earnings per share (cents)		
Basic	24,7	24,9
Diluted	24,6	24,4
<b>Continuing operations</b>		
Headline earnings per share (cents)		
Basic	24,5	24,6
Diluted	24,5	24,1

\* Note: Included in profit from discontinued operations is profit on disposal of businesses net of the applicable taxes.

### Condensed Segmental Information

	Year ended 31 December 2007 Reviewed R'000	Restated Year ended 31 December 2006 Audited R'000
<b>Segment revenue</b>		
Pharmaceutical	806 234	673 586
Consumer and Vitality*	134 506	115 908
<b>Total</b>	<b>940 740</b>	<b>789 494</b>
<b>Segment results</b>		
Pharmaceutical	198 697	184 703
Consumer and Vitality*	39 383	5 306
<b>Total</b>	<b>238 080</b>	<b>190 009</b>

\* Note: The Consumer and Vitality division has been discontinued.

### Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the parent					Minority interest	Total equity
	Share capital	Share premium	Treasury shares	Retained income	Total		
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Balance at 1 January 2006</b>	403	875 218	(2 651)	18 596	891 566	(1 559)	890 007
Total recognised income and expenditure (profit for the year)	-	-	-	104 079	104 079	436	104 515
Issue of share capital	6	18 216	-	-	18 222	-	18 222
Share issue expenses	-	(2 706)	-	-	(2 706)	-	(2 706)
Shares acquired by share incentive trust	-	-	(16 222)	-	(16 222)	-	(16 222)
IFRS 2 Share based payments	-	-	-	2 882	2 882	-	2 882
Acquisition of minority interest	-	-	-	-	-	910	910
<b>Balance at 31 December 2006</b>	<b>409</b>	<b>890 728</b>	<b>(18 873)</b>	<b>125 557</b>	<b>997 821</b>	<b>(213)</b>	<b>997 608</b>
Total recognised income and expenditure (profit for the year)	-	-	-	131 841	131 841	975	132 816
Issue of share capital	34	130 183	-	-	130 217	-	130 217
Share issue expenses	-	(1 615)	-	-	(1 615)	-	(1 615)
Issued from share incentive trust	-	-	10 166	-	10 166	-	10 166
IFRS 2 Share based payments	-	-	-	1 792	1 792	-	1 792
Acquisition of minority interest	-	-	-	-	-	(6)	(6)
Disposal of minority interest	-	-	-	-	-	(604)	(604)
<b>Balance at 31 December 2007</b>	<b>443</b>	<b>1 019 296</b>	<b>(8 707)</b>	<b>259 190</b>	<b>1 270 222</b>	<b>152</b>	<b>1 270 374</b>

#### CORPORATE INFORMATION

<b>Non-executive directors</b>	PCS Luthuli (Chairman); Dr GS Mahlali; MT Mosweu; MB Caga; ND Mokone	<b>Registered address</b>	1474 South Coast Road, Mobeni, KwaZulu-Natal, 4052
<b>Executive directors</b>	JS Smith (Chief Executive Officer); C Aucamp (Chief Financial Officer)	<b>Postal address</b>	PO Box 32003, Mobeni, 4060
<b>Registration number</b>	2002/018027/06	<b>Transfer secretaries</b>	Computershare Investor Services (Proprietary) Limited
<b>JSE</b>	ENL	<b>Telephone</b>	+27 31 451 3800
<b>ISIN</b>	ZAE000067740	<b>Facsimile</b>	+27 31 451 3889
		<b>Sponsor</b>	Nedbank Capital
		<b>Auditors</b>	KPMG Inc.

### Condensed Consolidated Balance Sheet

	31 December 2007 Reviewed R'000	31 December 2006 Audited R'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1 491 865	1 446 339
Intangible assets	130 909	30 261
Other investments	1 355 431	1 400 848
Deferred tax assets	328	5 071
	5 197	10 159
<b>Current assets</b>		
Inventories	445 274	421 760
Income tax receivable	85 356	91 718
Trade and other receivables	1 186	24
Loans receivable	156 078	144 280
Cash and cash equivalents	42 234	3 453
	160 420	182 285
<b>Total assets</b>	<b>1 937 139</b>	<b>1 868 099</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Capital and reserves	1 270 222	997 821
Minority interest	152	(213)
<b>Total equity</b>	<b>1 270 374</b>	<b>997 608</b>
<b>Non-current liabilities</b>		
Loans and borrowings	442 678	350 416
Deferred tax liabilities	5 678	2 134
<b>Current liabilities</b>	<b>218 409</b>	<b>517 941</b>
Bank overdraft	771	3 175
Loans and borrowings	5 072	308 922
Income tax payable	25 126	36 744
Trade and other payables	187 440	169 100
<b>Total liabilities</b>	<b>666 765</b>	<b>870 491</b>
<b>Total equity and liabilities</b>	<b>1 937 139</b>	<b>1 868 099</b>

### Condensed Consolidated Cash Flow Statement

	Year ended 31 December 2007 Reviewed R'000	Year ended 31 December 2006 Audited R'000
<b>Cash generated by operations</b>		
Finance costs paid	232 001	157 345
Finance income received	(55 936)	(29 324)
Income tax paid	20 599	7 446
Secondary tax on companies paid	(71 516)	(44 073)
	(4 433)	(2 086)
<b>Cash flows from operating activities</b>	<b>120 715</b>	<b>89 308</b>
Acquisition of property, plant and equipment	(122 587)	(17 440)
Acquisition of intangible assets	(5 015)	(9 253)
Proceeds on disposals of property, plant and equipment	3 184	8 872
Proceeds on disposals of intangible assets	21 565	-
Disposal of discontinued operations (net of tax)	73 295	-
Acquisition of subsidiaries	-	(20 350)
Acquisition of minority interests	(1 738)	(4 000)
Increase in loans receivable	(39 060)	(649)
<b>Cash flows from investing activities</b>	<b>(70 356)</b>	<b>(42 820)</b>
Proceeds from the issue of share capital	125 000	-
Share issue expenses	(1 615)	(719)
Proceeds from the exercise of share options	10 166	-
Net proceeds on redeemable preference shares	107 670	222 000
Increase in loans payable	(311 041)	(196 079)
<b>Cash flows from financing activities</b>	<b>(69 820)</b>	<b>25 202</b>
Net (decrease) increase in cash and cash equivalents	(19 461)	71 690
Cash and cash equivalents at beginning of the year	179 110	107 420
<b>Cash and cash equivalents at end of the year</b>	<b>159 649</b>	<b>179 110</b>

### Commentary

#### Overview

We are pleased to announce a reasonable, under the circumstances, set of annual results in light of the revised strategy of the group and the continuing challenging regulatory environment. 2007 saw significant changes within the group, most notably the board's decision to focus solely on pharmaceuticals and divest of the Consumer and Vitality division, which is now complete.

A sale agreement was signed with Marico South Africa Consumer Care (Pty) Ltd for all the shares and claims in Enaleni Pharmaceuticals Consumer Division (Pty) Ltd for a purchase price of R32,9 million. On 30 November, a sale agreement for the shares and claims in Bioharmony and Muscle Science was signed with Arcay Merchant (Pty) Ltd. Enaleni's 100% shareholding in Bioharmony was sold for R26,6 million while its 67% shareholding in Muscle Science was sold for R8,6 million and the purchase price was settled in cash.

The group is now concentrating its activities within the pharmaceutical market, with particular emphasis on chronic medicines, over the counter (OTC) medicines, its veterinary business and focused therapeutic categories with high margins and few competitors such as ophthalmology, oncology and asthma. Agrichemicals will be a growth area for the business as well. As indicated in the group's June 2007 interim results, the head office function has relocated to Cape Town. The relocation was effective 1 January 2008 and has improved efficiencies.

#### Financial Performance

Total revenue for the period increased by 19% to R940,7 million (2006: R789,5 million), a satisfactory performance in light of the temporary cessation in manufacturing at the Contract Manufacturing Division for the majority of the second half of 2007. Total group profit after taxation for the year is R132,8 million (2006: R104,5 million) which represents an increase of 27%. The total basic EPS is 31,0 cents (2006: 26,0 cents), an increase of 19% and basic HEPS has decreased by 1% to 24,7 cents (2006: 24,9 cents). This decrease can be attributed to the dilution of 6% due to the issue of new shares during 2007, and the abnormal expenses incurred in the Contract Manufacturing division.

Interest-bearing borrowings, net of cash on hand are R288,1 million (2006: R480,2 million). Subsequent to the utilisation of the R500 million borrowing facility in connection with the Cipla Medpro acquisition, the group has repaid loans of R24 million and redeemed R46,3 million of preference shares during the period. The excess cash on hand results from the as yet unutilised balance of the funds from the capital raising exercise concluded in May 2007 for the R125 million upgrade and the proceeds from the disposal of the Consumer and Vitality division. The gearing ratio has reduced from 48% to 23% in 2007. The group benefited from interest rate swap fair value adjustments of R10,5 million (2006: R5,1 million). Preference share dividends paid during the year amount to R29,0 million (2006: R16,1 million).

Cash flows from operating activities are R120,7 million (2006: R89,3 million). Cash flows from investing activities relate primarily to expenditure on the pharmaceutical upgrade. Cash flows from financing activities include the net effect of the R125 million raised to finance the factory upgrade and Cipla Medpro vendor payments of R300 million net of the preference shares issued of R154 million.

#### Continuing operations

Revenue is up 20% to R806,2 million (2006: R673,6 million), and gross profit has followed suit and has increased 25% from the previous period.

Operating profit marginally increased by 8%, as capital gains of R29,5 million related to the profit on the disposals of the Consumer and Vitality division businesses has been included below under profit from discontinued operations. Capital gains from the sale of intangible assets, amounting to R10,6 million, has been included in continuing operations.

Profit after taxation for the year is R106,5 million (2006: R99,7 million) resulting in basic EPS of 25,0 cents (2006: 24,9 cents), an increase of 0,4% and basic HEPS of 24,5 cents (2006: 24,6 cents). The primary adjustment to the statutory tax rate emanates from non-deductible interest of R38,6 million, IFRS 2 expenses of R1,8 million and STC of R3,9 million.

#### Discontinuing operations

Profit from discontinued operations has increased due to the profit on the sale of the Consumer and Vitality Division businesses, net of capital gains tax paid and the repayment of the R24 million loan facility which was housed within Enaleni Pharmaceuticals Consumer Division business, as well as the associated breakage costs paid to Nedbank.

#### Board Announcements

##### Appointments

In light of the revised pharmaceutical strategy, Cipla Medpro CEO Jerome Smith was appointed as group CEO in August 2007. Cipla Medpro finance director Umreth Parusnath was appointed to the board as commercial director on 17 August 2007 and subsequently assumed the position of group CFO on 1 October 2007. Both gentlemen possess significant pharmaceutical industry knowledge and have confirmed their commitment to the group through the extension of their contracts until December 2010.

Empowerment Consortium Sweet Sensations members, Mr Bongani Caga and Ms Nthabisi Mokone were appointed as non-executive directors on 13 November 2007. Sweet Sensations continues to hold a 20,3% shareholding in Enaleni.

Mr Caga is an executive director of Umreth Parusnath Holdings and a non-executive director of a Cape Town based Geo Satellite manufacturing company. He was previously an executive director of Decorum Capital Partners (Pty) Limited, and before that an Investment Banker in the corporate finance division of Standard Corporate and Merchant Bank (SCMB). Mr Caga also served as a corporate finance advisor with SCMB and was involved in various corporate finance transactions and a number of BEE transactions, including the Telkom IPO and listing on the JSE Limited and New York Stock Exchange.

Ms Mokone is the head of a Private Equity Fund at Amabuses Investments and currently serves as a non-executive director of Digicore Holdings and Alliance Group (Auction Alliance).

##### Resignations

Commercial director Stan Whitfield retired with effect from 30 April 2007 while executive director Umreth Parusnath resigned from the board on the same date. Former CEO Trevor Edwards and CFO Andrew Hall resigned from the board with effect from 17 August 2007 while executive director Pamela Pillay resigned from the board on 19 October 2007.

Sweet Sensations consortium member Themba Dingan resigned from the board on 13 November 2007 due to family reasons. Ms Dingan's role as chairperson of the Audit and Risk Committee has been filled by non-executive director Ms Mpho Mosweu who was appointed to represent the Industrial Development Corporation (IDC), following Nomini Rapoo's resignation in February 2007. The board thanks Ms Dingan for her valuable contribution and commitment to the group.

The Audit and Risk, Remuneration and Executive Committees continue to function well and within the board's mandates. It is the board's intention to further increase the depth of pharmaceutical industry knowledge and expertise at board level.

##### Operational Review

##### Cipla Medpro

Cipla Medpro continued to grow its market share ahead of the local pharmaceutical market during 2007. Its total market share increased from 2,9% in December 2006 to 3,4% in December 2007. Its Evolution Index of 115 is the highest of the top twenty pharmaceutical companies and has been achieved through growing the market share of its top ten products, a significant increase in the company's sales force and an aggressive marketing strategy which included television advertising, aimed at increasing corporate and brand awareness amongst existing and potential new customers. The first two months of 2008 showed the rewards of this strategy. Sales are significantly up over the corresponding period last year by 37,5% (unaudited).

January 2008 saw the appointment of two deputy CEOs, Dr Shkumbuzo Nguzwana and Dr Pieter Potgieter. With a Masters in Clinical Pharmacology and an MBA from the Gordon Institute of Business Science Dr Nguzwana boasts more than a decade's experience in the health services sector with his areas of speciality including HIV/AIDS medical management, business development and strategy development. Prior to joining Cipla Medpro in 2002 and subsequently developing the company's diabetes division, Dr Pieter Potgieter spent some 12 years garnering expertise in medical practice, doctor groups and managed healthcare as both an owner and consultant.

The integration of FirstPharm into Cipla Medpro went smoothly with staff. Many FirstPharm products remained out of stock for the latter part of 2007. Manufacturing has now been settled and new packaging completed which saw the return to stock of the majority of products during January 2008.

Cipla Medpro continues to enjoy a strong pipeline of products from Cipla India resulting in the planned launch of three first to market products where the innovators enjoy in excess of R300 million in sales.

Cipla Dibcare, the diabetes division, positions the company as the only one in SA to offer a complete spectrum of diabetes products, from diagnostics, insulins to over the counter treatments. This young division is also starting to realise good growth in market share.

Growth across a number of other portfolios was also achieved during the year, including the Cipla Animal Healthcare division which comprises two rapidly growing young companies, Cipla Vet and Cipla Agrimed which target the companion animal (dogs, cats and horses) and large animal (cattle and sheep) markets respectively. The launch of innovative and affordable medicines has seen this division achieve strong growth and by the last quarter of 2007, Cipla Vet's Pegamax was South Africa's top selling equine dewormer.

##### Contract Manufacturing

Under increasing regulatory pressure and with the Medicines Control Council (MCC) becoming signatories to international Pharmaceutical Inspection Co-operation Scheme (PIC/S) regulations compliant on 1 July 2007, the board decided on 29 June 2007 to temporarily suspend manufacturing activity in the pharmaceutical facility to expedite the R125 million upgrade. The upgrade is progressing reasonably well and is due for completion by June 2008. A further investment of R50 million has been budgeted for to allow for investment in sophisticated machinery to replace that which was originally ordered by the previous management and considered to be completely inappropriate by Cipla.

Production of Dettol and Disprin resumed on 14 September 2007 in a new MCC-approved interim manufacturing facility and in January 2008 manufacturing on these lines moved to a new, permanent, MCC-approved facility on the premises.

During the period under review, the Contract Manufacturing division made an operating profit of R38,1 million before incurring abnormal expenses of PPE impairments of R7,8 million (added back for HEPS), inventory write offs of R11,7 million and retrenchments of R8 million. These were incurred due to the redundancy of older plant and machinery in the upgraded manufacturing facility and the board's decision to temporarily suspend manufacturing in June 2007.

New senior management appointments were made within this division in the latter part of 2007. Marc Gardiner was appointed general manager and brings a wealth of pharmaceutical manufacturing expertise to the group, as does new engineering manager Jeroen Wentink. Mark Daly, the group's corporate finance executive, was appointed finance executive for the Contract Manufacturing division.

We continue to work closely with Cipla India and international consultants on the upgrade and the board remains confident that this will prove to be a strategically sound investment.

##### Prospects

We envisage that 2008 will be a challenging year for the local pharmaceutical industry at large. Price increases seem unlikely to materialise and the Rand/Dollar exchange rate continues to impact the industry. However, Enaleni is well positioned in spite of the challenges, through its strong relationship with Cipla India that will continue to result in a number of new dossiers and product registrations during the course of 2008. With the upgrade to the manufacturing facility due for completion in June, this division is poised to become a significant contributor to revenues.

##### Dividends

Currently all earnings generated by the group are utilised to repay debt and fund growth opportunities.

##### Basis of preparation

The preliminary reviewed group results have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and the