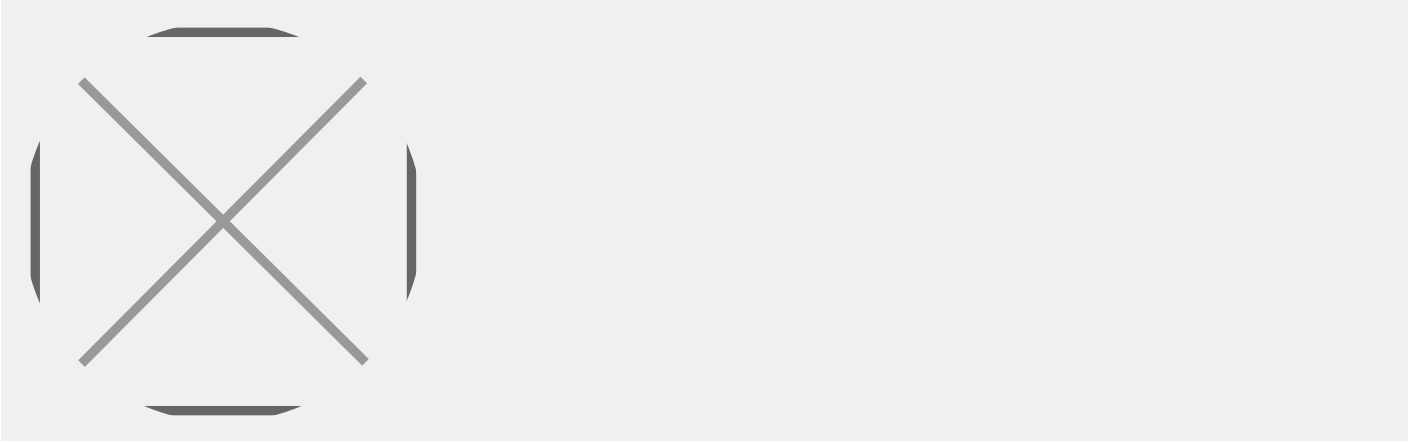
Interview with Dominique Amory, President, Lilly France



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There is a lot of activity in the pharmaceutical industry and France is no exception especially having passed Germany as the major market of Europe over the past year which coincidently, has also been the case for Lilly's affiliate in France. What role does this group play in the overall Lilly organization?

We have a growing voice within the organization which is important when you work in an US based company where there is always a difficulty for management to understand the French system. There is a very different way of looking at things which comes from the complexity of the market as well as a Franco-centric opinion that can appear on occasion. Even if we are relatively influential within the organization our points can be difficult to voice because we stand apart in a world of standardization.

France can have an impact for any pharmaceutical group in that it has a very sophisticated evaluation process for drugs. Of course, some will criticize and disagree with the process but the in-depth analysis is relevant for any market a company operates in. Due to this rigor, if a product can reach the French market then it will likely make it anywhere.

The French system requires laboratories to think in terms of value for money and what payers are willing to pay. As a result, France is ahead of Europe in regulatory systems leading to a strong influence in the European Medical Agency (EMEA) and on healthcare policies across the continent. From the perspective of an US laboratory, you can either ignore the French approach – and likely be unsuccessful – or work with France to understand the rationale and cope with it.

There is also a strong political willingness to push for more public-private partnership in research while improving the attractiveness of France for pharmaceuticals at the worldwide level. This has created new behaviors that can act as the catalyst for new investments in France. A good example is the Credit Impôt de Recherche which seeks to encourage more innovative research in the country and shows that the political body wants to develop the industry.

The current Minister of Finance, Madame Lagarde has a very US-oriented mindset due to her experience at Baker & McKinsey which gives her insight on how US companies think. Moreover, she is an outstanding ambassador of France that knows how to address the CEOs of companies and convince them of our assets. I feel this is a great psychological advantage to attract business here.

In regard to the numbers, France is still one of the top countries for foreign direct investment. For pharmaceuticals, investment in both production and research has caught up but the challenge now becomes the regulatory environment. As a country manager it's difficult to convince an outside CEO that France is a good opportunity. While we have solid research partnerships, centers of scientific excellence and a productive workforce, the regulatory market is dissuading. Furthermore, the prices for innovative drugs are much lower than they used to be and while France is a high volume country this is becoming an increasingly marginal factor as other markets rise to our level.

You mentioned production which of course is a key aspect of Lilly's operations here…

This is true; we often say we are the most French of the American companies. We deliberately decided a number of years ago to invest heavily in France which is evident today through our plant with over 1500 employees: the biggest Lilly manufacturing facility in the world. In the last ten years we have invested hundreds of millions of euro on this site which produces over 200 million insulin cartridges for the world market. In fact, our contribution to the French balance of trade is approximately €1.5 billion annually which means we represent 10% of French pharmaceutical exports while only 2% of the domestic market in terms of sales.

Lilly France has been developing very well over the past years with local growth topping group growth last year. How do the prospects look for the end of 2009 and what does 2010 look like?

Despite losing one oncology product to genericization our prospects for 2009 and 2010 are strong. We may have more issues in 2011 when we lose our exclusivity on Zyprexa. However, the strength of Lilly France over other markets is that our portfolio is more diversified than most leaving us less dependant on Zyprexa.

The industry is in a period of transition as drugs turn from mass-market products to individualized options and it's no secret this has an impact on sales force structure as the

content that needs to be covered shifts in response. How is Lilly adjusting to this development?

I believe that sales forces enter a new environment utilizing innovative technology, and that nothing will replace face to face interactions. Having said that, it's clear they need to evolve in two respects. Firstly, we have to address physician needs as we are not here only to push pills but understand their needs. We also provide not only pills but services to the end-user. Therefore we will combine a hybrid push-pull framework.

Secondly, our customers are looking to other channels aside from face to face with representatives. For instance, younger generations may look to the internet for their product information. So we need to be flexible in our approach towards customers and allow our sales representatives to use discretion in their communications and play the role of "chef d'orchestre" or "quarterback".

Does this transition mean we need less sales representatives?

Perhaps, but if you ask physicians, 70 percent will tell you that the best method of communication remains thru the sales force. Clearly, the need is still there.

This transition has meant a lot of restructuring and initiatives from the government. You personally have spoken highly of the pôles de compétitivité as a good way of restructuring research in France. **How do international laboratories play a role in this new model?**

In the past, public research was completely scattered in several research bodies while today it has been reformed under the Alliance Nationale pour les Sciences de la Vie et de la Santé led by André Syrota. This means that today we have one person taking the lead in promoting scientific excellence in France. At the same time, Minister Pecresse has pushed a new law that creates one owner of international property thereby resolving the issue of dispersed rights between hospitals, universities and other research institutions.

Today, it's clear that industry and the public sector are becoming more cohesive. For instance, in June of last year there was meeting held at L'Elysée between top laboratories and public researchers to cover key platforms in the industry. This was a positive event because it was centered on scientific excellence; companies will not invest in France just to make the government happy rather we will invest here if it makes sense. The mindset needs to change because the pharmaceutical industry will not be used as a bank or just a financer providing money.

Human contact was the first step to pair industry with the public sphere allowing researchers to know and recognize one another. Out of this understanding, the next step is to develop partnerships between the public and private sectors out of common interest.

Speaking of the importance for the industry, many laboratories have realized that they can no longer find molecules internally. Instead, we need to build outside of our walls and move from fully integrated companies to fully integrated networks. For example, two of our key molecules today, Cialis and Byetta, were developed in collaboration with small biotechnology companies. Just because you group 10,000 researchers together does not mean that they will necessarily be productive.

There is a momentum in the development of biotechnologies in the US due to the connection between the National Institute of Health and the private sector. Nevertheless, in Europe we have been slow to adjust to this mindset and create a similar link. Recently, during the Conseil stratégique des industries de santé (CSIS) meeting we took two steps forward.

Firstly, the InnoBio fund was initiated using capital from both government and industry to invest in French biotechnology capabilities. This fund, over €100 million, has been the contributed by the industry, the majority of which is actually coming from international companies including Lilly, Pfizer, GSK, Roche, Novartis, Boehringer Ingelheim and Takeda. Representing industry from Europe, the US and Japan, this is a clear sign that we are ready to make a bet on French science.

Secondly, those companies sitting at the CSIS have committed themselves to doubling their investment in public private partnership for research. This demonstrates that we do not only think we can do something good for France but for ourselves as well.

Lilly's CEO, John Lechleiter has emphasized that the industry needs to rethink the way it innovates and noted that collaboration is one of the keys to this transition. Lilly is one of the largest biotechnology companies in the world do you feel you will be looking to collaborate in more public private partnerships here?

We have significant partnerships in several areas for example, oncology and endocrinology and we expect to do some in neurology as well following the R&D gathering last June. Of course, this is all on top of the clinical trials we conduct here in France.

Although we intend on expanding our R&D activities here we also have to acknowledge that we are in a turbulent period where money is scarcer than before so we have to be convinced on every investment we make. It's a challenge to convince our R&D departments that France is better than Germany, the UK or China. Therefore I perceive my role as an ambassador of France vis-à-vis my company to highlight the opportunities in this market.

France has real research expertise in a number of therapeutic areas such as neuroscience and oncology. Yet while the scientific community is excellent the country has long suffered from the inability to sell itself to an industry who typically perceives the country as arrogant. If we want people to think we are the best then we need to demonstrate it. I feel having the humility to pitch

innovation to industry can be challenging for members of our researcher community. There is a tendency among French researchers to work behind closed doors as they do not want others to take their ideas but in doing so they restrict any commercial value that may come from their discoveries.

As both an ambassador of French industry as well as Lilly in France, do you have a final message on why the country is still attractive for production and research?

France has a strong scientific competency matched by a productive workforce alongside several qualities that cannot be ignored. For example, the culture is extremely attractive to many coming from outside when you consider the food, landscape or infrastructure.

Lastly, France has an influence in the industry that cannot be ignored and while some may not like to consider this point it’s a reality. Some companies may try to circumvent the country but I consider this a mistake because our administrative capacities coupled with a driven government have created an undeniable force in Europe.

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