

## **Wockhardt's Q3 Results 2007**

**Wockhardt's Net Profits up by 46%**

**Operating Margins 24.5% up by 2.3%**

**Mumbai, October 23, 2007**

Pharmaceutical and biotechnology major Wockhardt Limited reported a robust consolidated Sales of Rs. 738 Crores with 68.5% growth and an EBITDA of Rs. 181 Crores up by 86.3%. The operating margin showed an increase of 230 basis points to 24.5% for Q3 ended September 30, 2007. The consolidated Net Profit stood at Rs. 108 Crore, showing a 46.4% growth over the corresponding quarter of 2006.

"We have achieved this quarter a robust growth in Sales and Profits. We expect this trend to continue," said Wockhardt Chairman Habil Khorakiwala. "We are fully focussed to create value from our recent acquisitions from Negma in France and Pinewood in Ireland."

The Board of Directors has declared an interim dividend of 175%, i.e. Rs. 8.75 per equity share.

For the nine-month period of 2007, Sales grew by 57.3% at Rs. 1891 crores and Net Profits showed a healthy growth of 79.6% at Rs. 277 crores.

Wockhardt Limited is a global pharmaceutical and biotechnology major with an innovative research and development programme. Wockhardt has global footprints including UK, France, Germany, Ireland and USA. Wockhardt employs 5500 people worldwide belonging to 14 different nationalities.

**WOCKHARDT LIMITED**

**CONSOLIDATED UNAUDITED FINANCIAL RESULTS  
FOR THE QUARTER ENDED 30TH SEPTEMBER, 2007**



(RS IN MILLION)

PARTICULARS	Quarter Ended 30/09/2007	% To Sales	Quarter Ended 30/09/2006	% To Sales	Growth%	Nine Months Ended 30/09/2007	% To Sales	Nine Months Ended 30/09/2006	% To Sales	Growth%	Year Ended 31/12/2006	% To Sales
Income from operations	7,381	100.0	4,380	100.0	68.5	18,912	100.0	12,026	100.0	57.3	17,290	100.0
Total Expenditure	5,572	75.5	3,409	77.8	63.4	14,422	76.3	9,243	76.9	56.0	13,287	76.8
a) (Increase)/Decrease in stock	(49)	(0.7)	(211)	(4.8)	(76.8)	(721)	(3.8)	(486)	(4.0)	(48.4)	(613)	(3.5)
b) Consumption of raw material	2,004	27.2	1,098	25.1	82.5	5,057	26.7	3,073	25.6	64.6	5,085	29.4
c) Purchase of Finished Goods	1,079	14.6	848	19.4	27.2	3,054	16.1	1,976	16.4	54.6	2,206	12.8
Material Consumption	3,034	41.1	1,735	39.6	74.9	7,390	39.1	4,563	37.9	62.0	6,678	38.6
d) Staff Cost	1,111	15.1	595	13.6	86.7	2,985	15.8	1,710	14.2	74.6	2,532	14.6
e) R & D Expenditure	117	1.6	169	3.9	(30.8)	417	2.2	480	4.0	(13.1)	610	3.5
f) Other expenditure	1,310	17.7	910	20.8	44.0	3,630	19.2	2,490	20.7	45.8	3,467	20.1
Other Expenditure	2,538	34.4	1,674	38.2	51.6	7,032	37.2	4,680	38.9	50.3	6,609	38.2
Gross Profit before Interest, Depreciation & Taxation	1,809	24.5	971	22.2	86.3	4,490	23.7	2,783	23.1	61.3	4,003	23.2
Financing Cost (Net)	268	3.6	(5)	(0.1)	(5460.0)	482	2.5	(89)	(0.7)	(641.6)	26	0.2
Gross Profit after Interest but before Depreciation & Taxation	1,541	20.9	976	22.3	57.9	4,008	21.2	2,872	23.9	39.6	3,977	23.0
Depreciation	196	2.7	141	3.2	39.0	549	2.9	409	3.4	34.2	621	3.6
Profit after Interest & depreciation	1,345	18.2	835	19.1	61.1	3,459	18.3	2,463	20.5	40.4	3,356	19.4
Other Income	26	-	61	-	-	73	-	112	-	-	190	-
Exceptional Items	0	-	0	-	-	0	-	604	-	-	604	-
Profit before Tax	1,371	18.6	896	20.5	53.0	3,532	18.7	1,971	16.4	79.2	2,942	17.0
Provision for Taxation												
Current Tax	196	2.7	120	2.7	63.3	497	2.6	306	2.5	62.4	435	2.5
MAT Credit Entitlement	0	-	(44)	-	-	0	-	(116)	-	-	(199)	(1.2)
Fringe Benefit Tax	8	0.1	5	0.1	60.0	26	0.1	22	0.2	18.2	33	0.2
Deferred Taxation	84	1.1	75	1.7	12.0	239	1.3	217	1.8	(10.1)	260	1.5
Profit After Tax	1,083	14.7	740	16.9	46.4	2,770	14.6	1,542	12.8	79.6	2,413	14.0
<b>Paid-up Equity Share Capital (Rs.5/-each)</b>	547		547		-	547		547		-	547	
Reserves excluding Revaluation Reserve (as per last audited Balance-Sheet)	-		-		-	-		-		-	10,116	
<b>Basic Earning Per Share (Rs)</b>	9.89		6.76		46.3	25.31		14.09		79.6	22.05	
<b>Diluted Earning Per Share (Rs)</b>	9.89		6.76		46.3	25.31		14.09		79.6	22.04	
Aggregate of Public Shareholding												
- Number of Shares	2,88,50,521		2,88,50,521			2,88,50,521		2,88,50,521			2,88,50,521	
- Percentage to Paid-up Capital	26.36%		26.36%			26.36%		26.36%			26.36%	

# Investor Update



Quarter and Nine Months Ended Sept 2007

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## Update Coverage:

- **Overview of the company**
- **Performance Highlights**
- **Financials**
- **Management Discussion**
- **Business-wise Performance**
- **Summary**

## Investor communication

We at Wockhardt are committed to keeping our investors constantly updated about our corporate and financial developments. This investor update covers the company's performance for the quarter and 9 months ended 30<sup>th</sup> September, 2007. 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**

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Wockhardt Limited is a global research and technology oriented pharma major based out of India that has an active multi-disciplinary R&D programme employing over 400 scientists. It has been one of the frontrunners in Biotechnology research in the country, with comprehensive all round capabilities from "Concept to Market".

Wockhardt Limited, with global headquarters in Mumbai, India, is a technology-driven pharmaceutical and biotechnology company with an active multi-disciplinary research programme, with more than 150 patents filed in the nine months of the current year. Its new drug discovery programme has yielded several promising molecules, one of which is in Phase II human clinical trials. Wockhardt, listed on Indian stock exchanges, has a market capitalisation of over \$1 billion.

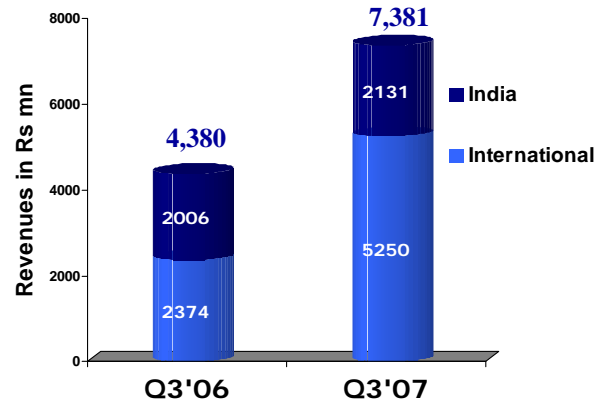
**Performance Highlights**

**Quarter ended – Sept 2007**

**Consolidated Wockhardt Ltd. – Q3 2007 (compared to Q3 2006)**

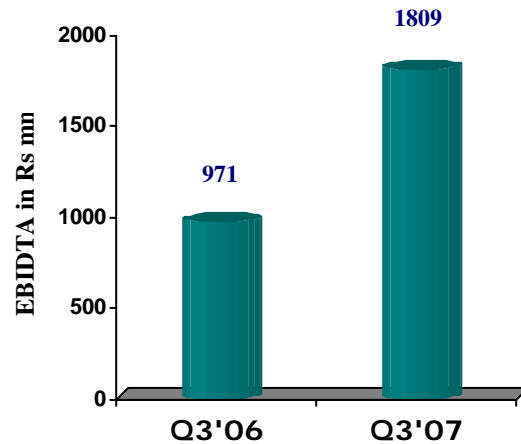
**Revenue split**

- Revenue increased by 69% to Rs. 7,381 mn
- Domestic business increased by 6%
- International business increased by 122%



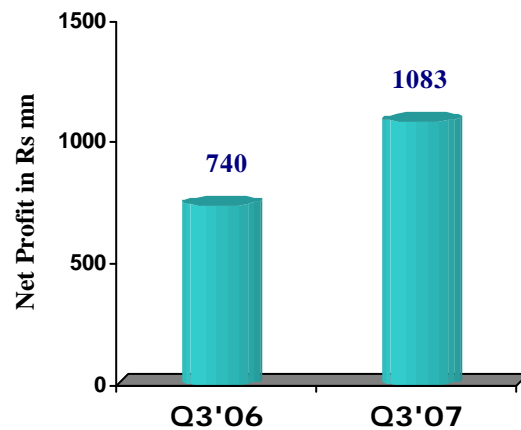
**EBIDTA**

- EBIDTA up by 86% to Rs. 1,809 mn
- Operating margins at 24.5%;
- Operating margins up 230 basis points



**Net Profit**

- Net Profit up by 46% at Rs. 1,083 mn



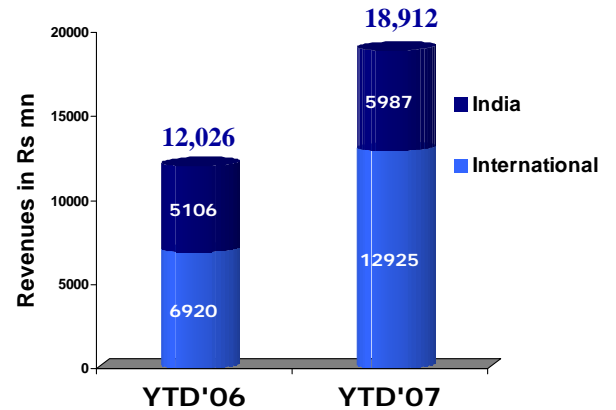
**Performance Highlights Contd.**

**Quarter ended – Sept 2007**

**Consolidated Wockhardt Ltd. – 9m 2007 (compared to 9m 2006)**

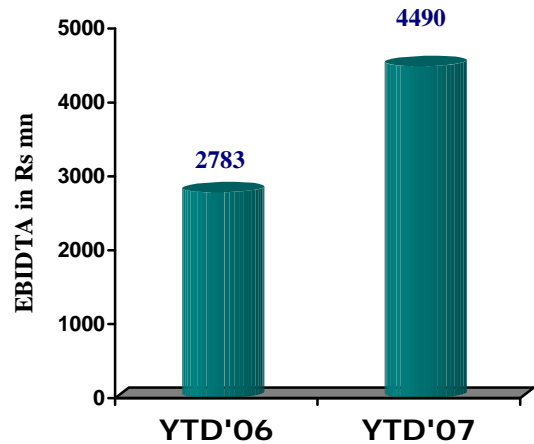
**Revenue split**

- Revenue increased by 57% to Rs. 18,912 mn
- Domestic business increased by 17%
- International business increased by 87%



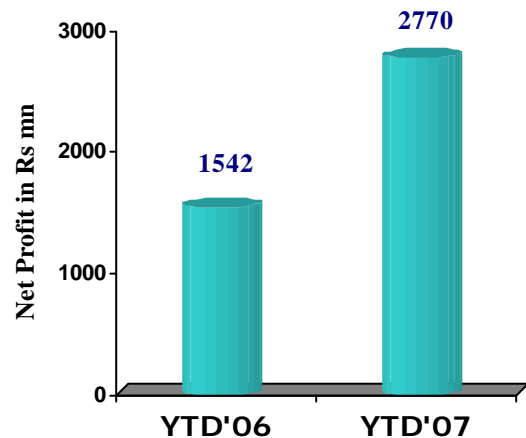
**EBIDTA**

- EBIDTA up by 61% to Rs. 4,490 mn
- Operating margins at 23.7%
- Operating margins up 60 basis points



**Net Profit**

- Net profit up by 80% at Rs. 2,770 mn



## **Business Highlights**

- ⇒ Net profit over Rs. 1 billion for second consecutive quarter
- ⇒ International operations, contributing about 70% of revenues, grows rapidly by 122%
- ⇒ 54 patents filed in the quarter; 153 filed for the year to date
- ⇒ Europe formulations business grows by 195% during the quarter
  - ❖ 8 new products launched
- ⇒ US formulations business grows by 16% during the quarter
  - ❖ 2 ANDAs approved
  - ❖ 3 new products launched
    - Fosphenytoin injection launched on day one of patent expiry
- ⇒ India formulations business grows by 8% during the quarter
  - ❖ 9 new products launched, 7 of them in the oncology space

## Financial &amp; Operating Review (Consolidated)

Period ended Sept 2007

(Rs million)	Wockhardt Ltd. (Consolidated)					
Particulars	Q3'07	Q3'06	Gr %	YTD'07	YTD'06	Gr %
<b>Revenue from operations</b>	<b>7,381</b>	<b>4,380</b>	<b>68.5</b>	<b>18,912</b>	<b>12,026</b>	<b>57.3</b>
<b>Total expenditure</b>	<b>5,572</b>	<b>3,409</b>	<b>63.5</b>	<b>14,422</b>	<b>9,243</b>	<b>56.0</b>
a) (Increase) / Decrease in stock	(49)	(211)	-76.8	(721)	(486)	48.4
b) Consumption of raw material	2,004	1,098	82.5	5,057	3,073	64.6
c) Purchase of finished Goods	1,079	848	27.2	3,054	1,976	54.6
d) Staff Cost	1,111	595	86.8	2,985	1,710	74.6
e) R & D Expenditure	117	169	-30.7	417	480	-13.1
f) Other expenditure	1,310	910	43.9	3,630	2,490	45.8
<b>Operating profit</b>	<b>1,809</b>	<b>971</b>	<b>86.2</b>	<b>4,490</b>	<b>2,783</b>	<b>61.3</b>
Operating margin %	24.5%	22.2%		23.7	23.1%	
Interest	268	(5)		482	(89)	
Depreciation	196	141	39.1	549	409	34.2
<b>Profit from operations</b>	<b>1,345</b>	<b>835</b>	<b>61.0</b>	<b>3,459</b>	<b>2,463</b>	<b>40.4</b>
Other Income	26	61	-57.4	73	112	-34.8
Pre-tax profits	1,371	896	52.9	3,532	2,575	37.2
Provision for tax - Current	196	76	157.9	497	190	161.6
- Fringe benefit	8	5	60.0	26	22	18.2
- Deferred	84	75	12.0	239	217	10.1
<b>Profits after tax</b>	<b>1,083</b>	<b>740</b>	<b>46.4</b>	<b>2,770</b>	<b>2,146</b>	<b>29.1</b>
Exceptional Items	0	0	0	0	604	
Net Profit after tax after Exceptional items	1,083	740	46.4	2,770	1,542	79.6
Paid up equity share capital	547	547	0	547	547	0

**Management Discussion**

**Period ended Sept 2007**

Wockhardt is committed to consistently increase shareholder value. In line with this objective and building on the growth momentum of the first half in the year, Wockhardt reported consolidated sales of Rs. 7,381 mn with 69% growth for Q3'07. The operating margin showed an increase of 230 basis points to 24.5%. The consolidated Net Profit stood at Rs. 1,083 mn showing a 46% growth.

The robust performance is attributed to a blend of organic & inorganic growth. The company's aggressive strategy has resulted in acquiring 3 companies in the last 18 months in India & Europe adding annualized revenues of approx US \$ 230 mn.

The European business now contributes about 55% of revenues, with Wockhardt being the largest Indian company operating in this area. The quarter saw the formulations business grow at 195% resulting from 2 large acquisitions in the last 12 months, Pinewood Laboratories in Ireland and Negma in France.

Wockhardt is now uniquely positioned in the European markets of UK, France, Germany & Ireland. Each of the businesses registered a health growth rate outgrowing the local industry. 8 new products were launched in the quarter. Integration of the entire European businesses has become a key priority. To further leverage the operations, Wockhardt has appointed Bain & Co to deliver a strategic plan to integrate & synergise the European business. The future growth will be driven from the strategies emerging from this engagement.

US business delivered a robust 35% growth for year to date. This quarter saw the launch of 3 new products of which Fosphenytoin injection was launched on day one of patent expiry. Wockhardt continues to power ahead with the maximum number of ANDA approvals to date in this calendar year. The company has a robust product pipeline focussing on less competitive and difficult to replicate products.

Wockhardt recently announced the acquisition of Morton Grove Pharmaceuticals Inc., a leading liquid generic and speciality dermatology company in the US having a sales revenue of US\$ 52 million. This strategic acquisition provides entry into the US generic market with a portfolio of 31 products, 13 of which occupy the no. 1 market position. The acquisition will boost Wockhardt's US revenue by providing a complete range of dosage forms right from tablets, capsules, liquids to injectibles. **Wockhardt now has a strong position in the liquid market in USA and UK.**

Indian business continues its rise up the ladder to deliver a growth of 8% during the quarter which saw the launch of 9 products. Therapy focused sales & marketing teams in the areas of oncology and dermatology have been formed. The company's aggressive in-licensing program has so far delivered agreements with 9 companies from Japan, UK, Italy, China and USA with the launch of 3 in-licensed products in the year to date. This initiative will add substantial incremental revenue to the India business. We continue to look for additional products / partners.



**Business Wise Performance** **Period ended Sept 2007**

Consolidated (Q3 2007)

(Rs. Million)

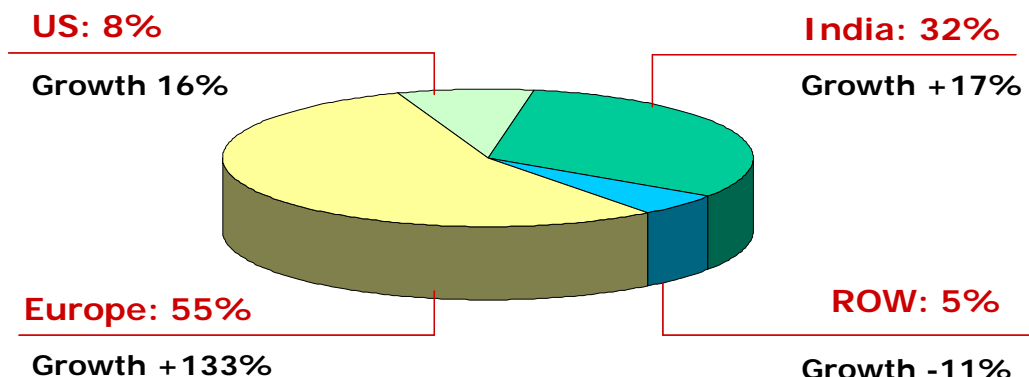
Business	Formulations			Bulk			Total		
	Q3'07	Q3'06	Gr%	Q3'07	Q3'06	Gr%	Q3'07	Q3'06	Gr%
India	2,077	1,931	8	55	75	-27	2,131	2,006	6
Europe	4,276	1,450	195	54	41	32	4,330	1,491	190
US	406	349	16	162	194	-16	568	543	5
ROW	194	199	-3	158	141	12	352	340	4
<b>Total</b>	<b>6,953</b>	<b>3,929</b>	<b>77</b>	<b>429</b>	<b>451</b>	<b>-5</b>	<b>7,381</b>	<b>4,380</b>	<b>69</b>

Consolidated (Period ended Sep 2007)

(Rs. Million)

Business	Formulations			Bulk			Total		
	2007	2006	Gr%	2007	2006	Gr%	2007	2006	Gr%
India	5753	4,931	17	234	175	34	5,987	5,106	17
Europe	10,206	4,309	137	141	131	8	10,347	4,440	133
US	1,219	900	35	352	452	-22	1,571	1,352	16
ROW	518	616	-16	489	512	-4	1,007	1,128	-11
<b>Total</b>	<b>17,696</b>	<b>10,756</b>	<b>65</b>	<b>1,216</b>	<b>1,269</b>	<b>-4</b>	<b>18,912</b>	<b>12,026</b>	<b>57</b>

**Geographic split of revenues (YTD Sept'07)**



**EUROPE**

Europe is the company's largest overseas business. Its formulation business has continued to perform strongly registering a robust growth of 195% during the quarter. This increase was primarily contributed by the acquisition of Negma in France in May 2007 backed up by UK operations, the most significant contributor of Wockhardt's European business.

Wockhardt is now uniquely positioned in the European markets of UK, France, Germany & Ireland. To further leverage the operations, Wockhardt has appointed Bain & Co. to deliver a strategic plan for:

- ❖ Developing a European growth strategy for branded and generic products,
- ❖ Developing a growth strategy for contract manufacturing,
- ❖ Identifying and validating full potential benefits linked to the integration & synergies of European acquisitions and
- ❖ Identifying critical organizational issues and challenges

The future growth of these markets will be driven from the strategies emerging from this engagement.

Negma's business, in the first full quarter as a group company of Wockhardt, grew steadily. Key initiatives have been undertaken to restructuring the business for optimum performance and leverage the existing sales and marketing set-up of Negma.

UK business showed a healthy double-digit growth outgrowing the local industry. A ban on smoking has been implemented in UK with effect from July 1'07. Coinciding with the ban, Wockhardt became the first generic company to launch two new products for nicotine replacement therapy (NRT) during the quarter. National Institute for Health &

Clinical Excellence (NICE) has concluded that NRT is a highly cost-effective & life-preserving treatment for quitting smoking. The company's transdermal nicotine patch delivers a steady dose of nicotine over 24-hours without rapid nicotine release on new patch application. We expect these products to be the key growth drivers for the years to come.

Ireland business recorded a double-digit growth with 3 new products launched in the quarter. SAP was successfully implemented through in-house efforts. This will aid effective business integration and quicker decision-making to enhance competitiveness of Irish business.

## **USA**

The US formulation business grew 16% for the quarter. The product development program is aggressively moving ahead with the company receiving 10 ANDA approvals in nine months of the current year, two of which came through this quarter. Three products were launched in the quarter of which Fosphenytoin injection was launched on day one of patent expiry. The other products were Amlodipine besylate tablets & Terbinafine tablets.

The company's current portfolio of 23 marketed products consists of a unique mix of niche products & blockbusters, of which 6 are injectibles. It has clearly established sustainable commercial relationships with all the top 10 wholesalers, major retail chains, GPOs and buying groups to deal with the growth ahead.

Wockhardt acquired Morton Grove Pharmaceuticals Inc. in October 2007, a leading liquid generic and speciality dermatology company in the US having a sales revenue of US\$ 52 mn. This strategic acquisition provides entry into the US generic market with a portfolio of 31 products, 13 of which occupy the No. 1 market position. All other products are in the top 3 in their respective markets. This represents a clear demonstrable strength in sales and marketing. Approximately one third of its revenues come from the branded Lindane range of dermatological products.

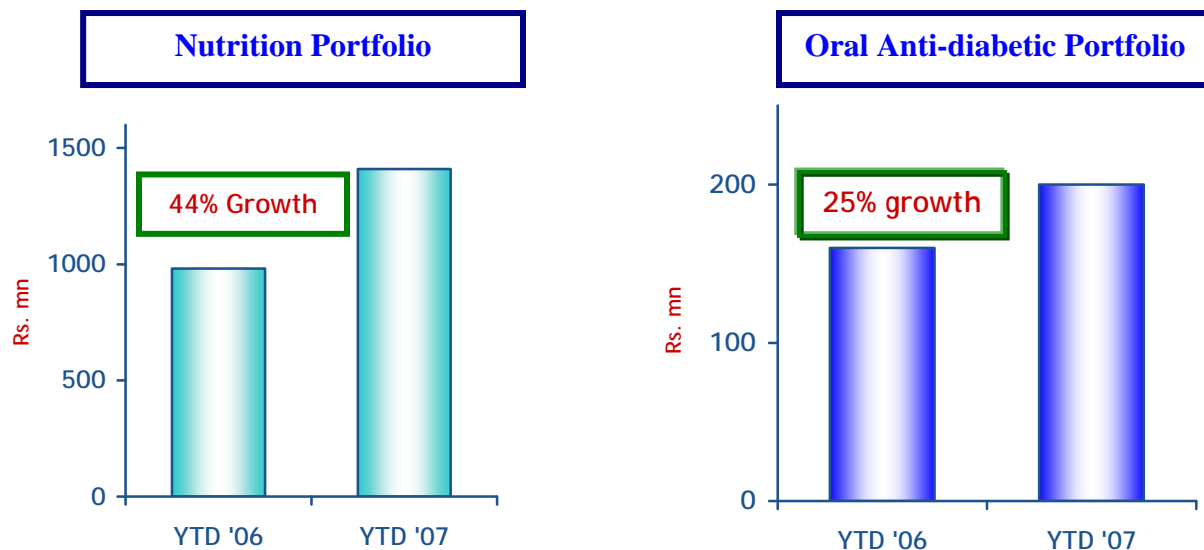
This acquisition will boost Wockhardt's US revenue by providing a complete range of dosage forms right from tablets, capsules, liquids to injectibles. Overall the product range would swell to around 54 products for the US market.

35 ANDAs are awaiting approval from the FDA with a robust product pipeline of products focussing on less competitive & difficult to replicate products having a mix of niche, sterile, NDDS, liquids and blockbuster products, with over \$ 30 bn in brand value.

## INDIA

The Indian formulation business continued with its trend of outperforming the industry growth rate recording an impressive 17% growth for the year to date. This was largely driven by focus on the major high-end niche therapeutic areas, power brands and new product launches.

Wockhardt enjoys a leadership position in Nutrition & Diabetology in India. In fact, it is the only company with a complete basket of oral anti-diabetics, injectables & diabetic nutrition. The focus therapeutic areas of Nutrition & Oral Anti-diabetics have shown robust growth of 44% and 25% respectively.



A total of 9 products were launched in the quarter, 7 of them in the oncology space. The company is aggressively moving ahead with strong focus on strategic in-licensing to strengthen existing business and enter new business areas. The year to date saw the launch of 3 in-licensed products. Strong team of Oncology & DermaUno is formed to cater to the oncology & dermocosmetical product portfolio respectively.

The future growth will be driven by focus therapeutic areas and establishing base in new and niche therapy areas through strategic in-licensing.

## **SUMMARY**

Wockhardt today has emerged as a truly global entity with leading position in Europe and steadily growing its market presence the US. Going ahead Wockhardt intends to capitalize its global synergies and accelerate the growth momentum both on the revenue and profit front. Wockhardt is fully geared up to achieve the corporate target of becoming a \$ 1 billion company by 2009.