Investor update

Q1 ending 31 March 2000

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Investor communication

This is the seventh in the series of Wockhardt's quarterly investor updates and the first update after the transformation into a focussed pharmaceutical company. The update is aimed at keeping you informed about corporate and financial developments. We would appreciate any feedback and further questions / information requests can be addressed to:

Anil Kamath / Manish Gupta
Wockhardt Limited
Tel: + 91 22 652 3333/652 4444
Fax: + 91 22 652 3344/652 3355
E-mail: akamath@wockhardtin.com
Or gmanish@wockhardtin.com

Nitin Tandon / Shiv Muttoo
Citigate Dewe Rogerson
Tel: + 91 22 284 2728
Fax: + 91 22 284 4561
E-mail: nitin@cdr-india.com
Or shiv@cdr-india.com

Additional information on Wockhardt is available on our corporate website – www.wockhardtin.com.
Wockhardt – overview

Wockhardt is India’s 5th largest pharmaceutical company according to the ORG retail audit. Wockhardt’s primary focus is the manufacture and marketing of pharmaceutical formulations and bulk drugs, supported by strong research capabilities.

With effect from January 1, 2000 Wockhardt has become a focussed pharmaceutical company, concentrating on developing knowledge-based businesses. This update covers our financial performance and other important corporate developments at Wockhardt in the first quarter ended March 31, 2000.

Highlights

Corporate Highlights

- Spasmo Proxyvon, Wockhardt’s largest brand, improves ORG ranking to #77 (MAT Feb 2000) compared with #97 in Feb 1999
- Other top Wockhardt brands improve their ORG ranking – consolidating leadership positions in specific segments
- Vitamin B12 capacity expanded 30% at capital expenditure of Rs.82 million
- Merger of Wockhardt Veterinary with Wockhardt completed – combined marketing strategies formulated to improve industry position
- Wockhardt’s Board strengthened with appointments of Shekhar Datta, former CII President and Dr B L Maheshwari, Director, Center for Organisation Development
- Arthur Anderson appointed as statutory auditors
- Interim dividend of 30% announced for the year 2000

Financial performance – three month period ended 31st March 2000

- Sales in the quarter up by 61% to Rs. 1132 million compared with the same period previous year
- Operating profits increase by 71% to Rs. 224 million
- Operating margin at 19.8% in the quarter against 18.6% in January-March 1999
- Profit from operations increase by 74% to Rs. 160 million
- Profits at the net level increase by 81% to Rs 157 million
- Wallis revenues for the quarter increase 23% at USD 5.8 million
Financial and operating review
Q1 ended 31st March 2000

The quarter ended March 31, 2000 represents the first quarter of performance as a focussed pharmaceutical company. We have presented the previous year’s figures for the pharmaceutical business prior to the demerger to provide you with a comparative view of performance and growth achieved in the quarter.

Financial performance Q1 ended 31 March 2000

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Q1 ended 31.3.00 (Rs million)</th>
<th>Corresponding period ended 31.3.99 (Rs million)</th>
<th>Growth (yoy)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from operations</td>
<td>1132</td>
<td>705</td>
<td>61%</td>
</tr>
<tr>
<td>Operating profits</td>
<td>224</td>
<td>131</td>
<td>71%</td>
</tr>
<tr>
<td>Operating margin</td>
<td>19.8%</td>
<td>18.6%</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>41</td>
<td>24</td>
<td>71%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>23</td>
<td>15</td>
<td>53%</td>
</tr>
<tr>
<td>Profit from operations</td>
<td>160</td>
<td>92</td>
<td>74%</td>
</tr>
<tr>
<td>Other income</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Pre-tax profits</td>
<td>160</td>
<td>92</td>
<td>74%</td>
</tr>
<tr>
<td>Profits after tax</td>
<td>157</td>
<td>87</td>
<td>81%</td>
</tr>
</tbody>
</table>

Management discussion and review of performance

This quarter marks a new beginning for Wockhardt – being the first quarter since its transformation into a focussed pharmaceutical company. In order to provide a better insight into the performance of Wockhardt during the quarter, we have incorporated the Merind performance figures in the corresponding period in the previous year.

A comparative analysis of overall performance indicates a 3% increase in the sales of the company. The largely flat sales growth is the result of our focus on rationalisation of products and the strategic decision to exit from certain unprofitable products. The sales growth is almost 10% if the turnover from discontinued products is adjusted in the previous year’s performance. This strategic decision has resulted in substantial improvement in the profitability margins leading to increase in Wockhardt’s return ratios.
Business-wise performance

<table>
<thead>
<tr>
<th>Business</th>
<th>Quarter ended Mar 00</th>
<th>Quarter ended Mar 99</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharma – Branded</td>
<td>566</td>
<td>511</td>
<td>11%</td>
</tr>
<tr>
<td>Medical nutrition</td>
<td>67</td>
<td>50</td>
<td>35%</td>
</tr>
<tr>
<td>Pharma – Generics</td>
<td>52</td>
<td>71</td>
<td>-27%</td>
</tr>
<tr>
<td>Bulk drugs – Domestic</td>
<td>69</td>
<td>91</td>
<td>-24%</td>
</tr>
<tr>
<td>Exports</td>
<td>271</td>
<td>256</td>
<td>6%</td>
</tr>
<tr>
<td>Veterinary</td>
<td>106</td>
<td>55</td>
<td>95%</td>
</tr>
<tr>
<td>Discontinued products</td>
<td>0</td>
<td>68</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1132</strong></td>
<td><strong>1101</strong></td>
<td><strong>3%</strong></td>
</tr>
</tbody>
</table>

* Includes Merind

Pharmaceutical formulations

The branded pharmaceutical business of Wockhardt grew 11% during the quarter to Rs. 566 million, a result of intensive marketing efforts.

Wockhardt continues to focus on brand building. Wockhardt currently has five brands in the list of ORG Top-250 Brands – Spasmo Proxyvon, Proxyvon, Zedex, Decdan and Wokadine.

Spasmo Proxyvon, the largest brand in our portfolio, moved further up the ORG ladder to #77 (moving annual total – February 2000). This brand has steadily improved its position in the ORG Top-250 Brands moving up from #97 a year back and #78 in December 1999.

Wockhardt has additionally focussed on developing products through its biotechnology-based research. Our first biotech product Biovac B was launched in February 2000 and has been well received in the market place. Biovac B is a recombinant Hepatitis B vaccine that will target the Indian market. The market for Hepatitis B vaccines is currently estimated at over Rs. 1 billion and is growing at over 50% annually.

We believe that with its international quality and Indian pricing, Biovac B would become a major brand in the Wockhardt portfolio.
Major brands under the Wockhardt portfolio maintained their high growth patterns for the quarter ending March 2000. Some of the growth drivers for this quarter include:

<table>
<thead>
<tr>
<th>Brand</th>
<th>Growth during Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proxyvon</td>
<td>20%</td>
</tr>
<tr>
<td>Sparx</td>
<td>20%</td>
</tr>
<tr>
<td>Libotrype</td>
<td>23%</td>
</tr>
<tr>
<td>Decdan</td>
<td>15%</td>
</tr>
<tr>
<td>Practin</td>
<td>12%</td>
</tr>
<tr>
<td>Powercef</td>
<td>33%</td>
</tr>
<tr>
<td>Zedex</td>
<td>31%</td>
</tr>
</tbody>
</table>

**Medical Nutrition**

Wockhardt’s medical nutrition business has grown by 35% to Rs.67 million (previous quarter Rs. 50 million) during the quarter under review. Wockhardt continues its focus on the medical nutrition business and one of the major steps in this direction has been to rope in top dieticians from all over India to form the “Star Dieticians Club”. This Club will provide suggestions to patients seeking dietary consultancy and address their specific needs. Direct contact and feedback from users will be an important input in formulating new products in the long run. Long term relationships developed are expected to further contribute to the growth of this business.

Wockhardt continues to strengthen its position in the infant nutrition business. Our largest infant nutrition brand - Dexolac, grew at 48% during the quarter.

Wockhardt is confident of making rapid progress in the medical nutrition business and maintaining market leadership through continued product innovations.

**International Business**

During the quarter ended March 31 2000, Wockhardt’s international business grew by 6% to Rs. 271 million.

Wockhardt has continued its focus on developing Vitamin B12 as a major bulk drug in its export portfolio. Vitamin B12 continues its growth trend and significant improvement in demand has induced us to augment manufacturing capacity by 30% during the quarter to 1800 kilograms annually compared with 1400 kilograms previously. Capital expenditure of Rs. 82 million has been incurred for implementing this expansion.
Animal Health Business

The merger between Wockhardt and Wockhardt Veterinary has been effected from 2nd January, 2000. The resulting consolidation of Wockhardt’s animal health businesses has resulted in our industry ranking improving to #5 in India with market share of 8.5%.

Wockhardt’s consolidated animal health business has posted sales of Rs.106 million for the quarter and now forms an important part of the Wockhardt business portfolio. The field forces for the business have been unified effective January 2000 and territory and product based sales rationalisation has been effected. The combined marketing and development initiatives are expected to further improve Wockhardt’s market share in the business.

Research & Development

Wockhardt has implemented a comprehensive research program that incorporates multiple disciplinary R&D. One of the major thrust areas in R&D for Wockhardt is Biotechnology research. Wockhardt aims to develop innovative recombinant biopharmaceuticals in this area. Wockhardt has a dedicated and highly qualified team of 28 scientists pursuing this objective.

Wockhardt has developed capabilities in all major expression systems in the field of recombinant biotechnology research:

- Yeast cell (Hansenula polymorpha)
- Mammalian cell (Chinese Hamster Ovary)
- Bacterial cell (E.coli)
- Monoclonal anti-bodies

Wockhardt envisions great potential for biotech products currently under development. The estimated market size for the products under development under the Wockhardt biotechnology research is over Rs.3.5 billion in the domestic market and US$ 3 billion in targeted overseas markets.

Wockhardt has already launched Hepatitis B vaccine in February 2000 and r-Erythropoietin is expected to be launched in Q4, 2000. Five other biotech products are in pipeline that will subsequently be launched.

Corporate News

Wockhardt expands its Board of Directors

Wockhardt has appointed Mr Shekhar Datta and Dr B L Maheshwari to its Board of Directors. Mr Datta was formerly the Managing Director of Greaves Limited and has served as the President of Confederation of Indian Industry (CII). Dr Maheshwari is a Director of the Center of Organisation Development, Hyderabad. Both Directors bring with them extensive industry experience and are expected to contribute to the company’s pursuit for growth in the coming years.
Wockhardt's Board of Directors has received widespread acclaim in the past; being rated the best Board amongst pharmaceutical companies in India and at #13 amongst all companies in India by Business Today.

**Arthur Andersen appointed as statutory auditors**

Wockhardt's Board of Directors has appointed the “Big 5” accounting firm Arthur Andersen & Company as its statutory auditors. The appointment of this internationally reputed firm will help Wockhardt adopt international accounting practices. The company will now follow the U.S. GAAP (Generally Accepted Accounting Standards) leading to greater transparency and accountability.

**Dr. M.K.Sahib appointed on National Advisory Committee for CDRI’s International Symposium**

Dr. M K Sahib, Vice President – Biotechnology, at Wockhardt's R&D Center has been invited to be a member of the “National Advisory Committee” of an international symposium being organised by the Central Drug Research Institute (CDRI), Lucknow. Titled “Current Trends in Drug Discovery Research”, the symposium will be held from 11-15 February, 2001 and will focus on the major developments taking place in the field on drug research.

Dr. Sahib has over 33 years of experience in basic and industrial R&D. In 1991, he started the Biotechnology Research program at Wockhardt, and now leads a team of dedicated scientists.

**Conclusion**

The quarter ended March 2000 has been the first since the organisational demerger. This creation of a focussed pharmaceutical business strategy has primarily helped Wockhardt improve its performance parameters and resulted in significant profit growth. The financial performance during the quarter reviewed has enhanced the Wockhardt management’s confidence and the commitment to the focussed business strategy will lead to greater shareholder value creation in the coming years.