

Interview with Igor Varlamov, CEO, Binnopharm

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Binnopharm was established in 2006, with 100% of charter capital coming from holding company JSFC Sistema. What was the vision behind the creation of Binnopharm?

The company was indeed established in 2006, but operations did not actually begin until 2009. JSFC Sistema is a company that often works in markets that have societal worth. The pharmaceutical industry is a business that is socially oriented. This was the drive behind our creation. Our promoters saw this industry as important to the people and important to the country. With its wealth of scientific potential this industry was very interesting for the creation of a venture.

The company's operations are very much in line with current government initiatives. The government is asking for quality import substitution of foreign medicines, and Binnopharm has the largest, GMP-compliant, full-cycle biopharmaceutical plant in the country. What was the strategy behind the building of this plant, and what does it mean for the Russian industry?

If we speak about strategy, the first point is that when this idea was initiated, Russia had almost no manufacturing facilities that worked within international quality standards. Our promoters—who have businesses not only in Russia, but across the world—correctly understood the need in Russia for this kind of facility. It was clear from the perspective of the market, and from the perspective of the patients that would ultimately receive these medicines, that quality of production was very important. Consequently, it was decided that our plant would be new, it would be fitted with the latest technology, and it would work under European GMP.

Our strategic imperatives are apparent in our name. Within Binnopharm are the words "Biotechnology," "Innovation," and "Pharmaceuticals." We see our development, and our future, in innovative biopharmaceutical products and genetically engineered products. The whole market is currently interested in products of this kind and the whole world is currently investigating them. In the same way that our promoters understood the need for local production, they understand the current trend towards products of this kind and hence they have invested in the biopharmaceutical sphere. And we are not only investing. We already have biotechnological production. Our production is of such quality that even global biopharmaceutical leaders are inspired by what they see. Unfortunately, on our production line, we currently produce only one product, in four kinds—but we understand where to go, and how to evolve in this respect.

We see that indeed, the leaders of very large multinational companies are looking to be partners with Binnopharm. Recently, you signed a production agreement with UCB and before this Binnopharm had an agreement with GSK. Why are these partnerships well-matched?

First of all, these companies are interested in the Russian market and within this market, Binnopharm is unique in the opportunities it can provide. Our production facility of 32,000 square meters gives us the capacity to produce, just within this single space, medicines for quite a large percentage of the population. Furthermore, the quality of our technological processes fully meets the requirements of multinationals.

At Binnopharm, we have a transparent business and this too is attractive for our foreign partners. All of our business practices correspond with the highest world standards including financial transparency. All of Binnopharm's procedures related to manufacturing are registered and standardized.

And Binnopharm does not have any bad history we are new and we have a positive future ahead of us!

On Binnopharm's end, we acquire competencies from these partnerships with UCB and GSK. We can also learn from our partners' global experiences: in every discussion we have with them, we learn more and more about the best practices in this industry. When we engage in manufacturing, we understand that their auditing of our operations will help us to do things in a better way.

What potential do you see for Binnopharm to continue to act as a conduit for future entrants into this market? For example, there was talk by Prime Minister Putin, at a recent Indian-Russian summit, that perhaps Binnopharm could help certain Indian companies to enter this market for the first time by, again, partnering in production.

Our agreements with GSK and UCB are examples of international companies attempting to gain presence on the Russian market through partnership. Of course, our doors are not closed we are considering, and will continue to consider, partnerships with other companies. For us, what is most important is the product portfolio that we are able to gain through collaboration with foreign companies. This portfolio must correlate with the portfolio that Binnopharm currently has and products must be in demand in our market. Like this, collaboration would be beneficial for Binnopharm and for our partners.

The initiative that was launched by the government to encourage local production is well understood by all players in this industry. And it is a strength that we have at Binnopharm, which we look to capitalize upon. But we do not have discussions with just any company. We negotiate with only the best companies that can offer this market, and the Russian population, the best and most effective products.

In the same discussion with this Indian delegation, it was mentioned that it would be possible for Indian companies to be a part of the Biocity biopharmaceutical cluster, that has been built around Binnopharm's facility. What is the significance of Biocity, and what is your company's role within it?

One of the initiators behind Biocity was Binnopharm. In partnership, we have many respected academic institutions, including the Moscow State University. This initiative, first of all, is aimed at the innovative development of novel medicines.

Biocity has a unique location. It is part of a unique economic zone, known as the Moscow Special Economic Zone, where the government offers special incentives for operations. The government put a lot of effort into the infrastructure of this zone and it subsequently offered tax reductions, customs preferences, and etc. Participants in Biocity are able to utilize the full capacity of these incentives as partners of Binnopharm Binnopharm is the official resident, but we will offer partners support in the extension of these benefits to their own operations within the cluster. If we are speaking of a

special economic zone, it is understood that the fruits of science and research in this cluster are meant to eventually reach commercialization—they are meant to produce products for the market.

I feel that biotechnological science is growing on all levels. On the 1st of April, there was a governmental assembly regarding biotechnology—and more than 65% of biotechnological investing is going to the pharmaceutical sector. Therefore, our project has generated a lot of interest from the Moscow government. Not so long ago, the mayor of Moscow visited Zelenograd, and the question of the economic zone housing Biocity is very much maturing. Today, there will be a gathering at a university with representatives from JSFC Sistema, with heads of academia, and etc., and we will discuss the development of Biocity and its capacity to advance research and science within the biopharmaceutical field—and commercialize this research.

Clusters like this are of course mediums for research, and it is Binnopharm's strategy to bring original Russian medicines to market, using in-house R&D. You have already developed Regevac B for hepatitis. Can you tell us about your plans for further innovation?

We have not only developed Regevac, but have already delivered it to the government in large volumes! I would like to note that the difference with Regevac B is in its effectiveness; and in its biological composition, which is geared towards the specificities of the Russian population.

We continue this work, and we are currently developing several new medicines—among them, high quality genetically engineered products, with either novel delivery systems or novel formulations. Binnopharm is developing a holistic line of key products currently offered by global pharmaceutical leaders. We also have under development a product called “artificial skin.” It is cell-regeneration technology. We hope it will lead to transplantable artificial organs—the possibilities are endless. We are involved in the development of an anti-cancer vaccine. We have much in the pipeline!

We are working on the development of our portfolio in our chosen therapeutic areas. One therapeutic area is in biotechnology. In this direction, we aim to work from the basic science through commercialization. We also engage in chemical synthesis, and in this sphere we sometimes buy substances, and sometimes we create generics for the purpose of import substitution. So we work in different directions.

How have you managed to do so much in two years?

We have not yet done so much. Rather, we are on the way—on the way to success! In order for all of our ideas and projects to reach commercialization, two or three years must still pass.

Still, this timeframe is quite short—in the West, such development may take perhaps ten years. You mentioned your partnership with Moscow State University. Can you talk a bit more about your collaborations with academia and other stakeholders to improve Russian research, to improve Russian science?

This is a complicated question, but I will try to answer it in brief.

With every scientist, you must work individually. It requires a great amount of time, and understanding of the unique question that you are speaking about with each researcher or academic. You need a deep understanding of their sphere and the nature and capacity of your collaboration.

There are several institutes that are a part of Biocity, including one noncommercial association that in of itself represents 11 different research institutes around Moscow. Without question, we work

together with each of them on great terms. We have a good foundation that we continue to develop with Russian academia, with Russian science and within it, we try to encompass all possible interesting directions existing in medicine. For those areas that we chose to focus most on for example, pulmonology, or transplantation we work with the topmost leaders. We have an understanding of what the market needs, and who the leading experts are in these fields. For these collaborations, we have a platform Biocity and from this platform, we can openly discuss the way forward.

So you find the brightest institutes and leaders in respective fields to work with, and, in turn, you provide a stage for these leaders to conduct their research.

Yes. We are, roughly speaking, coordinators and managers. Scientists know how to think, and imagine we will ultimately turn their ideas into real products.

After the fall of the Soviet Union, many Russian researchers continued to work, but they had limited opportunities to actually turn their work into anything material. Over time, Russia fell behind in the creation of innovative products. With the founding of clusters like Biocity, Russian scientists have a bridge that they can use to realize their vision.

You are now enjoying your first years of profitability, and the company is a winner of the competition Best Russian Enterprises (Nomination Innovation Project) It seems that this business is a new kind of Russian pharmaceutical company. What can others in the industry learn from you?

This is a difficult question, because to be a role model, you need to have a strong history. And if you look at world experience, then 50 or 100 years of successful business may be a model to others. At Binnopharm, we have only been operating for two years. We know that in pharmaceuticals, two years is just a first step. I think that if we meet again in 2015, even then we will only be able to explain the results of a schoolchild graduating from first grade! In 45 years, we can provide a recipe for how to be successful.

Still, there are few Russian pharmaceutical companies that are engaged in a range of activities that include academic collaboration, biopharmaceutical innovation, multinational partnership, production under GMP standards!

Again, we have very strong promoters! That know how to do business, and become leaders in practically any field that they enter. JSFC Sistema is behind many extremely successful Russian companies.

When you took over leadership of this company just two months ago, the Vice President of Sistema said that you would be instrumental in helping it to achieve its goals. On a personal level, how do you feel about this opportunity?

I cannot say that I am the instrument of success. The instruments of success are the people who we have working for the company. In our team, I see young, energetic people who are striving to reach their goals. On one end, some of our team will stand at the forefront of our commercial success; others on our team are extremely intelligent scientific minds, which will offer their knowledge including international knowledge in the development of new products. My role is that of a coordinator!

What is your final message, on behalf of Binnopharm, to the international and Russian readers of Pharmaceutical Executive?

I hope that a time will come when Russian pharmaceutical companies can become an integral part of the world pharmaceutical market. At this point, Russia is practically unrepresented at this world level. But those products that already exist in our local market, and those products that are in development, can be truly interesting for the whole world. I would like for world leaders to help Russia, and Russian manufacturersâ?? I would like for these leaders to open their doors, and make Russian products available in Europe, and beyond.

Binnopharm has already taken a path of producing within international GMP standards, and we will continue to do so. As for other Russian producersâ?? the initiative undertaken by the government to get them all up to standard by 2014 says much about Russiaâ??s desire to be more actively present in the global marketplace.

And, well, what elseâ?? I wish success and health to all!

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