

Chairman's Report to the Shareholders at the 33rd Annual General Meeting

Dear Shareholders:

Welcome to the 33rd Annual General Meeting of Renata Limited.

We emerged from an extremely challenging year relatively unscathed. There were two very serious risks facing our core businesses, viz.

Currency Depreciation: Raising the cost of imports.

Short-Term Sales Maximisation in the Industry --- Focusing on sales at the expense of profits.

Through a variety of timely management interventions and a modest dose of good fortune, we were able to largely offset the effects of the negative factors. While not as impressive as the previous years, our overall results were nevertheless respectable: Turnover increased by 19%, while net earnings grew by 32.4%. Among the 225 listed companies of the Dhaka Stock Exchange, Renata presently ranks number 27th in terms of earnings and 28th in relation to turnover[1]. Interestingly, there are only 9 non-financial institutions that have better results than ours.

Expounding upon our risk-management approach, as you are aware, our focus in the last few years has been building brands with new molecules. This particular focus has provided a natural hedge against the impact of currency depreciation. The reason is that as purchase volumes increase, the active pharmaceutical ingredient (API) cost of new molecules tends to fall thereby compensating for any adverse movement in currency. In addition, we were able improve upon our very high standards of sourcing, thereby mitigating the effects of currency depreciation even further.

After several months of imprudent selling practices the pharmaceutical industry finally realised the self-defeating nature of price wars. During the last quarter of 2005 several companies reversed their price cuts and focused more on prescription generation. This “back to basics” move restored profitability which, in much of 2005, had taken a beating.

Of course, the flip side of currency depreciation is an improvement in export competitiveness. In this regard, Renata has been very active in building up for overseas markets. The new state-of-the-art facility for potent products is nearly complete. This facility should bring in much needed export business for the company. In the same vein, BMRE work for the existing Mirpur plant is also proceeding satisfactorily. During the last quarter of 2005, Renata in collaboration with other pharmaceutical companies and the Export Promotion Bureau participated in the biggest exhibition for generic pharmaceutical companies --- CPhI (Held in Madrid). In addition, we made major progress in getting our products registered in several countries. We are hopeful that a sudden jump in export earnings awaits Renata. However, shareholders should be mindful

that product registration is a lengthy process taking 12-36 months. So, significant results will not be available until the end of 2007-08.

Financially, Renata is now sound. Against a backdrop of retained earnings amounting to Taka 503.8 million, long-term debt is zero. This strength implies that your Company is well poised to take advantage of opportunities as and when these appear on the horizon.

I now turn to our component businesses.

Animal Health:

The animal health business grew by 20.5% --- nearly four times the market growth rate of 5.1%. Without any new product this performance was only possible because of the aggressiveness and drive of the Animal Health team who behaved like true market leaders.

The recovery of the poultry industry helped our business in 2005; however, at the same time large animal market was very poor. Overall, the outlook for this business has to be conservative because of a drought in the global product pipeline. Thus acquisition of existing operations is effectively the only way of retaining momentum in the long-run.

Pharmaceutical:

According to IMS, the pharmaceutical market grew by 17.5%. While the sales growth of Renata at 20.9% outperformed that of the industry, for a company that had been growing 2-3 times the market rate in the recent past, this performance must be rated as indifferent. To a large extent this result was predetermined. By policy and in contrast to many of our competitors we decided not to opt for sales-maximisation strategies that compromised profits. Thus to protect profits, we readily gave up the opportunities for easy sales.

The indifferent sales growth however belies some very positive developments. While Renata ranks number 11 in terms of turnover, our prescription share (in value terms) is the 4th largest in the country. This achievement is extremely significant in relation to our long-term prospects. It is a well accepted fact that high prescription rates not only impact current sales, but also have a snowballing effect on future sales. We have already begun to see this effect on certain segments of our portfolio. For example, according to IMS figures, Renata with 70% market share is the leader in tissue culture vaccines against rabies. Moreover, from virtually nowhere Renata has presently emerged as the second largest company in terms of Cephalosporin sales. We are optimistic that soon there will be very favourable developments in pain-management, gastroenterological, and hormonal products.

There are signs that the pharmaceutical market is embarking upon a higher growth trajectory. Perhaps economic growth, public and NGO intervention programmes are finally making a real difference at alleviating poverty thereby raising the demand for

basic necessities such as food, housing, education, and healthcare. If so, with its financial and prescription strength Renata is well-poised to take advantage of this growth.

Contract-Manufacturing:

This fledgling business took a down-turn because a key customer, SMC decided to produce oral re-hydration saline (ORS) business in their newly constructed plant thereby closing the business with us. On a positive note, Eskayef is expected to increase their order quantities and remain with us until the beginning of 2007.

We licensed in technology from Ped-Med of Canada to produce a novel product-form known as Sprinkles to combat anaemia in children. Already, several social-welfare organisations, both national and international have expressed interest to contract-manufacture this product from Renata. Moreover, BMRE has begun on our Sachet Filling Facility for conversion into a global site for manufacturing Sprinkles.

Conclusion: Barring a large depreciation in the Taka, or turbulence in the political scene we expect 2006 to be strong for Renata. Our confidence level is at an all-time high. To us being ambitious is not just a business strategy but a way of life.

S. H. Kabir

Chairman

30th. April 2006

[1] The ranking are on the basis of half-yearly results submission.