

REVIEWED CONDENSED
CONSOLIDATED RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2010

CONDENSED CONSOLIDATED
STATEMENTS OF COMPREHENSIVE INCOME

| | Year ended 31 December 2010 Reviewed R'000 | Year ended 31 December 2009 Audited R'000 |
|--|--|---|
| Revenue | 1 446 979 | 1 262 058 |
| Gross profit | 898 087 | 620 358 |
| Other income | 6 614 | 6 426 |
| Other operating expenses | (557 198) | (365 407) |
| Profit before finance costs and income tax | 347 503 | 261 377 |
| Finance costs | (60 585) | (28 227) |
| Finance income | 2 830 | 5 354 |
| Profit before income tax | 289 748 | 238 504 |
| Income tax expense | (90 445) | (76 418) |
| Profit for the year | 199 303 | 162 086 |
| Profit attributable to: | | |
| Equity holders of the parent | 195 403 | 159 904 |
| Non-controlling interest | 3 900 | 2 182 |
| Profit for the year | 199 303 | 162 086 |
| Other comprehensive income for the year (net of income tax) | – | – |
| Total comprehensive income for the year | 199 303 | 162 086 |
| Total comprehensive income attributable to: | | |
| Equity holders of the parent | 195 403 | 159 904 |
| Non-controlling interest | 3 900 | 2 182 |
| Total comprehensive income for the year | 199 303 | 162 086 |
| Number of shares ('000) | | |
| In issue | 454 027 | 449 856 |
| Weighted average (basic) | 442 489 | 440 111 |
| Weighted average (diluted) | 447 241 | 441 074 |
| Earnings per share (cents) | | |
| Basic | 44,2 | 36,3 |
| Diluted | 43,7 | 36,3 |
| Reconciliation of headline earnings | | |
| Profit attributable to equity holders of the parent | 195 403 | 159 904 |
| Adjusted for: | 36 | 1 003 |
| Loss on disposals of property, plant and equipment | 42 | 1 166 |
| Total tax effects of adjustments | (6) | (163) |
| Headline earnings | 195 439 | 160 907 |
| Headline earnings per share (cents) | | |
| Basic | 44,2 | 36,6 |
| Diluted | 43,7 | 36,5 |

CONDENSED CONSOLIDATED
STATEMENTS OF CASH FLOWS

| | Year ended 31 December 2010 Reviewed R'000 | Year ended 31 December 2009 Audited R'000 |
|--|--|---|
| Cash flows from operating activities | 150 940 | 10 162 |
| Cash flows from investing activities | (98 226) | (118 574) |
| Cash flows from financing activities | (17 419) | 16 560 |
| Net increase (decrease) in cash and cash equivalents | 35 295 | (91 852) |
| Cash and cash equivalents at beginning of the year | (60 143) | 31 709 |
| Cash and cash equivalents at end of the year | (24 848) | (60 143) |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity holders of the parent | | | | | | | Non-controlling interest R'000 | Total equity R'000 |
|---|--|------------------------|--------------------------|--------------------------------------|--------------------------|----------------|-------|-----------------------------------|-----------------------|
| | Share capital R'000 | Share premium R'000 | Treasury shares R'000 | Share-based payment reserve R'000 | Retained income R'000 | Total R'000 | | | |
| Balance at 1 January 2009 | 443 | 1 019 296 | (7 970) | 9 557 | 382 958 | 1 404 284 | 1 640 | 1 405 924 | |
| Total comprehensive income for the year | – | – | – | – | 159 904 | 159 904 | 2 182 | 162 086 | |
| Issue of share capital | 7 | 21 654 | – | – | 21 661 | 21 661 | – | 21 661 | |
| Share issue expenses | – | (26) | – | – | – | (26) | – | (26) | |
| Shares issued from the Share Option Trust | – | – | 6 327 | – | – | 6 327 | – | 6 327 | |
| Shares acquired by the Share Option Trust | – | – | (21 661) | – | – | (21 661) | – | (21 661) | |
| IFRS 2 Share-based Payments | – | – | – | 6 056 | – | 6 056 | – | 6 056 | |
| Balance at 1 January 2010 | 450 | 1 040 924 | (23 304) | 15 613 | 542 862 | 1 576 545 | 3 822 | 1 580 367 | |
| Total comprehensive income for the year | – | – | – | – | 195 403 | 195 403 | 3 900 | 199 303 | |
| Issue of share capital | 4 | 22 201 | – | – | – | 22 205 | – | 22 205 | |
| Share issue expenses | – | (27) | – | – | – | (27) | – | (27) | |
| Shares issued from the Share Option Trust | – | – | 17 490 | – | – | 17 490 | – | 17 490 | |
| Shares acquired by the Share Option Trust | – | – | (22 205) | – | – | (22 205) | – | (22 205) | |
| IFRS 2 Share-based Payments | – | – | – | 10 478 | – | 10 478 | – | 10 478 | |
| Dividends paid | – | – | – | – | (22 493) | (22 493) | (250) | (22 743) | |
| Balance at 31 December 2010 | 454 | 1 063 098 | (28 019) | 26 091 | 715 772 | 1 777 396 | 7 472 | 1 784 868 | |

CONDENSED CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION

| | 31 December 2010 Reviewed R'000 | 31 December 2009 Audited R'000 |
|-------------------------------|--|---|
| ASSETS | | |
| Non-current assets | 1 923 821 | 1 836 288 |
| Property, plant and equipment | 420 125 | 389 012 |
| Intangible assets | 1 475 470 | 1 428 577 |
| Other investments | 6 | 4 |
| Deferred tax assets | 28 220 | 18 695 |
| Current assets | 609 335 | 422 625 |
| Inventory | 289 661 | 181 673 |
| Income tax receivable | 742 | 1 137 |
| Trade and other receivables | 264 775 | 230 970 |
| Loans receivable | 7 709 | 5 162 |
| Cash and cash equivalents | 46 448 | 3 683 |
| Total assets | 2 533 156 | 2 258 913 |
| EQUITY AND LIABILITIES | | |
| Capital and reserves | 1 777 396 | 1 576 545 |
| Non-controlling interest | 7 472 | 3 822 |
| Total equity | 1 784 868 | 1 580 367 |
| Non-current liabilities | 326 770 | 358 321 |
| Loans and borrowings | 314 428 | 348 797 |
| Deferred tax liabilities | 12 342 | 9 542 |
| Current liabilities | 421 518 | 320 225 |
| Bank overdraft | 71 296 | 63 826 |
| Loans and borrowings | 17 354 | 8 430 |
| Income tax payable | 10 012 | 11 793 |
| Trade and other payables | 322 856 | 236 176 |
| Total liabilities | 748 288 | 678 546 |
| Total equity and liabilities | 2 533 156 | 2 258 913 |

CONDENSED CONSOLIDATED
SEGMENTAL REPORT

| | Year ended 31 December 2010 Reviewed R'000 | Year ended 31 December 2009 Audited R'000 |
|--------------------------------------|--|---|
| Segment revenue – external customers | | |
| Non-factory | 1 417 678 | 1 233 348 |
| Factory | 29 301 | 28 710 |
| Total | 1 446 979 | 1 262 058 |
| Segment result | | |
| Non-factory | 399 766 | 308 078 |
| Factory | (29 025) | (35 617) |
| Head office | (23 238) | (11 084) |
| Total | 347 503 | 261 377 |
| Segment assets | | |
| Non-factory | 2 812 126 | 2 384 367 |
| Factory | 1 296 527 | 1 127 670 |
| Eliminations | (1 575 497) | (1 353 124) |
| Total | 2 533 156 | 2 258 913 |

- HEPS and EPS increased to 44,2 cents – increased by 21% and 22% respectively
- Normalised HEPS and EPS increased to 52,3 cents – increased by 29%
- Group revenue up 15% to R1,447 billion
- Final dividend of 6 cents per share – total dividend for the year of 11 cents per share
- The group was awarded 15% of the ARV tender – equivalent to R633 million over 2 years
- Maintained current standing as fourth-largest pharmaceutical company by value
- Attained third position as largest pharmaceutical company by value for December 2010
- Evolution Index (EV) of 108,0 – highest of the top ten pharmaceutical companies in South Africa (Source: IMS South Africa)

COMMENTARY

OVERVIEW

The 2010 annual results have been achieved despite significant non-cash IFRS adjustments relating to forward exchange contracts (FECs). As a result of the strong Rand/weak US Dollar at 31 December 2010, an unrealised loss on FECs of R44,7 million was debited to the income statement despite a gain being recorded in the accounts at 30 June 2010 of R22,4 million and an unrealised loss of R24,7 million at 31 December 2009. Although this has resulted in a significant non-cash adjustment to the income statement, we have enjoyed the benefit of the stronger Rand throughout the year, and this can be seen in our gross profit margin which has increased significantly from 49,2% at 31 December 2009 to 62,1% at the end of 2010. To illustrate the significance that the strong Rand/weak US Dollar had on the results, which was at its lowest level in about seven years, we have re-valued the FECs using the spot rate at the end of January 2011, which was R7,20. At this rate the loss of R44,7 million would have been reversed completely.

These adjustments do not affect the group's ability to generate cash and after paying its inaugural interim dividend in the second half of 2010, which amounted to R22,5 million and STC of R2,3 million, the group's operations generated R150,9 million cash in the 2010 financial year, compared to R10,2 million in 2009.

REVIEW OF OPERATIONS

Cipla Medpro Holdings (Pty) Limited (Cipla Medpro)

This business continues its growth and by December 2010 was ranked fourth-largest pharmaceutical company for the 12 months and third largest, by value, for the month of December 2010. Cipla Medpro had an EV of 108,0 (Rands) and 109,2 (units) (IMS, December 2010) and, by value, grew the fastest of the top ten pharmaceutical companies in South Africa, as we did in 2009.

The total private pharmaceutical market grew by 8,0% in Rands and 4,9% in units. Cipla Medpro's performance outstripped the market, growing by 16,6% in Rands and 14,5% in units respectively in the 2010 year (IMS, December 2010).

Accounting for 100% of the group's profits with revenues of R1,418 billion (2009: R1,233 billion) and profit before finance costs and income tax of R380,7 million (2009: R296,4 million), before inter-company eliminations, 2010 saw positive results for this business.

The relationship with Cipla India Limited (Cipla India) continues to deliver research and development on newer generics, the launch of first to market patent expired molecules and over-the-counter (OTC) medicines. Dossiers regularly flow from Cipla India helping to bolster our already significant pipeline of products for the future. The top ten Cipla Medpro products by value, some as old as ten years, continue to grow in units, which is rewarding given our strategy of building brands.

2010 saw a number of significant product launches, albeit late during the year:

- first to market Sereflo, a combination active ingredient inhaler for asthma;
- Numoxx, a late generation quinolone antibiotic; and
- Atolip, a generic of the world's most popular anti-hypercholesterol agent.

We believe that Sereflo, Numoxx and Atolip will deliver attractive revenues and margins for us during 2011. We are unhappy with the number of registrations we gained during the year, even though a vast number of dossiers were submitted and are awaiting evaluation and registration.

Cipla Medpro will add an oncology division to its already comprehensive medicines portfolio during 2011, commencing with 20 molecules targeting a host of cancers.

In the highly specialised field of oncology, Cipla India has remained one of the leading manufacturers of cancer drugs by keeping ahead of the technological advances at their state-of-the-art dedicated plants, not only for these products, but also the Active Pharmaceutical Ingredients (APIs).

The fact that Cipla India is fully integrated and therefore in control of the supply, quality and obviously price of their API and finished product, is a strategic advantage.

Furthermore, the range and depth of their growing oncology portfolio makes them an attractive supplier to us in this specialised market.

Dr Yusuf Hamied, chairman and managing director of Cipla India, is quoted as saying that after HIV/AIDS, this is Cipla India's second major crusade: to see that access to life-saving anticancer medicines are available to patients at affordable prices.

We also continue to work on opportunities outside of South Africa and to launch more and more OTC medicines in our domestic market.

While small contributors to total revenues, the seven-year old animal health businesses continued to demonstrate pleasing growth. The Cipla Vet business (targeting small and companion animal markets) increased its market shares across many lines and showed total revenue growth of 31,1%. The Cipla Agrimed division (targeting livestock and production animal markets) recorded a 36,1% growth in revenue and a number of its brands occupy top positions in their categories.

Looking forward, we are optimistic that Cipla Medpro will realise its potential even further. Cipla India has taken a major stand in biotechnology and has set up factories in Goa to produce some of the world's leading anticancer drugs. They have also invested in stem cell research and development. In the short term Cipla Medpro will focus on more generic launches at home and outside (we own 109 registrations in Botswana, 211 in Namibia and expect quite a few in Nigeria in the months to come), more OTC launches, growth in our animal business and a complete turnaround of our Agricare business.

Cipla Medpro Manufacturing division (CMM)

In 2010 the CMM division manufactured 28 products, of which 15 were for Cipla Medpro. CMM had a turnover of R94,5 million (2009: R49,2 million), and posted a loss before finance costs and income tax of R27,8 million (2009: R35,8 million), before inter-company eliminations. In 2011, we will manufacture a minimum of 32 products and 50 stock keeping units. Further, we will continue to contract manufacture for the current three client companies. The biggest movement however will come from the recently awarded ARV tender RT71-2010, wherein the group was awarded R633 million (including VAT) of business over the next two years and therefore we are pleased to report that the Durban-based facility is on its way to health. We will manufacture a significant portion of that at CMM. Additionally, once we obtain regulatory approvals in Africa, we will begin manufacturing for those markets at CMM.

Finally, with Cipla India poised to take a 25% stake in CMM, and with our intention to attain both World Health Prequalification and Food and Drug Administration (FDA) accreditation for CMM, we are confident that significant opportunities will open up to supply the donor funded markets north of us, further increasing the business of CMM.

REVIEW OF RESULTS

Cipla Medpro South Africa Limited (CMSA or the group) is pleased to announce a satisfactory increase of 21,5% to R195,4 million (2009: R160,9 million) in headline earnings for the financial year, constituting an increase of 20,8% to 44,2 cents (2009: 36,6 cents) in headline earnings per share (HEPS). This is based on 442,5 million (2009: 440,1 million) weighted average number of shares in issue for the 2010 year (before the effects of dilution are taken into account). The reconciliation to headline earnings includes the loss on disposals of property, plant and equipment of R36 thousand (2009: R1,0 million), net of tax.

Earnings per share (EPS) improved by 21,8% to 44,2 cents (2009: 36,3 cents). After adjusting for the full effect of the fair value adjustment on the interest rate swaps, interest rate swap settlements and the FEC losses, normalised HEPS increased by 28,5% to 52,3 cents (2009: 40,7 cents) and normalised EPS increased by 29,1% to 52,3 cents (2009: 40,5 cents). The current and comparative normalised calculations mainly comprise non-cash adjustments.

Revenue increased by 14,7% to R1,447 billion (2009: R1,262 billion) and the improvement in our gross profit margin to 62,1% can be attributed to the stronger Rand and a price increase on OTC products that was implemented in March 2010. Although Cipla Medpro only implemented the price increase on certain products subject to Single Exit Price (SEP) regulations in June 2010, with the full effect of this only materialising during the second half of the year, the increase in the margin is also due to a more profitable product mix.

Profit before finance costs and income tax for the year increased by 33,0% to R347,5 million (2009: R261,4 million).

Finance income reduced to R2,8 million (2009: R5,4 million) due to no swap refund earned in 2010, compared to the R1,9 million refund in the previous financial year. The increase in net finance costs to R57,8 million (2009: R22,9 million) is mainly due to:

- finance costs of only R0,3 million qualifying for capitalisation during 2010 in terms of IAS 23 Borrowing Costs (2009: R35,5 million);
- swap settlements of R2,8 million (2009: R1,9 million refund);
- a decrease of R11,5 million in interest on preference shares;
- an increase of R4,7 million in interest on the Nedbank loan facilities; and
- an increase of R3,3 million in interest on instalment sale agreements.

Despite an increase in finance costs the interest cover still remains at a satisfactory level of 5,7 times (2009: 9,3 times).

Profit after tax for the year was R199,3 million (2009: R162,1 million). This was achieved after an improvement in the effective tax rate to 31,2% (2009: 32,0%). The main factors resulting in the effective tax rate being higher than the statutory tax rate are:

- non-deductible preference share interest of R9,5 million (2009: R21,0 million);
- non-deductible IFRS 2 Share-based Payment expenses of R10,5 million (2009: R6,1 million); and
- STC of R2,7 million (2009: R2,1 million).

Excluding the effects of cash on hand, interest-bearing borrowings have decreased to R356,6 million (2009: R417,4 million). After paying the inaugural interim dividend of R22,5 million in October 2010 and the second provisional tax payment of R32,4 million on 31 December 2010, the group's net cash position was overdrawn to the extent of R24,8 million on 31 December 2010 – an improvement from R60,1 million overdrawn at 31 December 2009. The improvement in the cash position can be attributed to the improved profitability of the business and increased sales in 2010.

Debtors days have improved to 63 days (31 December 2009: 66 days and 30 June 2010: 67 days). Creditors days have improved to 186 days (31 December 2009: 174 days and 30 June 2010: 166 days) due to increased purchases from Cipla India in the second half of the year, in anticipation of holiday periods, longer lead times and increased sales budgeted for 2011. This in turn resulted in a higher stock holding than normal and inventory days increased accordingly to 157 days (31 December 2009: 106 days and 30 June 2010: 114 days).

Cash flows generated from operating activities are R150,9 million (2009: R10,2 million), after adjusting for the non-cash flow effects of depreciation of R18,1 million (2009: R10,8 million), IFRS 2 Share-based Payment expenses of R10,5 million (2009: R6,1 million) and FEC losses of R44,7 million (2009: R24,7 million). The inaugural interim dividend of R22,5 million was also paid to shareholders during the second half of 2010 (2009: Rnil).

Investing activities resulted in outflows of R98,2 million (2009: R118,6 million) due to acquisitions of property, plant and equipment and intangible assets. A net R17,4 million was utilised for financing activities (2009: R16,6 million generated), mainly for the settlement of R159,8 million of the preference shares (R109,7 million of which was settled in advance). This was offset by draw downs of R100 million on the Nedbank Limited loan facility and R34,3 million on the working capital and instalment sale facilities at the factory.

We are pleased to announce our second and final dividend for 2010 of six cents per share which results in a total dividend of 11 cents per share for the year and equates to a dividend cover of 4,0 times.

BASIS OF PREPARATION OF THE REVIEWED RESULTS

The condensed consolidated financial results have been prepared in accordance with the recognition and measurement criteria of all applicable standards and interpretations of International Financial Reporting Standards (IFRS), are presented in terms of the disclosure requirements as set out in IAS 34 Interim Financial Reporting and are in accordance with the Companies Act of South Africa.

Mazars have reviewed the condensed consolidated financial information for the year ended 31 December 2010, and their unqualified opinion is available for inspection at the company's registered office.

The accounting policies applied in the preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2009, except for the adoption of new/amended standards and interpretations becoming effective since January 2010, and the adoption of IAS 31 Interests in Joint Ventures.

NEW VENTURES

Cipla Medpro, a wholly owned subsidiary of CMSA, has initiated two new businesses, Cipla Nutrition (Pty) Limited and Cipla Consult (Pty) Limited, during the year. Both entities are joint ventures in which Cipla Medpro has a 50% interest. Although small in their start-up phase, these ventures will lead to enhanced business benefits in the future.

Cipla Medpro also acquired additional interests in the following subsidiaries, at nominal values, resulting in all of the subsidiaries below being wholly owned by Cipla Medpro as at 31 December 2010:

- Cipla Agricare (Pty) Limited (2009: 50% interest);
- Medpro Pharmaceutica Africa (Pty) Limited (2009: 50% interest); and
- Cipla Dibcare (Pty) Limited (2009: 67% interest).

DIRECTORATE

There have been no changes to the board and it continues to function in accordance with its approved charter.


AUDIT AND RISK COMMITTEE

The audit and risk committee functions in accordance with a formal charter approved by the board and meets at least four times a year to discharge its responsibilities. The audit and risk committee is satisfied that the auditor was independent of the group. The audit and risk committee is also satisfied with regard to the suitability, experience and knowledge of the Chief Financial Officer.

SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance which is material to the financial affairs of the group, which has occurred subsequent to 31 December 2010, that has not been otherwise dealt with in the consolidated financial statements.


PCS Luthuli
Chairman


JS Smith
Chief Executive Officer

17 March 2011

DECLARATION OF ORDINARY DIVIDEND

Notice is hereby given that a final cash dividend number 2 of six cents per share has been declared in respect of the 12 months ended 31 December 2010, bringing the total cash dividend to 11 cents for the 2010 financial year.

The salient dates for the payment of the final dividend are detailed below:

| | |
|---------------------------|---------------------|
| Last day to trade: | Friday, 6 May 2011 |
| Shares trade ex dividend: | Monday, 9 May 2011 |
| Record date: | Friday, 13 May 2011 |
| Payment date: | Monday, 16 May 2011 |

Share certificates may not be dematerialised or rematerialised between Monday, 9 May 2011 and Friday, 13 May 2011, both dates inclusive.

By order of the board


MW Daly
Company Secretary

Durban
17 March 2011