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Dear Shareowners,

It is the time of the year when I get the opportunity to write to you once again and share with you the highlights of your company's operations during the second quarter of the year ended June 30, 2006.

You will be pleased to learn that Wockhardt has been **investing heavily in research** and world-class manufacturing facilities to support the accelerated ANDA (abbreviated new drug application) programme, to tap the US pharmaceutical market. **Our R&D expenditure jumped 77% during the second quarter.** We have also invested in manufacturing operations, especially in the commissioning of commercial activities at Biotech Park and the new state-of-the-art formulation plant in Himachal Pradesh, which are fully operational now. This has impacted profitability during the quarter, but we have set our eyes on long-term growth.

Wockhardt posted a **net profit of Rs. 63 crore** for the second quarter, on consolidated sales of Rs. 413 crore.

Let me take you through the highlights of Wockhardt's progress during the quarter.

Acquisition of Dumex and its brands Protinex & Farex

Wockhardt acquired Dumex India Pvt. Ltd. along with its two products **Protinex** and **Farex**, India's best-known nutrition brands, from Royal Numico NV of The Netherlands. Besides the two heritage brands with over 50 years of brand equity, Wockhardt inherits a strong sales and marketing organisation with 235 personnel. Under the agreement, Royal Numico will also offer technical know-how to Wockhardt for the manufacture of specialised sugar-free infant nutrition products.

India Business

The major highlight of the quarter was the sharp revival of our Indian operations. The overall **India business grew by 26%** with impressive growths in our key therapeutic segments - Diabetology 41% & Nephrology 46%. Power brands continue to drive the domestic business performance. During first half of 2006, Proxyvon range of pain management products grew by 51%. Biotech products Wosulin (recombinant insulin) and Wepox (erythropoietin) continue to do well with 35% and 28% growth respectively.

International Business

European business grew by 16% in the second quarter. Wockhardt UK has initiated a four-fold expansion in Byetta (exenatide) cartridge manufacturing capacity, scheduled to be commissioned in September. However, regulatory changes in Germany have impacted Wockhardt's operations in the country. Esparma, Wockhardt's German subsidiary, which launched the urology drug Tamsulosin in the first quarter, is now amongst the top 5 companies in this product category.

Four approvals were received during the first half. Wockhardt received the US FDA's tentative approval for Divalproex Sodium delayed release tablets, making it the company's first product incorporating NDDS (novel drug delivery system) to be cleared for sale in the US. Sterile cephalosporin Ceftriaxone injection has been launched and is doing well. Zonisamide has gained three percent market share in the first quarter of launch. More than 20 applications are pending with the US FDA for approval.

Our investment in manufacturing, research, and people will propel your company's growth in the coming months. My sincere thanks to you for the confidence that you have invested in your company.

Warm regards,

Habil Khorakiwala
Chairman