

CHAIRMAN'S SPEECH

SEVENTH ANNUAL GENERAL MEETING



ONE WORLD
ONE WOCKHARDT



Habil Khorakiwala, Chairman

My dear Shareowners & Friends,

A warm welcome to you at the Annual General Meeting of your company.

Many of you have appreciated the look, feel and content of Wockhardt's Annual Report for 2005, which reached you earlier this month.

Its cover vividly portrays the new Wockhardt - a global company in which more than 4,000 people belonging to 12 nationalities work together, united by a dynamic work culture and an ERP software that provides real-time data at the click of a mouse. It gives you a flavour of today's Wockhardt. Quite different from the company you invested in, years ago!

Focus on Key Markets & Biopharmaceuticals

I will now tell you about several developments this year that are not covered in detail in the annual report. These proactive initiatives will work to the advantage of all stakeholders, including each one of you, in the coming years.

Let me explain. Our biotechnology business has been carved out as a strategic business unit to facilitate focussed growth in this area.

The establishment of the Biotech SBU has accelerated the growth of our biotechnology business beyond India's shores. You will be happy to know that Wosulin, our recombinant insulin, is now marketed in six countries besides India. We are aggressively tapping the rest of the world market for our biopharmaceuticals, and preparing ourselves to enter the European and US markets for these products.

The amalgamation of Wockhardt's businesses in the UK, into one entity, christened Wockhardt UK, has proved to be a catalyst for growth. Wockhardt UK has grown to become a significant player in the UK generics market with sales of 53 million pound sterling. It is now the second largest supplier of hospital products in UK. It exports to distant markets like New Zealand. In addition to its own generic business, Wockhardt UK is a manufacturing partner of choice for European and US companies.

The US, where we set up a wholly-owned subsidiary called Wockhardt USA Inc., in 2004, has become Wockhardt's fastest growing market. We have received five approvals this year and are expecting six more during the year. Wockhardt now sells 13 products in the US, compared to five in 2005. Our strategy in the US is to focus on complex products involving high

technical skills. For example, our 20 pending applications include nine sterile products - three cephalosporin and six non-cephalosporin injections. Wockhardt is the only company from India with a presence in both these areas. The latest approval that we have received - divalproex sodium - is an NDDS product that ensures delayed release of this anti-epilepsy drug. You will be happy to know that Wockhardt products are now available with leading retailers in the US, including supermarket chains like Wal-Mart. Mr. Lalit Kumar, our Executive Director, is being relocated to the US to provide a strong leadership to our US team. The US business will be a key growth driver for Wockhardt in the coming years.

Our success in Europe and the US, which are the world's toughest markets, has now made us confident to look at other promising markets. We have taken the first steps to explore promising markets outside Europe and US, which now contribute to half of Wockhardt's consolidated sales. We have appointed a President in charge of Japan and developing countries to script an entry strategy in these markets.

You will be happy to learn that Wockhardt is a preferred company for talented people of Indian origin, many of whom are now open to relocating to India to take part in its fast-paced growth. As many as 33 scientists with rich experience in leading global pharmaceutical and biotechnology companies joined us last year. They are now an integral part of our generics, biotech and new drug discovery research.

India Business Gathers Momentum

Media has focussed so much on Wockhardt's global expansion in recent years that some of you may have wondered if the company's focus on India was getting diluted. The truth is that India has been, and will continue to be, the central hub of all our operations. Our markets have expanded beyond the country, but India continues to be our manufacturing and research powerhouse. Wockhardt has expanded its Indian presence in recent years.

Our major brands have continued to increase market share. Wepox, used by kidney and cancer patients, has become India's largest prescribed erythropoietin brand. Wosulin, our recombinant insulin, has been steadily increasing its market share. Wosulin now accounts for more than 40% of new prescriptions generated for newly-diagnosed diabetic patients in India. Clinical trials are in progress on glargine, a long-acting insulin analogue. It will be a boon to diabetics. Wockhardt will be the first in India to manufacture and market glargine next year.

We are now working on expanding our product portfolio in India by launching new products in cardiology, oncology and dermatology. We are also working on in-licensing opportunities in these areas to bring to Indian patients new medicines that have proved their effectiveness in other parts of the world.

India Moves to Global Centre Stage

Numerous studies by global think tanks have predicted that India will emerge as one of the world's leading economies in the next few decades. A host of positive factors is converging

together to propel India to the front ranks of the world's leading economies. The list includes India's large population, of whom over 60% are under 32, and a rising disposable income that has made the country an attractive destination for retailing giants.

The International Institute of Management Development has given a thumbs-up to India's growing competitiveness. In its World Competitiveness Yearbook ranking for 2006, India has risen 10 notches to 29 from 39. The report compares 61 national and regional economies on 312 criteria spanning four areas: economic performance, government efficiency, business efficiency and infrastructure. India ranks No.9 in Asia Pacific.

You are well aware that India has become a formidable power in the global pharmaceutical arena. India is home to the largest number of USFDA approved manufacturing plants outside the United States and our country leads in DMF (drug master filings) and is among the leading nations in filing ANDAs (abbreviated new drug applications) for pharmaceutical formulations in the US. And our advantage is not limited to manufacturing - India is becoming a preferred destination for clinical research, contract research and even new drug discovery.

You will ask me what does all this mean for Wockhardt? Let me give you a glimpse: We are seeking to build on the Wockhardt and India advantage by setting up a special economic zone (SEZ) in the Shendra Industrial Park near Aurangabad in Maharashtra. The SEZ, spread over 250 acres of land, will house new research and manufacturing facilities.

New Anti-infective to Fight Drug Resistance

Let me draw your attention to Wockhardt's new drug discovery research. The Infectious Diseases Society of America recently rang the alarm bell on growing resistance to established antibiotics and declining research in this field. It has published a list of six disease causing microbes for which doctors have "an inadequate medicine cabinet." Heading the list of six villain microbes is MRSA, an infectious disease that has plagued hospitals for several decades and is now showing up in new, more virulent forms in people who acquire it outside hospitals.

As you are aware, Wockhardt is one among a handful of companies to have developed a promising anti-MRSA agent. Our research has been attracting international attention. Wockhardt was invited to participate in the prestigious Gordon Research Conference held in USA in March, 2006. It was for the first time in its 75-year history that this science conference held a dedicated session on anti-infective research. Our new chemical entity WCK 771 has now entered the Phase II "proof of concept" stage of clinical trials. Once our Phase II and subsequent Phase III trials successfully conclude, your company would be ready to launch an "Invented in India" drug within the next few years.

Going back on Liberalisation will Hurt R&D

Looking around, the only negative on the horizon is the government's move to make our pharmaceutical industry an exception to the reform process that has liberalised almost all sectors of the Indian economy.

The drug policy draft aims to raise the span of price control from the current level of 22% to 40%. It even restricts pricing freedom on drugs outside price control, thereby bringing almost 70% of the market under price control. This will severely impact the ability of Indian companies to invest in R&D, hurt their competitiveness, and retard their expansion in global generic markets.

This is all the more surprising because this policy goes against the recommendations of two committees set up by the government. Who would have imagined that the new government would think of taking such a retrograde step that could weaken an industry that has made a remarkable contribution to global healthcare? Along with IT, this industry has put India on the global map. One third of our industry's revenue comes from outside India.

Let us not forget that it is our industry that has made Indian pharmaceutical prices the most affordable in the world. Let me give you just one example: In the US, pioglitazone, a medicine prescribed to diabetes patients, costs \$112 - more than Rs. 4,500 - for a strip of 30 tablets of 15 mg strength. In India, it costs only Rs. 150! Such a vast difference in price has been possible only because of the technical skills of Indian scientists and the highly competitive environment here. It has done more to make medicines accessible to wide sections of the Indian population than any government scheme. Going back to an era of controls will be suicidal.

We hope wiser counsel will prevail, and the government will not go against the tradition of gradually easing controls to boost investment and promote competition and research.

Value Creators Gain from Consolidation

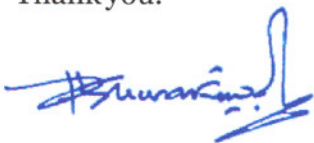
Before I conclude, let me assure you that Wockhardt is geared to capture new opportunities on the horizon both in India and in the international market. India and India Inc. are poised to grow exponentially in the coming years. The global pharmaceutical industry has been consolidating. Companies like yours that are ambitious, efficient and talented at creating value stand to gain in this era. We have a history of creating enormous value from our acquisitions. Wockhardt will continue to expand its global footprint, both organically and inorganically. You have been witness to Wockhardt's growth over the last decade.

Let me end by quoting Theodore Levitt, management guru and former editor of the *Harvard Business Review*:

“The future belongs to people who see possibilities before they become obvious.”

Your company has grown by exploring avenues that others did not see. We believe that best practices are important, and we continue to learn from others. But we don't stop there. We remind ourselves of the wisdom of the statement that best practices don't remain best forever. The winner's practices will be the *next* practices. We are certain that the coming years will be more exciting than what we have seen until now. I look forward to your continued support in this journey.

Thank you.



Habil Khorakiwala
Chairman

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