



INTERIM RESULTS: JUNE 2009

Board of Directors

- **Non-executive directors**

- S'bu Luthuli (Chairperson)
- Dr Gil Mahlati (re-elected at AGM on 22 July 2009)
- Mpho Mosweu (re-elected at AGM on 22 July 2009)
- Bongani Caga
- Nthabiseng Mokone (re-elected at AGM on 22 July 2009)

- **Executive directors**

- Jerome Smith (CEO)
- Chris Aucamp (CFO)

- **Independent Sub-committee Chairperson:** Dr Gil Mahlati
- **Audit & Risk Committee Chairperson:** Mpho Mosweu
- **Remuneration Committee Chairperson:** Dr Gil Mahlati
- **Company Secretary:** Mark Daly

- Sweet Sensation 67 (Pty) Ltd, our empowerment consortium, retains 18.5% shareholding

Overview

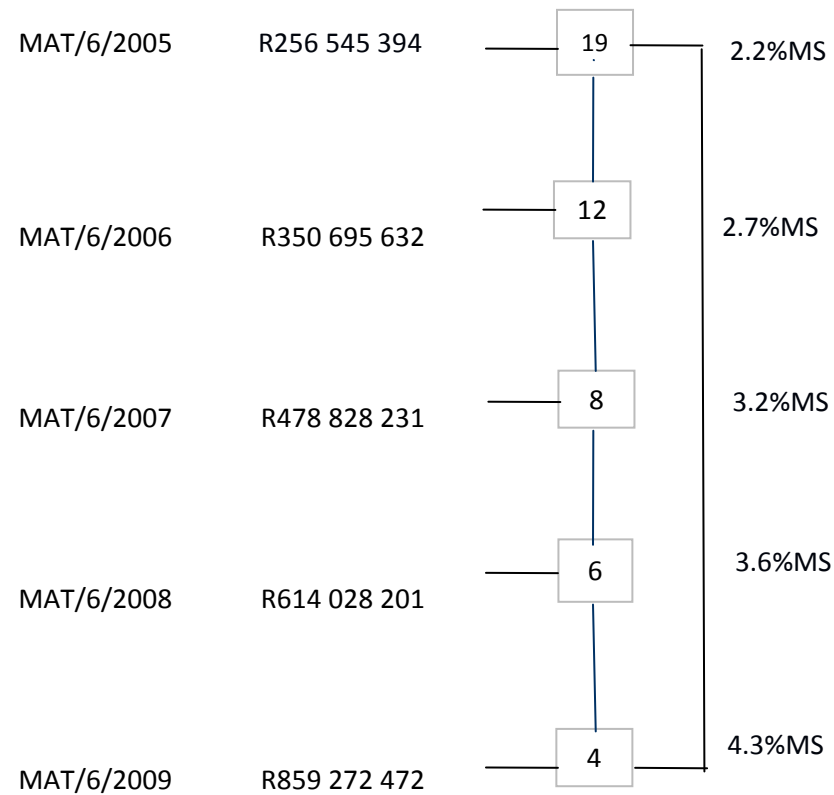
- Fourth largest pharmaceutical company by value
- Remains fastest growing pharmaceutical company – EV Index 121.7 (IMS, June 2009)
- Revenues increase **20%** to R555.4 million (2008: R463.4 million)
- HEPS of **15.6 cents** (2008: 14.4 cents) – up **8%**
- Normalised HEPS of **15.3 cents** (2008: 11.9 cents) – up **29%**

Strategy

- Continue to grow market shares across all divisions through diversified product mix within valuable categories
- Focus on building brands
- Focus on OTC market
- Ever-expanding pipeline of high-value products
- Diversification into niche biotech products and establishment of new specialised divisions, i.e. Diabetes / Oncology
- Expanding geographic footprint

Generics – a growing market

Cipla Medpro Corporate



Operational review: Animal Health businesses

Cipla Vet (small and companion animal business)

- This division continues to increase market share in all product lines
- Market leading positions in dewormers
 - Equine dewormers: Pegamax (No 1 selling product)
 - Dog & cat dewormers: Triworm (No 1 selling product)
- Other
 - Vitamin and Mineral supplements: Efazol top selling product
 - NSAIDS: Petcam third largest selling product
- Fiprotec: Launched May 2009 (first tick and flea generic). Market worth R60 million. Significant market share gains anticipated as summer months commence

Operational review: Animal Health businesses (*continued*)

Cipla Agrimed (livestock and large animal business)

- This division continues to increase market share in all product lines
- 40% YTD growth over comparative period
- Strong growth anticipated in second half of the year through launch of five new products

Operational review: Cipla Agricare (pesticides, herbicides and insecticides)

- Four month old business – launched to trade in May 2009
- Pesticides, herbicides and insecticides
- 22 registered products, another four awaiting registration
- Seasonal business, mainly second half of year
- Products well received since launch. Partnerships established
- Orders of R13 million taken during first half of August
- Target: R60 million sales (2009)

Operational review: African trade development

- Currently exporting to Namibia, Botswana, Lesotho, Swaziland
- Strong focus on key African markets
- Regulatory approvals process underway in various African countries, including Zambia, Uganda, Nigeria, Malawi and Ethiopia
- Appointed experienced Africa team
- Targeting large emerging middle class market looking for high quality, cost effective OTC (over the counter) products
- OTC products (Gelacid and Alkafizz) for Africa will be manufactured in Durban facility

Operational review: Cipla Medpro Manufacturing

- Significant investment in plant, equipment, skills, tech transfer capabilities and quality systems
- Currently manufacturing following products: Laxette, Pynmed, AlkaFizz, Gastrolyte and Abflex – for Cipla. Will grow
- Contracts signed with third party customers. Initial orders conservative but as relationships strengthen, anticipate more products being moved into facility
- Negotiating further contracts – ongoing process
- Awaiting RT281 and RT289 tender award
- Total tendered for R780 million

Financial overview

- Cipla Medpro revenues increase **24%** to R543.9 million (2008: R437.8 million)
 - Group revenues increase **20%** to R555.4 million (2008: R463.4 million)
- Cipla Medpro PBIT increases **14%** to R143.7 million (2008: R126.0 million)
 - Group PBIT increases **8%** to R117.3 million (2008: R108.4 million)
- Effective tax rate decreases to **32%** (2008: 35%)
- EPS of **15.6 cents** (2008: 14.7 cents) – up **6%**
- Normalised EPS of **15.3 cents** (2008: 12.1 cents) – up **26%**
- HEPS of **15.6 cents** (2008: 14.4 cents) – up **8%**
- Normalised HEPS of **15.3 cents** (2008: 11.9 cents) – up **29%**

Financial performance

- **Cipla Medpro revenue growth:** **24%** to R543.9 million (2008: R437.8 million)
- Group revenue growth: **20%** to R555.4 million (2008: R463.4 million)

- **Cipla Medpro PBIT growth:** **14%** to R143.7 million (2008: R126.0 million)
- Group PBIT growth: **8%** to R117.3 million (2008: R108.4 million)

- **Cipla Medpro PBT growth:** **2%** to R129.2 million (2008: R127.2 million)
- Group PBT growth: **2%** to R102.1 million (2008: R100.1 million)

- **Cipla Medpro PAT growth:** **2%** to R93.8 million (2008: R92.1 million)
- Group PAT growth: **6%** to R69.1 million (2008: R65.0 million)

Note: Cipla Medpro numbers are stated net of inter-company transactions

Group ratio analysis

Key performance indicators	30 June 2009	31 December 2008	30 June 2008
Debtors days	75	82	79
Creditors days	187	275	193
Inventory days	97	139	87
Current ratio	1.1	1.1	1.4
Solvency ratio	2.9	2.9	2.9
Interest cover (times)	6.3	3.5	5.5

Segmental analysis

Division	Line item	30 June 2009 R'000	30 June 2008 R'000	% Variance
Cipla Medpro	Revenue	543 929	437 754	24%
	Gross profit GP%	263 348 48%	241 845 55%	9%
	PBIT* PBIT%	138 091 25%	123 602 28%	12%
	NPAT* NPAT%	88 297 16%	89 364 20%	(1%)
Factory	Revenue	11 436	25 679	(55%)
	Gross profit GP%	(5 480) (48%)	(18 728) (73%)	71%
	PBIT* PBIT%	(20 761) (182%)	(16 095) (63%)	(29%)
	NPAT* NPAT%	(15 345) (134%)	(9 729) (38%)	(58%)

Note: All amounts are stated net of inter-company transactions

*After the allocation of head office costs

Cipla Medpro GP analysis

	30 June 2009 R'000	30 June 2008 R'000
Revenue	543 929	437 754
Cost of sales	(280 581)	(195 909)
GP	263 348	241 845
GP %	48%	55%

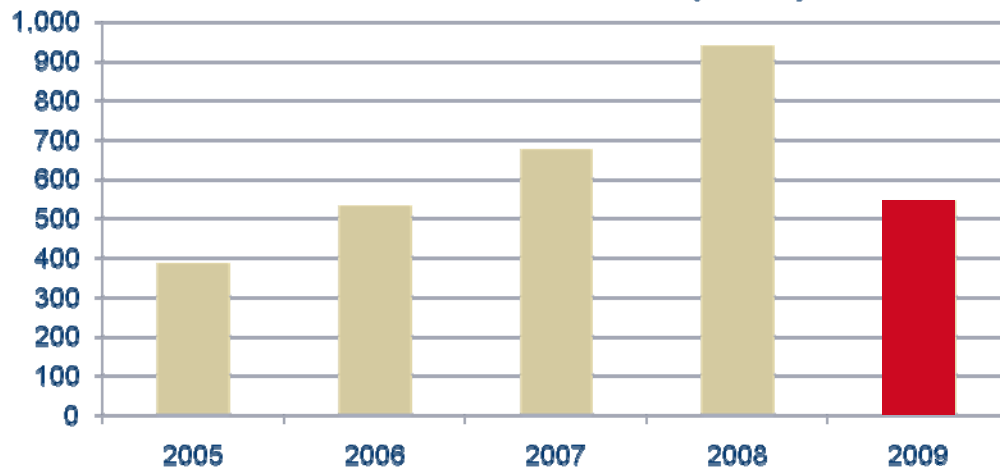
- Overall decrease in GP% due to the following factors:
 - SEP increase of 13.2% effective mid-February 2009 – positive impact on revenue only felt from April 2009 due to early stock-piling by customers
 - The 13.2% increase only applied to a portion of the business (i.e. not OTC products or Animal Health business etc.), and the full increase was not taken on all products, in order to remain competitive
 - Practically 100% imported stock therefore GP is exchange rate sensitive
 - Greater inventory volumes in 2009
 - Inventory costed at R7.20/US\$ in 2008 vs R9.50/US\$ in 2009 (31.9% higher in 2009)
- Forward cover to protect imports post June 2009 at cheaper rates

Cipla Medpro revenue growth

Year	Revenues (R'm)	Cipla Medpro staff complement	Group staff complement
2005 (12 months)	384.2	186	
2006 (12 months)	531.1	199	
2007 (12 months)	675.1	249	
2008 (12 months)	937.4	298	585
2009 (6 months to June)	543.9	330	608

Note: Revenue numbers are stated net of inter-company transactions

Annual Sales (R'm)



Note: The 2009 revenue is only based on 6 months

Consolidated statements of comprehensive income

	6 months ended 30 June 2009 Unaudited R'000	6 months ended 30 June 2008 Unaudited R'000	Year ended 31 December 2008 Audited R'000
Revenue	555 365	463 433	994 892
Gross profit	257 868	223 116	493 339
Other income	5 703	3 602	7 256
Other operating expenses	(146 257)	(118 289)	(273 075)
Profit before finance costs and income tax	117 314	108 429	227 520
Finance costs	(18 561)	(19 781)	(64 897)
Finance income	3 357	11 449	30 024
Profit before income tax	102 110	100 097	192 647
Income tax expense	(33 008)	(35 061)	(62 593)
Profit for the period	69 102	65 036	130 054
Profit attributable to:			
Equity holders of the parent	68 576	64 622	128 679
Non-controlling interest	526	414	1 375
Profit for the period	69 102	65 036	130 054
Other comprehensive income for the period (net of income tax)	-	-	-
Total comprehensive income for the period	69 102	65 036	130 054
Total comprehensive income attributable to:			
Equity holders of the parent	68 576	64 622	128 679
Non-controlling interest	526	414	1 375
Total comprehensive income for the period	69 102	65 036	130 054

Headline earnings

	6 months ended 30 June 2009 Unaudited R'000	6 months ended 30 June 2008 Unaudited R'000	Year ended 31 December 2008 Audited R'000
Reconciliation of headline earnings			
Profit attributable to ordinary shareholders	68 576	64 622	128 679
Adjusted for:	(3)	(1 130)	(657)
(Gain) loss on disposals of property, plant and equipment	(4)	213	172
Gain on disposals of intangible assets	-	(1 087)	(1 087)
(Gain) loss on disposals of discontinued operations	-	(440)	151
Total tax effects of adjustments	1	184	107
Headline earnings	68 573	63 492	128 022
Headline earnings per share (cents)			
Basic	15.6	14.4	29.1
Diluted	15.6	14.4	29.1

EPS / HEPS analysis

		6 months ended 30 June 2009 Unaudited R'000	6 months ended 30 June 2008 Unaudited R'000	Percentage increase %
EPS:	basic	15.6	14.7	6%
	diluted	15.6	14.7	6%
HEPS:	basic	15.6	14.4	8%
	diluted	15.6	14.4	8%
Weighted shares ('000)	basic	440 015	439 550	0%
	diluted	440 706	439 909	0%
Actual shares in issue		443 266	443 266	0%

Normalised earnings

	6 months ended 30 June 2009 Unaudited R'000	6 months ended 30 June 2008 Unaudited R'000	Percentage increase %
Actual PBT for the Group	102 110	100 097	2%
<i>Adjusted for:</i>			
Swap settlements	(2 791)	(4 732)	
Fair value Interest rate swap - 6 months from Jan to Jun	1 227	(11 189)	
Normalised PBT for the Group	100 546	84 176	19%
Actual EPS	15.6	14.7	6%
Normalised EPS	15.3	12.1	26%
Actual HEPS	15.6	14.4	8%
Normalised HEPS	15.3	11.9	29%

Consolidated statements of financial position

	30 June 2009 Unaudited R'000	30 June 2008 Unaudited R'000	31 December 2008 Audited R'000
ASSETS			
Non-current assets	1 770 538	1 578 337	1 697 023
Property, plant and equipment	341 190	196 424	287 174
Intangible assets	1 415 153	1 374 610	1 402 745
Other investments	4	7	4
Deferred tax assets	14 191	7 296	7 100
Current assets	479 422	470 953	458 272
Inventories	200 901	119 390	190 542
Income tax receivable	1 135	1 117	1 135
Trade and other receivables	261 228	197 589	222 839
Loans receivable	3 824	2 682	3 505
Cash and cash equivalents	12 334	150 175	40 251
Total assets	2 249 960	2 049 290	2 155 295

Consolidated statements of financial position *(continued)*

	30 June 2009 Unaudited R'000	30 June 2008 Unaudited R'000	31 December 2008 Audited R'000
EQUITY AND LIABILITIES			
Capital and reserves	1 474 877	1 336 734	1 404 284
Non-controlling interest	2 166	566	1 640
Total equity	1 477 043	1 337 300	1 405 924
Non-current liabilities	341 389	378 377	346 818
Loans and borrowings	335 485	369 843	345 024
Deferred tax liabilities	5 904	8 534	1 794
Current liabilities	431 528	333 613	402 553
Bank overdraft	36 256	-	8 542
Loans and borrowings	5 946	992	1 926
Income tax payable	48 181	57 613	15 298
Trade and other payables	341 145	275 008	376 787
Total liabilities	772 917	711 990	749 371
Total equity and liabilities	2 249 960	2 049 290	2 155 295

Gearing

- During the year, the group settled the following debt:
 - Compulsory redemption of preference shares (March 2009) **R25.1 million**
- During 2008, Cipla Medpro funded both the capex and working capital requirements of the manufacturing division from internal resources
- The board resolved that from 2009, Cipla Medpro will continue to fund the manufacturing division's working capital requirements, but the capex requirements would be funded through external debt
- Despite the additional debt, the gearing ratio of the group has only increased marginally to **25%** at 30 June 2009

Consolidated statement of cash flows


	6 months ended 30 June 2009 Unaudited R'000	6 months ended 30 June 2008 Unaudited R'000	Year ended 31 December 2008 Audited R'000
Cash flows from operating activities	1 894	114 608	142 503
Cash flows from investing activities	(52 006)	(47 564)	(170 380)
Cash flows from financing activities	(5 519)	(76 518)	(100 063)
Net decrease in cash and cash equivalents	(55 631)	(9 474)	(127 940)
Cash and cash equivalents at beginning of the period	31 709	159 649	159 649
Cash and cash equivalents at end of the period	(23 922)	150 175	31 709

- **Operating activities:** Cash utilised to fund working capital requirements
- **Investing activities:** Cash utilised for investment in the factory and the acquisition of intangible assets
- **Financing activities:** Includes the net effect of the settlement of preference shares and instalment sale agreements entered into during the period

Exchange rate movement: January 2008 – July 2009



- Cipla Medpro has covered approximately 80% of its imports from 1 July 2009 to 31 May 2010, at an average USD rate of R8.79 (budgeted rate for 2009 was R9.50)
- The average USD rate applicable to the 2010 FECs is R8.26
- Favourable rates will ensure continued hedging for the 2010 financial year, which will reduce the risk of unforeseen currency fluctuations to a minimum



www.cipla.co.za
www.ciplamedsa.co.za