



◆ **SCALING NEW HEIGHTS**

◆ **IN FRONTIER SCIENCE**



Annual Report
2007

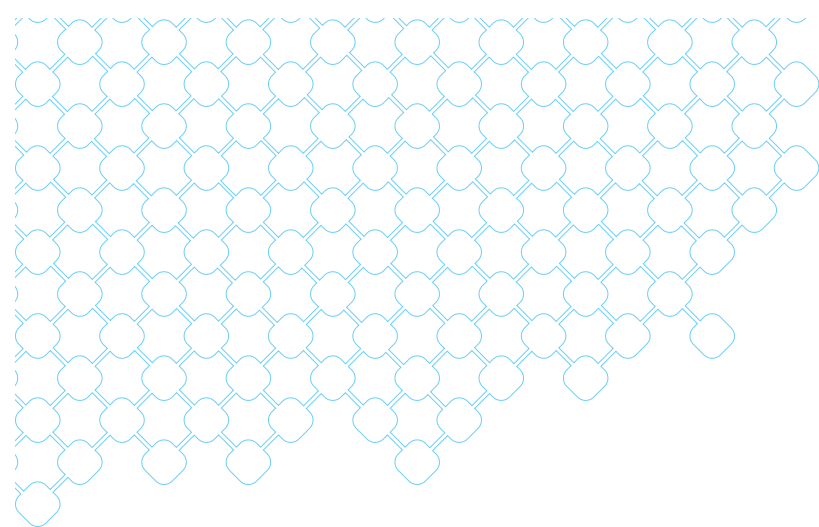
EGFR

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EGFR may appear to be randomly chosen letters of the alphabet. But for those suffering from head & neck cancers, they can be life-threatening. Epidermal Growth Factor Receptor (EGFR) is a protein that plays a pivotal role in malignant cell formation. Over-production of EGFR leads to the uncontrolled and abnormal proliferation of cancer cells... the cause of much suffering and untimely death.

It is a startling fact, for every three head & neck cancer patients in the world, one is Indian.



BIOMAb

EGFRTM

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ACHIEVING NEW MILESTONES IN AFFORDABLE MEDICINE

Novel Biotherapeutics, led by Monoclonal Antibodies, are dramatically altering the course of molecular diagnostics and disease therapy. These targeted medicines have the potential to treat debilitating illnesses and create new standards in patient care.

In September 2006, Biocon launched BIOMAb-EGFRTM, a therapeutic Monoclonal Antibody-based drug for treating solid tumors of epithelial origin such as head & neck cancers.

BIOMAb-EGFRTM is engineered to specifically target and block the EGFR responsible for the proliferation of cancer cells. This revolutionary drug is the first of its kind to be manufactured in India. Moreover, it is the first competitively-priced, anti-EGFR humanised Monoclonal Antibody for cancer to be made available commercially, anywhere in the world.



SCALING NEW HEIGHTS IN FRONTIER SCIENCE



ACHIEVING NEW MILESTONES IN AFFORDABLE MEDICINE

India accounts for 1/6th of the world's population. Yet shockingly, only 1/6th of India's one billion people have access to affordable healthcare. The rest are neglected much like the diseases that afflict them. Medical help is inaccessible and simply beyond their means. The forbidding costs and inadequate reach of therapy is not just an India issue but one that plagues healthcare systems, globally.

Then, there is the other side. Never before has there been such promise for new drugs to fight many of the world's most critical diseases. Targeted medicines have given global healthcare providers new optimism and patients new hope for better therapy. Yet, the irony remains that breakthrough medicines hardly reach those who need them, either because they are inaccessible or unaffordable.

At Biocon, we believe innovation without access and affordability is like therapy without patients. We are a

discovery-led biopharmaceutical company that develops, markets and distributes novel yet affordable Biotherapeutics. By leveraging India's value advantage of unmatched scientific talent and cost-competitive manufacturing, we deliver scale, speed and quality. Indeed, Biocon is among the few innovator companies in the world capable of balancing the high cost of R&D with market affordability.

Today, we are well-positioned to meet the demands of new markets and accelerate the progress of our pipeline because of our incremental investments along the gene-to-patient continuum. Our strong matrix of discovery capabilities, cost-effective drug development platforms and significant manufacturing capacity enable us to scale new heights in frontier science and achieve new milestones in affordable medicine.





"At Biocon, we believe innovation without access and affordability is like therapy without patients."

Anuradha Rajput, General Manager - Central Lab

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2007

HIGHLIGHTS

Total Income increased by
25% to Rs. 9,895 million

Income from Research Services
increased by 35% to Rs. 1,357
million from Rs. 1,006 million

CHAIRMAN'S **OUTLOOK**



Operating Margins were sustained at a healthy 29% at Rs. 2,873 million

Dividend recommended at 60% (Rs. 3.0 per share)

R&D Revenue Expenditure increased 93% to Rs. 379 million from Rs. 196 million



"Biocon has technologically and commercially moved up the biopharmaceutical value chain. We have dramatically scaled our operations and achieved significant milestones along the path to affordable new medicine."

At a time when global healthcare spending has escalated enormously, the responsibility rests with biopharmaceutical companies to focus on developing and deploying targeted and differentiated medical solutions, which in many cases, can reduce overall healthcare costs. I believe, we have the scientific talent pool, technological platforms and manufacturing capabilities to take on this challenge.

Biocon is a research-driven healthcare company committed to developing affordable therapeutics for the world's most debilitating diseases, including diabetes and cancer. We have demonstrated early success in this mission by commercialising INSUGEN®, a Recombinant Human Insulin in 2004 and more recently, in 2006, a proprietary cancer targeting Monoclonal Antibody, BIOMAb EGFR™. These programs have technologically and commercially moved us up the value chain and given us the confidence to expand our research and marketing efforts to build strong and sustainable shareholder value for the long-term.

A LEARNING ORGANISATION

The underlying ethos of Biocon is knowledge-building and the application of learning to create technology platforms that deliver business success. Over the years, we have systematically leveraged our expertise from Enzymes to Small Molecules to

Recombinant Proteins to Antibodies. Strategically advancing from Generics to Proprietary Molecules through partnerships and alliances, today we have a rich pipeline of biosimilar and discovery-led biologics programs in diabetes, oncology and inflammatory diseases. On the marketing front, we have rapidly moved up the value chain from suppliers of pharmaceutical bulk actives to developing our own branded formulations. We now add further value by taking our brands to international markets through joint ventures and agency arrangements.

ADVANCING GLOBAL HEALTH

Diabetes

Biocon's interest in developing Recombinant Human Insulin, a life-saving drug for people with diabetes, stems from the realisation that this disease poses a serious, global health problem that is forecast to reach pandemic proportions. India is considered the world's diabetic capital accounting for 40% of the 140 million diabetics in the world.

Biocon has played a key role in leveraging the Indian cost base to deliver an affordable Insulin to India and world markets. Today, we enjoy a growing share of the Insulin market in India and overseas. Moving forward, we have partnered with global pharmaceutical major, Bayer Healthcare

to register and market our Insulin in China and have entered into collaboration with a US-based pharmaceutical company to access the US market. We are also preparing to register our Insulin for the pan-European market through select partners. Riding on the success of our Insulin program, Biocon has embarked on ambitious and exciting research to develop the next generation product: IN-105, an Oral Insulin. IN-105 not only delivers Insulin in tablet form, it also provides improved therapeutic benefit in diabetes management. The product has established proof of concept through Phase I human clinical trials and promises to be a significant value differentiator in Biocon's quest for global leadership in the Insulin segment.

Cancer

Cancer is another disease challenge that is proving to be a huge burden for national healthcare budgets. Monoclonal Antibodies are powerful ammunition in man's war against cancer. They hold the promise of adding years to survival timelines. However, the cost of delivering such ammunition to patients is simply unaffordable. So much so, that many national health insurance programs are refusing to provide reimbursement.

Biocon is committed to developing affordable Biotherapeutics for patients across the globe. The launch of our first Antibody BIOMAb EGFR™ in India has catapulted Biocon to innovator status and advanced the company to the next level in the value chain. Since its launch in September 2006, BIOMAb EGFR™ has attained leadership in its segment in the Indian market.

VALUE-ADDED MARKETING

In 2004, Biocon created its first direct marketing division to market a basket of cardio-diabetic drugs anchored by our Recombinant Human Insulin, INSUGEN®. During fiscal year 2006-07, two new divisions were added: **Oncotherapeutics** to market BIOMAb EGFR™ and other cancer drugs and **Nephrology**, to market a range of renal therapy products that include Erythropoietin and Immunosuppressants. These divisions are enabling Biocon to ascend the value chain, from being a provider of unbranded generic APIs to a differentiated marketer of high-quality, branded products.

SCALING UP TO VALUE-ADD

Biocon's IPO was utilised to fund the company's need to attain global scale in its operations at a greenfield site, Biocon Park. Representing India's largest investment in biotechnology, the \$160 million Biocon Park is the first SEZ in the country's biotechnology sector. Spread over 90 acres, this integrated biopharmaceutical hub incorporates state-of-the-art research laboratories, US FDA-qualified, fermentation-based manufacturing plants and India's first Antibody manufacturing facility. We are committed to global excellence in research and manufacturing. All our facilities are designed to meet the highest international regulatory and quality standards.

CREATING DIFFERENTIATED VALUE IN RESEARCH SERVICES Syngene

Since its inception in 1994, Syngene has maintained its pioneering and leadership position in providing research services to an impressive clientele of pharmaceutical and biotechnology companies across the world. Syngene's business model has been driven by FTE and project-based contracts. In February 2007, Syngene announced an enhanced partnership with its valued customer of over nine years, Bristol-Myers Squibb (BMS). Under this new arrangement, Syngene will build a dedicated, customised facility to accommodate over 400 scientists for the exclusive use of BMS. This alliance heralds a new phase in Syngene's evolution as a valuable partner to the global pharmaceutical industry. Syngene's advancing capabilities in high-end discovery has earned the company a distinctive reputation in the research services segment.

Clinigene

India is fast emerging a preferred destination for clinical trials and Clinigene is well-positioned to build a strong and differentiated business in this segment. The past year has seen significant investment in scaling up Clinigene's operations through a new facility that will enable the company to expand its range of services to include laboratory, clinical trials and data management. Today, Clinigene has developed experience and expertise in conducting Phase I-IV clinical trials for novel/generic drug molecules and participating in global clinical trials for pharmaceutical majors.