

ANNUAL REPORT 2005



ONE WORLD
ONE WOCKHARDT



Cover page shows Wockhardians: left to right:
Dr. Zinobia Madan, Associate VP - Clinical Research
Dr. Bui Song Lam, Country Manager - Vietnam
Anna Verbina, Marketing Manager - Russia
Dr. Yatendra Kumar, President - Pharma Research & Regulatory
George Cubuk, Managing Director - Esparma, Germany
Dinesh Dua, President - Biotechnology Strategic Business Unit

ONE WORLD ONE WOCKHARDT



"All the world's a stage, and all the men and women merely players,"
wrote William Shakespeare.

As business and corporate strategist Kenichi Ohmae observes, this is no longer just an elegant metaphor.

"In the past, business and economics were like plays performed in separate theatres to discrete audiences. Their actors and actresses were distinct and their manner of performance was often influenced by the individual theatre's tradition. Now the drama takes place on one enormous global stage...we all form part of a giant troupe..."

The success of a business today depends on how its practices, strategies, competencies and culture relate to the new world order.

When Wockhardt ventured out of India in its quest for growth, we discovered that our management philosophy, work culture and scientific skills were well suited to serving the healthcare needs of people in diverse societies worldwide. In its global march, Wockhardt has built on this success formula and perfected it by absorbing the best from various regions to build a unique, holistic, global identity. In short, One Wockhardt, worldwide.

This Wockhardt identity, shared by over 4,000 Wockhardians belonging to 12 nationalities worldwide, is not affiliated to any single country. The new Wockhardt is one dynamic entity straddling the world healthcare map. The global ERP software, launched recently, has integrated various activities of the company worldwide, enabling access to realtime data and information worldwide from the Wockhardt world.

When it comes to healthcare, we have found that people's needs are one. The quest for good health transcends all boundaries drawn by man and nature. Everyone wants the best quality medicines at the most affordable prices. Diseases too, unlike in the past, are no longer identified with geographical regions. Diabetes, for example, has become a killer disease for rich and poor alike, across continents. With its global focus, Wockhardt is now well poised to serve the emerging world healthcare market.



VISION STATEMENT



To be the most admired
healthcare group
from India



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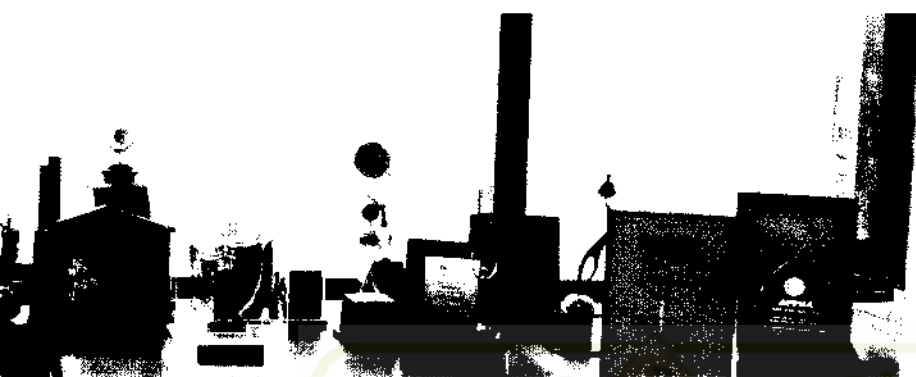
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PERFORMANCE HIGHLIGHTS



- High-end Diabetology products grow by 58%
- Biopharmaceutical portfolio grows by 54% during the year, surpassing US \$10 million in annual revenue
- With 11 products in the US market compared to 5 at the beginning of the year, US formulation business grows 50%
- 16 ANDAs filed in FY 2005
- R&D investment of Rs. 1.04 billion, 7.4% of sales
- WCK 771 enters into Phase II Clinical Trials
- India formulation business grows by over 10%, outgrowing the industry growth at 8.6%



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14.1 bn

Net Sales (in Rs.)

**2.9 bn**

Profit Before Tax (in Rs.)

**2.6 bn**

Profit After Tax (in Rs.)

**23.55**

EPS (in Rs.)

1.3 bn

Market Cap (in US \$)

LETTER FROM THE CHAIRMAN



Just as harmony in family values can nurture quality upbringing, for us, it is our ecosystem that knits the Wockhardt communities together for superior results

Dear Shareowners,

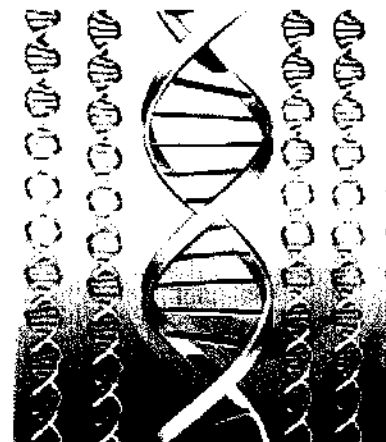
According to Robert Heller, a leading thinker of our times, *"effective management always means asking the right questions"*

At Wockhardt, we constantly seek answers to questions about our direction and leveraging capabilities. Expressed in an ideology, through which we sustain a view of the world, and the image of our self in the world, "One World, One Wockhardt" is our own ethos which helps us attend to these questions. Just as harmony in family values can nurture quality upbringing, for us it is our ecosystem that knits the Wockhardt communities together for superior results.

We recorded double digit growth while exceeding the mark of Rs 14 billion (US\$ 324 million) in sales during 2005. Matured markets, India and Europe consolidated their position well whereas, formulation business in US and Rest of the World (ROW) posted a robust growth of over 50%. This has resulted in our having healthy operating margins at 23.3%.

Indeed, our culture has become an invaluable and necessary asset of modern Wockhardt! According to me, our culture does not necessarily imply strict uniformity of values. Indeed, quite different sub-culture values should healthily co-exist, so that we can leverage these differences to improve creativity and value through diversity. As we grow into a multifaceted global company, we are employing and inheriting people from different backgrounds and work cultures.

Our Indian business launched India's first automatic insulin pen and cartridges for our Wosulin brand, whereas, Wockhardt UK and Esparma GmbH launched their generic products, terbinafine in UK and lamotrigine in Germany, on the 'first-day' after the expiry of the product patents in those countries. These timely launches are a matter of pride for Team Wockhardt across these countries.



FUNDAMENTAL PILLARS OF STRENGTH

We are continuously building pillars of strength that can help us reach greater heights and be successful in the global marketplace.

Firstly, we are passionate to nurture our management's managerial and scientific competencies, and I believe that we will always strive to be amongst the better companies globally in this respect.

Secondly, we are further strengthening our capability to deal with multiple technology in the healthcare industry. As a group, we are probably one of the few companies globally that operates as a complete healthcare enterprise, through biotech, pharmaceuticals and nutraceuticals segments. And, in each of these segments we have created our mark. Wosulin and Wepox are the leading brands of our biopharmaceutical business and are making steady entry in different countries, whereas, Wockhardt UK is amongst the top 10 generic companies in United Kingdom. We have now launched innovative disease-specific nutraceutical products in India.

Thirdly, we have created business insight by knowing and accessing different markets well. By matching relevant products with markets that are most appropriate, we are continuously building the potential for yielding superior returns by choosing the right blend of products, competitive positioning, and entry strategies in markets with varying regulatory complexities. In fact, development of the bethanechol formulation for the US market was amongst the most complex processes undertaken by the company. We are now reaping the benefit of this product which has captured 44% of market share in the US.

Collectively, an energetic fusion between these fundamental value drivers is taking place at Wockhardt, helping us to meet even more challenging goals in the future.

UNWAVERING JOURNEY

Johann Goethe believed that ***"Whatever you can do, or dream you can, begin it. Boldness has genius, magic, and power in it."***

In the next 3-5 years, I expect your company to become one of the top generics players in the world. Our ability to create value through inorganic growth is well known. We are targeting medium to large acquisitions in Europe and the US to leapfrog into the big league in the global generic pharmaceutical market. With your support and approval, we are building a war chest of US\$ 800 million for this purpose.

To maintain a long-term presence in the global pharmaceuticals markets and to grow profitably, we continue to focus on R&D and the creation of successful IPR's. Through R&D and discovery of new drugs, the company also has the potential power to address unmet medical needs and improve the lives and health of millions of people across the globe. Our new molecule, WCK 771, which addresses the gap in effective medicines for treating MRSA (methicillin resistant staphylococcus aureus) has successfully entered the phase II stage of clinical trials. I expect this molecule to become a prescription drug in the next few years. It will be an 'Invented in India' drug, which should benefit your company considerably.

I also wish to express my sincere appreciation of the services and contribution made by our Director, Mr. Felipe Alfonso, who was on the board from the very first day since the Company went public.

For all that Wockhardt has achieved during FY 2005, I greatly value the support and confidence placed in us by our shareowners, banks, financial institutions, associates and fellow directors. The contribution of each Wockhardian is laudable.

Indeed the coming years, I believe, will be more exciting, challenging and greatly rewarding too.

Habil Khorakiwala
Chairman

From Chile in South America to Kochi in Southern India to the towns of Eastern Europe and Central Asia, diabetic patients now have access to a safe, potent and more affordable, world-class recombinant insulin - Wosulin.

Wosulin is just an example of how Wockhardt is transforming the healthcare scene in many corners of the world. In several regions, Wockhardt's entry has led to expansion of the market - by making medicines more affordable through technological innovation and superior management, people who could not afford treatment are now able to access modern medicines.



With a vast footprint that spans across the globe, we are working in sync to serve our markets in all four corners of the world



FOUR CORNERS OF THE WORLD

ONE WORLD, ONE QUALITY

Behind Wockhardt's success in diverse markets is its passionate belief in One World, One Quality. The pursuit of world-class quality has led to Wockhardt's manufacturing facilities receiving the approval of regulatory bodies such as the US FDA, UK's MHRA and WHO. The Wockhardt Biotech Park in India, for example, received WHO certification in 2005. Wockhardt was also approved by the Gulf Coordination Council (GCC) for export of biopharmaceuticals to member countries in the Middle East.

Wockhardt's ability to integrate, synergise and add value to operations from diverse markets around the world has been the happy outcome of its organisational culture to embrace the best from every market it has entered. The Wockhardt Way, which is not country-dependent, is the cementing force that unites 4,000 plus Wockhardians across twelve nations.

FOUR CORNERS OF THE WORLD



Management team of Esparma GmbH (Germany), taken under the launching lamotrigine in the first day of its patent expiry.

EUROPE EMERGES NO.1 MARKET

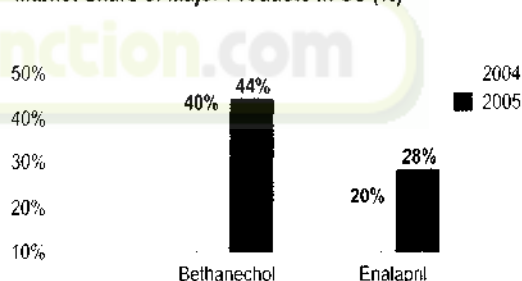
The European Union overtook India to become Wockhardt's largest market in 2005, accounting for 41% of sales. Formulation sales in European Union grew by 15% despite pricing pressures and a fall in the value of European currencies. New products were launched both in UK and Germany on the first day of patent expiry, giving the company a headstart. Wockhardt UK launched terbinafine on the first working day after patent expiry, thereby getting a headstart. Similarly, Esparma, Wockhardt's wholly-owned subsidiary in Germany, launched lamotrigine. Esparma also revamped its sales organisation and expanded its reach across Germany and stepped up export activities in Eastern Europe and former CIS countries.

USA: FASTEST GROWING MARKET

United States, the world's largest pharmaceutical market, became Wockhardt's fastest growing market during the year, clocking a 50% growth in formulation sales. Wockhardt USA, Inc., the wholly-owned subsidiary, completed its first year of operations in 2005. Wockhardt now sells 11 products in the US. It has also started marketing products for other companies. Wockhardt filed 16 abbreviated new drug applications (ANDAs), nine of them for injectables, during the year. Wockhardt also improved its market share in several key products in the US and entered the OTC (over the counter) segment for the first time. Wockhardt products are now available in leading drug retailing centres, including large supermarket chains like Wal-Mart. US business will be the key growth driver for Wockhardt in the near term.

An example of Wockhardt's successful global networking to reach products to customers timely, anywhere in the world is the supply of porcine insulins to diabetic patients in Canada after a leading manufacturer in North America discontinued the products. The supplies to Canada are now being made from Wockhardt UK.

Market Share of Major Products in US (%)



Wockhardt USA Inc. management team