

**Opening Keynote Speech by  
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**At the BioPartnering Europe & BioPartnering China Conference  
12 October 2009, London**

***Strategic Partnering in Asia: A Recipe for Success***

Thank you, Rob, for your kind introduction and for your longstanding commitment to the life sciences industry.

I'm honored to be here this morning, representing AstraZeneca in our 16<sup>th</sup> year at BioPartnering Europe. It's nice to see so many people here today. You come from so many professional backgrounds from every corner of the globe. Yet, we are brought together by a common purpose.

Each of us is here today in the spirit of innovation. And through innovation, we are here to create better medicines. Medicines that will help people live better lives.

This year for the first time BioPartnering Europe has extended its reach to include BioPartnering China. This could not be more timely.

I firmly believe that one of the best opportunities right now for innovation is to invest and collaborate in Asia.

I'm sure everyone remembers just one year ago -

Century-old banks were closing their doors. Job opportunities were dwindling. And the global economy faced a very uncertain future.

But today, in Asia, we are feeling the swell of resurgence. We are coming out of the recession ahead of the rest of the world, led in part by China. We're also seeing an economic upswing in Korea, Japan, and Vietnam.

This growth is leading to rising incomes and increasing expectations for better care from patients paving the way for greater pharmaceutical spending.

Western companies can meet this demand through a deliberate and thoughtful entrance into Asia and by making the needs of Asian patients a top priority.

Last year at this conference, my colleague David Brennan, chief executive of AstraZeneca, named six reasons why partnerships are so important in our industry. I'd like to take a moment to revisit these reasons, because they still hold true today.

First we will realise more value by working together. I'm sure you will agree that this is the main reason for any partnership putting the best minds and resources together in order to accomplish more than one partner could alone.

Second there is an increasing demand for greater benefit and less risk. Regulators are getting stricter payers are tightening their purse strings and consumers are rightfully demanding the highest quality products. We need to demonstrate real value in our offerings.

The third reason David named was the need to explore new, more complex areas of science. We have a robust pipeline. But to maintain it, we must explore new horizons such as biomarkers and genotypes.

The fourth reason for seeking out partnerships is the opportunity to strengthen our core areas of focus.

We can do this by finding partners who offer synergies and complement our strengths. One example is AstraZeneca's acquisition of MedImmune, which brought us broad capabilities in biologics and vaccines and complemented our existing expertise in small molecules.

The fifth reason is partnerships have become smarter and more strategic. We know what we are doing. And we know how to create a win-win situation.

The final reason cited by David

was the economic crisis and the opportunity it created to form alliances.

As I said earlier, we're no longer facing the financial calamity of one year ago. But I believe no matter what the economic climate, that no single company has all the answers.

Keeping in mind the reasons David outlined, I would like to share with you a recipe for successful partnerships in Asia based on some of AstraZeneca's most fruitful collaborations.

But first, why Asia? What are the benefits of looking East? The economic prosperity I mentioned is just one of many reasons.

Asia is a dynamic region one that's quickly emerging as a biomedical powerhouse. Innovations in drug discovery, translational and clinical research, and medical technology are happening across the region. New sources of private and government funding many of them in response to the recession have created more opportunities than ever before.

With a patient population of more than 3.7 billion people, vast unmet medical needs exist. Asia offers a significant business opportunity.

In fact, by 2015, the top three prescription drug markets are expected to be the U.S., Japan, and China. And within the next decade, Asia is expected to overtake Europe in pharmaceutical sales.

In China, the government is investing heavily in hospitals universities and a science infrastructure. And the country's regulatory authority is starting to become quicker in reviewing the many drug submissions it receives.

In Japan the world's second largest pharma market a sizeable proportion of the country's 2 trillion yen stimulus package is dedicated to medical science, with an emphasis on biologics.

In addition, the Japanese regulatory authority has embarked on a 5-year improvement program and this is starting to show results.

In China, Japan, and Korea, a recent tripartite collaboration is leading to greater cross-country recognition of Asian data, which is simplifying regulatory processes.

And there is no doubt the countries are taking collaboration seriously. Their respective health ministers meet twice a year to discuss areas of common concern.

Singapore, meanwhile, continues to be a major and fast-growing biomedical hub. The country has invested more than 3.5 billion dollars in building its biomedical infrastructure as well as human and intellectual capital.

Singapore's excellent IP protection, diverse population base and access to global talent set it apart from other countries.

So in terms of tangible benefits Asia offers a vibrant economy new sources of funding rapidly evolving research and a huge population base.

On top of this, Asia places great importance on long-term relationships and trust.

The region is keen to pair its young, entrepreneurial spirit with the savvy and experience of mature companies.

What about AstraZeneca?

AstraZeneca has been investing in Asia for decades. Today, we're proud to have one of the strongest Asian infrastructures of any major pharmaceutical company.

Let me share some of my company's recent successes in Asia.

In 2008, AstraZeneca sales grew at constant exchange rates 31 percent in China 4 percent in Japan and 10 percent in emerging Asia Pacific markets.

We have a presence in 14 Asian markets nearly 8,000 employees. We also have a full R&D capability across the region from discovery to development and launch.

In China, we are the leading multinational pharmaceutical company in prescription sales. We have 25 sales offices, thousands of employees, and a 100 million dollar capital investment in R&D.

In Japan where we've been active for more than 50 years we are the biggest company in terms of oncology sales.

So how did we get to this leading position? What is our recipe for success?

In looking back at the milestones that led to our success, I've identified six ingredients, which form the basis for AstraZeneca's success in Asia. The key theme that cuts across all of these is collaboration.

## **[Step 1]**

The first step in the recipe is to assess the local market for existing and growing medical needs. Based on these needs, we invest early and focus on collaboration from the start. This is more likely to result in a win-win situation.

What do we mean by win-win? What we mean is as a company, we establish a market presence and learn from our local collaboration partners. The country benefits from our science, knowledge and investments.

Let me give you an example. Our scientific investment in India began in Bangalore 23 years ago. At that time, tuberculosis was a major problem in India and we opted to focus on fighting this infectious disease. Today, we have more than 70 scientists, including molecular biologists, genetic engineers and chemists, working on novel, new treatments for TB. These scientists work closely with experts in India and with our infection research center in Boston, making it a truly global discovery effort.

Another example of our collaboration strategy is in cancer.

AstraZeneca has been one of the leading providers of cancer therapy for many years. But our focus was initially on cancers that were common worldwide. Three years ago, we decided to increase our investment in Asia for those cancers more common in Asian patients. Our research showed that liver cancer and stomach cancer are disproportionately prevalent in this region.

In fact, more than half of newly diagnosed stomach cancers arise from East Asia, and three-quarters of the world's liver cancer patients are in this region. Because liver cancer is diagnosed late and is difficult to treat, more than 90 percent of those diagnosed die within five years.

As we considered these grim statistics, it was evident that there was a desperate need for newer and better treatment options for both liver and stomach cancer. And collaboration with Asian experts in these disease areas was the logical way forward.

Using lessons from previous strategic alliances in Europe and North America, we launched the Asia Oncology Strategic Alliance. Our goal: To evaluate novel treatments for stomach and liver cancers to get high quality data faster.

To do so, we focused on Japan, China, Korea and Singapore countries where governments have made cancer therapy a priority. The Korean government, for example, has invested 50 million dollars in state-of-the-art research facilities.

This targeted focus on cancer gives us the opportunity to collaborate with governments and top scientists. At the same time, we help them build their oncology capabilities.

I will come back to the oncology alliance a little later. The key here is that by evaluating the most pressing medical needs and investing in them early on, we were able to strengthen our leadership position in Asia.

## **[Step 2]**

To deliver a strategy like this, we need the right partners.

Having assessed the market and determined that partnership is the way forward, the second step is to identify the right partners and the right types of relationships.

At AstraZeneca, we use a set of disciplined criteria to help us select appropriate partners among the top centers and scientists. We evaluate what we can offer, what we lack and who shares our interests. This systematic process helps us build credibility and a strong science base.

Our scientists are key to this selection process because the top scientists in our organisation can identify the top scientists elsewhere.

Going back to our example of the Asia Oncology Strategic Alliance, we look for Asian scientists and centers with world-class capabilities in liver and stomach cancer, which I mentioned are so common in Asia.

We also look for partners who can potentially work with us on a broader cancer portfolio, including lung and breast. Other criteria include translation science and imaging capabilities, experience with exploratory clinical studies and scientific reputation.

Ideally, we look for partnerships that will be sustainable, so that once we gain momentum, we will continue to succeed together for the long haul. I'll talk more later about how to do that.

By following this approach, we have built a viable Asian oncology network. The network stretches from the Shizuoka Cancer Centre in Japan near Mount Fuji...to the world-renown Prince of Wales Hospital in Hong Kong to the National Cancer Center and National University Hospital in Singapore.

With the Singapore hospitals, we are collaborating on a series of compounds for the targeted treatment of liver cancer. The collaboration gives two of Singapore's leading research institutions access to AstraZeneca compounds. We, in turn, gain access to Singapore's research capability and translational science experience.

As part of the deal, we are also working with a UK partner to provide laboratory training to Singapore-based researchers.

It's also worth noting that the Singapore government is providing funding and sharing some of the risk of this venture, because of our proven success in the field. This is just one example of how we are building local trust and confidence.

Another example of great work taking place under the Asia Oncology Alliance is our partnership with Keio University in Tokyo. Here, we are assessing differences in biomarkers among different ethnic groups. This research is critical to making our clinical trials more targeted and efficient. We will be able to study differences in response among patient populations and tailor our studies based on who will receive the most benefit.

Keio University was an ideal partner because of its sophistication in cancer research and advanced methods of testing tumour response. Our hope is that in the future, the University will begin to play a bigger role in drug development in Japan.

We want to foster collaborations that are truly win-win and our strategic approach to partnering makes this more possible. On one hand, it results in collaboration between AstraZeneca scientists and expert Asian scientists. On the other, it links Asian scientists with our oncology scientific partners in the US and Europe, creating a unique, global science network.

As you can see, partnerships come in many forms and no two collaborations are the same. Having the right ingredients can make or break a project, so it's critical to take care in the selection process and in managing the relationship.

### **[Step 3]**

The next step I would like to discuss is building up assets and capabilities through strategic investments in people, science and facilities.

For us, this step involved building a commercial infrastructure in Asia...learning about local regulatory processes fostering brand reputation and keeping a finger on the pulse of an ever-changing society.

At AstraZeneca, we like to say that we are in Asia, for Asia. This means we have made a commitment to being here for the long term. In addition to benefiting from market access, we also contribute to the science base and the introduction of better medicines for patients in Asia.

Of course, the process of gaining a regional foothold isn't something that happens overnight. As I said earlier, we have been in Asia for more than 50 years, making gradual but steady progress.

Two years ago, our efforts took a big step forward with the opening of our Innovation Center China, in Shanghai. The ICC is part of our 100 million dollar R&D capital investment in China the first R&D investment of this size in oncology translational science in Asia.

The ICC is focused on developing breakthrough cancer therapies by building up our knowledge about biomarkers and genetics in Chinese patients. This allows us to predict those patients who will respond best to novel medicines.

With an emphasis on innovation, the ICC is strengthening our core R&D capability and investing heavily in the education and training of local science talent.

In 2012, the ICC will move from its current site into a new, state-of-the-art building. Here, it will become one of the most advanced R&D centers in our company. This move will be a visible demonstration of our commitment to Asia and our investment into the science base of Asia.

Of course, our long-term commitment to science in Asia entails more than just having a physical presence. It's goes beyond just investing in bricks and mortar.

In Japan, we have developed a different approach. Our virtual grant program in Japan has been a tremendous catalyst for local innovation for nearly a decade.

This program supports local scientists, helping them to put their ideas to the test, while at the same time giving us access to advanced science and technology that can potentially strengthen our pipeline.

Each year, we award 20 grants of 2 million yen each about 20,000 US dollars to scientists who submit compelling proposals that align with our Research and Development needs.

The grant money we supply is made worthwhile by the groundbreaking proposals we receive from some of the sharpest scientific minds in Japan. Some of these ideas have turned into pipeline compounds that we are developing.

This programme has become very popular. This year, we received 455 research proposals compared with just 33 in 2001. Our researchers, who evaluate these proposals, are always impressed by the scientific rigour, high quality and innovative ideas that are clearly visible in the proposals.

The program has worked so well in Japan that in the past several years we have replicated it in Korea and China.

Through efforts like these, we have learned that becoming embedded in the region is about doing what works in Asia, for Asia. It requires a significant investment. But it also has the potential to yield tangible results.

#### **[Step 4]**

What about collaboration between large organizations? How do we make that work?

One example that comes to mind is AstraZeneca's relationship with Bristol-Myers Squibb.

For a relationship like this to prosper, we need to define the roles and responsibilities, taking into account each party's strengths and weaknesses.

In 2007, we entered into a collaboration with BMS based on our shared interest in Type 2 diabetes. The goal of the partnership was to develop and commercialise two select investigational treatments, which had already been discovered by BMS. These therapies address two key pathways in managing Type 2 diabetes.

In 2008, we expanded this global agreement to include Japan, for one of the two medicines.

When defining the terms of the partnership, we took into account a number of factors. Discovery of the compounds. Access to development funds marketing and manufacturing expertise. And local knowledge and resources in various countries.

Based on these criteria, we agreed that BMS would take the lead in some countries and AstraZeneca would do the same in others. It's a risk-sharing partnership. So both parties shoulder the possibility of failure, but also celebrate the rewards of success.

For AstraZeneca, this important partnership offered a chance to expand our portfolio. For BMS, it was an opportunity to maximise primary care assets.

For both companies, the prospect of bringing a much-needed medical benefit to communities around the world could not be passed up.

So, when forming a partnership, it's critical to lay a foundation of mutual trust and respect by acknowledging each other's strengths.

After all, collaborations aren't only about the science.

#### **[Step 5]**

So what must we do to sustain these relationships? A key step is to create a task force to manage the partnership and ensure it runs smoothly.

The key is to recognise the individuality of each partner company and to have Asians in Asia managing these important relationships. In oncology, we use a framework called the alliance steering committee.

Across the region, our alliance experts are working to turn our Asian collaborations into long-term partnerships. Let me share an example from China, where we're already seeing great results.

Our collaboration with Guangdong General Hospital was borne out of a shared interest in primary tumor models. Using the process I mentioned earlier, we determined that the hospital would be a strong partner in developing compounds for lung, liver, stomach, and esophageal cancers.

We had the financial means to conduct the research as well as the expertise in oncology drug development. But we needed the physical lab space, ability to test tumour tissue, and on-the-ground experience of hospital physicians. All of this, Guangdong General was able to provide.

The sum was bigger than our two parts. Together, we succeeded in building industry-leading disease models in stomach, liver, and lung cancer that will pave the way for groundbreaking treatments.

By putting a governance process like our Steering Committee into place, you can do your best to ensure that every partnership harnesses the strengths of each party makes efficient use of time and money and builds bridges that will stand strong for years to come.

#### **[Step 6]**

So how do you know a partnership is working?

In any good relationship, you sometimes need to do a pressure test to see how both parties are doing. That's why the final ingredient in our recipe is measurement and evaluation.

Having a plan in place to evaluate your partnerships will help ensure success. No matter the type or scope of collaboration.

Measurement can be informal, such as keeping the lines of communication open. Or it can be systematic. Let me give you an example.

In 2006, we entered into a 14 million dollar compound collection agreement with WuXi AppTec, a contract research organization. We did this based on the company's proven strength in chemistry.

During the partnership, we evaluated WuXi's ability to deliver against agreed performance measures.

These included quality of compounds, speed, cost and ability to forecast and meet budget targets.

Under the initial contract, WuXi successfully delivered more than 100,000 compounds two months ahead of schedule.

The company proved it could reduce turnaround time from design to delivery decrease costs without compromising on quality and expand the range of chemical reactions used for chemical library synthesis. We also evaluated WuXi against other major CROs in China, India and Russia. This helped ensure the best value for our investment.

Throughout all points of measurement, WuXi continued to give us really high performance. As a result, we have extended the partnership under a new, three-year deal.

You can learn more about our WuXi relationship by attending Wednesday morning's panel on biotech partnerships in China. My colleague Debbie Hartman will be presenting a case study of this particular collaboration.

So, the key takeaway from our final step is that through a clear process of evaluation, a solid relationship can turn into a long and successful collaboration.

## **[Conclusion]**

So there are six parts to successful, strategic partnering in Asia.

First consider the existing and emerging needs of the market

Next identify who your ideal partner would be and the type of relationship you want

Define roles and responsibilities to leverage the strengths of each partner

Make strategic investments in facilities, science and people

Establish a formal task force to grow and sustain your relationships

And finally assess what you did well and what you need to work on.

By following this process, we have established a leading role for AstraZeneca in Asia, for Asia.

Today, we have more than 250 scientific collaborations and more than 50 brands on the Asian market.

Around 1,000 staffs are working on R&D projects delivering more than 2,200 clinical trial sites at numerous universities and hospitals all working toward delivering better medicines that improve the lives of patients in Asia.

And these R&D investments drive success in the marketplace.

IMS reports showed that during the first half of this year AstraZeneca continued to grow strongly in Japan.

During the same period, we became the second fastest-growing major pharmaceutical company in the rest of Asia Pacific.

We could not have realised these successes without investing early in people, facilities and relationships across the region.

As David said last year, no one has a monopoly over good ideas. Good ideas can be found in universities and government centers. They can be found in big pharma or biotech firms. They can even be found in makeshift basement laboratories.

Good ideas are all over the world including Asia where there is tremendous enthusiasm to find and harness those ideas.

As you consider your future endeavors, remember that the principles of a strong partnership are true in any situation.

A good partnership is nimble and can adjust to a rapidly changing environment. A good partnership is strategic and purposeful it can't be a stop-gap or a quick fix for a crisis. A good partnership takes risks because only in risk you will find reward. And finally, a good partnership has a shared vision for a healthier tomorrow.

At the heart of these relationships is the promise of making better medicines that will save people's lives.

Don't get me wrong. The business strategy is critical, of course. But we must always remember that the true reward for innovation is healthier people... and healthier communities.

By 2025, the population of Asia will exceed 4.7 billion people. People are living longer and medical needs are growing exponentially. We're going to see an enormous demand for medicines. Not just any medicine, but better medicines.

Medicines that use cutting-edge science to deliver greater benefit and less risk. Medicines that fight diseases in new and unexpected ways.

In Asia, the stage is set and the time is now. Thousands of universities, hospitals, companies and governments are poised to join forces and conquer the challenges that lie ahead.

Let's put our best minds together and achieve much more together than any of us could alone.

Thank you for allowing me to share with you AstraZeneca's recipe for successful collaborations in Asia.

Now, I'm happy to hear your thoughts and questions.