

BIOCON'S 32ND ANNUAL GENERAL MEETING

CHAIRMAN'S ADDRESS, BANGALORE JULY 23, 2010

Dear Shareholders,

Welcome to the 32nd Annual General Meeting of Biocon.

This is a very trying time for the global pharmaceutical sector. Loss of patent protection, a decline in the commercialization of block-buster drugs, stagnating sales and spiralling R&D costs are some of the challenges faced by the industry today. This state of flux has, however, thrown up wide-ranging opportunities and companies are rapidly recalibrating their business strategies to include emerging markets, generics, biopharmaceuticals, and ancillary products like diagnostics and devices in order to revitalize growth.

Your company has some key differentiators that place us in a unique position to address these emerging opportunities, which, we believe, will drive maximum returns to our shareholders.

We have, over the years, built a strong reputation as a globally recognized Biopharmaceutical enterprise with a unique business model that straddles both products and services. We are steadily raising our profile as a research-led business with a focus on Diabetes, Oncology and Auto-immune diseases. We have global scale bio-manufacturing, capable of meeting international quality and regulatory norms. Our innovation strategy based on collaborative R&D and co-development is also enabling us to build high-value assets that are expected to pay back handsome returns. In summary, we have adopted strategies that have set your company apart as a leader of the Bio-pharmaceutical pack not only in India but in the entire Asian region.

Our Annual Report highlights our growth drivers, which are:

- Biosimilars or Biogenerics: This includes our portfolio of Insulin and Insulin Analogs and our range of Biosimilar Monoclonal Antibodies
- Research Services: This encompasses our two subsidiaries Syngene (Custom Research) and Clinigene (Clinical Research)
- High-value R&D programs: This includes both in-house as well as partnered programs viz. IN-105, T1h, Phyrbrids & Conjugated Antibodies
- Emerging Markets: This includes our marketing forays in India, Asia, Latin America, Middle East, Africa, and Eastern Europe

Our growth strategy emanates from our belief that the emerging markets will hold the key that unlocks the next wave of growth. We also believe that such markets need to be developed through synergistic alliances and a diversified portfolio that reflects a strong orientation towards generics and biosimilars. We are convinced that risk-sharing models based on co-development of novel drugs are the new paradigm in innovation. Finally, the potential for growth in the global research services business – spanning discovery, preclinical and clinical development – is unprecedented, emanating from an inherent need to reduce R&D costs.

We are confident that these strategies will enable us to gain significant stakes in emerging opportunities, realize growth and build enhanced shareholder value.

MARKETING

Moving up the value chain, Biocon's branded formulation business has been steadily gaining market share, with several brands in contention to be market leaders in the near future.

DIABETOLOGY

Diabetes continues to rise at alarming rates globally and Insulin is seen as a life-saving component in this disease segment. Since its inception, the performance of Biocon's Diabetology Division has been outstanding. Through our

flagship product INSUGEN®, we have garnered a 10% market share in the Indian insulin segment. Subsequently, this brand has been introduced in several overseas markets such as Latin America, Asia and Middle East, and North Africa (MENA). In 2009, Biocon successfully launched its first insulin analog, BASALOG™, in the Indian market. Additionally, a revolutionary campaign titled 'Winning with Diabetes' has enabled Biocon to raise its profile in the Indian diabetes segment. Both INSUGEN® and BASALOG™ are being developed for registration in Europe and USA between the years 2012 and 2016.

NEPHROLOGY

Biocon's Nephrology Division provides a therapeutic advantage to chronic kidney disease and transplant patients through a superior, scientifically configured and comprehensive renal therapy portfolio. Since its launch in March 2007, this division has posted outstanding performance with a Compound Annual Growth Rate (CAGR) of over 50%. Today, Biocon's Nephrology products have earned a strong reputation with several products attaining high rankings in a competitive and crowded market.

ERYPRO safe™ (erythropoietin) has risen to be in the top five in the highly competitive EPO market, which currently has over 30 brands. RENODAPT® (mycophenolate mofetil), which is Biocon's premium immunosuppressant, ranks No. 4 among 25 brands while our recent immunosuppressant tacrolimus, branded TACROGRAFT™, has already overtaken 20 brands to occupy the No. 3 position. The past year has also seen the launch of a renal nutrition segment where Biocon introduced a specially formulated protein supplement called NARITA+™ for dialysis patients suffering from malnutrition.

ONCOLOGY

Our innovation-led division, Biocon Oncotherapeutics, is focused on affordable cancer therapy and has been in the limelight with the ongoing success of BIOMAb EGFR®. This product is now approved in 22 countries for various indications including head and neck cancers, glioma (adult and paediatric) and nasopharyngeal carcinoma. I am pleased to inform you that this revolutionary product is available to Indian patients at less than 50% of the cost of other anti-cancer therapies in the same class and indication. Effective scientific and marketing strategies, coupled with an increased confidence among physicians based on in-clinic experience with this molecule, have substantially helped reach more patients across India.

In the hyper-competitive taxane market, our flagship product Abraxane® – which was launched in July 2008 – is performing exceedingly well. It has established itself in the metastatic breast cancer setting and is increasingly being used to treat other tumour types such as pancreatic cancer, non small cell lung cancer and ovarian cancer. Our neutropenia drug, NUFIL safe™, is now among the top 10 brands in the filgrastim segment. This brand has grown over 200% in volume over the past year and received remarkable responses from clinicians for its quality, efficacy and presentation.

CARDIOLOGY

2009-10 was a productive year for Biocon's Cardiology Division. With major brands like STATIX® (anti-cholesterol) and TELMISAT® (anti-hypertensive) as the foundation products, this division has established a formidable presence among cardiologists in a short span. Our cardiology division, which is currently ranked No. 22 in our represented market, has posted 44% growth (ORG MAT: Dec 2009), thus outperforming the industry benchmark. Our focus on quality and affordable innovation has enabled us to gain significant market share for CLOTIDE™ in the highly competitive eptifibatide market. Today, CLOTIDE™ is the leading eptifibatide brand in India.

SYNGENE

Syngene – our custom research organization – continues to flourish as one of India's largest preclinical service companies and demonstrate proficiency in advancing compounds through R&D processes in an efficient, quick and cost-effective manner. This has helped expand business and maintain a 30% growth rate in FY 2010.

Over the years, Syngene's incremental investments in industry-relevant and world-class infrastructure have positioned it as an ideal partner in the integrated drug discovery process. Syngene is now recognized for having set up India's largest R&D partnership with Bristol Myers-Squibb.

The changing dynamics of the global pharmaceutical industry make a compelling case for risk- and cost-mitigation strategies that rely on outsourced R&D services. Data indicates that 21% of global R&D spends in 2009 were outsourced. The corresponding figure a decade ago figure was less than 1%.

Syngene is now working with other major pharmaceutical clients to expand its relationship to provide high-quality, integrated discovery and pre-clinical development services at competitive prices.

CLINIGENE

Our clinical research organization Clinigene has completed a decade of commitment to high-quality clinical research. It has transformed into a full-service Contract Research Organization (CRO) with significant scientific and operational expertise across multiple therapeutic areas.

By harnessing India's outstanding scientific talent, Clinigene has leveraged state-of-the-art technology to successfully undertake early-through-late-phase clinical development programs. Presently, over 30 clinical research programs for well-reputed pharmaceutical and biotechnology companies are being carried out at Clinigene.

Clinigene has been an integral part of Biocon's oral insulin (IN-105) and T1h clinical development programs, which have now advanced to Phase III clinical trials.

The new areas of focus for Clinigene include biomarker development, data management and pharmacovigilance. These new capabilities will enable Clinigene to differentiate itself from other CROs in India by offering cutting-edge solutions to drug development challenges.

RESEARCH & DEVELOPMENT

I would now like to turn to our R&D pipeline. I would like to particularly emphasize that this has been self-financed. We have judiciously created a pipeline that is well balanced between biosimilars and generics as well as novel biologics.

We made significant progress this past year in terms of process improvements for our existing products and have developed processes for several new products, which we intend to commercialize soon. Biocon's new product range includes synthetic prostaglandins and peptides. The commercialization of synthetic prostaglandins used in the treatment of glaucoma will enable Biocon to make its foray into the field of Ophthalmics.

Leveraging the cost advantage we have in India, we plan to take two novel programs – IN-105 (oral insulin) and T1h (anti-CD6 monoclonal antibody) – through proof-of-concept Phase III clinical trials before licensing. IN-105 is the most advanced program in the global oral insulin space with a US IND filed in December 2009. For T1h, we are on the verge of entering a pivotal Phase III trial for psoriasis. Biocon's strategy for both programs is to develop them to 'proof of safety and efficacy' in India and only then pursue more expensive global development through licensed partnering. I believe this approach will unlock maximum value for Biocon and our shareholders while reducing the development risk for the licensee.

STRATEGIC RESEARCH PARTNERSHIP

We have forged several key partnerships to share risks and costs associated with drug development whilst leveraging complementary capabilities.

Our multiple collaborations with Mylan, Optimer, Amylin, and Vaccinex are making steady progress. Further, our investment in the biotech start-up IATRICa continues to look very promising as we develop immuno-therapeutics for oncology that actually evoke T-cell response, which is a therapeutic vaccine approach to cancer.

In addition to Biocon's research alliances, Syngene has also entered into synergistic research partnerships. Through its collaboration with Endo Pharmaceuticals, Syngene is working towards jointly discovering and developing novel biological drug molecules to fight cancer. Endo will retain all rights to the molecules developed while Syngene will receive research fees, milestone payments and success fees throughout the development phase right unto commercialization.

ACQUISITIONS

CIMAB

An important development this fiscal was the conclusion of the agreement for acquisition of the 49% equity stake of our Cuban partner CIMAB S.A. in Biocon Biopharmaceuticals Pvt. Ltd. (BBPL), a seven-year-old biomanufacturing joint venture. This acquisition will enable us to efficiently utilize capacities to manufacture Biocon's biosimilar products. BBPL will continue to support the manufacturing needs of BIOMAb EGFR® and other products that are partnered with CIMAB.

IDL

Another key acquisition made this fiscal was IDL Specialty Chemicals Ltd. near Hyderabad. This facility is a bulk pharmaceutical plant that will cater to Biocon's expansion needs. This is our first remote manufacturing operation, which I am pleased to report has been successfully commissioned.

BEYOND BORDERS

AxiCorp

2009 was a very successful year for our German subsidiary AxiCorp. In January 2010, AxiCorp was ranked No. 30 in Germany by IMS and recognized as one of the three fastest-growing German pharmaceutical companies. With over 250 employees, the company achieved total revenues of €133 million in 2009. Growth was primarily driven by efficient sourcing of products for its business, a restructuring of its sales force, and winning AOK, BKK and DAK tenders for several generics. AxiCorp is now the most successful Indian-owned German pharmaceutical company.

NeoBiocon

NeoBiocon, our Dubai-based joint venture with Abu Dhabi pharmaceutical manufacturer Neopharma, has successfully registered our breast cancer treatment drug Abraxane in the formulary of all major cancer institutes in the United Arab Emirates.

CORPORATE SOCIAL RESPONSIBILITY

In an ongoing effort to exercise Biocon's Corporate Social Responsibility, the Biocon Foundation has continued to demonstrate its serious commitment through improved services at our primary healthcare clinics. This initiative is supported by our expanding micro health insurance scheme, Arogya Raksha Yojana (ARY), for underserved villages in Karnataka.

When devastating floods swept North Karnataka in September 2009, Biocon Foundation moved swiftly into action by immediately dispatching teams of doctors and nurses for medical relief and care. More than 5,000 patients were treated by our doctors while medicines in excess of Rs. 10 lakh were distributed. We are currently rebuilding 1,000 homes in three affected villages in the severely damaged Bagalkot district of Karnataka.

FINANCIAL PERFORMANCE

Consolidated revenues (including AxiCorp) increased 44% from Rs. 1673 crore to Rs. 2405 crore. Sales revenue from research services grew 25% from Rs. 225 crore to Rs. 281 crore. Consolidated EBITDA grew 31% from Rs. 388 crore to Rs. 509 crore. Operating margins (excluding AxiCorp) were maintained at a healthy 31%. Consolidated PAT increased to Rs. 293 crore against Rs. 93 crore in FY'09. Of course, FY'09 was impacted due to a provision for Marked to Market (MTM) losses.

LOOKING AHEAD

2010 was an extremely successful year for Biocon. We achieved strong net revenue and solid earnings growth. We developed initiatives to make us more productive and to help us create new, high-value medicines. We improved our business model to address a complex and challenging regulatory and competitive environment. We featured in the prestigious Forbes 'Best under A Billion' list of companies for "seizing opportunities arising from economic uncertainty".

I want to take this opportunity, on behalf of the Board of Directors, to thank our esteemed shareholders and Team Biocon for their dedication, support and continued devotion to the Company.

Biocon's performance at every stage in the past year has been commendable and has set a high stratum for the years ahead. We are pleased by how far we have come and are determined to do even more as we let great science deliver affordable medicines. I would like to conclude with a sense of confidence and strong optimism that we will be able to sustain enduring growth across our various businesses.

Thank you.

Kiran Mazumdar-Shaw



Bangalore

Friday, July 23 2010