

# Investor Update

Quarter Ended March 2008



## Update Coverage:

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- **Performance Highlights**
- **Corporate Highlights**
- **Financials**
- **Management Discussion**
- **Business-wise Performance**

## Investor communication

Wockhardt is committed to keeping its investors constantly updated about our corporate and financial developments. This investor update covers the company's performance for quarter ended March 31, 2008.

We would appreciate your feedback. For any additional questions / information requests, you can reach us at the numbers mentioned below:

## Investor Relations Team

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## **WOCKHARDT – OVERVIEW**

Wockhardt Limited is a global research and technology oriented pharmaceutical major based out of India that has an active multi-disciplinary R&D programme employing over 500 scientists. It is one of the frontrunners in Biotechnology research in the country, with comprehensive all round capabilities from "Concept to Market".

Wockhardt's Research and Development efforts are directed towards Biotechnology, Products that are coming off-patent in the European and the US markets (Generics), and New Chemical Entity (NCE) research in the field of sepsis & anti-infectives.

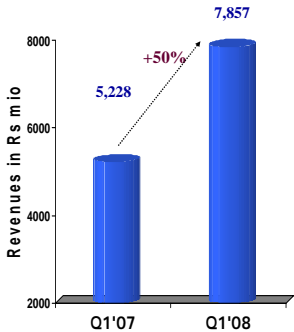
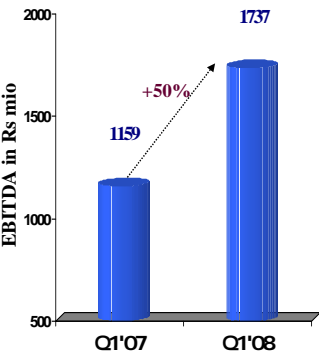
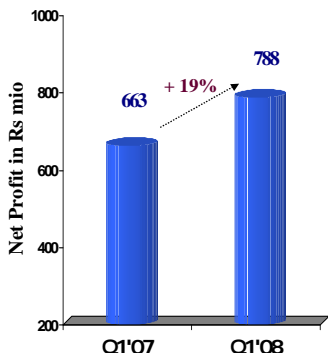
Wockhardt continues to maintain a strong focus on developing its international presence, and is now the largest Indian company operating in Europe. Business outside India constitutes more than 70% of the total revenues of the company.

**Performance Highlights**

**Quarter ended 31<sup>st</sup> March 2008**

**Consolidated Wockhardt Ltd – Q1' 2008**

Compared to Q1' 2007 performance,

Sales revenues	EBITDA	Net Profit																		
<p>⇒ Revenue increase by 50% to Rs. 7,857 million</p> <p>⇒ India business increase by 12%</p> <p>⇒ International business increase by 71%</p>  <table border="1"> <caption>Sales Revenues (Rs mio)</caption> <tr><th>Quarter</th><th>Revenue</th></tr> <tr><td>Q1'07</td><td>5,228</td></tr> <tr><td>Q1'08</td><td>7,857</td></tr> </table>	Quarter	Revenue	Q1'07	5,228	Q1'08	7,857	<p>⇒ Operating profit increase by 50% to Rs 1,737 million</p> <p>⇒ Operating margins at 22.1%</p>  <table border="1"> <caption>EBITDA (Rs mio)</caption> <tr><th>Quarter</th><th>EBITDA</th></tr> <tr><td>Q1'07</td><td>1,159</td></tr> <tr><td>Q1'08</td><td>1,737</td></tr> </table>	Quarter	EBITDA	Q1'07	1,159	Q1'08	1,737	<p>⇒ Profit at net level up by 19% to Rs. 788 million (prior to extra-ordinary item)</p>  <table border="1"> <caption>Net Profit (Rs mio)</caption> <tr><th>Quarter</th><th>Net Profit</th></tr> <tr><td>Q1'07</td><td>663</td></tr> <tr><td>Q1'08</td><td>788</td></tr> </table>	Quarter	Net Profit	Q1'07	663	Q1'08	788
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## Business Highlights

- Europe continues to be the single largest market by revenues; grows by 69%
  - UK registered highest ever sales in the quarter
- US formulation business grew 185%
  - Turnaround of Morton Grove in first full quarter after acquisition
  - Current basket of 58 marketed products
- 5 ANDA approvals received during the year which included an injectable and NDDS product
- India business
  - Significant improvement in market share from 1.65% in Q1'07 to 2.05% in Q1'08
  - Corporate ranking jumped up five places to # 15
  - Infant foods business grew by 21%
  - Wosulin market growing rapidly
- Launched 13 products in the quarter
- In forefront of IPR creation, more than 40 new patents filed

**Financial & Operating Review (Consolidated) Quarter ended 31<sup>st</sup> March 2008**

(Rs. Million)	Wockhardt Ltd. (Q1)		
	Q1'08	Q1'07	Gr %
<b>Revenue from operations</b>	<b>7,857</b>	<b>5,228</b>	<b>50.3</b>
<b>Total expenditure</b>	<b>6,120</b>	<b>4,069</b>	<b>50.4</b>
a) ( Increase) / decrease in stock	(767)	(145)	429
b) Consumption of raw material	1,829	1,545	18.4
c) Purchase of finished Goods	1,505	650	131.5
d) Staff Cost	1,545	811	90.5
e) R & D expenditure	143	160	-10.8
f) Other expenditure	1,865	1,048	78.0
<b>Operating profit</b>	<b>1,737</b>	<b>1,159</b>	<b>49.9</b>
Operating margin %	22.1	22.2	
Interest	565	129	338
Depreciation	241	181	33.1
<b>Profit from operations</b>	<b>931</b>	<b>849</b>	<b>9.7</b>
Other Income	45	22	104.5
Pre-tax profits	976	871	12.1
Provision for tax – Current Tax	131	124	5.6
-Fringe benefit tax	10	9	11.1
-Deferred	64	75	-14.7
<b>Profit after tax</b>	<b>771</b>	<b>663</b>	<b>16.3</b>
Share of profit in Associate	17	0	-
<b>Net profit</b>	<b>788</b>	<b>663</b>	<b>18.9</b>
Extra Ordinary Item (Net of Tax) *	(279)	0	-
<b>Net Profit After Extra-Ordinary Item</b>	<b>509</b>	<b>663</b>	<b>-23.2</b>
Paid up Equity share capital	547	547	

\* Pursuant to the announcement on “Accounting for Derivatives” issued by the Institute of Chartered Accountants of India in March 2008, the Company has accounted for negative Mark-to-Market (MTM) losses aggregating Rs. 279 million during the current quarter. The Company has entered into Hedging Instruments, which are long term in nature to reduce the interest cost for the loans, which the company has taken in the past and is outstanding as of 31<sup>st</sup> March 2008. As per the risk management policy, the Company is hedging the interest for 50% of the long-term loans. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. The same has been treated as an Extra-Ordinary Item.

## Management Discussion

Wockhardt, in 2008, is positioned to capitalize on the platform laid through its strategic initiatives – entering new markets / therapies, leveraging new acquisitions, creating wider technological capabilities, in-licensing, re-engineering the business to expand the contract manufacturing business, which have been built over a period of time. The Company's focus on value creation and execution of these strategic initiatives has resulted in 50% topline growth in the first quarter of 2008.

EU continued to be Wockhardt's single largest market accounting for 54% of consolidated sales. The business grew by 69% for the quarter despite facing a number of challenges – evolving market conditions, legislative changes and depreciating sterling. The growth was driven largely by a surge in the formulation business and the opportunities of contract manufacturing fructifying and gaining momentum for the future. UK business registered highest sales revenues in the quarter. The rationalization process is underway at Negma Lerads, where the whole structure has been reviewed to grow topline as well as the margins.

US business delivered a strong performance in the quarter with an overall sales growth of 141%. Turnaround in the Morton Grove Pharmaceuticals business was achieved in the first full quarter after acquisition. The company now has 58 products in the market and having gained critical mass through the acquisition of Morton Grove will deliver sustainable growth.

The focussed approach adopted for the Indian business has strengthened the existing therapy areas like diabetology, pain, nutraceuticals, nephrology, cough & cold and built a strong platform for emerging segments like dermatology and oncology. Brand building along with other strategic initiatives has resulted in a strong and sustainable growth. The quarter saw a significant improvement in Wockhardt India's market share from 1.65% to 2.05%.

The biotech business is on strong growth path in India and RoW countries through growing contribution from Wepox and Wosulin and the future seems to be promising.

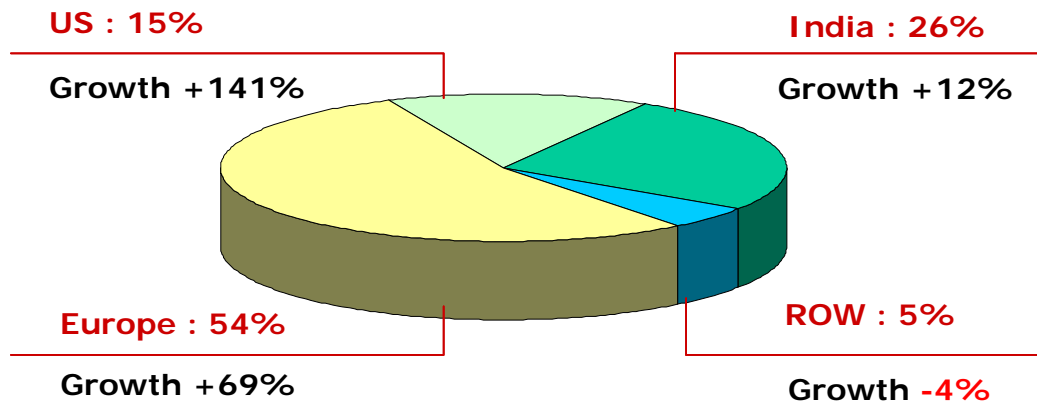
Wockhardt is committed towards excellence in research & development. Its investments have paid rich rewards with the filings of 40 patents in the quarter and approval of 5 products for the US markets. This drive is expected to continue with 35 ANDAs awaiting USFDA approval.

**Business Wise Performance****Quarter ended 31<sup>st</sup> March 2008**

Consolidated Q1' 2008

(Rs. Million)

Business	Formulations			Bulk			Total		
	Q1'08	Q1'07	Gr %	Q1'08	Q1'07	Gr %	Q1'08	Q1'07	Gr %
India	2,022	1,732	17%	37	99	(63%)	2,059	1,831	12%
Europe	4,176	2,455	70%	44	44	-	4,220	2,499	69%
US	1,123	394	185%	65	99	(34%)	1,188	493	141%
ROW	304	196	55%	86	210	(59%)	390	406	(4%)
<b>Total</b>	<b>7,625</b>	<b>4,777</b>	<b>60%</b>	<b>232</b>	<b>451</b>	<b>(49%)</b>	<b>7,857</b>	<b>5,228</b>	<b>50%</b>



## EUROPE

Wockhardt's European businesses contributed Rs. 4,220 million to the topline growing by 69%. It was driven by 70% growth in formulations.

UK business led the Europe growth story through strong performance in generics, hospitals and contract manufacturing segments. Wockhardt remains committed to the provision of animal insulins, recognising the medical needs and preferences of each individual person with diabetes. With Novo Nordisk pullout from Porcine Insulins, Wockhardt is now the sole supplier of Porcine & Bovine Insulins in UK and would enjoy the entire market share. The quarter also saw the launch of Fluoxetine capsules (anti-depressant) and Doxorubicin injection (cytostatic antibiotic).

Sales revenues from the French business was as per plan despite a 2% decline in Negma's covered market due to legislative changes. This was driven by significant growth in Nebilox (beta blocker) as well as the launch of two new products. Restructuring process continues at Negma having already made considerable ground.

Pinewood declined marginally due to depreciating Sterling as close to half the revenues are contributed by exports from Ireland to UK. However, Pinewood continues to maintain a strong foothold in the Irish market with a market share in excess of 26.1%, a gain of 2.1% since acquisition. The business saw the launch of value added product, Kelocote for the treatment of scars, which is an extension to the Indian "in-licensing" relationship with Advanced Biotechnologies Inc.

Contract manufacturing business continues to gain momentum with revenue growth from existing contracts and a number of new deals in the pipeline under various stages of negotiations (revenue realization for at least two deals expected from Q2).

## INDIA

Indian formulation business registered a strong growth of 17%. The market share of the company improved significantly from 1.65% in Q1 2007 to 2.05% in this quarter and the corporate ranking jumped up five places to #15 as per ORG IMS.

This was largely driven by creating additional focussed groups for niche specialities – dermatology, oncology & diabetology, growth in power brands and new product launches.

Infant foods registered a growth of 21%. The quarter saw steady growth of the biotech business driven by strong growth in Wepox & Wosulin. Nine of the company's brands now feature in the top 300 brands. Five products were launched in the quarter, including three in-licensed products - Sammy, B-Lift & Novophane.

Going ahead, focussed brand building of Wosulin, Protinex & Zedex, continued thrust on strategic in-licensing and new product launches is going to drive the growth.

## US

US business grew by 141% to Rs. 1,188 million, primarily driven by the strong delivery of Wockhardt US' base business and the integration of Morton Grove in the overall business.

The ANDA program continued to deliver significant results. The company received 5 ANDA approvals in the quarter, including an injectable & an NDDS. The company launched Azithromycin tablets, having a market size of in excess of US\$ 350 mn, with its own patented polymorph. It is only one of the four companies to have received ANDA approval for marketing Azithromycin. It also launched anti-seizure product - extended Phenytoin sodium capsules, an NDDS product which has limited generic competition.

Wockhardt now has a pipeline of 35 pending product approval with US FDA with over US\$ 25 billion in brand value.

## SUMMARY

Global pharmaceutical industry is going through a dynamic phase that calls for continuous review of one's strategy and responsiveness to global requirement to remain competitive and grow. The pharmaceutical industries of various regions are becoming seamless and only corporate entities with cutting edge technology and low cost advantages will be able to survive.

This one World industry throws open, numerous new opportunities for a corporate like Wockhardt. Our global acquisitions, expansion into overseas markets and increasing efforts in biotech research and marketing, have marked the beginning of a new revolution in the organization. Wockhardt is fully geared up to take on the opportunities presented in the global place with strong focus on R&D, high quality & low cost manufacturing capabilities and front-end presence in over 90 countries.