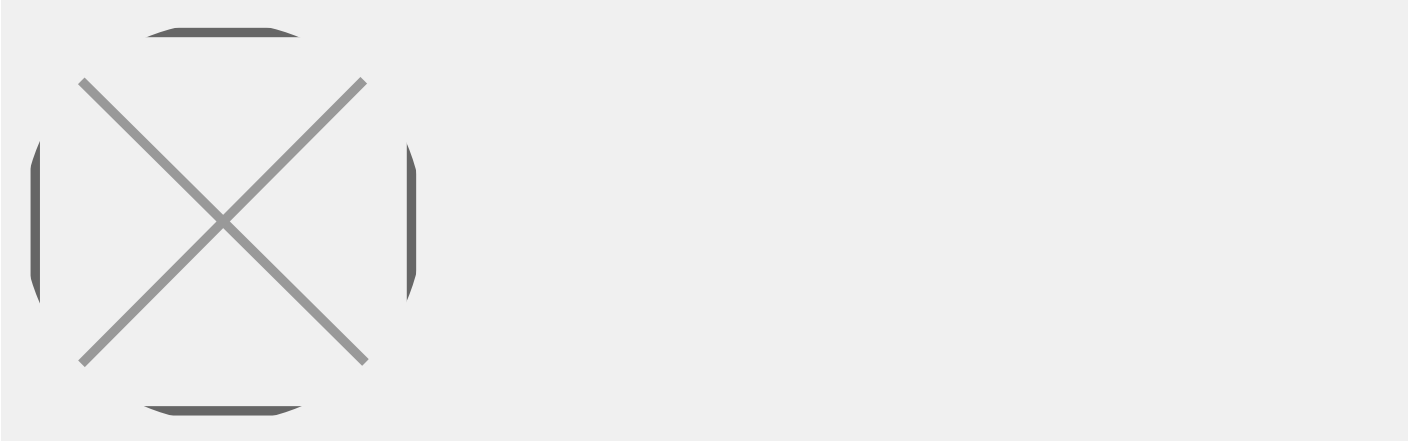
Interview with George Varkanis, Vice President Asia Pacific, Celgene Australia



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“Australia is not just a postbox for selling drugs; Celgene is committed to establishing a major presence in the region,” you said when Focus Reports met you first in 2008. Since then, what have been the highlights in the Celgene development in this part of the world?

When Celgene decided to independently expand globally beyond the US, we established a presence in the major EU markets as well as Japan, Canada and Australia as the first wave of expansion. The second wave of expansion was focused on emerging markets around the world. In Asia-Pacific the second wave contained the larger reimbursement markets of South Korea and Taiwan, and in ASEAN countries such as Thailand, Singapore and Malaysia. Our third wave of expansion in Asia-Pacific was basically China.

China usually gets left until the end; the idea is to first sort out the easier countries before dealing with the complexities of China. These complexities concern requirement for local data for registration, local clinical trials, a different way of commercializing products. On top of that, reimbursement is not really reimbursement like we know it elsewhere, it is basically a self-pay market. But of course everyone is seduced by China’s population.

China’s attraction for Celgene is different and more complex though, because our products do not exactly cost the same as a can of coke. Specialized oncology and hematology products are affordable to those 50-60 million people that have a reasonable level of wealth at a family level and can afford the high-cost drugs. I therefore think of China as a country the size of Italy or Spain. Benchmarking the performance of those products in those therapeutic areas to their performance

in Italy or Spain shows that they are roughly on a par.

China is a 1.3 billion people market, but it is also very spread out. You have to service it in a different way than a 50-60 million people country. This means that the return of investment is different in a country like China. Putting China in the proper context early on is crucial, also from an investment point of view. There are 160 cities in China with more than a million people, think about it that way. Many of those cities need to be serviced as if it were the second or third city in Italy or Spain.

One of the most significant Celgene acquisitions in recent years was Abraxis. At the time the general feeling in the pharmaceutical industry was that Celgene might have overpaid for the company. Is that the case from the Asia-Pacific perspective?

Abraxis' product Abraxane is already on the market in China; it had actually been launched a few years before we acquired Abraxis and is actually the second largest market for that product worldwide.

One of the good things of the Abraxis acquisition is that we were able to retain the majority of the Abraxis team in China. We did not have an oncology presence and were just starting to form Celgene anyway. With Abraxis we inherited a company that actually had a larger presence, more than the handful of people that we had in China. This has really helped us expedite our program and activities for Revlimid.

So, from a purely Asia-Pacific point of view, to have that giant step into China was great. And remember, we were going to walk carefully until the launch of Revlimid in 2013, while now we had revenue and people in early 2010.

From a global perspective, obviously people have loads of different opinions. With the recent data that we have seen with Abraxane in melanoma and in Pancreatic cancer – if those two indications are commercialized we certainly did not pay too much. If all we have with Abraxane is a breast cancer indication, yes we paid too much. But of course Abraxis was acquired on the back of a high level of confidence that the data for these applications would be positive.

If we compare then the reality of the growth of Celgene in Asia-Pacific with the expectations you had when starting the endeavor, are you on schedule?

Let me start in Australia. We expected to successfully commercialize our brands here, and in fact Australia is in the top few countries within Celgene in successfully launching key brands Revlimid and Vidaza.

Commercializing products is not always easy in Australia; the TGA and PBAC provide a challenging environment, but the process is fair and transparent. Obviously if you succeed in

registering your products and have them reimbursed, it is possible to do well. Australia has performed to our expectations, but those expectations were high to start with.

Korea and Taiwan are reimbursement markets but with unique systems. They include aspects of British NICE, Australian PBS, and Canadian HPB but have created their own systems that require a different approach. It has been a bit more challenging working through the processes in those markets, but we are about to launch our key products Revlimid and Vidaza in Taiwan in the coming months and hope to finalize reimbursement of Revlimid in Korea by the middle of next year.

It has taken a bit longer than we would have liked as the process has been more challenging than in Australia. Nonetheless, we are getting closer every day to repeating our successful launches in Australia with similarly successful launches throughout Asia-Pacific.
In China for instance we have completed local clinical trials for Revlimid and are now working through the regulatory process with the Chinese SFDA. We anticipate launching Revlimid in the first half of 2013.

Australia tries to benefit maximally from the boom of Asia and position itself as a Western gateway to Asia. Based on your experience with building Celgene's Asia-Pacific presence from Australia, how well positioned is the country to serve as a hub from which to expand into Asia?

I am not sure that Australia can be a gateway in the future, but we certainly use the experience & expertise in product launches and different areas gained in Australia to boost our development in other parts of the region. This does not just concern Celgene employees; it is also about utilizing key opinion leaders and having speakers talk about products in the rest of the region. Also we learn from internal processes that have been successfully implemented here.

Australia is at this point in time our biggest market in the region, but it was also our first. It is a very successful subsidiary, but I expect all of the subsidiaries in the region to be successful.

Today Australia still is the biggest Celgene market in Asia-Pacific. If in five years' time that is still the case, then we would probably have to conclude that we failed in the region. China should be the biggest market, and Korea and Taiwan should be very significant contributors. For any pharma company the large growth is going to come from those markets.

Of course success is not realizable without the right people, and a crucial issue raised by the Australian government today is the lack of 'Asia-capability' among the country's work force. How challenging is it to attract & retain the right people for your regional team?

If a company is successful and has new, innovative products, people will want to work there. We found that, particularly with Vidaza and Revlimid, medical & commercial people in hematology and oncology were very keen to come and work for Celgene. We have hence been able to put together

excellent teams across the region for these reasons. As our reputation builds up in a country it also becomes easier, we saw that in Australia and we see it now in China.

All of the senior team functional leads, whether in finance, medical, commercial, HR, regulatory affairs – they all have regional Asia-Pacific experience, it is actually a prerequisite. With the right networks in the industry it is possible to find these people, they do exist!

It is probably easier to find them even in a country like Australia with a large number of executives who have worked in companies overseas. It is not so easy to find those people in China or other parts of the region. Having said that, we have just hired a medical director in China with several years of experience in the US.

Mr. Ferkovich told us last year in Russia how, with the company growing, it will be a challenge to maintain Celgene's praised innovative spirit and balance it with business processes and a more structured approach. Is this a challenge you encounter as well with the company growing in the region?

Celgene globally grew from 1000 to 5000 people in the past seven years and here we grew from 15 to 70 people. We are conscious of the fact that the bigger you get, the more complex and bureaucratic things can get, and the more processes are involved. You tend to grow up. The danger is wanting to be a speedboat – a smaller, entrepreneurial company – and trying to put the systems and computers of an ocean liner onto that speedboat. We are conscious that the speedboat is becoming a bigger boat, and that is natural and good. Celgene is evolving into a larger company.

Four years back when Focus Reports first met you, you were building up the presence of Celgene in Australia. Now you are busy building the company in Asia-Pacific. Where will we find you and Celgene when we return for the next edition of our Australia report?

Celgene in the region will be more mature. We are still playing catch-up with the rest of the world. In the future China should be our largest market, we should have additional products launched and we will branch into new therapeutic areas with our I&I (Inflammation & Immunology) franchise.

What does the pipeline look like that has to bolster the success of Celgene in coming years?

Some of Celgene's recent acquisitions have been companies with late-stage products or products on the market that we have been able to continue to grow or launch as appropriate in the different markets.

Given the different timing of the set-up of the operations in Asia-Pacific, Australia is a bit more advanced. The other countries are playing catch-up with respect to those products. Korea, Taiwan

and ASEAN have more or less caught up now that we launched Revlimid and Vidaza. Vidaza will come through in China in 2015-16 and Revlimid in 2013 as I mentioned. Abraxane is already on the market in China, it had been launched a few years before we acquired Abraxis and is actually the second largest market for that product worldwide.

We often hear that Australia is bottom of the pile in pharmaceutical executive offices around the world. What is your piece of advice for those stakeholders of the global pharmaceutical industry looking at Australia?

Australia was never bottom of the pile for Celgene, it was purposely meant to be a pioneer market in Asia-Pacific, it is actually leading the rest of the region, and is one of the best performing subsidiaries within Celgene.

New companies coming to Australia should not be frightened of the systems and processes. Registration & reimbursement processes in Australia should be approached as a trigger for creativity, to come up with ways to successfully commercialize your drug. The PBAC not as bad a some would have you believe. You need to be creative, and Celgene has done that and will continue to be creative, particularly with new hematology & oncology drugs that provide great value but are considered expensive. You cannot say, ‘I want this drug for everybody’; you may have to segment the market. Creativity is key.

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