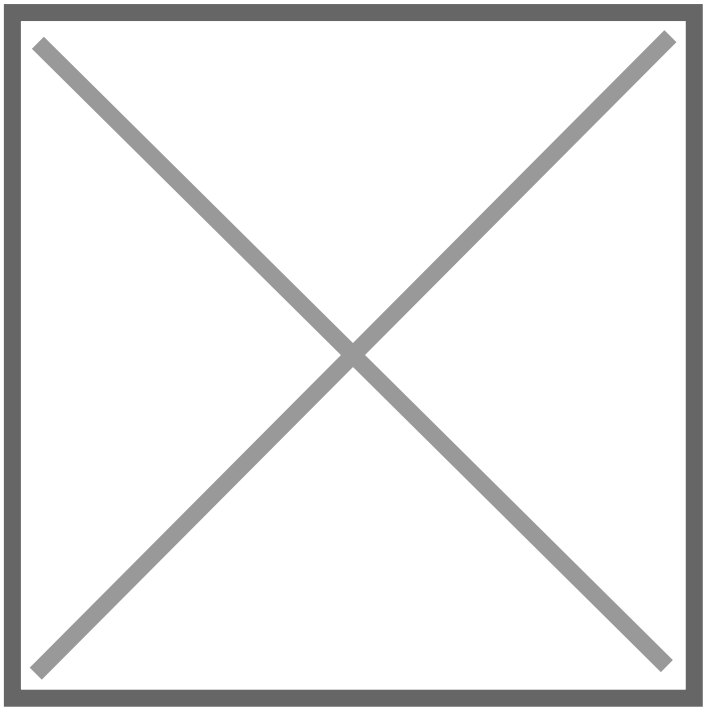
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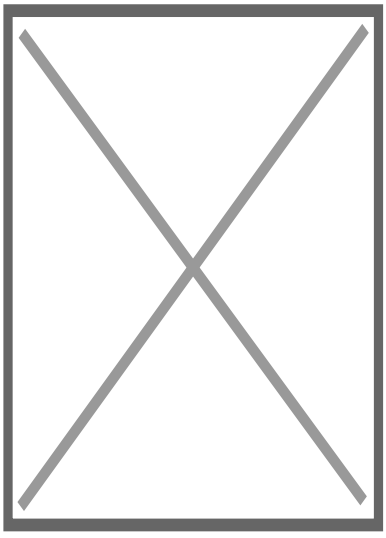
'More new drugs will be discovered, developed in Asia'

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-Dr Thomas E D'Ambra, CEO & President, AMRI



Founded in 1991, Albany Molecular Research (AMRI) provides scientific services, products and technologies focused on improving the quality of life. AMRI works on projects for many of the world's leading pharmaceutical and biotech companies. AMRI just completed acquisition of two pharmaceutical manufacturing sites, along with additional land for expansion, in Aurangabad and Navi Mumbai, India for approximately $11 million in cash. Also, the company recently entered into a natural products-based drug discovery collaboration with Achaogen. With locations in the US, Europe, and Asia AMRI provides customers with a wide range of services, technologies and cost models. In an interview with BioSpectrum, Dr Thomas E D'Ambra, Chairman, CEO and President of AMRI elaborates on the opportunities in the Asia Pacific region. Excerpts.

What were the reasons that motivated AMRI to invest in R&D and expansion of its businesses in the Asia Pacific region?

Post September 11, 2001, the dynamics of the industry changed. There was an economic recession in the US and budgetary cuts by big pharma occurred. Small biotech or emerging pharma companies had difficulty getting funding because capital

markets were tight. At the same time, many of the large pharma companies had gotten comfortable with the concept of outsourcing. They desired to continue and even expand their outsourcing, even if they couldn't afford the level of outsourcing spending of the past. It became increasingly clear that these companies were willing to look at offshore outsourcing as a means to increase productivity-and many new outsourcing companies, particularly in Asia, were eager for this business.

In our minds, the world was changing. So, four years ago we started looking at globalization of our business. We considered Eastern Europe, Russia, India, China, Singapore and other countries. At the conclusion of our process, we decided to focus initially on expanding into India and Singapore. Singapore was attractive partly because of government support for establishing and growing the biotechnology research industry here. Singapore also has Western standards when it comes to treatment of intellectual property and conducting cutting edge research. Subsequent to our initiatives begun in Singapore and India, we also purchased a facility in Budapest, Hungary, which gave us a presence in Europe.

The globalization of our business was not only to offer offshore outsourcing opportunities to our customers in the West but, more importantly, to globalize our customer base. Historically, we have worked predominantly for North American and European customers. Drug discovery and development is increasingly a global business opportunity. Being close to an expanding customer base in part prompted us to look at establishing a presence in the Asia Pacific region.

How do you see the opportunity now in the Asia Pacific region as compared to two years ago?

The biotechnology and healthcare research industries are evolving in the region across the board, yet each country is different. For example, Japan's economy has been performing well over the last couple of years. The drug industry in Japan is very different from the other countries. Many Japanese conglomerates have pharma brands and new drug R&D in Japan. Since the economy is relatively healthy, it would appear that more investment is going into budgets for pharmaceutical research and development in Japan. Mergers and acquisitions are beginning to occur on a significant scale in Japan, creating larger, healthcare focused companies. More recently, small biotech companies have been gaining traction in Japan as well. We believe that the Japanese market represents significant opportunity for AMRI to provide services. In a different way, Australia is also becoming more significant in the healthcare research industry. Singapore is on the way to reaching critical mass. Potential customers in other countries, including Korea, Taiwan and even China represent business opportunities for us. With globalization, cutting edge drug discovery and development activities are taking place in this region. Historically, outside of Japan, the Asia Pacific region was dependent on other parts of the world for the development of new medicines. That is changing. One can expect, in the long term, more new drugs will be discovered and developed in the Asia Pacific region.

Recently, AMRI completed two acquisitions in India for manufacturing purposes. What were the reasons for choosing India over other countries like China
and Japan?

As mentioned previously, we conducted a lengthy process in which we looked at several countries and regions for potential expansion. We have a sales and marketing presence in Japan. We evaluated Korea and China. Both have their advantages. However, for a variety of reasons, we felt initially we should focus on expanding into India instead of China, partly because of India's longer history of manufacturing APIs to GMP standards. As a result, there is an infrastructure of training in chemical synthesis, analysis and the regulatory infrastructure to support our expansion. Other reasons for choosing India initially are a growing economy, deep talent pool, a presumed more stable currency and long term horizon, a more western friendly government and the ability to communicate in a common language at multiple levels in our organizations there.

What will be your future plan of action for the Asia Pacific region, where a lot of activities are taking place in the life sciences industry?

We have recently acquired two manufacturing facilities in India. This autumn we will be opening a newly built lab facility in Hyderabad, India with custom synthesis and kilo scale capabilities. We are also expecting to significantly increase our scientific head count at our Singapore center and add in vitro biology. Over the last several years AMRI has made significant investment in the region. We plan to focus on these investments, grow them and help them to deliver significant value to the many customers we are working with.

Over time, one has to continue to look at other markets, particularly China. We believe that China cannot be ignored, yet at the same time it is not clear as to how its future will come to be. Many US big pharmas are establishing significant relationships with Chinese partners-and several have begun to establish their own research facilities there. We have experience with how fickle these companies can be. At some point one can expect a global recession. Times of great difficulty are also times of opportunity. We are continuing to monitor the marketplace and gaining experience operating across different cultures. If the right opportunity presents itself, we will have to seriously evaluate expanding into China. This may or may not

happen. For now, however, we have our hands full focused on the several initiatives we have already put into place.

Narayan Kulkarni