ENALENI
PHARMACEUTICALS

Health and Vitality for all

ABRIDGED AUDITED GROUP RESULTS

for the year ended 31 December 2006

- Revenue trebles to R789 million
- PBIT increases sevenfold to R190 million
- HEPS increases 177% to 24,9 cents
- Cash flows from operating activities exceed R80 million
- Top ten pharmaceutical company
- Laid the building blocks for significant growth

Consolidated Income Statement

	Year ended 31 December 2006 Audited Actual R'000	Change	Year ended 31 December 2005 Audited Actual R'000	% Change*	Year ended 31 December 2005** Unaudited Pro-forma R'000
Revenue	**789 494**	3,2 x	245 078	26	625 746
Cost of sales	**(401 102)**		(136 008)		(318 979)
Gross profit	**388 392**	3,6 x	109 070	27	306 767
Other operating income	**7 478**		4 016		20 238
Operating expenses	**(205 861)**		(88 157)		(182 863)
Staff costs	**(104 657)**		(38 748)		(92 354)
Depreciation	**(3 179)**		(2 013)		(4 884)
Other operating expenses	**(98 025)**		(47 396)		(85 625)
Operating profit before financing costs and taxation	**190 009**	7,6 x	24 929	32	144 142
Net finance costs***	**(24 638)**		(6 850)		(38 061)
Finance costs	**(32 084)**		(7 862)		(42 551)
Finance income	**7 446**		1 012		4 490
Profit before taxation	**165 371**		18 079		106 081
Taxation	**(60 856)**		(5 541)		(33 733)
Profit after taxation	**104 515**	8,3 x	12 538	44	72 348
Attributable to:					
Equity holders of the parent	**104 079**		13 204		73 761
Minority interest	**436**		(666)		(1 413)
Profit for the year	**104 515**		12 538		72 348
Earnings per share (cents)					
Basic	**26,0**	120%	11,8	41	18,4
Diluted	**25,5**	120%	11,6	41	18,1
Reconciliation of headline earnings					
Profit attributable to ordinary shareholders	**104 079**		13 204		73 761
Adjusted for:	**(4 257)**		(3 101)		(3 101)
Restructuring costs	**–**		830		830
Profit on sale of fixed assets	**(3 073)**		(75)		(75)
Excess of assets acquired over purchase price	**(1 184)**		(3 856)		(3 856)
Headline earnings	**99 822**		10 103		70 660
Weighted average shares in issue on which earnings per share are based ('000)	**400 609**		112 119		400 360
Weighted average fully diluted shares in issue on which diluted earnings per share are based ('000)	**408 530**		113 988		407 491
Headline earnings per share (cents)					
Basic	**24,9**	177%	9,0	41	17,6
Diluted	**24,4**	174%	8,9	41	17,3

* 2006 actual versus 2005 pro-forma

** The unaudited summary of group earnings if all entities were included in the group for the entire year is included for illustrative purposes.

*** The pro-forma net finance costs for the year ended 31 December 2005 includes an estimate for finance costs of R33 066 000 to fairly compare with the then forecast net finance costs for the year ended 31 December 2006.

Consolidated Balance Sheet

	31 December 2006 Audited R'000	31 December 2005 Audited R'000
ASSETS		
Non-current assets	**1 446 339**	1 209 779
Property, plant and equipment	**30 261**	22 950
Intangible assets	**1 400 848**	1 170 001
Investments	**5 071**	5 010
Loans receivable	**–**	1 917
Deferred tax	**10 159**	9 901
Current assets	**421 760**	287 530
Inventories	**91 718**	60 796
Income tax receivable	**24**	61
Trade and other receivables	**147 733**	114 485
Cash and cash equivalents	**182 285**	112 188
Total assets	**1 868 099**	1 497 309
EQUITY AND LIABILITIES		
Capital and reserves	**997 821**	891 566
Minority interest	**(213)**	(1 559)
Total equity	**997 608**	890 007
Non-current liabilities	**352 550**	124 448
Long-term loans and borrowings	**350 101**	123 608
Accrued operating leases	**315**	245
Deferred tax	**2 134**	595
Current liabilities	**517 941**	482 854
Bank overdraft	**3 175**	4 768
Short-term loans and borrowings	**308 922**	307 711
Income tax payable	**36 744**	21 813
Trade and other payables	**169 100**	148 562
Total liabilities	**870 491**	607 302
Total equity and liabilities	**1 868 099**	1 497 309

Consolidated Statement of Changes in Equity

	Share capital R'000	Share premium R'000
Balance at 1 January 2005	–	–
Total recognised income and expenditure	–	–
Issue of share capital	403	875 218
Shares held by share incentive trust	–	–
IFRS 2 Share-based payments	–	–
Acquisition of minority interest	–	–
Balance at 1 January 2006	**403**	**875 218**
Total recognised income and expenditure	**–**	**–**
Issue of share capital	**6**	**18 216**
Share issue expenses	**–**	**(2 706)**
Shares held by share incentive trust	**–**	**–**
IFRS 2 Share-based payments	**–**	**–**
Acquisition of minority interest	**–**	**–**
Balance at 31 December 2006	**409**	**890 728**

Consolidated Cash Flow Statement

	Year ended 31 December 2006 Audited R'000	Year ended 31 December 2005 Audited R'000
Cash generated by operations	**157 345**	7 918
Finance costs	**(29 324)**	(7 862)
Finance income	**7 446**	1 012
Dividends paid	**–**	(478)
Taxation paid	**(46 159)**	(22 312)
Cash flows from operating activities	**89 308**	(21 722)
Expenditure to maintain operating capacity		
Acquisition of property, plant and equipment	**(17 440)**	(7 908)
Acquisition of intangible assets	**(9 253)**	(4 249)
Proceeds on disposals of property, plant and equipment	**8 872**	4 991
Expenditure for expansion		
Acquisition of subsidiaries, net of cash acquired	**(20 350)**	(1 122 824)
Acquisition of minority interests	**(4 000)**	–
Acquisition of unlisted investments	**–**	(5 001)
Decrease in loans receivable	**(649)**	35 189
Cash flows from investing activities	**(42 820)**	(1 099 802)
Proceeds from the issue of share capital	**–**	875 621
Share issue expenses	**(719)**	–
Acquisition of treasury shares	**–**	(2 651)
Loans raised	**25 921**	348 174
Cash flows from financing activities	**25 202**	1 221 144
Net increase in cash and cash equivalents	**71 690**	99 620
Cash and cash equivalents at beginning of the year	**107 420**	7 800
Cash and cash equivalents at end of the year	**179 110**	107 420

Attributable to equity holders of the parent				
Treasury shares R'000	Retained income R'000	Total R'000	Minority interest R'000	Total equity R'000
–	5 154	5 154	(278)	4 876
–	13 204	13 204	(666)	12 538
–	–	875 621	–	875 621
(2 651)	–	(2 651)	–	(2 651)
–	238	238	–	238
–	–	–	(615)	(615)
(2 651)	**18 596**	**891 566**	**(1 559)**	**890 007**
–	**104 079**	**104 079**	**436**	**104 515**
–	**–**	**18 222**	**–**	**18 222**
–	**–**	**(2 706)**	**–**	**(2 706)**
(16 222)	**–**	**(16 222)**	**–**	**(16 222)**
–	**2 882**	**2 882**	**–**	**2 882**
–	**–**	**–**	**910**	**910**
(18 873)	**125 557**	**997 821**	**(213)**	**997 608**

Segmental Report

	Year ended 31 December 2006 Audited R'000	Year ended 31 December 2005 Audited R'000
Segment revenue		
Pharmaceutical	**673 586**	166 139
Consumer and vitality	**115 908**	78 939
Total	**789 494**	245 078
Segment results		
Pharmaceutical	**184 568**	21 704
Consumer and vitality	**5 441**	3 225
Total	**190 009**	24 929

Commentary

FINANCIAL PERFORMANCE

It is our pleasure to announce a satisfactory set of annual results which are substantially in-line with our forecast published at the end of 2005. In the circular issued to shareholders on 28 November 2005, Enaleni forecast revenue of R731,0 million for 2006 and profit before interest and tax of R178,5 million. We have exceeded those figures by 8% and 6% respectively.

The gross margin for the year is 49% (2005: 45%). The increase in the gross margin is largely the effect of incorporating Cipla Medpro in the group for an entire year. The Cipla Medpro gross margin is healthy despite the weakening in the local currency during 2006 as the subsidiary benefited from a prudent and well-judged hedging strategy.

Operating expenses for the year as a percentage of revenue is 26% (2005: 36%). Operating expenses include net foreign exchange losses of R2,2 million (2005: R0,2 million gain) and IFRS 2 (Share-based Payment) charges of R2,9 million (2005: R0,2 million). This has resulted in an operating margin of 24%, significantly ahead of the 2005 margin of 10%.

Basic EPS for the year is 26,0 cents (2005: 11,8 cents), an improvement of 120% over the comparative year and 0,3 cents (1,2%) ahead of the published forecast.

On a fully diluted basis EPS for the year is 25,5 cents (2005: 11,6 cents), an improvement of 120% over the comparative year and marginally ahead of the published forecast. The dilution is related to 7,8 million (2005: 7,1 million) share options in issue to management and staff.

HEPS for the year is 24,9 cents (2005: 9,0 cents), an improvement of 177% over the comparative year. The reconciliation to Headline Earnings is made up of the net profit on sale of property, plant and equipment (R3,6 million), adjusted for the CGT effect on the sale of the Phoenix factory, as well as negative goodwill related to the acquisition of Adroit Pharmaceuticals (R1,2 million).

Diluted HEPS for the year is 24,4 cents (2005: 8,9 cents), an improvement of 174% over the comparative year.

Net cash resources at the end of the year increased to R179,1 million (2005: R107,4 million). Operating cash flows generated after interest and tax payments were R89,3 million, of which R42,8 million was utilised to fund capital expansion and growth. The current ratio has improved to 0,81 (2005: 0,60).

Total loans and borrowings have increased to R659 million (2005: R431 million) of which R309 million is current. Loans and borrowings are materially comprised of a R100 million five-year term facility, R222 million of five-year cumulative redeemable preference shares bearing dividends at rates linked to prime, and R294 million (at discounted present value) due to the Cipla Medpro vendors. In terms of IAS39, the preference shares are accounted for as debt instruments and the related dividends as interest. The gearing ratio at the end of the year is 48% and interest cover for the year is a comfortable 6 times.

We are pleased to report that Cipla Medpro, which was acquired for R1,2 billion in November 2005, has continued to perform extremely well with revenue increasing by 38% over the previous year. The vendors have exceeded their maximum earn-out targets and are thus contractually entitled to a total payment of R300 million. This payment, to be made in two tranches of R150 million each, will be funded through the cash reserves in the business and the issue of up to R154 million of preference shares, bringing the total acquisition cost to R1,4 billion.

Inventory has increased to R92 million, with improved days in inventory of 83 since the mid-year. These inventory levels are reflective of the significant revenue growth across the businesses and the necessary safety stock levels required to cover the lead-times on importation of goods from Cipla India, from whom the business continues to benefit with regard to favourable payment terms.

Accounts receivable have increased to R148 million, including financial instrument assets of R6,7 million. Days in trade accounts receivable have improved since mid-year to 65 and credit control within the group is satisfactory.

CHANGES TO THE BOARD OF DIRECTORS

In line with good corporate governance the board will be restructured to improve the balance between non-executive and executive directors.

Nomini Rapoo, the former company secretary of IDC, has resigned her position at that company resulting in her resignation from the Enaleni board. IDC, being entitled to appoint a non-executive director in her place onto the Enaleni board, has appointed Ms Mpho Mosweu as its representative. Mpho is a chartered accountant (SA). She is employed as a senior account manager by the IDC in the Techno Industries Business Unit. In addition to her role at the IDC, she is the chairperson of a shared audit committee at the Mpumalanga Department of Finance and a member of the investment committee panel for the Support Programme for Industrial Innovation. She has significant commercial experience, which together with her technical accounting and corporate governance acumen will add significant value to the board of Enaleni.

Stan Whitfield, a founder member of Enaleni and the current Commercial Director of the company will retire with effect from 30 April 2007. The company recently recruited a Corporate Finance Executive, Mark Daly, from one of the Big Four accounting firms and is confident that he is a suitable replacement for Stan.

Umesh Parusnath, also a founder member of Enaleni will resign from the board with effect from 30 April 2007. However, as the company has embarked on the upgrade of its facility, Umesh retains his role as head of manufacturing for the pharmaceutical facility.

We thank these directors for the considerable contribution each has made to our success over the last three years.

The Audit and Risk, Remuneration and Executive Committees are functioning well and within the mandates approved by the board.

OPERATIONAL REVIEW

Pharmaceutical Division

Cipla Medpro, FirstPharm and the Contract Manufacturing Division's financial performance have been pleasing with combined annual revenues having increased from R530 million to R674 million on the back of strong volume growth and launches of new products.

The continued growth in the generics market has seen Cipla Medpro increase sales considerably over the previous year and the company increased its market share, moving from fifteenth in 2005 to the tenth largest pharmaceutical company in South Africa by the end of the year. The company continues to focus on chronic medicines and generates high annuity income and good profit levels as a result of this strategy. It also boasts a fledgling but fast growing animal health business – Cipla Vet – which has significant potential for the future.

FirstPharm has refocused its business model more towards over the counter healthcare. Previously concentrating on dispensing doctors, the company has expanded distribution to include pharmacy chains and food retailers and strengthened its sales force. FirstPharm sales have increased 28% over the prior year.

The manufacturing plant is currently undergoing an upgrade of approximately R100 million to international PIC/S standards. The upgrade has been logistically co-ordinated to ensure that there will be minimal disruption to production during the period. Once complete, tablet manufacturing capacity will be increased fourfold. This investment will strategically position the group to take advantage of future government tenders, ensure available capacity for group production as well as enhance our export and other contract manufacturing opportunities. The upgrade will be substantially completed within the next 12 months.

Consumer and Vitality Division

Performance in this division was positive across its healthcare, vitality and personal care brands, particularly in the second half as a result of new product launches and increased marketing drives. Sales were 23% up on the previous year with record figures recorded in November.

Bioharmony increased sales by 42% over the previous year and demonstrated strong growth in the second half of the year. The company continues its association with world renowned nutritional expert, Patrick Holford. The acquisition of Galilee introduced MenoClove, a popular herbal menopause treatment, into the Bioharmony range.

Exchange rate fluctuations saw sports supplements company Muscle Science facing increasing pressure from imported bodybuilding products during the year. Consolidation during the first six months refocused the business into the weight loss, and recreational and endurance sports markets and sales growth accelerated in the last quarter.

We continue to make progress in establishing our Consumer Division, a second strategic pillar to the Enaleni business, and with the continued merging of pharmaceutical and retail outlets, it is strategically essential that we continue to build this division. Already 30% of sales across our consumer business are generated from healthcare and OTC products.

BLACK EMPOWERMENT

Enaleni continues to remain a leader in black empowerment, having been ranked by the Financial Mail as the fourth most empowered company on the JSE as well as the exchange's top empowered pharmaceutical company. BEE shareholding is currently at 33%. The company holds an AA rating from Empowerdex and is committed to further increasing its BEE shareholding.

CIPLA LIMITED INDIA

We are proud of our association with Cipla India and place on record our thanks for their continued support of our pharmaceutical business.

PROSPECTS

Growth continues in 2007 and within the first two months of this year the combined Cipla Medpro and FirstPharm marketshare saw Enaleni increase its ranking from tenth to seventh position. We believe that the investments made in 2006 together with the factory upgrade, an exciting new product pipeline and entry into new therapeutic classes will result in an even greater share of the market across pharmaceutical, vitality and wellness markets. We are cautiously optimistic for additional tenders in the next round and have laid the foundations and building blocks for growth.

BASIS OF PREPARATION OF THE AUDITED RESULTS

a) Statement of compliance

The abridged financial statements comprise a consolidated balance sheet at 31 December 2006, a consolidated income statement, consolidated statement of changes in equity and summarised consolidated cash flow statement for the year ended 31 December 2006, and summarised segment report. The abridged financial statements have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and the presentation and disclosure requirements of IAS 34, Interim Financial Reporting.

The basis of preparation is consistent with the prior comparative year.

The abridged financial statements were approved by the board of directors on 14 March 2007.

b) Basis of measurement

The abridged financial statements have been prepared on the historic cost basis except for financial assets and liabilities measured at fair value.

c) Functional and presentation currency

These summarised consolidated financial statements are presented in SA Rands, which is the company's functional currency. All financial information presented in Rands has been rounded to the nearest thousand.

MINORITY INTERESTS

Minority holders share in the losses with the group in accordance with a contractual arrangement.

DIVIDENDS

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

AUDITOR'S REPORT

KPMG Inc.'s unmodified auditor's reports included in the annual financial statements and on the abridged financial statements contained in this report are available for inspection at the company's registered office.

On behalf of the board

PCS LUTHULI
Chairman

TD EDWARDS
CEO

16 March 2007

CORPORATE INFORMATION

Non-executive directors PCS Luthuli *(Chairman)*, Dr G Mahlati, T Dingaan, MT Mosweu

Executive directors TD Edwards *(CEO)*, AG Hall *(CFO)*, PA Pillay, U Parusnath, JS Smith, S Whitfield

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JSE ENL

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