Interview with Jonathan Zhu, General Manager, Celgene China

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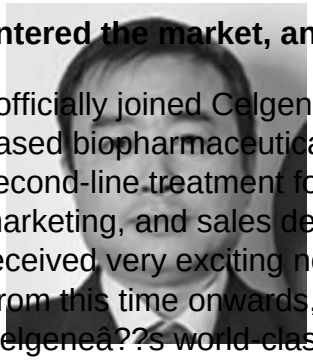

Newcomer to China. Whatâ??s the story behind how the company entered the market, and how did you yourself come to manage the local operations?

I officially joined Celgene on January 1st, 2011. Before that, I worked for Abraxis BioScience, a US-based biopharmaceutical company, which entered China in mid-2009, with the first indication of second-line treatment for metastatic breast cancer. Since the first day at Abraxa we had medical, marketing, and sales departments, and a small but productive commercial team. In July, 2010, we received very exciting news from the US that Abraxis BioScience had been acquired by Celgene. From this time onwards, we knew that we would have a very bright future, with great potential from Celgeneâ??s world-class portfolio of innovative products in hematology and oncology.

Thus far, the integration period has been very exciting. From the first day the acquisition was announced until the end of 2011 represented a very challenging time which also provided a great opportunity to integrate the operations, and leverage Abraxis BioScienceâ??s existing infrastructure, with a presence in 23 cities around China. This transition period gave everyone a great opportunity to know Celgeneâ??s value and portfolio, and become aligned on the mission and vision for the next few years.

Weâ??ve met a number of managers in China who talk about how different China is from other affiliates, both strategically and operationally. How does the Celgene reality differ in China?

Celgeneâ??s hematology portfolio on a global level is very strong and unique; however, our focus is not only on how to treat patients and patient groups, but also truly caring about patients and ensuring drug safety. In China, Celgene has a fantastic opportunity to launch Revlimid in the near future â?? in mid-2012 â?? and we look forward to making our therapies finally available in the market with the worldâ??s biggest population. Our late arrival in China is due to Celgeneâ??s internationalization strategy. As my peers have mentioned to you in other Celgene Asia Pacific affiliates, Celgeneâ??s globalization process started in the US and Europe, and has very quickly come to emerging markets around the world since the process began to move outwards from the US in 2005.

In terms of product portfolio, Revlimid will be the first commercial milestone for Celgene, and will give multiple myeloma patients â?? who number approximately 200,000 Chinese, with an overall incidence of 1.5 per 100,000 population â?? a life-saving therapeutic intervention. Following Revlimid, we plan to launch Vidaza and Pomalidomide, all targeting the hematology treatment field, including MDS, newly-diagnosed multiple myeloma, and other refractory or otherwise difficult-to-treat

diseases.

When we interviewed George Varkanis about the Healthcare Reform in Australia, he said that â??As a company with a smaller product portfolio of predominantly innovative medicines in haematology and oncology, it makes sense that the government looks to cut costs in the generic area to free up funds to pay for newer, typically more expensive innovative drugs.â• What is Celgeneâ??s perspective on Chinaâ??s Healthcare Reform Plan?

Most of the governmentâ??s attention and priority in reforms, whether via the platform of 12th Five Year Plan or through the Healthcare Reform Plan, is focused on investments in a basic infrastructure of frontline clinical healthcare facilities. At the same time, the authorities want to enact policies and provide opportunities to attract investments from local and multinational biopharmaceutical companies, while promoting opportunities for joint investment. So on one hand, Celgene has been given the opportunity, as a leader in biopharmaceuticals among US-based companies, to establish the same position in China as we have elsewhere in the world, and do more for the country in biopharmaceuticals. On the other hand, on an operational level, we also look at how Celgeneâ??s business strategy can adapt to the next steps of reform. For instance, we talk every day about the policies surrounding pricing, reimbursement, and bidding, and weâ??re constantly trying to see whether there are opportunities to collaborate with stakeholders to achieve win-win outcomes and help as many patients as possible.

How is Celgeneâ??s approach to issues in the difficult-to-navigate fields you mention, of pricing, reimbursement, and bidding?

I have spoken on several occasions with senior officials from the CDE, SFDA, and the NDRC, and I am deeply impressed that senior officials and administrators are very open and smart, in order to better understand the current situation in front of local manufacturers, and to provide good solutions and progress from an access perspective. From a regulatory perspective on new drug approval in China, the current situation is that it takes a long time from the first day you apply for CTA until you receive marketing authorization. Right now, I believe there are many interactions and discussions between RDPAC and MNCs and senior officials, which have already reached to the upper levels of the topics the government will focus on. Under the auspices of the 12th Five Year Plan, top administrators will consider how to shorten the approval process for new drugs, as well as streamline the hospital bidding process, which from is now individually organized on a provincial level. In the next few years we can expect the central government to shape change in a way to maximize efficiency and productivity.

A moment ago you mentioned aligning Celgeneâ??s mission and vision in China after a period of transition â?? how would you define it?

The essence of the mission and vision is to improve the lives of patients worldwide. Based on that, Celgene has four core values. The first is passion for the patient. Every Celgene affiliate globally thinks about that every day â?? itâ??s in our blood. Even though an individual may not have been with Celgene very long, Iâ??m sure every single one of us here has adopted this ethos very deeply. As we prepare the launch of Revlimid for mid-2013, from marketing, medical, market access, commercial, and functional perspectives, we all think not only about selling drugs, but how to help the patient to use the drug with a maximum safety profile, and at the same standard as the rest of the world, with consistent approaches to toxicity management and drug safety profiles.

Weâ??re currently sitting in â??Phase Iâ?• of your Shanghai offices; what will â??Phase IIâ?• look like?

One year ago, Celgene in China had 30 employees in the Shanghai office, and right now we have 60. The Phase I offices have already been filled, and the Phase II will be filled in preparation for further clinical trials and the medical operations and medical development departments. As part of Celgeneâ??s global medical strategy, we intend to recruit more employees in China to cooperate and work together as part of a team for another 10-15 global clinical trials or IITs. This will give us further opportunities, especially for the clinical operations and medical development teams. In sum, Phase II will represent a base for the short and long term expansion.

In the short-term, we have the eagerly anticipated Revlimid launch. What are your expectations, and how will you ensure its success?

So far, we have had several firm positive milestones in recent months. The CDE has already officially begun to review the data of MM21, the local clinical trial, as of September 25th. At the same time, theyâ??ve already provided us the opportunity to share knowledge from Celgeneâ??s mature risk management programs. Therefore, we can expect that at the end of November 2012, China CDE will close the data review and approve the local clinical trial data for submission to the SFDA, and we are confident to have NDA approval by mid-February. We therefore plan commercial launch in June or July 2012. Until then, we have other big initiatives to collaborate with stakeholders, and the preparation for educational programs targeting hematologists and key pharmacists, as well as discussing and negotiating with China charity organizations, including one very famous organization in Beijing, to see how we can best help low-affordability multiple myeloma patients. Our goal is to launch certain access programs together with our commercial launch, and set up the infrastructure and the database of the risk management platform in China from day one, to ensure not a single severe toxicity incident occurs.

As you can see, most of what I have described is not about how to achieve quick peak sales. Weâ??re all considering the patientsâ?? health by using toxicity and safety profiles, and helping the low-affordability patients to use Revlimid. We are very excited to prepare those activities and initiatives at this stage.

How do you divide your time, as the country manager of Celgene?

My current split of working hours dedicates about 60% of my time to considering strategic issues around how Celgeneâ??s business will develop, and how the employees will develop in the next five years. Included in this time are discussions with my senior management team. I spend another 30% preparing the key initiatives around the Revlimid launch: the PAP program, further registration trial for new indications approval, risk management, charity initiatives, and educational programs which will lead to long-term healthy development after the Revlimid launch, focused on patient and drug safety and affordability. Weâ??ll later deepen the discussion about those initiatives.

Finally, 10% of my time is allocated to KOL visits. We have to visit stakeholders, officials, pharmacists, and doctors, to collect the feedback on various topics.

Part of that 60% is spent on Celgeneâ??s five year strategy. What does that strategy look like, and how are you going to make it succeed?

There is one core strategy, and from that comes several substrategies. The core strategy is to set up a base affiliate as a representative of Celgene global in China, which will provide unique and innovative therapies in hematology and oncology to the market and patients. We are not engaging to be in a revenue or market share position among the top 10 manufacturers in China. Instead, we aim for a very unique biopharmaceutical leadership position in China, with innovative drugs and therapies, and a leader in multiple myeloma, in breast cancer treatment, and later in refractory pancreatic cancer â?? three areas which are definitely our goals to be achieved.

Substrategies include to deliver Vidaza clinical trials, for the newly-diagnosed multiple myeloma indication of Revlimid, as well as Pomalidomide, Pancreatic and Lung Cancer indication expansion, and the I&I (Immunology and Inflammation) franchise, which also need to be considered for development.

At the same time, itâ??s crucial to develop our talent acquisition and retention strategy. The majority of people working at Celgene in China are from the younger generation. They were born in the 1980s, and they have passion, energy, and want to learn and work very hard. They want to be given a very transparent and fair opportunity to learn, and they want the information to be transparent to them. The first learning resource is information â?? not from internet or weibo â?? but internally: how the senior managers give them the opportunity to know the information, and let them think for themselves. In that same line, in parallel we have five expatriates on assignment working here, which account for 4% of our total working population. I encourage the expatriates working here to engage closely with the locals, so that both sides can mutually benefit from their experiences in different markets and situations â?? and, of course, to practice English!

The term â??Talent Warâ?• is on everyoneâ??s lips â?? how does Celgene address the issue?

Our statistics for turnover rate in the last 12 months are very, very low. In fact, it may be the case that such a low turnover rate is not the most desirable outcome for our long-term development, because it would simply not reflect the reality of the market. If the market average is over 20%, then 2% is not good either. Last year we had 7-8% â?? but the question also arises of how to analyze these figures. Do we want to maintain this figure, or increase or decrease? How do we retain the figure within a smaller, newer company? My philosophy is that Iâ??m not necessarily recruiting â??the bestâ?• â?? simply because itâ??s so hard to define. One must take into account all the human qualities, inclusive of competence and knowledge, personality and experience. Itâ??s very difficult to define. Iâ??m going to recruit the appropriate talent and labor, which fit in very well for the long-term â?? people who speak a common language and share common values, and they will adopt the corporate values and compliance in turn. The result is a group that works together as an effective and productive team.

As a final message to Pharmaceutical Executive readers, what do they need to know about Celgene in China?

Celgene is not currently prominent in China, but I have confidence that we will give everyone some very positive surprises. As a very unique company with innovative therapies in hematology and oncology, we care deeply about our patients, and we put this care into action with the implementation of world-class risk management programs. Overall, Celgene will work together alongside stakeholders including various institutions and the government as a global biopharmaceutical leader, and continue to pursue opportunities which will fully deliver our innovative pipeline and existing portfolio to China.

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