ENALENI
PHARMACEUTICALS

WE DELIVER ON OUR PROMISE

UNAUDITED RESULTS

for the six months ended 30 June 2006

- Revenue increases 4 times to R371 million
- PBIT increases 12 times to R93.1 million
- HEPS increases 188% to 12.4 cents
- Cash flows from operating activities R55.3 million
- Cipla Medpro successfully integrated
- Ranked fourth most empowered company on JSE

Cipla Medpro
The Ethical Generic Company

Bioharmony

Enaleni Pharma
CONTRACT
MANUFACTURING

Enaleni Cipla
PHARMACEUTICALS

ENALENI
PHARMACEUTICALS
Consumer Division

FIRSTPHARM
PHARMACEUTICALS

HEALTH AND VITALITY FOR ALL

COMMENTARY

FINANCIAL PERFORMANCE

It is our pleasure to announce an outstanding set of interim results which are substantially ahead of the previous year. We continue to deliver on our promise of establishing a major pharmaceutical company in South Africa that is committed to providing affordable healthcare and vitality for all South Africans.

Conditions for the generic pharmaceutical sector continue to remain positive. Against this backdrop, the board of directors is pleased to report that revenue for the half-year ending 30 June 2006 is R371 million, more than 300% higher than the corresponding period in 2005, and in line with the forecast for the year, announced in a circular to shareholders on 28 November 2005.

The increase in revenue has been leveraged to the bottom line resulting in profit before interest and tax increasing twelvefold to R93.1 million compared with R7.5 million in 2005. Headline earnings per share rose 188% to 12.4 cents.

The business has generated good cash flows producing R55.3 million from operating activities in the period under review. In line with the group's growth strategy, these cash flows have been deployed to repay debt and fund growth in the two operating divisions.

The group has made considerable progress in bedding down its acquisitions, as is evident in the performance of the business. Enaleni is experiencing strong top-line growth, and intends to extract further synergies between all the businesses.

Cipla Medpro, which was acquired for R1.2 billion in November last year, performed better than expected as its integration continued to proceed smoothly. This is the first time that Cipla Medpro's performance has been included in the financial results of Enaleni Pharmaceuticals Limited for a full reporting period, allowing the group to provide an accurate portrayal of its size. The group has continued to derive considerable benefit from its relationship with Cipla Limited, the largest pharmaceutical company in India, operating 30 manufacturing facilities.

The acquisition of Cipla Medpro has elevated Enaleni to the fastest growing pharmaceutical group in South Africa, positioning it as the 10th biggest pharmaceutical and third largest generics company. This is a considerable achievement given that the group has been in existence for only three years.

BOARD ANNOUNCEMENTS

The group is pleased to announce that Jerome Smith, CEO of Cipla Medpro, has extended his contract with Enaleni until the end of 2008. He is to be appointed to the Enaleni board in September of this year. Jerome and his team will be able to build on their success with Cipla Medpro by extending their management expertise to the entire pharmaceutical division.

The group has also employed a new chief financial officer, former Ernst & Young partner Andy Hall, who is both a pharmacist and chartered accountant. This appointment will allow Stan Whitfield to focus on acquisitions and business development. Stan will remain as an executive director of the company in the capacity of commercial director. The group's chief executive, Trevor Edwards, has extended his contract until the end of 2008, committing himself to the group.

Sweet Sensations 67 (Pty) Limited, a broad-based black empowerment group with extensive knowledge of the pharmaceutical industry, is already adding strategic value to the group through its two appointees to the board, Dr Gil Mahlati and Thembisa Dingaan.

In addition, Nomini Rapoo, the group company secretary at the Industrial Development Corporation, has joined the board. An expert in corporate governance, Ms Rapoo is an admitted attorney of the High Court and holds B Com and LLB degrees from the University of Natal (Pietermaritzburg). She practised as a commercial lawyer for seven years before joining the IDC in 2002.

OPERATIONAL REVIEW

After several acquisitions in 2005, Enaleni has continued to consolidate its portfolio of products within its business units. The group's two divisions – pharmaceuticals, and consumer and vitality – now employ in excess of 700 people.

Pharmaceutical division

The pharmaceutical division includes Cipla Medpro (incorporating a fledgling veterinary division), FirstPharm and the contract manufacturing business. The division continued to perform well and increased its market share during the period. The division produced revenue of R318 million in the period under review, compared to R45.3 million in the comparative period.

Cipla Medpro is the fastest growing major pharmaceutical company in South Africa and has launched a number of highly successful new products over the past 18 months, including Lansoloc and Flomist, both of which have overtaken the innovator in unit sales, Venlor, a highly innovative neuropsychiatric drug and a number of line extensions to already existing products. Triomune, the world's first 3-in-1 ARV was launched in May. These new products have contributed 10% to Cipla Medpro's revenue in the period under review. The company has an impressive product pipeline to bring to market over the next three years and intends to extend into new therapeutic classes including diabetes, oncology and hormones.

The Enaleni group is now well positioned to capitalise on the government pharmaceutical tenders to be awarded in 2007. The value of the tenders in the generic drugs market is estimated at between R3 billion and R4 billion over a two-year period. Enaleni will be competing for a substantial portion of this opportunity, aiming our efforts at R1 billion of the tender. The future value of the ARV market is estimated at R4 billion over the next three years. The company has a formidable basket of ARVs available, which should position it as a significant player at the next round of tenders.

FirstPharm, which was acquired in the second half of 2005, is being integrated into the group's pharmaceutical division and is contributing positively to operating performance. FirstPharm enjoyed a number of record months in the first half of the year. Revenue in the period under review increased by 24% over the comparative period. The group expects to derive further synergies from the FirstPharm acquisition as the integration continues. Further products will be launched before the year-end.

FirstPharm has traditionally focused on supplying its products to dispensing doctors. It is now increasing the distribution of several products through general pharmacies and has had good success in listing some of its key brands with the major pharmaceutical retailers. The company recently acquired the Sunsafe brand, a dermatologically-endorsed sun protection range with high brand awareness in pharmacy. This brand will be integrated into the Vitacare range of skincare products marketed by FirstPharm.

Growth within the contract manufacturing division is within expectations. The company is investigating an upgrade to its facilities to become compliant with PIC/S over a two- to three-year timeframe. The group is also committed to continued investment in people within the manufacturing division and is confident of making strategic appointments of highly experienced individuals over the next six months. These investments in facilities and personnel will strategically position the group to take advantage of additional business likely to be generated by government tenders in 2007 and establish a strong manufacturing platform to integrate future acquisitions. Reckitt Benckiser South Africa, a customer that accounts for a meaningful portion of the manufacturing revenue, has extended its manufacturing and supply contract with the group until 2010.

Enaleni is also pleased to announce that in keeping with its philosophy of developing good relationships with all stakeholders, it has successfully concluded a two-year wage agreement with its employees.

Consumer and vitality division

The consumer and vitality division continued to perform strongly across its healthcare, vitality and personal-care brands in the period under review. Revenue during this period increased by 26% to R53 million and operating profit of R1.7 million includes a significant investment in marketing, the benefits of which should be realised in the second half of the financial year.

At present, the division accounts for approximately 14% of the group's revenue, translating into a contribution to operating profit of less than 2%. The group is very aware of the rising demand for affordable over-the-counter products and the international trend towards vitality and wellness. Consequently, Enaleni has begun to develop a strong consumer division to build a substantial branded business over the coming years. The division is committed to developing power brands under the Hercules, Caivil, Bioharmony and Muscle Science banners. The second half of the financial year will include various marketing initiatives, product launches and acquisitions to enable the division to attain critical mass.

BLACK EMPOWERMENT

Enaleni is a leader in black empowerment and was recently recognised by the Financial Mail as the fourth most empowered company on the JSE as well as the exchange's top empowered pharmaceutical company. The company is well positioned to capitalise on the opportunities which will arise from the soon-to-be-finalised healthcare charter.

CAPITAL STRUCTURE

In terms of the acquisition agreement of Cipla Medpro, further capital of between R100 million and R300 million will be required to settle the vendors of Cipla Medpro by approximately 31 May 2007, should Cipla Medpro contribute profit before taxation in excess of R150 million for the year ended 31 December 2006. The group is currently in the process of raising the necessary long-term funding to fund these payments.

PROSPECTS

In the circular issued to shareholders on 28 November 2005, the group forecast sales of R731 million for 2006 and profit before interest and tax of R178.5 million. The group is trading in line with the forecast. Trading in the second half of the year is traditionally better than in the first period.

Enaleni remains committed to building a business that can generate sustainable earnings and long-term growth. The group will continue to invest in growth opportunities, marketing and brand investment to achieve these objectives.

NAME CHANGE TO ENALENI CIPLA PHARMACEUTICALS

As approved at the Enaleni Pharmaceuticals Limited annual general meeting on 28 June 2006, the company intends to change its name to Enaleni Cipla Pharmaceuticals Limited. The new name acknowledges the evolving structure of the group and the significant contribution that Cipla Medpro makes to the group's sales and profit. The name change is also intended to reflect the value that the Cipla brand brings to the group.

BASIS OF PREPARATION OF THE UNAUDITED RESULTS

The interim condensed consolidated financial statements for the period ended 30 June 2006 have been prepared in accordance with IAS 34, Interim Financial Reporting, and in accordance with the Companies Act in South Africa. The accounting policies adopted in the preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the group's annual financial statements for the year ended 31 December 2005.

DIVIDENDS

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

On behalf of the board

PCS Luthuli	**TD Edwards**
Chairman	*Chief Executive Officer*

15 August 2006

CONSOLIDATED INCOME STATEMENTS

	6 months ended 30 June 2006 Unaudited R'000	*6 months ended 30 June 2005 Unaudited R'000	Year ended 31 Dec 2005 Audited R'000
Revenue	**371 056**	87 413	245 078
Gross profit	**182 919**	40 057	109 070
Other operating income	**5 289**	1 661	4 016
Operating expenses	**(95 116)**	(34 210)	(88 157)
Operating profit before financing costs and taxation	**93 092**	7 508	24 929
Net finance costs	**(11 440)**	(1 059)	(6 850)
Profit before taxation	**81 652**	6 449	18 079
Taxation	**(28 407)**	(1 135)	(5 541)
Profit after taxation	**53 245**	5 314	12 538
Attributable to:			
Equity holders of the parent	**52 833**	5 709	13 204
Minority interest	**412**	(395)	(666)
Profit for the period	**53 245**	5 314	12 538
Reconciliation of headline earnings			
Profit attributable to ordinary shareholders	**52 833**	5 709	13 204
Adjusted for:	**(3 086)**	(2 897)	(3 101)
Restructuring costs	**–**	365	830
Profit on sale of fixed assets	**(3 086)**	–	(75)
Excess of assets acquired over purchase price	**–**	(3 262)	(3 856)
Headline earnings	**49 747**	2 812	10 103
Weighted average shares in issue on which earnings are based ('000)	**400 360**	65 433	112 119
Weighted average fully diluted shares in issue on which diluted earnings per share are based ('000)	**407 491**	65 433	113 988
Earnings per share (cents)			
Basic	**13.2**	8.7	11.8
Diluted	**13.0**	8.7	11.6
Headline earnings per share (cents)			
Basic	**12.4**	4.3	9.0
Diluted	**12.2**	4.3	8.9

CONSOLIDATED BALANCE SHEETS

	30 June 2006 Unaudited R'000	*30 June 2005 Unaudited R'000	31 Dec 2005 Audited R'000
ASSETS			
Non-current assets	**1 213 746**	53 515	1 209 779
Property, plant and equipment	**22 323**	17 578	22 950
Intangible assets	**1 174 807**	24 779	1 170 001
Investments	**5 510**	–	5 010
Loans receivable	**2 136**	–	1 917
Deferred tax	**8 970**	11 158	9 901
Current assets	**324 098**	65 657	287 530
Inventories	**84 930**	20 741	60 796
Trade and other receivables	**160 173**	42 890	114 546
Cash and cash equivalents	**78 995**	2 026	112 188
Total assets	**1 537 844**	119 172	1 497 309
EQUITY AND LIABILITIES			
Capital and reserves	**942 680**	58 645	891 566
Minority interest	**(1 147)**	(1 266)	(1 559)
Total equity	**941 533**	57 379	890 007
Non-current liabilities	**252 169**	12 679	124 448
Long-term loans and borrowings	**250 688**	12 679	123 853
Deferred tax	**1 481**	–	595
Current liabilities	**344 142**	49 114	482 854
Bank overdraft	**2 067**	3 589	4 768
Short-term loans and borrowings	**101 472**	5 443	307 711
Income tax payable	**45 703**	1 160	21 813
Trade and other payables	**194 900**	38 922	148 562
Total liabilities	**596 311**	61 793	607 302
Total equity and liabilities	**1 537 844**	119 172	1 497 309

CONSOLIDATED ABRIDGED CASH FLOW STATEMENTS

	6 months ended 30 June 2006 Unaudited R'000	*6 months ended 30 June 2005 Unaudited R'000	Year ended 31 Dec 2005 Audited R'000
Cash flows from operating activities	**55 309**	(8 150)	(21 722)
Cash flows from investing activities	**(3 629)**	(9 956)	(1 099 802)
Cash flows from financing activities	**(82 172)**	8 743	1 221 144
Net (decrease)/increase in cash and cash equivalents	**(30 492)**	(9 363)	99 620
Cash and cash equivalents at beginning of the period	**107 420**	7 800	7 800
Cash and cash equivalents at end of the period	**76 928**	(1 563)	107 420

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital R'000	Share Premium R'000	Treasury Shares R'000	Retained Income R'000	**Total R'000**	Minority Interest R'000	**Total Equity R'000**
Balance at 1 January 2005	–	–	–	5 154	5 154	(278)	4 876
Issue of share capital	403	875 218	–	–	875 621	–	875 621
Shares held by share incentive trust	–	–	(2 651)	–	(2 651)	–	(2 651)
Net profit for the year	–	–	–	13 204	13 204	(666)	12 538
IFRS 2 Share-based payments	–	–	–	238	238	–	238
Minority interest acquired	–	–	–	–	–	(615)	(615)
Balance at 1 January 2006	**403**	**875 218**	**(2 651)**	**18 596**	**891 566**	**(1 559)**	**890 007**
Share issue expenses	**–**	**(2 768)**	**–**	**–**	**(2 768)**	**–**	**(2 768)**
Shares held by share incentive trust	**4**	**13 436**	**(13 440)**	**–**	**–**	**–**	**–**
Net profit for the period	**–**	**–**	**–**	**52 833**	**52 833**	**412**	**53 245**
IFRS 2 Share-based payments	**–**	**–**	**–**	**1 049**	**1 049**	**–**	**1 049**
Balance at 30 June 2006	**407**	**885 886**	**(16 091)**	**72 478**	**942 680**	**(1 147)**	**941 533**

SEGMENTAL ANALYSIS

	6 months ended 30 June 2006 Unaudited R'000	*6 months ended 30 June 2005 Unaudited R'000	Year ended 31 Dec 2005 Audited R'000
Revenue			
Pharmaceutical	**318 045**	45 327	166 139
Consumer and vitality	**53 011**	42 086	78 939
Total	**371 056**	87 413	245 078
Operating profit/(loss) before financing costs and taxation			
Pharmaceutical	**91 347**	8 498	21 704
Consumer and vitality	**1 745**	(990)	3 225
Total	**93 092**	7 508	24 929

RESTATEMENT OF COMPARATIVES*

The figures for the comparative period ended 30 June 2005 have been restated as disclosed to shareholders in the circular dated 28 November 2005.

The effect of the restatement is an increase in profit after taxation of R3.262 million, and a corresponding increase in the value of intangibles in the balance sheet.

The increase relates to negative goodwill on acquisitions, now accurately reflected in the income statement in the period ended 30 June 2005.

The interim results for the period ended 30 June 2005 previously reflected the negative goodwill with intangibles in the balance sheet.

Earnings per share increased accordingly by 5 cents to 8.7 cents per share.

Headline earnings per share decreased by 0.9 cents to 4.3 cents per share. This adjustment results from the now appropriate treatment of share-based payments amounting to R574 000 when calculating headline earnings.

CORPORATE INFORMATION

Non-executive directors:	PCS Luthuli (*Chairman*), Dr G Mahlati, T Dingaan, N Rapoo
Executive directors:	TD Edwards (*CEO*), AG Hall (*CFO*), U Parusnath, P Pillay, S Whitfield
Registration number:	2002/018027/06
JSE Code:	ENL
ISIN:	ZAE000067740
Registered address:	1474 South Coast Road, Mobeni, KwaZulu-Natal 4060
Postal address:	PO Box 32003, Mobeni, 4060
Transfer secretaries:	Computershare Investor Services (2004) (Proprietary) Limited
Telephone:	031 451 3800
Facsimile:	031 451 3889
Sponsor:	Nedbank Capital

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Please view these results on www.enaleni.com

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