REVIEWED CONDENSED CONSOLIDATED ANNUAL RESULTS
for the year ended 31 December 2011

Cipla Medpro SOUTH AFRICA LTD.

- Revenue of R1,768 billion – increased by 22%
- HEPS and EPS of 80,8 cents – increased by 83%
- Completed share buy-back of 1,7% of ordinary shares
- Final dividend of 7,5 cents per share recommended (2010: 6,0 cents) – total dividend for the year of 14,0 cents (2010: 11,0 cents) per share

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Reviewed Year ended 31 December 2011 R'000	Audited Year ended 31 December 2010 R'000
Revenue		**1 767 561**	1 446 979
Gross profit		**1 055 516**	898 087
Other income		**121 264**	6 614
Other operating expenses		**(608 446)**	(557 198)
Profit before finance costs and income tax		**568 334**	347 503
Finance costs		**(58 212)**	(60 585)
Finance income		**8 208**	2 830
Profit before income tax		**518 330**	289 748
Income tax expense		**(152 229)**	(90 445)
Profit for the year		**366 101**	199 303
Profit attributable to:			
Equity holders of the parent		**361 075**	195 403
Non-controlling interest		**5 026**	3 900
Profit for the year		**366 101**	199 303
Other comprehensive income for the year (net of income tax)		**–**	–
Total comprehensive income for the year		**366 101**	199 303
Total comprehensive income attributable to:			
Equity holders of the parent		**361 075**	195 403
Non-controlling interest		**5 026**	3 900
Total comprehensive income for the year		**366 101**	199 303
Number of shares			
In issue (including treasury shares)	('000)	**446 462**	454 027
Weighted average (excluding treasury shares)			
Basic	('000)	**446 945**	442 489
Diluted	('000)	**449 264**	447 241
Earnings per share			
Basic	(cents)	**80,8**	44,2
Diluted	(cents)	**80,4**	43,7
Reconciliation of headline earnings			
Profit attributable to equity holders of the parent		**361 075**	195 403
Adjusted for:		**215**	36
(Gain) loss on disposals of property, plant and equipment		**(72)**	42
Loss on deemed disposal of joint venture		**385**	–
Total tax effects of adjustments		**(98)**	(6)
Headline earnings		**361 290**	195 439
Headline earnings per share			
Basic	(cents)	**80,8**	44,2
Diluted	(cents)	**80,4**	43,7

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reviewed Year ended 31 December 2011 R'000	Audited Year ended 31 December 2010 R'000
Total equity at beginning of the year	**1 784 868**	1 580 367
Total comprehensive income for the year	**366 101**	199 303
Issue of share capital	**–**	22 205
Share issue expenses	**–**	(27)
Shares issued from the Share Option Trust	**–**	17 490
Shares acquired by the Share Option Trust	**–**	(22 205)
Share buy-back	**(49 983)**	–
IFRS 2 Share-based Payments	**1 455**	10 478
Changes in ownership interest	**1 407**	–
Dividends paid	**(58 103)**	(22 743)
Total equity at end of the year	**2 045 745**	1 784 868
Comprising:		
Capital and reserves	**2 033 201**	1 777 396
Non-controlling interest	**12 544**	7 472
Total equity	**2 045 745**	1 784 868

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed 31 December 2011 R'000	Audited 31 December 2010 R'000
ASSETS		
Non-current assets	**2 019 511**	1 923 821
Property, plant and equipment	**444 457**	420 125
Intangible assets	**1 535 443**	1 475 470
Other investments	**8**	6
Loans receivable	**3 191**	–
Deferred tax assets	**36 412**	28 220
Current assets	**824 116**	609 335
Inventory	**414 907**	289 661
Income tax receivable	**1 312**	742
Trade and other receivables	**387 523**	264 775
Loans receivable	**3 881**	7 709
Cash and cash equivalents	**16 493**	46 448
Total assets	**2 843 627**	2 533 156
EQUITY AND LIABILITIES		
Capital and reserves	**2 033 201**	1 777 396
Non-controlling interest	**12 544**	7 472
Total equity	**2 045 745**	1 784 868
Non-current liabilities	**297 512**	326 770
Loans and borrowings	**282 722**	314 428
Deferred tax liabilities	**14 790**	12 342
Current liabilities	**500 370**	421 518
Bank overdrafts	**106 963**	71 296
Loans and borrowings	**21 976**	17 354
Income tax payable	**29 295**	10 012
Trade and other payables	**342 136**	322 856
Total liabilities	**797 882**	748 288
Total equity and liabilities	**2 843 627**	2 533 156

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed Year ended 31 December 2011 R'000	Audited Year ended 31 December 2010 R'000
Cash flows from operating activities	**112 008**	150 940
Cash flows from investing activities	**(107 021)**	(98 226)
Cash flows from financing activities	**(70 609)**	(17 419)
Net (decrease) increase in cash and cash equivalents	**(65 622)**	35 295
Cash and cash equivalents at beginning of the year	**(24 848)**	(60 143)
Cash and cash equivalents at end of the year	**(90 470)**	(24 848)

CONDENSED CONSOLIDATED SEGMENTAL REPORT

	Reviewed Year ended 31 December 2011 R'000	Audited Year ended 31 December 2010 R'000
Segment revenue – external customers		
SEP	**1 258 717**	1 046 398
OTC	**391 955**	316 978
Other operating segments	**116 889**	83 603
Total	**1 767 561**	1 446 979
Segment result		
SEP	**440 836**	277 032
OTC	**100 641**	56 273
Other operating segments	**26 857**	14 198
Total	**568 334**	347 503

COMMENTARY

OVERVIEW

We present our results for the year ending 31 December 2011 in a year that saw difficult economic conditions for consumers and businesses alike. The exchange rate, no Single Exit Price (SEP) increase and an extremely slow rate of new product registrations at the Medicines Control Council (MCC) continued to influence the results negatively. The positive impact of our hedging policy is evident in the annual results with unrealised gains made on the mark to market (fair valuation) of forward exchange contracts (FECs) of R109,2 million (2010: loss of R44,7 million). We continued to achieve healthy gross profit margins as a result of the weaker US Dollar in the first half of 2011 and our favourable forward cover in the second half of 2011. Anticipated volumes from government tender antiretroviral (ARV) business did not materialise to the levels expected. Our view is that 2012 tender volumes are likely to be better.

The case against Pfizer Limited and Pfizer Laboratories (Pty) Limited, arising from damages caused by Pfizer's incorrectly obtained interdict against the group's amlodipine besylate products in 2003, initially reported on SENS during October 2010, was settled in our favour as reported in the 2011 interim results. This positively affected the earnings per share (EPS) and headline earnings per share (HEPS) calculations, but should be viewed as an isolated occurrence. The settlement income has been accounted for in our statement of comprehensive income, however, the terms thereof remain confidential.

REVIEW OF OPERATIONS

Cipla Medpro Holdings (Pty) Limited (Cipla Medpro), a wholly owned subsidiary of Cipla Medpro South Africa Limited (CMSA or the group), continues its growth, albeit slower than anticipated, and by January 2012 was again ranked third largest pharmaceutical company by value for the 12 months, and third largest for the month of January 2012. Cipla Medpro has an Evolution Index (EV) of 102,7 (Rands) *(IMS, January 2012)*. The EV of 102,7 is the third highest of the top 20 pharmaceutical companies in South Africa.

The total private market grew by 9,8% in Rands. Cipla Medpro's performance outstripped the market, growing by 12,8% in Rands *(IMS, January 2012)*.

We remain focused on growing our brands in over-the-counter (OTC) medicines, particularly at retail level, and SEP. There is still a huge opportunity to continue SEP and OTC growth given the pipeline of medicines we have.

Unfortunately the slow registration process, resulting in a lack of new first-to-market products, continues to weigh heavily on our business.

Our top three SEP brands contributed to sales of R190,8 million (12 months) *(IMS, January 2012)* into the private sector and still have growth potential. Lexamil is performing at an EV of 109,8. Of our top ten OTC products, eight have EVs of over 100, with Airmune expected to achieve significant turnover in the next 12 to 18 months.

Our OTC business grew by 10,9% during the 12-month period *(IMS, January 2012)* and this excludes sales into retail.

We launched our oncology division during late September 2011 and have started making inroads already. We look forward to a good trading year with this division.

The Cipla Vet (small animal) revenue increased by 10,9% to R23,4 million and Cipla Agrimed (large animal) increased by 44,7% to R77,0 million for the year ended 31 December 2011. We are pleased with the growth of our animal businesses.

Turnover of the factory increased significantly in 2011 (more than 100%), but the division still posted a loss mainly as a result of low uptake of ARVs from the government. However the loss has reduced when compared to the previous years. This business continues to improve while providing the group with a strategic and operational advantage, especially when we start moving into Africa.

As previously stated, the ARV tender business did not materialise to the numbers we had expected, probably due to the fact that more PEPFAR (US President's Emergency Plan for AIDS Relief) and Global Fund orders were placed. Cipla India benefitted from this which is borne out by their sales to SCS (Supply Chain Services).

Although we experienced slower growth than expected (only launched five products, mostly late in the second half of the year), we believe 2012 will be better. Provided of course, that the registrations we expect materialise.

REVIEW OF RESULTS

Statement of comprehensive income

CMSA is pleased to report headline earnings of R361,3 million (2010: R195,4 million), an increase of 84,9%, for the 12 months ended 31 December 2011. This translates into an increase of 82,8% to 80,8 cents (2010: 44,2 cents) in HEPS, based on 446,9 million (2010: 442,5 million) weighted average number of shares in issue for the 2011 year (before the effects of dilution are taken into account). This is after accounting for the effect of buying back 7,6 million CMSA shares in November 2011 (which are in the process of being cancelled) at a total cost, including all expenses, of R50,0 million under the general approval granted by shareholders at the last annual general meeting held on 25 May 2011. The reconciliation to headline earnings includes the gain/loss on disposals of property, plant and equipment and the loss on the deemed disposal of a joint venture, all net of tax. EPS improved by 82,8% to 80,8 cents (2010: 44,2 cents).

After adjusting for the effect of the mark to market valuation of FECs, settlement income, the fair value adjustments on the interest rate swaps, the interest rate swap settlements and other matters, normalised HEPS increased by 11,5% to 58,3 cents (2010: 52,3 cents) and normalised EPS by 11,3% to 58,2 cents (2010: 52,3 cents).

Revenue increased by 22,2% to R1,768 billion (2010: R1,447 billion) and although the gross profit margin was still at pleasing levels, it decreased to 59,7% from 62,1% at 31 December 2010 – slightly higher than the 58,2% achieved at 30 June 2011. The exchange rate continues to have an impact on the margin and the group was proud to achieve this result without any SEP increase having been given during the 2011 year.

Profit before finance costs and income tax for the year increased by 63,5% to R568,3 million (2010: R347,5 million), with operating expenses increasing from R557,2 million at 31 December 2010 to R608,4 million for the current year. 55,8% of the operating expenses were incurred during the second half of the year, mainly attributable to increased advertising and marketing costs during the second half of the year, including amounts related to once-off events.

Net finance costs reduced from R57,8 million to R50,0 million mainly as a result of the settlement of the preference share liability, the effects of which are included in the analysis below:

- interest on preferences shares of R1,0 million (2010: R9,5 million), a decrease of R8,5 million;
- fair value gain on interest rate swaps of R4,1 million (2010: loss of R2,2 million);
- increased outflows of swap settlements of R4,3 million (2010: R2,8 million); and
- interest on the Nedbank Limited long-term loan facilities of R22,5 million (2010: R18,1 million), an increase of R4,4 million due to the rearrangement of our debt structure.

Currently the interest cover is at a comfortable level of 9,8 times (2010: 5,7 times). If the settlement income and unrealised gains on the mark to market of FECs are excluded from the calculation, the cover is 6,7 times.

Profit after tax for the year was R366,1 million (2010: R199,3 million). This was achieved after an improvement in the effective tax rate to 29,4% (2010: 31,2%). The effective tax rate continued to improve, but still remains higher than the statutory tax rate due to the following factors:

- STC of R6,0 million (2010: R2,7 million);
- non-deductible preference share interest of R1,0 million (2010: R9,5 million); and
- non-deductible IFRS 2 Share-based Payment expenses of R1,5 million (2010: R10,5 million).

The IFRS 2 Share-based Payment expense has reduced significantly as many of the previously issued options have vested, whilst the options issued to staff during 2011, which are in terms of the new CMSA Employee Share Option Scheme, vest over a five-year period. This expense will increase in the future as more options are granted, but is not likely to reach the levels seen in the 2010 financial year.

Statement of financial position

Net interest-bearing borrowings have increased by R38,6 million to R395,2 million (2010: R356,6 million), however, the gearing ratio has reduced to 19,3% (2010: 20,0%), although higher than the 13,7% reported at 30 June 2011 – mainly due to the settlement income. The group's net cash position was overdrawn at 31 December 2011 by R90,5 million (2010: R24,8 million) as a result of the following:

- payment of the interim dividend of R29,5 million in October 2011;
- payment of the second provisional tax payment of R72,6 million on 30 December 2011;
- payment of R50,0 million for the share buy-back, including costs, in November 2011; and
- amounts totalling R49,2 million owing by certain provincial health departments, in excess of normal debtor terms.

Debtors days have increased slightly to 67 days (31 December 2010: 63 days and 30 June 2011: 67 days), mainly due to slow and non-payment from certain debtors as referred to above. Creditors days are currently at 170 days (31 December 2010: 186 days and 30 June 2011: 185 days) with the reduction as a result of some invoices being settled early to take advantage of the exchange rate, where possible. The inventory days have increased to 181 days (31 December 2010: 157 days and 30 June 2011: 156 days) due to high levels of ARV stock held at year-end. This was due to facilitating the shut down during middle December 2011 to the beginning of January 2012 for preventative repairs and maintenance. If the ARV products are excluded from the calculation, the inventory days would reduce to approximately 151 days.

Statement of cash flows

Cash flows generated from operating activities are R112,0 million (2010: R150,9 million), after adjusting for the non-cash flow effects of depreciation of R24,1 million (2010: R18,1 million), IFRS 2 Share-based Payment expenses of R1,5 million (2010: R10,5 million) and FEC gains of R109,2 million (2010: loss of R44,7 million). The final dividend relating to 2010 of R27,2 million, was paid to shareholders during May 2011, and the 2011 interim dividend of R29,5 million was paid in October 2011 (2010: inaugural interim dividend of R22,5 million).

Investing activities resulted in outflows of R107,0 million (2010: R98,2 million) due to acquisitions of property, plant and equipment and intangible assets. A net R70,6 million was utilised for financing activities (2010: R17,4 million), mainly for the share buy-back of R50,0 million, the settlement of R34,5 million of the preference shares to Nedbank Limited and R10,0 million on the working capital and instalment sale facilities at the factory. This was offset by drawdowns of R26,0 million on the Nedbank Limited loan facility.

Segmental reporting

Based on the requirements of the group's chief operating decision maker (CODM) in 2011, the reporting segments were amended in accordance with IFRS 8 Operating Segments. As the factory, a previously reported operating segment, is now producing mainly for the group and with third party manufacturing reducing to immaterial levels in 2011, the segments reported on to the CODM on a monthly basis were amended. The segments as per the condensed consolidated segmental report are the segments reviewed by the CODM on which to base business decisions. Segmental information is reported to the CODM up to a profit before finance costs and income tax level.

BASIS OF PREPARATION

The condensed consolidated financial results have been prepared in accordance with the framework concepts and the recognition and measurement criteria of all applicable standards and interpretations of International Financial Reporting Standards (IFRS), the disclosure requirements as set out in IAS 34 Interim Financial Reporting, the Companies Act of 2008 as amended, the AC 500 standards as issued by the Accounting Practices Board or its successor (where applicable) and the Listings Requirements of the JSE.

The accounting policies and methods of computation 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 2010, except for the adoption of new/amended standards and interpretations becoming effective since January 2011.

The condensed consolidated financial results for the year ended 31 December 2011 have been reviewed by Mazars and their unqualified opinion is available for inspection at the company's registered office.

C Aucamp (Chief Financial Officer) is responsible for these condensed consolidated financial statements and has been involved with the preparation thereof in conjunction with MW Daly and E van der Merwe, all three of whom are qualified Chartered Accountants (South Africa).

CHANGES IN OWNERSHIP INTEREST

Cipla Medpro made the following acquisitions/disposals during the year, none of which had a material impact on the affairs of the group:

- acquired a 100% interest in a shelf company in Botswana, at a nominal value;
- acquired an additional 25% interest in Cipla Nutrition (Pty) Limited (2010: 50% joint venture); and
- accounted for the disposal of a portion of its interest in Cipla Agrimed (Pty) Limited in terms of the shareholders' agreement, without losing control over this company.

DIRECTORATE

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

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 2011, that has not been otherwise dealt with in the consolidated financial statements.

PCS Luthuli
Chairman

JS Smith
Chief Executive Officer

15 March 2012

DECLARATION OF ORDINARY DIVIDEND

As Dividends Tax will become effective from 1 April 2012 and will apply to all declarations of dividends to shareholders after that date, the board has recommended that a final dividend of 7,5 cents per share be declared no later than 5 April 2012, in respect of the 2011 financial year. This will bring the total cash dividend to 14,0 cents per share, an increase of 27,3% when compared to the total dividend of 11,0 cents in 2010.

As such, the final dividend will be subject to Dividends Tax and the salient dates for the payment of the final dividend are detailed below:

Last day to trade *cum* dividend	Friday, 4 May 2012
Shares trade *ex* dividend	Monday, 7 May, 2012
Record date	Friday, 11 May 2012
Payment date	Monday, 14 May 2012

Share certificates may not be dematerialised or rematerialised between Monday, 7 May 2012 and Friday, 11 May 2012, both dates inclusive.

The company's policy to maintain a dividend cover of between four and five times has been complied with when the results are analysed on a normalised basis. The cover is based on normalised earnings due to the non-cash effect of the unrealised gains on FECs that may or may not be realised during the 2012 financial year.

By order of the board

MW Daly
Company Secretary

Durban
15 March 2012

CORPORATE INFORMATION

Non-executive directors	PCS Luthuli *(Chairman)*; MB Caga; JvD du Preez; ND Mokone; MT Mosweu; SMD Zungu
Executive directors	JS Smith *(Chief Executive Officer)*; C Aucamp *(Chief Financial Officer)*
Company secretary	MW Daly
Registration number	2002/018027/06
JSE code	CMP
ISIN	ZAE000128179
Registered address	1474 South Coast Road, Mobeni, KwaZulu-Natal, 4052
Postal address	PO Box 32003, Mobeni, 4060
Transfer secretaries	Computershare Investor Services (Pty) Limited
Telephone	+27 31 451 3800
Facsimile	+27 31 451 3889
Sponsor	Nedbank Capital
Auditors	Mazars
Legal advisors	Norton Rose South Africa

FORWARD-LOOKING STATEMENTS

This announcement contains certain forward-looking statements with respect to the financial condition and results of the operations of Cipla Medpro South Africa Limited that, by their nature, involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. These may relate to future prospects, opportunities and strategies. If one or more of these risks materialise, or should underlying assumptions prove incorrect, actual results may differ from those anticipated. By consequence, all forward-looking statements have not been reviewed or reported on by the group's auditors.

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