



Symbiosis

PARTNERING FOR LIFE



2005
ANNUAL REPORT

1978 - 1998

BIOCON EVOLVES

from an enzyme manufacturing to a biopharmaceutical company

1998 - 2004

BIOCON METAMORPHOSES

into a globally focused, integrated biopharmaceutical enterprise

Symbiosis

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Alone, they go unnoticed. Together, they are the greatest double act in the rainforest. The leaf-cutting attine ants and the fungus farms they cultivate for food are a marvel of nature and perhaps the best known example of symbiosis – the inter-dependence of species to mutual advantage. The ants offer the fungi large amounts of leafy nourishment, far more than the sedentary fungus can engulf on its own; the fungus, in turn, consumes the biomass and converts it into nutrients, sugars and protein, on which the ants thrive.

So what is the secret of their success? Shared value. The attine ants and their fungal partners don't just live together, they have evolved together, each enabling the other to grow, to improve one another's performance. Co-existence and a complementary skill base have made the ants and fungi one of the most successful collaborative ventures in nature.

Biocon's success is built on the fundamental principle of symbiosis. As a globally focused innovator company, we strongly believe symbiotic collaborations across our businesses and with our partners is the most dynamic way forward.



2005



BIOCON ENTERS INTO SYMBIOTIC PARTNERSHIPS

with leading biotech and pharma companies to become a global biopharmaceutical innovator

From gradual evolution, to rapid metamorphosis, into an integrated biopharmaceutical enterprise, Biocon's growth story continues on a platform of symbiotic relationships. First, with our Irish partners and later, with Unilever Plc., we have nurtured a strong ethos of international collaborations. Today, our multi-disciplinary expertise and impressive product portfolio enable us to offer differentiated partnering opportunities to leading pharmaceutical and biotechnology companies, the world over.

Biocon's unique integrated business model enables the cross-fertilization of technologies and competencies at every stage in the drug life cycle. Our innovative R&D programs and world-class manufacturing resources have driven us to the frontline of rapid discovery, development and commercialization. As we focus on the world's most debilitating diseases – Diabetes and Oncology, we have developed a robust pipeline of medically-vital and commercially-viable products and therapies.

Leveraging our powerful internal synergies, we now symbiotically partner with innovators like Bristol Myers Squibb, CIMAB, Nobex, Novartis and many others. In combining our complementary skill bases, innovative technologies and promising pipelines, we endeavour to rapidly co-develop proprietary products and enter markets with high growth potential. By forging mutually beneficial partnerships, we aim to hasten the advancement of new medicine and provide therapeutic advantage to a waiting world.



Biocon is building its innovation path
through symbiotic global partnerships

CHAIRMAN'S OUTLOOK

As we celebrate our first anniversary as a public company, we reflect on the year gone by with a sense of responsibility and a note of satisfaction that we have delivered growth in all our business segments. Additionally, we have begun the process of building new growth drivers for the future. Our evolution from an enzymes to a biopharmaceutical company began in the mid 1990's when we leveraged our fermentation platforms to develop a range of generic pharmaceutical molecules that spanned across Statins and Immunosuppressants. The new millennium witnessed Biocon's successful metamorphosis into an integrated biopharmaceutical enterprise through various milestone events:

1. The creation of Clinigene International to introduce clinical development capabilities.
2. US FDA's qualification of Biocon's Statins facilities enabling our entry into US markets.
3. The JV with CIMAB, a leading Cuban research institute for mammalian cell culture and Monoclonal Antibodies spearheading our foray into new medicine.
4. The launch of INSUGEN™ into the Indian market heralding our entry into branded formulations.
5. The commencement of Phase IIb clinical trials for BioMab™ an antibody targeted against Head and Neck Cancer, announcing our entry into proprietary drug molecules.

We are now embarking on a new path of innovation wherein we aim to leverage two decades of learning and skill building to realize our true potential as a global biopharmaceutical innovator. Biocon has been clearly focused on an innovation strategy that aims to develop a research pipeline of high value, proprietary products in a de-risked manner. This has involved developing and marketing in the interim, a number of generic products with assured global markets. The aim is to rapidly replace them with novel products that inherently have longer and no doubt, unpredictable market time lines, but with much higher risk-reward ratios. This approach has helped Biocon to utilize its generics portfolio to effectively fund its innovation led research programs. The underlying theme of Biocon's innovation strategy is one of symbiosis. Internally, the symbiosis between Biocon and its subsidiaries,

2005 HIGHLIGHTS



**Income increased by 34%
from Rs 5,419 million in
2003-2004 to Rs 7,282
million in 2004-2005**

Syngene, Clinigene and Biocon Biopharmaceuticals has allowed maximization of R&D resources which has brought in both speed and efficiency in delivering on research programs. In the external dimension, Biocon has forged partnerships with unique biotechnology companies to develop a large spectrum of novel molecules targeting Diabetes and Oncology.

Our JV with a leading Cuban research institute CIMAB, has made substantial progress, wherein the first molecule h-R3 (BioMab™), a novel Monoclonal Antibody is undergoing Phase IIb clinical trials in multiple medical centers in India. The clinical trial is being conducted on a number of Head and Neck Cancer patients and will be extended to include Pancreatic, Colorectal, Lung, Breast and Brain Cancers.

Another partnership with a North Carolina based biotechnology company, Nobex involves their proprietary conjugated peptide delivery technology to develop an Oral Insulin. The success of this program will open up a large global opportunity that has the potential of addressing both Type I and Type II Diabetes.

A third partnership with a Rochester based biotechnology company, Vaccinex Inc., is focused on developing a number of novel Human Monoclonal Antibodies using Vaccinex's

proprietary human antibody technology for various indications including but not limited to Oncology and Auto-immune diseases.

Financial Highlights

In the year 2004-2005 our total income increased 34% from Rs 5,419 million to Rs 7,282 million. Operating profit moved up 33% to Rs 2,171 million and profit after tax rose 42% to Rs 1,975 million. Our net margin expanded from 26% to 27% and EPS on issued capital was Rs 19.8 for the year.

Revenue from our biopharmaceutical business increased by 28%. Biocon's custom and clinical research subsidiaries posted impressive growth of 71%. Our exports (largely to regulated markets) increased by 30% contributing 62% to overall revenues.

During the financial year under review, the size of our balance sheet increased to Rs 7,633 million. The return on average capital employed for the year was 39% while return on average net worth was 30%.

Looking Forward

The outlook for the year ahead is very positive. Sales of Simvastatin and Pravastatin to the US market, revenues from Insulin, Immunosuppressants and branded formulations, and

**Export contributed to 62%
of total income in 2004-2005**

**Biopharmaceutical sales
grew 28% to Rs 5,567
million in 2004-2005**

**Profit after tax increased
from Rs 1,386 million in
2003-2004 to Rs 1,975
million in 2004-2005**

expansion of our research services will be the key drivers of growth for the year ahead. Our development initiatives in Oral Insulin and h-R3 antibody for various EGFR expressing Cancers are making good progress and providing us with a clear direction in our innovation pathway. This is enabling Biocon to position itself as a preferred global bio-partner to a number of pharma majors who are aggressively seeking symbiotic relationships with innovative biotechnology companies to rejuvenate their rapidly declining product pipelines. Our proprietary technologies and global scale manufacturing that meets the highest levels of global regulatory compliance, add to this dimension.

In conclusion, I would like to thank all our investors for their continued support. I also want to place on record the contribution of Team Biocon. As we embark on a symbiotic relationship with our global partners, we reinforce our commitment to delivering long-term and sustainable value to our shareholders.

Yours sincerely,
Dr. Kiran Mazumdar-Shaw
Chairman



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