

31ST ANNUAL GENERAL MEETING

CHAIRMAN'S ADDRESS, Bangalore July 23, 2009

FORGING INNOVATION IN BIOTECHNOLOGY

Dear Shareholders,

Welcome to the 31st Annual General Meeting of Biocon in a year which heralds a new phase in Biocon's innovation-led business strategy. This is a phase where Biocon's research endeavors are beginning to deliver success, leading to strategic international partnerships that will help us access global markets as well as build a global profile as a leading Indian innovator.

Let me start by stating that Fiscal Year 2008-09 will go down as a year of learning and reckoning where we have had to report a sharp decline in post-tax profits due to Mark To Market (MTM) and foreign exchange losses. The silver lining was our ability to redeem this difficult situation through sustaining operating profits and margins across all our businesses. The year ahead will benefit from the various corrective measures that we have taken to ensure that export earnings will henceforth be buffered against the vagaries of currency volatility.

After the global economic downturn reported in 2008, the economy is now showing signs of recovery. Nevertheless, it must be noted that market dynamics continue to be unpredictable the world over. It is prudent at a time like this to remain committed to our innovation-led business strategy, which we believe will enable us to build a strong competitive edge for the foreseeable future.

Innovation empowers us with the ability to develop market leadership through proprietary products and processes that can effectively counter the threat of commoditization and diminishing returns that most generics face. Innovation, we firmly believe, holds the key to leadership and profitability.

THE INNOVATION MATRIX: A STRATEGIC FRAMEWORK

While innovation has the potential to deliver high value returns, it also has inherently high risks associated with it. These need to be navigated in a manner that mitigates financial and commercial adversities whilst delivering high value returns to the business. Biocon has, over the years, adopted an effective strategic framework for innovation to succeed – one that will transform scientific discoveries into advances in human healthcare and generate incremental value for our shareholders.

Our Innovation Matrix is a four-dimensional endeavor which extends into the realms of both the known and the unknown. Creativity in the known realm builds on existing knowledge and can result in two types of innovation: INCREMENTAL and EVOLUTIONARY. Creativity that challenges unknown boundaries and creates new knowledge is thought of as EXPERIMENTAL and TRANSFORMATIONAL in its impact.

Biocon has an innovation portfolio that covers all four spheres and is well balanced in terms of the inherent risks associated with these four quadrants. This model is enabling us to build an impressive product pipeline that can sustain innovation in the short, medium and long term.

To elucidate this with examples, our bio-similar recombinant human insulin is an outcome of incremental innovation, where our proprietary Pichia-based production technology has allowed us to produce one of the world's most affordable therapies for insulin-dependent diabetes. Bio-similar monoclonal antibodies are forming the core of our evolutionary innovation strategy where we believe we will be a key global player. In the more challenging area of experimental innovation, Biocon is at the cutting edge. We are developing

conjugated antibodies with a US Biotech start-up, laTRICa, to potentially deliver therapeutic cancer vaccines. We are also pursuing a path of breakthrough innovation, through Phase III human clinical trials, to develop the world's first oral insulin. We are thus rapidly moving towards commercializing novel biologics with a 'Made in India' label.

PARTNERSHIPS

On June 27th, Biocon signed an important collaboration agreement with a leading global generics company, Mylan Inc., to develop and commercialize multiple, high-value generic biologics through a profit-sharing model.

It is now well recognized that chemically synthesized generic drugs are rapidly commoditizing and making way for high-value generic biotech drugs or biologics, which are expected to become the next great bolus of growth in the generic pharmaceutical industry. It is forecast that by 2016, \$25 billion worth of biologics will lose patent protection, creating large market opportunities for generic products like insulin and insulin analogs, monoclonal antibodies and other protein therapeutics. The complexity and costs involved in developing generic biologics are expected to see only a few players being able to gain entry into the highly regulated markets of Europe and USA. The growth of bio-generics in the emerging markets is also expected to grow from the current size of \$1 billion at a projected rate of 20% per annum over the next 5 years.

The partnership with Mylan is unique in that it combines Biocon's scientific expertise and state-of-the-art, cost-efficient, and scalable biologics manufacturing with Mylan's one-of-a-kind global commercial footprint and regulatory expertise around the world. Through this alliance, Mylan and Biocon have covered all four corners of what any organization would want, or need to have secured, to offer a highly competitive and distinct generic biologics product portfolio with tremendous growth potential for the coming decade.

BIOCON'S BRANDED HEALTHCARE BUSINESS

Biocon's healthcare business continues to build a strong portfolio of products for diabetology, oncology, nephrology, and cardiovascular diseases.

The Diabetology division has grown to an impressive 12th rank in ORG rankings from a starting position of 40 in 2005. Apart from bolstering its existing portfolio, it also had the impressive launch of INSUGEN® 100 IU and an insulin analog, BASALOG™, which is a Bio-generic Insulin Glargine.

Biocon's Cardiology division moved up to 39th position in the ORG rankings for 2009 from its initial ranking of 91 in the year 2005. This division was originally merged with Diabetology and has been a standalone business since 2007. This segment has been steadily building its legacy portfolio of statins and anti-hypertensives with an impressive range of other new launches.

The Oncotherapeutics division has continued to grow with BIOMAb EGFR® – a novel monoclonal antibody for the treatment of head and neck cancer and has been further bolstered with the addition of Abraxane, (in-licensed from Abraxis Biosciences, USA) and its supportive care portfolio of products like Granulocyte Colony-Stimulating Factor (GCSF) and Erythropoietin (EPO).

The Nephrology division has performed outstandingly ever since its inception in 2007 and is continuously growing with its highly cost-effective range of products – delivering the promise of affordable and effective therapeutic solutions in the market place. Our flagship brands RENODAPT™ (Mycophenolate mofetil) is ranked 3rd and ERYPRO™ (Erythropoietin) is ranked 4th as per ORG ratings, which demonstrates Biocon's growing stature in this segment.

Biocon's healthcare division is poised for the next level of growth supported with a field force of approximately 700 marketing executives and an impressive array of products and services.

SYNGENE

Over the last 14 years, Syngene has grown from strength to strength, harnessing capabilities and expertise across multiple research areas, to become India's leading provider of drug discovery services. Today, Syngene offers an 'integrated discovery platform' that opens up avenues for collaborative integrated drug development programs and partnerships.

Our partnership with Innate to develop type II virulence blockers is in its third year and moving ahead with much success. We have also entered into an alliance with Sapient Discovery to provide a highly integrated platform for structure-based drug discovery. This partnership is crucial at a time when cost reductions and efficiency in the drug discovery process are driving companies to look for suitable outsourcing partners. On another front, we are now alliance partners with DuPont Crop Protection, a logical extension of being a service provider for over six years.

Reporting on our significant partnership with Bristol Myers Squibb, I am happy to announce that the research and development facility dedicated to advancing BMS' research endeavors in new drug development was formally inaugurated on March 23, 2009.

CLINIGENE

With India emerging as a credible destination for conducting global clinical trials, Clinigene is poised for dynamic growth. Clinigene has demonstrated scientific expertise and operational excellence in executing the most challenging clinical studies. Our comprehensive database of healthy volunteers and Good Clinical Practice (GCP) -trained investigators drive high volume enrollment in reduced timelines and quality execution of all projects. Clinigene's Clinibase®, a database of investigators and investigation sites, provides speed and efficiency in clinical trials.

HIGHLIGHTS

Reporting on our external achievements over the past year, I am proud to announce that Biocon bagged IDMA's (Indian Drug Manufacturers' Association) 'Best Patent of the Year' Award for 'Aryl Carbamate Oligomers for Hydrolyzable Prodrugs'. The said patent forms the basis of Biocon's Oral Insulin molecule, IN 105.

Our first innovative drug, BIOMAb EGFR®, was voted 'Asia Pacific Product of the Year 2008' by Bio-Spectrum, a pan-Asian Biotech publication.

Biocon also received the BioSingapore Asia Pacific Biotechnology Award for 'The Best Listed Company of 2009'.

Confirming our position as an emerging global biotechnology player, Med Ad News ranked Biocon as the 20th leading biotechnology company in the world and the 7th largest global employer in the biotechnology sector.

Another important development for Biocon was the recent launch of BASALOG™, a long-acting (24 hours), peakless, bio-generic version of the human insulin analog, glargine. BASALOG™ is a significant advance in diabetes treatment, providing a 24-hour basal level of insulin. This helps control glucose levels in the blood, especially Fasting Plasma Glucose (FPG). It is believed that treatment with long-acting insulin analogs like glargine allow better metabolic control, thereby resulting in a better quality of life and treatment satisfaction.

INCREASING OUR GLOBAL FOOTPRINT: AXICORP & NEOBIOCON

It has been a year since the German company AxiCorp came on board as Biocon's subsidiary company. During this short time, the company has delivered 30% top line growth to Biocon's consolidated numbers. I am pleased to announce that AxiCorp has recently won the German AOK (a leading public health insurer) tender for Metformin, which is an important milestone both in terms of making inroads into the generics market as well as laying the foundation for our diabetes franchise in Germany. Creditably, in 2008, AxiCorp reached the top 50 position in the German pharmaceutical market and is one of the three fastest-growing companies in Q4/2008.

In October 2008, we took a giant step towards consolidating our presence in Gulf Cooperation Council (GCC) markets. Our JV in Abu Dhabi, NeoBiocon, launched Abraxane® in the UAE for the treatment of breast cancer. Abraxane® is now available as a single-use 100 mg vial (as a lyophilized powder, to be reconstituted for intravenous administration).

CORPORATE SOCIAL RESPONSIBILITY

Biocon recognizes its significant responsibilities towards delivering better healthcare to the underserved communities of India, especially those in Karnataka. One of the most important initiatives undertaken this fiscal is the partnered program with the Government of Karnataka and the Embassy of Ireland to build 800 toilets for individual households in Huskur Gram Panchayat, Anekal. The Micro-Health Insurance initiative under the auspices of Arogya Raksha Yojana has continued to increase enrollments and has expanded its network of clinics and hospitals. Biocon Foundation has also partnered the Jain Institute of Vascular Sciences in its Mobile Diabetic Foot Clinic, which offers free detection and counseling services to diabetic patients in rural communities.

THE PEOPLE OF BIOCON

Biocon has exhibited a track record of consistency, performance and responsibility. The people of Biocon know that to continue on this path, we must maintain a relentless focus on improvement and operational efficiency. We are committed to acquiring new skills and new knowledge in order to succeed in the years ahead. At its core, this endeavor is based on a concerted effort and a unified strategy to focus on delivering high value and realizing good returns on our investments to unleash the full potential of our rich talent pool.

REVENUE ANALYSIS:

Consolidated revenues (including AxiCorp) increased 53% from Rs. 1,090 crore to Rs. 1,673 crore, whilst consolidated EBITDA grew 16% from Rs. 335 crore to Rs. 388 crore. Operating margins (excluding AxiCorp) were maintained at a 31% level. It must be noted that AxiCorp is a top line business contributor with operating parameters which are very different to those of Biocon's other businesses.

PAT declined to Rs. 93 crore which was on account of a Rs. 147 crore provision made for MTM losses.

Sales revenues from Research Services grew 28% to Rs. 225 crore from Rs. 176 crore, in FY '09. Syngene and Clinigene's EBITDA grew 21% to Rs. 70 crore, but MTM severely impacted profit earnings resulting in a loss of Rs. 18 crore for the year.

Consolidated FY '09 earnings have also been burdened with the impact of an added depreciation of Rs. 16 crore, reflecting capital investments incurred to support future growth.

OUTLOOK

As we look to the future, we know that we will be operating in a globally challenging environment. We believe that we are beginning to witness the start of a transformational phase for Biocon's various businesses as we strengthen our competitive edge through innovation and differentiation.

On the manufacturing front, innovation efforts will need to be directed towards delivering the highest quality at the lowest cost. On the services front, Syngene and Clinigene will aim to compete by augmenting specialized skills to deliver increasingly higher value services cost effectively. On the research front, we will strive to pursue a strategy that will deliver incremental and transformational innovation in an affordable manner.

Underlying these efforts will be an unflinching commitment to operational excellence which is now a prerequisite for global competitiveness.

Despite a very challenging year, we are pleased to announce a dividend payout of Rs.3 per share on the enlarged share capital i.e. post the Bonus issue made in September 2008.

Thank you,



KIRAN MAZUMDAR-SHAW

Bangalore
Thursday, July 23, 2009