UNAUDITED CONSOLIDATED INTERIM RESULTS AND DECLARATION OF ORDINARY DIVIDEND

FOR THE SIX MONTHS ENDED 30 JUNE 2010

Cipla Medpro
SOUTH AFRICA LTD.

HEPS and EPS up 58% to 24,6 cents
Normalised HEPS up 64% to 25,1 cents
Group revenue up 29% to R714,3 million
Inaugural interim dividend of 5 cents per share
Fourth largest pharmaceutical company by value – 12 months to June 2010
Third largest pharmaceutical company by value – month of June 2010

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	6 months ended 30 June 2010 Unaudited R'000	6 months ended 30 June 2009 Unaudited R'000	Year ended 31 December 2009 Audited R'000
Revenue	**714 335**	555 365	1 262 058
Gross profit	**401 303**	257 868	620 358
Other income	**9 923**	5 703	6 426
Other operating expenses	**(216 545)**	(146 257)	(365 407)
Profit before finance costs and income tax	**194 681**	117 314	261 377
Finance costs	**(35 125)**	(18 561)	(28 227)
Finance income	**539**	3 357	5 354
Profit before income tax	**160 095**	102 110	238 504
Income tax expense	**(50 354)**	(33 008)	(76 418)
Profit for the period	**109 741**	69 102	162 086
Profit attributable to:			
Equity holders of the parent	**108 733**	68 576	159 904
Non-controlling interest	**1 008**	526	2 182
Profit for the period	**109 741**	69 102	162 086
Other comprehensive income for the period (net of income tax)	**–**	–	–
Total comprehensive income for the period	**109 741**	69 102	162 086
Total comprehensive income attributable to:			
Equity holders of the parent	**108 733**	68 576	159 904
Non-controlling interest	**1 008**	526	2 182
Total comprehensive income for the period	**109 741**	69 102	162 086
Number of shares ('000)			
In issue	**449 856**	443 266	449 856
Weighted average (basic)	**442 135**	440 015	440 111
Weighted average (diluted)	**445 236**	440 706	441 074
Earnings per share (cents)			
Basic	**24,6**	15,6	36,3
Diluted	**24,4**	15,6	36,3
Reconciliation of headline earnings			
Profit attributable to ordinary shareholders	**108 733**	68 576	159 904
Adjusted for:	**37**	(3)	1 003
Loss (gain) on disposals of property, plant and equipment	**43**	(4)	1 166
Total tax effects of adjustments	**(6)**	1	(163)
Headline earnings	**108 770**	68 573	160 907
Headline earnings per share (cents)			
Basic	**24,6**	15,6	36,6
Diluted	**24,4**	15,6	36,5

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	6 months ended 30 June 2010 Unaudited R'000	6 months ended 30 June 2009 Unaudited R'000	Year ended 31 December 2009 Audited R'000
Cash flows from operating activities	**121 154**	1 894	10 162
Cash flows from investing activities	**(40 882)**	(52 006)	(118 574)
Cash flows from financing activities	**(17 704)**	(5 519)	16 560
Net increase (decrease) in cash and cash equivalents	**62 568**	(55 631)	(91 852)
Cash and cash equivalents at beginning of the period	**(60 143)**	31 709	31 709
Cash and cash equivalents at end of the period	**2 425**	(23 922)	(60 143)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June 2010 Unaudited R'000	30 June 2009 Unaudited R'000	31 December 2009 Audited R'000
ASSETS			
Non-current assets	**1 879 073**	1 770 538	1 836 288
Property, plant and equipment	**404 303**	341 190	389 012
Intangible assets	**1 448 275**	1 415 153	1 428 577
Other investments	**4**	4	4
Loans receivable	**47**	–	–
Deferred tax assets	**26 444**	14 191	18 695
Current assets	**527 326**	479 422	422 625
Inventory	**191 888**	200 901	181 673
Income tax receivable	**1 137**	1 135	1 137
Trade and other receivables	**271 076**	261 228	230 970
Loans receivable	**2 000**	3 824	5 162
Cash and cash equivalents	**61 225**	12 334	3 683
Total assets	**2 406 399**	2 249 960	2 258 913
EQUITY AND LIABILITIES			
Capital and reserves	**1 693 494**	1 474 877	1 576 545
Non-controlling interest	**4 580**	2 166	3 822
Total equity	**1 698 074**	1 477 043	1 580 367
Non-current liabilities	**337 938**	341 389	358 321
Loans and borrowings	**322 697**	335 485	348 779
Deferred tax liabilities	**15 241**	5 904	9 542
Current liabilities	**370 387**	431 528	320 225
Bank overdraft	**58 800**	36 256	63 826
Loans and borrowings	**16 808**	5 946	8 430
Income tax payable	**61 540**	48 181	11 793
Trade and other payables	**233 239**	341 145	236 176
Total liabilities	**708 325**	772 917	678 546
Total equity and liabilities	**2 406 399**	2 249 960	2 258 913

CONDENSED CONSOLIDATED SEGMENTAL REPORT

	6 months ended 30 June 2010 Unaudited R'000	6 months ended 30 June 2009 Unaudited R'000	Year ended 31 December 2009 Audited R'000
Segment revenue – external customers			
Non-factory	**698 391**	543 929	1 233 348
Factory	**15 944**	11 436	28 710
Total	**714 335**	555 365	1 262 058
Segment result			
Non-factory	**236 028**	143 662	308 078
Factory	**(29 556)**	(20 644)	(35 617)
Head office	**(11 791)**	(5 704)	(11 084)
Total	**194 681**	117 314	261 377
Segment assets			
Non-factory	**2 607 502**	2 345 709	2 384 367
Factory	**1 269 570**	1 222 093	1 227 670
Eliminations	**(1 470 673)**	(1 317 842)	(1 353 124)
Total	**2 406 399**	2 249 960	2 258 913

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent						
	Share capital R'000	**Share premium R'000**	**Treasury shares R'000**	**Retained income R'000**	**Total R'000**	**Non-controlling interest R'000**	**Total equity R'000**
Balance at 31 December 2008	443	1 019 296	(7 970)	392 515	1 404 284	1 640	1 405 924
Total comprehensive income for the period	–	–	–	68 576	68 576	526	69 102
IFRS 2 Share-based Payments	–	–	–	2 017	2 017	–	2 017
Balance at 30 June 2009	443	1 019 296	(7 970)	463 108	1 474 877	2 166	1 477 043
Total comprehensive income for the period	–	–	–	91 328	91 328	1 656	92 984
Issue of share capital	7	21 654	–	–	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	–	–	–	4 039	4 039	–	4 039
Balance at 31 December 2009	**450**	**1 040 924**	**(23 304)**	**558 475**	**1 576 545**	**3 822**	**1 580 367**
Total comprehensive income for the period	**–**	**–**	**–**	**108 733**	**108 733**	**1 008**	**109 741**
IFRS 2 Share-based Payments	**–**	**–**	**–**	**8 216**	**8 216**	**–**	**8 216**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**(250)**	**(250)**
Balance at 30 June 2010	**450**	**1 040 924**	**(23 304)**	**675 424**	**1 693 494**	**4 580**	**1 698 074**

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 Deneys Reitz Incorporated
Website www.ciplamedsa.co.za

COMMENTARY

FINANCIAL PERFORMANCE

Cipla is proud to announce a pleasing set of results for the first six months of 2010. Cipla Medpro maintained its current standing as the fourth largest pharmaceutical company by Rand value for the 12 months to June 2010, and managed to attain the third position for the month of June 2010. The evolution index (EV) for the 12 months was 112,1, which is the highest of the top 10 pharmaceutical companies in South Africa, whilst an EV of 131,1 was achieved for the month of June 2010 (*IMS, June 2010*).

The group's headline earnings increased to R108,8 million (2009: R68,6 million), a significant increase of 58,6%. This translates into an increase of 57,7% to 24,6 cents (2009: 15,6 cents) at the headline earnings per share (HEPS) level, based on 442,1 million (2009: 440,0 million) weighted average number of shares in issue for the 2010 interim period (before the effects of dilution are taken into account).

The reconciliation to headline earnings includes the loss on disposal of property, plant and equipment of R36 928 (2009: gain of R3 010), net of tax.

Earnings per share (EPS) improved by 57,7% to 24,6 cents (2009: 15,6 cents). After adjusting for the full effect of the interest rate swaps during the period, normalised HEPS and EPS increased by 64,1% to 25,1 cents (2009: 15,3 cents).

Revenues grew by 28,6% to R714,3 million (2009: R555,4 million). Gross profit increased by 55,6% to R401,3 million (2009: R257,9 million), and the gross profit margin improved to 56,2% from 46,4% for the comparative period in 2009 (December 2009: 49,2%). This increase in margin has been achieved due to the stronger Rand when compared to the prior comparative period and a price increase on over-the-counter (OTC) products that was implemented in March 2010. Although Cipla only implemented the price increase on the 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 better pricing and a more favourable product mix. The Cipla Medpro division achieved a gross margin of 57,9% when compared to 48,4% at 30 June 2009 and 50,7% for the full 2009 financial year.

Profit before financing costs and income tax for the period is R194,7 million (2009: R117,3 million), an increase of 65,9%. This increase was achieved by controlling the increase in operating expenditure when compared to the growth in the gross profit, and an additional R4,2 million being earned from other income when compared to the R5,7 million earned in the 2009 comparative period. The operating profit also includes foreign exchange gains of R9,0 million (2009: R5,5 million).

The net finance costs increased to R34,6 million (2009: R15,2 million) mainly due to:

- swap settlements of R1,3 million (2009: R2,8 million refund);
- an increase of R1,1 million in interest on overdraft facilities;
- an increase of R1,8 million in interest on instalment sale agreements; and
- finance costs of R19,0 million qualifying for capitalisation during the first six months of 2009 in terms of IAS 23 Borrowing Costs (2010: Rnil).

Finance income reduced to R0,5 million (2009: R3,4 million) due to no swap refund earned in 2010, when compared to the R2,8 million refund in the prior comparative period. Despite the increase in finance costs the interest cover still remains at a satisfactory level of 5,5 times (2009: 6,3 times).

After an improvement in the effective tax rate to 31,5% (2009: 32,3%), profit after tax for the period of R109,7 million (2009: R69,1 million) was achieved. The effective tax rate will continue to improve during the remainder of 2010 and into 2011 as we continue to settle the preference shares voluntarily. The main factors resulting in the effective tax rate being higher than the statutory tax rate are:

- non-deductible preference share interest of R7,5 million (2009: R12,1 million);
- non-deductible IFRS 2 Share-based Payment expenses of R8,2 million (2009: R2,0 million); and
- STC of R0,8 million (2009: R1,2 million).

When the effects of cash on hand are excluded, interest-bearing borrowings decreased to R337,1 million (2009: R365,4 million). At 30 June 2010 the group's net cash position was a positive R2,4 million – a pleasing improvement from the overdrawn positions of R23,9 million and R60,1 million at 30 June 2009 and 31 December 2009 respectively. 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 67 days (31 December 2009: 66 days and 30 June 2009: 75 days), whilst creditors days have decreased to 166 days (31 December 2009: 174 days and 30 June 2009: 187 days). This decrease is attributable to Cipla Medpro taking advantage of the strong Rand and settling some of the inventory purchases earlier than the contractual terms of 180 days. Inventory days have increased marginally to 114 days (31 December 2009: 106 days and 30 June 2009: 97 days). This was as a consequence of the Transnet strike action that resulted in delayed inventory being delivered just before 30 June 2010.

Cash flows generated from operating activities are R121,2 million (2009: R1,9 million), after adjusting for the non-cash flow effects of depreciation of R8,7 million (2009: R4,0 million), IFRS 2 Share-based Payment expenses of R8,2 million (2009: R2,0 million) and FEC gains of R22,4 million (2009: FEC losses of R28,3 million). Investing activities resulted in outflows of R40,9 million (2009: R52,0 million) due to acquisitions of property, plant and equipment and intangible assets. A net R17,7 million was utilised for financing activities (2009: R5,5 million), mainly for the settlement of R94,3 million of the preference shares (R69,2 million of which was settled voluntarily). This was offset by draw downs of R43,2 million on the Nedbank Limited loan facility and R33,4 million on the working capital and instalment sale facilities at the factory.

We are pleased to announce our inaugural interim dividend of five cents per share which equates to a dividend cover of 4,8 times.

OPERATIONAL REVIEW

This business continues its growth and by June 2010 was ranked fourth largest pharmaceutical company for the 12 months and third largest for the month of June 2010. Cipla Medpro has an EV of 112 (Rands) and 109 (Units) *(IMS, June 2010)*.

The total private pharmaceutical market grew by 10% in Rands and 7% in units. Cipla Medpro's performance outstripped the market, growing by 24% in Rands and 16% in units.

We remain focussed on growing our brands in both OTC and SEP products. Our top three SEP brands contributed to sales (12 months) of R170 million into the private sector and still have huge growth potential. Lexamil is performing at an EV of 140. Our top ten OTC products all have EVs of over 100, with Airmune tracking to do significant turnover in the next 12 months.

Our OTC business grew by 32% during the six month period. Cipla Medpro launched Atolip (Atorvastatin) in June 2010 and it is our belief that Atolip will become our biggest brand in the foreseeable future. We plan to launch two significant products in the month of September, one of which will be the first generic in a market dominated by two products doing R250 million per annum in revenues.

The Cipla Vet (small animal) business grew by 58% to R9,8 million (2009: R6,2 million) and Cipla Agrimed (large animal) grew by 46% to R25,7 million (2009: R17,6 million).

Whilst the manufacturing division (CMM) significantly improved revenues in May and June 2010, it still posted a loss for the six month period. We are cognisant of the need to increase volume in CMM and as such we are extremely excited to announce that we are in the process of finalising an agreement with Cipla India, in terms of which Cipla India will acquire a 25% shareholding in CMM, for a nominal value. Pursuant to this, Cipla India will provide additional volume and assist us in achieving World Health Organisation (WHO) and Food and Drug Administration (FDA) manufacturing approvals in the near future, resulting in increased orders and business for our factory. This will ensure better continuity, increased capacity utilisation and further entrench the relationship with Cipla India.

BOARD OF DIRECTORS

The board has remained stable and 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.

BASIS OF PREPARATION OF THE UNAUDITED RESULTS

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and in accordance with the Companies Act of South Africa.

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the group's annual financial statements for the year ended 31 December 2009, except for the adoption of new/amended standards, as applicable, which became effective during the interim reporting period.

NEW VENTURES

Cipla Medpro has initiated two new divisions, Cipla Consult (Pty) Limited and Cipla Nutrition (Pty) Limited, during the period under review. Although small in their start-up phase, these may lead to enhanced business benefits in the future.

SHARE OPTIONS

On 25 March 2010, the board approved an *ex gratia* grant of 1 million share options to JS Smith, at a strike price of 531 cents per share.

SUBSEQUENT EVENTS

On 30 July 2010, R25,3 million of the preference shares were voluntarily redeemed, resulting in an outstanding preference share liability of R74,7 million on this date. The associated R0,6 million of preference share interest was also settled on this date.

On 3 August 2010, Medpro Pharmaceutica (Pty) Limited drew down an additional R25,0 million against its loan facility from Nedbank Limited. The loan balance as of 3 August 2010 has increased to R93,2 million.

Except as disclosed above, the directors are not aware of any other matter or circumstance which is material to the financial affairs of the group, which has occurred between 30 June 2010 and the date of approval of the interim financial statements, that has not been otherwise dealt with in the group interim financial statements.

PCS Luthuli
Chairman

JS Smith
Chief Executive Officer

31 August 2010

DECLARATION OF ORDINARY DIVIDEND

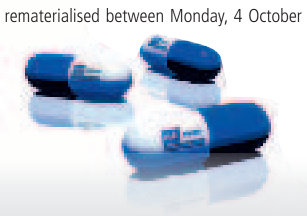
Notice is hereby given that an interim cash dividend number 1 of five cents per share has been declared in respect of the six months ended 30 June 2010.

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

Last day to trade:	Friday, 1 October 2010
Shares trade "ex" dividend:	Monday, 4 October 2010
Record date:	Friday, 8 October 2010
Payment date:	Monday, 11 October 2010

Share certificates may not be dematerialised or rematerialised between Monday, 4 October 2010 and Friday, 8 October 2010, both dates inclusive.

By order of the board
MW Daly
Company Secretary
Durban
31 August 2010



ince.motiv