



34th Annual General Meeting

Chairman's Speech
July 26, 2012

UNLOCK VALUE

Growth Through Integrated Research

Dear Shareholders,

Welcome to the 34th Annual General Meeting of Biocon.

In this new age of possibility, biotechnology is a transformational force that has the promise to provide powerful solutions to global challenges in food, health, energy and environmental sustainability. As a Biopharmaceutical company, we are developing the knowledge and expertise that can leverage the power of Biotechnology to develop therapeutics that can make a difference to global healthcare.

As the Biopharmaceutical industry advances in pursuit of new drugs, diagnostics and vaccines, it is clear that this must be done by keeping in view the need for affordability that can provide global access to patients. It is clear that drug innovation and therapy cost must interact effectively in a new financial matrix. Biocon's business strategy of delivering affordable innovation is well aligned with this emerging paradigm.

Over the past year, Biocon has continued to build on its cost-effective innovation strategy to deliver affordable drugs for chronic diseases in global markets. Your company's biopharmaceutical business has evolved to a size and scale that is poised to address global opportunities. We have emerged as a biotechnology powerhouse not only in India but also in Asia.

We have strategically built five powerful growth accelerators based on our differentiated competencies in discovery, development and commercialization. These five business verticals represent Biocon's risk balanced strategy underpinned by agile operating bio-networks, a robust research pipeline of products and a commercialization foray that spans global markets. We believe these growth drivers will propel the Company on a growth trajectory and will enable us to unlock value for our stakeholders.

These growth verticals are:

1. Small Molecules
2. Biosimilars
3. Branded Formulations
4. Novel Molecules
5. Integrated Research Services

We are augmenting our manufacturing, research and marketing base to pursue strong and sustained growth. This includes our first overseas manufacturing facility in Malaysia, our new state-of-the-art research center in Bangalore, and a number of marketing alliances in several emerging markets.

Small Molecules

Biocon has been reaping rich rewards from its Small Molecules business which comprises a robust portfolio of Active Pharmaceutical Ingredients (APIs), including generics like Statins, Immunosuppressants and Proprietary Products like Fidaxomicin. Recognizing the vulnerability of APIs to commoditization, we are entering the next phase of growth by developing and marketing finished formulations. We aim to move up the value chain, through 505 (b)(2) and ANDA filings.

Biosimilars

The Biosimilars opportunity is set to expand as patents expire on leading biologics and patients demand lower priced drugs. A number of top selling

biologic brands are due to lose product patent protection over the next 5-7 years, opening up a wealth of new possibilities for biosimilars. This emerging opportunity has been recognized by most Regulatory Agencies including USFDA, EMA, DCGI and others who have announced Biosimilar guidelines. Biocon's Biosimilar pipeline of Insulins and Monoclonal Antibodies, is well poised to address this enormous global market opportunity.

Our Insulins portfolio will enable us to capture a sizeable share of the biosimilar Insulins market, which is expected to reach US\$ 20 billion by 2020. We have already begun unlocking value in emerging markets with our Biosimilar Recombinant Human Insulin where we are represented in over 30 countries through various regional marketing alliances. With the growing incidence of diabetes, this will expand the global market further.

On the development front, I am pleased to report the successful completion of a Phase I study of our Biosimilar Insulin Glargine. The trial met its primary and secondary endpoints of establishing Pharmacokinetic (PK) and Pharmacodynamic (PD) equivalence between our biosimilar glargine and Lantus® EU and US reference products. The successful demonstration of these results paves the way for global Phase III trials that will enable us to take Biosimilar Glargine to US, Europe and the other highly regulated global markets.

I am also pleased to report that our Phase III clinical trials for European Registration are progressing well and we hope to engage with European Regulators for Market Authorization later next year.

The year under review saw the amicable parting of ways from the global partnership for Biosimilar Insulin and Insulin Analogs with Pfizer. A change in priority within Pfizer's biosimilars division led to a preference for in house biosimilar programs that were perceived to deliver higher returns for Pfizer. In terms of business continuity, there will be minimal impact as Biocon will continue to develop its programs for global registrations as per plan, utilizing the retained payments received from Pfizer. We remain committed to our commercialization endeavor albeit with multiple regional alliances instead of a single global partner. We expect to extend our relationships with existing regional partners and forge new alliances in other markets.

Our partnership with Mylan to develop Biosimilar Monoclonal Antibodies is progressing well. We are pleased to announce that we have started Phase III trials in India for a key breast cancer drug, Biosimilar Herceptin. Global Phase III trials are also expected to commence shortly.

Branded Formulations

Branded Formulations is an India centric business and Biocon brands are amongst the top five in the domestic market. In less than a decade, Biocon has made a strong entry into the Indian market with over 70 brands across six disease segments: Diabetology, Oncotherapeutics, Nephrology, Cardiology, Immunotherapy, and Comprehensive Care. We are committed to building market and brand leadership through product differentiation and personalized medical support.

Biocon is now India's premier Insulins Company, registering the fastest pace of growth in the insulins sector. The recent introduction of an innovative device INSUPen® has now spurred growth in cartridges as well. In Oncology, our proprietary anchor product BIOMAb EGFR® which has the distinction of being the first novel biologic to be developed in India, has revolutionized the treatment of head and neck cancer. Over 5,000 Indian patients have benefited

from this life saving drug. Recently concluded clinical trials in BIOMAb EGFR®, will now enable label extensions to new indications such as glioblastoma and non small cell lung cancer.

FY 12, saw the completion of one year of market introduction of the first and only global generic version of everolimus Evertor™ from Biocon, which has provided affordable access to this cancer drug. Biocon's Nephrology division continues to forge ahead with its well balanced portfolio of products for dialysis and transplant patients, with most brands featuring amongst the top three.

Novel Molecules

Bringing path breaking proprietary products to global markets is Biocon's long cherished objective. As drug development becomes an expensive, high risk endeavor, we are leveraging our robust R&D engine to deliver affordable innovation.

Biocon's global competitive edge rests on its high quality talent, process innovation, and high value licensable research assets. We will take our most promising novel molecules to proof-of-concept before exploring partnerships. Biocon's two late stage candidates include an Oral Insulin molecule (IN-105) and Itolizumab (T1h) – an anti-CD6 MAb for autoimmune conditions which has completed a Phase III psoriasis trial with compelling data that profiles it as attractive licensable asset.

Following these programs into the clinic are BVX-20, an anti-CD 20 “bio-better” monoclonal antibody that has shown encouraging results; and our partnered program with Amylin Pharmaceuticals for AC165198, a Phybrid which has dual pharmacology addressing diabetes and obesity, currently in Phase I clinical trials under a US FDA IND.

Integrated Research Services

Biocon, through Syngene and Clinigene, has built remarkable integrated contract research capabilities to support discovery and development, for both small and large molecules. Leveraging India's high quality scientific talent pool and sophisticated world class infrastructure at Biocon Park, Syngene and Clinigene have over time evolved from being a ‘fee for services’ providers to becoming ‘integrated collaborative and strategic partners’ with global biopharma enterprises. Together, they have been consistently engaged in creating value for its clients through innovative research and development.

FY 12, has been one of the strongest years in Syngene's history. The strategy to invest in strengthening our scientific team and capability platforms in discovery and development has allowed us to build stronger, more integrated and value creating collaborations to support our customers. Our team of scientists has grown from 1,300 to over 1,600 and is now the largest team of scientists in life sciences in India. Along with expansion in our customer base, we are also seeing an accelerating evolution in the nature of our customer collaborations through high value addition.

We recently set up a new Abbott Nutrition R&D Center at Syngene, which will focus on the development of science-based, affordable nutrition products for the country. Abbott selected Syngene to provide a science-based research and innovation team of over 50 researchers who will work closely with Abbott at this centre at Biocon Park in Bangalore. The center will tap into local expertise to focus on product design, development and delivery specifically for the Indian consumer market. The new Research & Development center will focus on the

development of nutrition products for maternal & child nutrition and diabetes care, and will also address local taste & texture preferences with new flavors & formulations.

This is a clear endorsement of the success of our Integrated Services model. We expect to enroll other dedicated research hubs in the future. Preparing ourselves for the Syngene IPO, we have taken the first step of making Clinigene a subsidiary of Syngene. We plan to move further as advised by our consultants.

Focus on Innovation

Our innovation strategy is based on collaborative R&D aimed at maximizing outcomes through shared risk and reward, whilst delivering affordable innovation. Biocon's R&D effort has created a robust pipeline of Small Molecules, Biosimilars and Novel Biologics which promise sustained high value growth. Taking this forward, we inaugurated Biocon Research Center, a state-of-the-art integrated Biotechnology R&D Center which has a mandate to be a 'center of excellence' with a multi-disciplinary ecosystem. Spread over 2,00,000 sq. ft., this research facility encompasses labs for molecular biology, biologics process science, formulations development, molecular characterization, functional bioassays, and preclinical and clinical development.

Corporate Social Responsibility

Biocon's Social Responsibility initiatives through Biocon Foundation focus on integrated healthcare programs and primary education delivery. During the year, significant resources were dedicated towards programs that are aligned to the growing health issues of the communities we serve. Our nine Arogya Raksha Primary Care Clinics, meted out medical consultations to over 60,000 patients. We plan to open six more clinics this year and start several new healthcare initiatives. Our key activities last year included an oral cancer screening program and a series of training programs for health workers in chronic disease management.

Under our Micro Health Insurance Scheme, Arogya Raksha Yojana, we enrolled 100,000 people in Karnataka. In the area of education, our Math Work Books 'Chinnara Ganitha' have enhanced the mathematical skills of students in rural schools. We now print 80,000 books which are distributed in primary schools in eight districts of Karnataka.

I am also pleased to inform you that our rehabilitation efforts extended to flood victims of Bagalkot district in Karnataka, has seen us build over 400 houses which will be supported by a health-cum-community center and a primary school in the village. Going forward, we plan to provide solar lighting to every household as a part of our endeavor to offer a sustainable solution for electrification.

Financial Performance

FY 12, was an eventful year with good progress across all businesses. At Group level, our Revenues of Rs 21,483 million delivered growth of 16%, driven primarily by Research Services and Branded Formulations. Our Research Services business showed a robust 29% growth with revenues at Rs 4,101 million this fiscal. Our Branded Formulations business grew by 39% to Rs 2,594 million in FY 12. Overall, our EBITDA and PAT margins have been delivered at 27% and 16% respectively. Our Net Cash position further improved to Rs 7,327 million, against previous year's Rs 4,908 million.

The benefit of licensing income to our PAT was sharply down to Rs 390 million

this fiscal from the exceptional levels recorded last fiscal of Rs 990 million. However, improvements elsewhere maintained total PAT at near last year's level. We have seen exceptional growth in our Research Services business, an outcome of the strategic investments we have made over the last two years in enhancing our integrated service offerings.

Going forward, our development expenses for Insulins program will be set off against the retained payments we have received from Pfizer. I would like to emphasize that we have taken into consideration regulatory, ethical and governance issues related to clinical trials that obliges us to complete clinical development of our on-going clinical trials with respect to our Insulin portfolio. Accordingly, as per industry practice and Generally Accepted Accounting Principles (GAAP), we have deferred the recognition of the balance amount of Rs 4,929 million remaining in our books as on March 2012. This amount will be set-off against costs incurred towards developing our bio-similar Insulins for global markets.

Obituary

It is with great sadness that I share the news that our esteemed Board member Dr. Neville Bain, a Non-Executive Director and Chairman of the Audit Committee passed away at his home in London on May 22, 2012. Dr. Neville Bain joined the Board of Biocon in 1999 and played a key role in building high standards of Corporate Governance and Financial Reporting for Your Company. His contribution and commitment to Biocon will be cherished for years to come. Dr Neville Bain had an illustrious Corporate Career and had authored several management books on Governance, Strategy & People Management. On behalf of all members of Biocon, I express our heartfelt condolences to his wife and family and pay homage to his departed soul.

Looking Ahead

Over the past year, your company has built on its core strengths and leveraged growth drivers to ensure a profitable future. As we move forward, we will forward integrate and out-license our assets to unlock value and will leverage Research Services with differentiated offerings. Our focus on emerging markets through regional partnerships will help us further accelerate growth. We continue to enhance our brand equity not only in India but across the globe.

Finally, on behalf of the Board of Directors, I would like to thank our esteemed shareholders for their continued support and for partnering us in our mission to make a positive impact on global health. I would also like to appreciate Team Biocon for its dedication, support and tireless efforts in building an enduring organization.

Thank you.



Kiran Mazumdar-Shaw
Chairman & Managing Director