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ANNUAL REPORT 1997-1998

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'The rate of change of velocity in any given mass is directly proportional to the force applied and takes place in the direction of the force.'

. . . Newton's Second Law

This basic law of nature applies to every element on earth. Even to Wockhardt, we believe. A team of talented scientists and managers together are, today, pushing the company forward at an unprecedented pace. Giving a new thrust to change. And as these efforts bring the expected rewards, our growth can only gain even more momentum . . .

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WOCKHARDT

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Dear Shareowners and Friends,

Growth is another word for Wockhardt. It is our strongly held belief that sustained growth is possible only by building step-by-step organisational competencies. It is indeed striving for excellence, which ultimately creates competitive edge and fuels growth. In the year under review, sales grew by 36%. Wockhardt also grew through the acquisition of Merind group to achieve a total turnover of Rs 6 billion and became India's 4th largest pharmaceutical company. Last year was even more eventful as we acquired Wallis Laboratories in UK.

The competitive environment is moving at a fast pace. Wockhardt is moving at an even faster pace to outperform the industry. Our sales at Rs 4 billion (36% growth), operating profit at Rs 639 million (21% growth) with an operating margin of 16% and a net profit of Rs 708 million remains amongst the highest in the industry.

We take our place as India's 4th largest pharma company

The Rs 2 billion Merind was acquired to expand and enhance our core business of pharmaceuticals. This has resulted in ownership of a key growth area for the future, Vitamin B12. We have also acquired leadership presence in two new areas - Corticosteroids and Psychotropics.

Wockhardt has always endeavoured to Build Big Brands! Sparx, a new generation Fluoroquinolone antibacterial grew by 120%. Our new III generation Cephalosporin POWERCEF met with instant success. From June 1997, your company assumed leadership in the Fluid Therapy segment. Preparations are on to consolidate and replicate success in Cardiac Speciality, Medical Nutrition and the bio-pharmaceuticals

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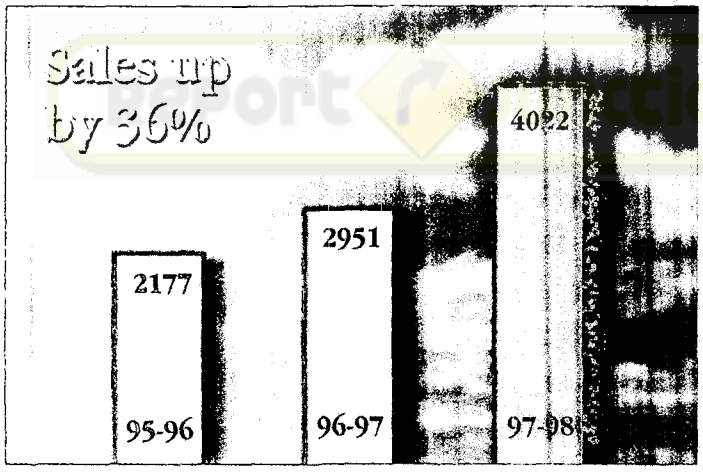
Erythropoeitin and Hepatitis B Vaccine. Our other brands, Proxyvon, Spasmo-Proxyvon, Wokadine, Decdan and Tryptomer are all maintaining their leadership status in their therapeutic segments.

In Europe, we have now set up a full-fledged operation with the acquisition of Wallis Labs, UK. This supplements efforts in USA, China, Kenya, Vietnam, Russia and Egypt, all of which commenced during the previous years. Wockhardt's worldwide leadership in **Dextropropoxyphene** and **Captopril** has now been complemented with your company becoming the world's second largest **Dextromethorphan** producer. Besides these, we have set up numerous tie-ups and alliances to strengthen our global marketing and exports across the world. Vitamin B12 is another area where Wockhardt is going to thrust for a "major player" status.

USFDA approvals for our Ranitidine tablets are just round the corner. In September 1998, we filed Drug Master Files to USFDA for two cardiac drugs - Enalapril and Felodipine. We are expecting to file three ANDAs and six DMFs during this fiscal year and another six, next year.

Along with this, Wockhardt's research efforts have seen numerous frontier technology successes. In areas like bio-technology, innovative drug delivery systems and speciality products, many formulations are nearing the marketing stage. During the year, we also filed for three patents in the US and Europe involving technology for producing controlled-release dose forms. Your company has also stepped up its New Molecule research to take full advantage of the post 2005 Patent Regime.



Rupees in millions

Every Wockhardian is committed **"to do much more with much less"**. It focuses on utilising all organisational resources namely, finances, technology, manufacturing and people, to the optimum. It has created a climate of on-going improvement and innovation. The above on the whole ensures that Wockhardt will always be competitive so that it can grow rapidly and be amongst the most profitable companies. This will ensure sustained high value creation for its stakeholders. Consequently, the **Market Value Added** which is a computation of the true intangible value of Wockhardt has **grown by 63%** last year to **Rs 4467 million**. Similarly, using conventional methodologies, the **Brand Wockhardt** is valued today at **Rs 3319 million**.

All these achievements are focussed at going full power into the new millennium. Where the challenge will be one of going beyond exploiting available opportunities. To creating new ones. That will be the order of the New World. That is the challenge that Wockhardt is geared up for.

Habil Khorakiwala
Chairman

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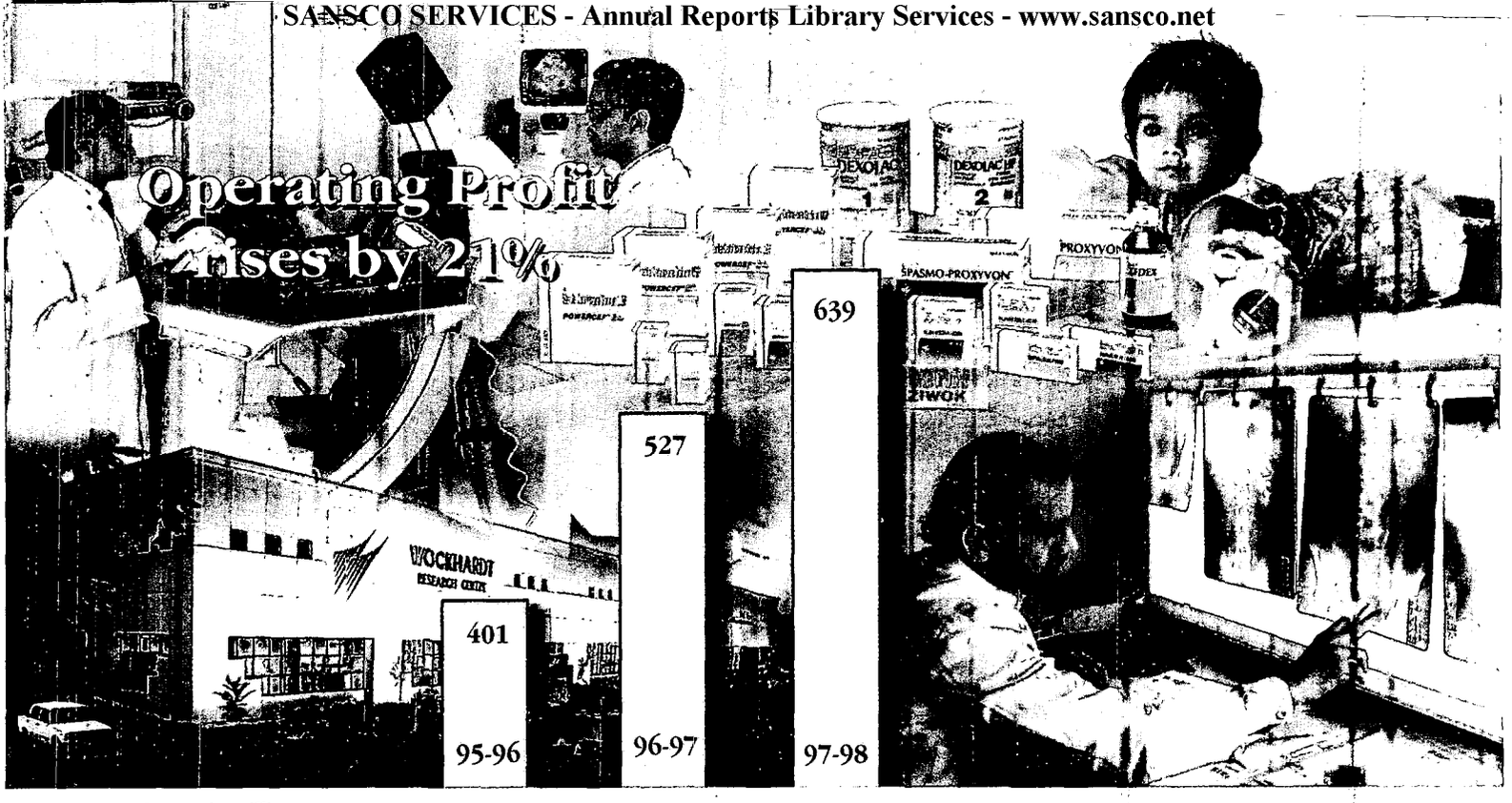
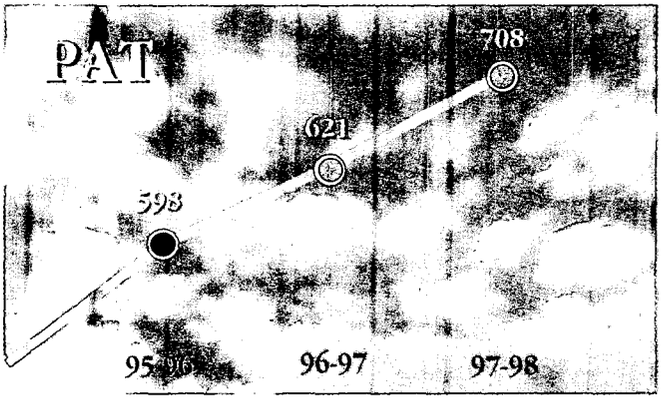


Rupees in millions

Setting a pace to watch

- Turnover up by 36% to Rs 4022 million from Rs 2951 million, last year
- Operating Profit up by 21% to Rs 639 million, with Operating Margin at 16%
- Profits After Tax up to Rs 708 million, with Net Margin of 17.6%, amongst the highest in the industry.
- Wockhardt now ranks among the 5 most valuable pharmaceutical companies in India, with a networth of Rs 6.2 billion
- Market Value Added increased by 63% to Rs 4467 million



Rupees in millions

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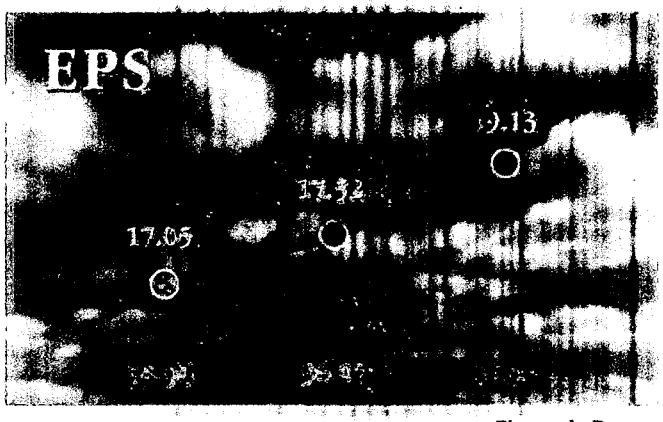
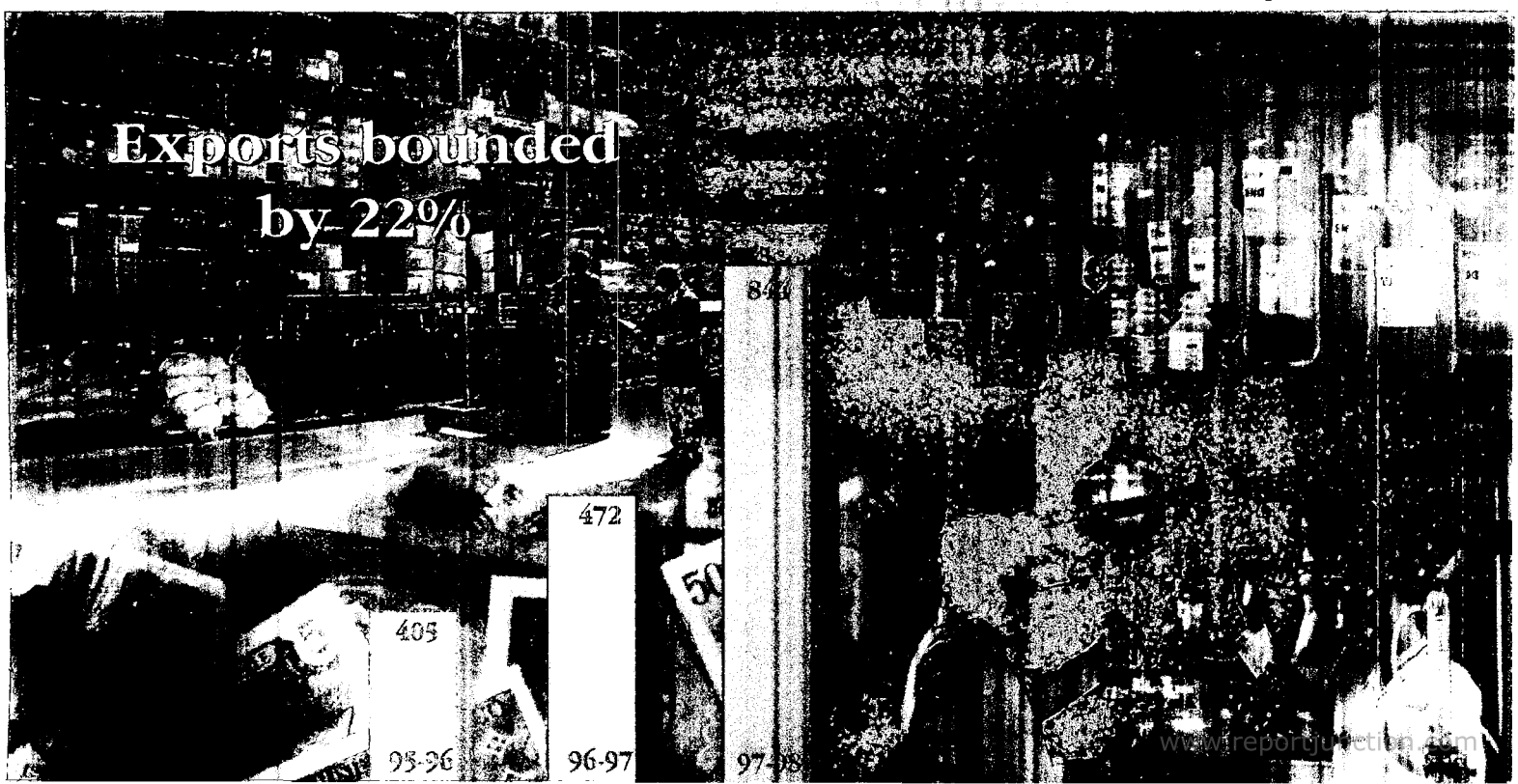


Figures in Rupees

During the fiscal year ended June 30, 1998, Wockhardt's sales recorded a growth of 36% and for the first time crossed the Rs 4 billion barrier to Rs 4022 million (FY 97 sales were Rs 2951 million). With a reduction in our other income to about Rs 97 million from last year's Rs 154 million, our total income for the year was Rs 4119 million, a growth of 33%. Our Operating Profit for the year was Rs 639 million, which is an operating margin of 16% and a growth of 21% over previous years. Our Net Margin at 17.6%, has consistently been one of the highest in Indian pharmaceutical industry. Profit After Tax has increased by 14% to Rs 708 million, from last year's Rs 622 million. Since our Initial Public Offering six years ago in December 1992, our sales have increased 350%, while profits have soared over six times.

Rupees in millions



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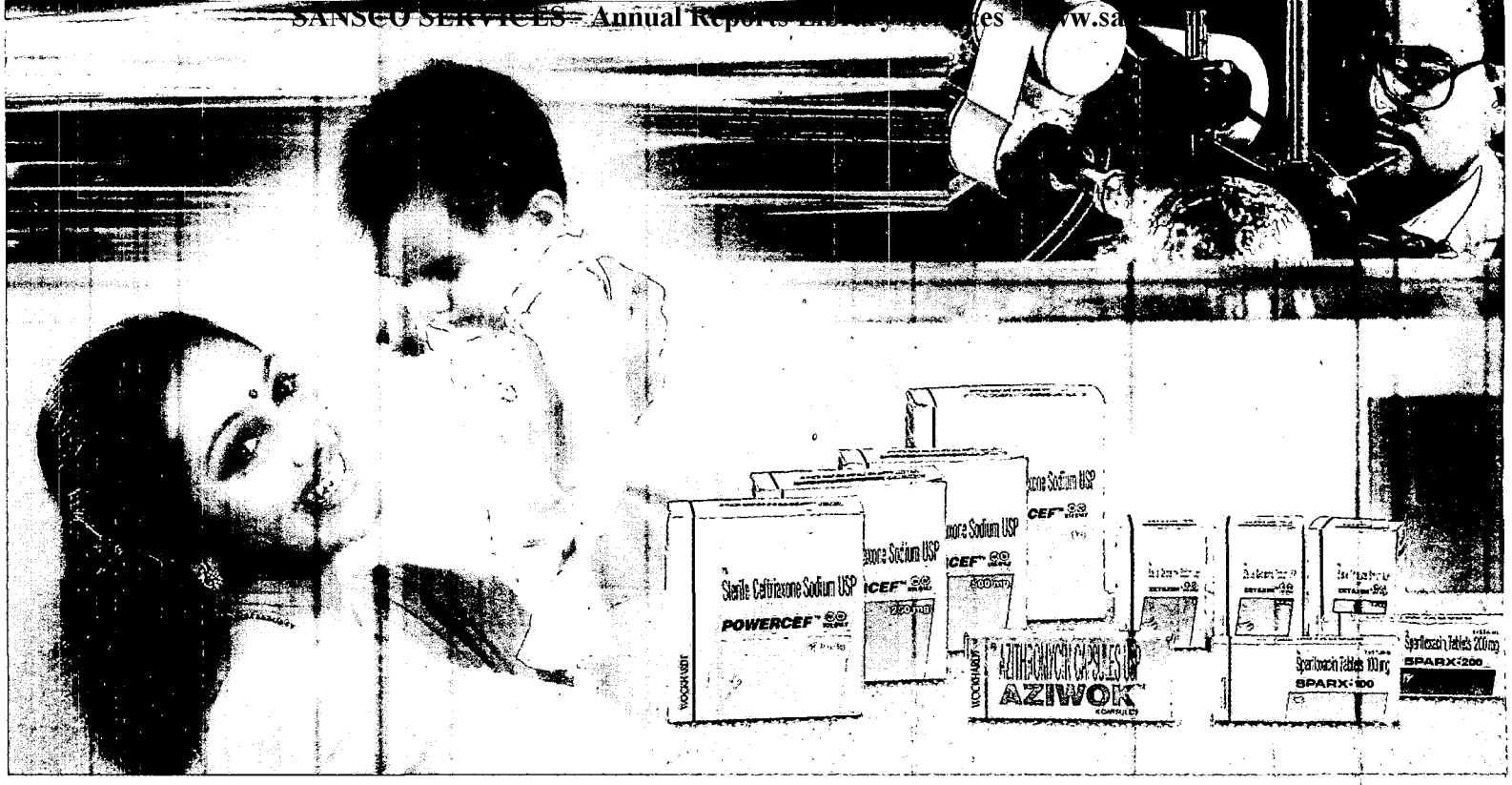

The 6-year sprint

Since the Initial Public Offering in 1992, the company has established an amazing pace of growth!

Turnover up by 350%

1994-95
FFS-based Fluid Therapy products introduced
• New R&D centre operational

1993-94
GDR issued. Listed on Luxembourg SE • Substantial expansion in bulk drug capacity • New manufacturing unit at Daman leads to sustained tax saving

1992-93
First Indian ANDA approval from USFDA • Initial Public Offering • Pelox voted best new brand of the year

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Profits soar six times over

1997-98

• Acquired Merind in India and Wallis in UK. • Today ranks as India's fourth largest pharma company • Range of Medical Nutrition products launched • Market leadership in Fluid Therapy • South East Asian office established

1996-97

USFDA approval for Captopril bulk and tablets • Joint-ventures signed in China and Egypt • r-Erythropocitin developed through in-house efforts • New Drug Discovery programme gets underway

1995-96

Global joint-venture with Rhein Biotech GmbH • New Mother & Child Care and Super-Specialities Divisions launched • Sales organisations established in Russia, China, Kenya • Environment friendly biotech pesticide "HALT" launched

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The complete picture of health

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Pharmaceuticals remain Wockhardt's main business and this is evident from the fact that 80% of our sales come from pharmaceuticals, and another 6% from the related medical nutrition business. Over 20% of our total sales come from exports of pharmaceuticals, principally to the North American and European markets.

Pharmaceuticals

In India, operates through 5 marketing divisions in 43% of the total therapeutic markets. Leading segments include Pain & Inflammation, Anti-infectives, Fluid Therapy, Corticosteroids, Anti-depressants and Vitamins and Nutrients.

Internationally, leaders in **Dextropropoxyphene**, **Captopril** and **Dextromethorphan** bulk actives.

Medical Nutrition

Paediatric Nutrition including the **Dexolac & Nusobee** range for general purpose and specialised infant feeding needs.

Clinical Nutrition including new products such as **Nutrocal**, for patients undergoing surgery and after trauma; **Nutriprot**, for patients suffering from TB, cancer and other such ailments requiring high protein; **Nutrocal-DM**, designed for the needs of diabetics.

Agrisciences

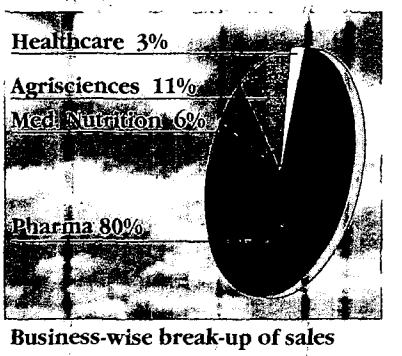
Environment-friendly biologically-produced products, growing 37% annually, including Halt, the bio-pesticide based on Bacillus Thuringiensis; and Biozyme, a long-established plant growth promoter.

Hospital, Bangalore

Performing major procedures in Interventional Cardiology and Cardiothoracic Surgery, backed by tie-ups with 6 leading US & UK medical insurance companies.

Medical & Research Centre, Calcutta

Expanding its activities in the field of Urology, where it has already established a leadership status.



Business-wise break-up of sales

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