

Q10: TALKING HEADS

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Sam Fountain poses 10 questions to Asterand CEO Martyn Coombs

1) How has the company progressed since you came on board in March?

We are pretty much on plan. We agreed our direction and strategy at our board and communicated it widely in June. Our stated priority is to achieve profitability as soon as possible – as you can see from our interim results statement issued at the end of September, we are moving in the right direction.

In June, we explained that we were making some cost cuts of £700k at our Royston facility; we completed these last Friday.

We've strengthened our management team and now have, I believe, a more disciplined, accountable organisation. We've also replaced some of our lower performing sales reps – at the end of October we should have a full set of 9 experienced and high performing sales reps for the first time ever.

Our lean six sigma initiative has been wholeheartedly embraced in Detroit, and this should start generating benefits early next year. So, all in all, I think we've made good progress.

2) Your company has been in bid discussions for some time – that must have been a distraction?

Well, yes, we've been in talks with a consortium of long term investors, who saw great value in the company, so much so that they wanted to buy it. The consortium members are shareholders, and I must say that our talks were pretty friendly and cordial.

I thought that we had reached an agreed price, but in the end this did not work out, and as announced last Friday, all takeover talks have been terminated. So, now we concentrate solely on business and on growth.

3) Market conditions are pretty tough for European biotechs. Can you see it improving any time soon?

Yes, that's right, but in our particular niche, we are seeing growth. Our customers, the global pharmaceutical companies, are using human tissue more and more.

Everyone knows that pre-clinical animal tests are only a partial guide to reactions in humans, and therefore our customers are using human tissue to help bridge the gap before testing in humans. There are many factors driving growth here.



4) How accurate a reflection of the company's value is its current share price, and how do you plan to boost the market's confidence in the firm?

We have had bidders interested in buying us, which I guess answers the first part of your question. We have a good deal of cash in the bank; we have a biobank asset worth several million pounds.

Once we become profitable, show

growth, and continue making the changes that we spelt out, I think over the medium term the share price will reflect our true value.

5) To what degree did the recent surprise Russian ban on biomaterials affect the company and has it affected your strategy going forward?

The restrictions have now been lifted. The months over the summer were

The Company

Asterand is a supplier of high quality human tissue and tissue-based services, moving into the East of England following the company's merger with Pharmagene in 2005.

Its comprehensive approach to human tissue and research services offers drug discovery companies the opportunity to have one company meet all of their human biomaterial needs along the continuum of drug discovery.

Its mission is to be a world-leader in the provision of the high quality materials and the information that is necessary for the fulfilment of the genomics revolution and aims to accelerate target discovery and validation, leading to new and improved therapeutics.

The company operates from its headquarters in Detroit, Michigan in the US and the team at its labs in Royston, Herts, has been dedicated to research on fresh tissue for almost 10 years.

adversely affected, but we are now catching up with the deliveries that were delayed.

We are taking action to set up new collaborations outside Russia over the next year, to make us less vulnerable to this sort of sudden political change.

6) What contribution has Pharmagene made to the group since it was acquired?

This has enabled us to offer services to our customers – from Pharmagene, we have many scientists with many years of experience of conducting experiments with human tissue.

We've now got a pretty well-rounded and compelling offering to help our customers take candidate drugs into the clinic with a little more confidence of success.

Our recent press release regarding collaboration with BMS is a good example of our work in this area.

7) How do you see the human tissue supply market, and Asterand developing over the next five years?

We see the need growing, accentuated by increasing outsourcing by pharma companies. Once we are profitable, we will seek to add scale. We seek to become the clear market leader in this field, globally.

8) How do you respond to those who raise ethical questions about the procurement of human tissue for medical research?

This is very important – donor consent and ethical standards are critical. We take great care in this area, and this is one reason why pharmaceutical companies want to work with a company like Asterand. I should also mention the benefits, the value, that the human tissue approach offers. It gives a chance for pharmaceutical companies to explore likely responses in humans before testing in humans. This is obviously advantageous from not least a safety point of view.

9) What benefits does the company see from maintaining its base in the East of England?

We are a small company, but we have big aspirations. We seek to become the clear market leader in our niche, globally. We will need a good location in Europe, and where we are right now is in a very strong scientific location.

10) Are there further collaborative agreements, like the deal announced with BMS in May in the pipeline?

We have several collaborative agreements – sometimes our partners are hesitant about publicity – we will try and persuade them so I can tell you!

I feel I must mention the announcement we made last week regarding the agreement with the US Government. This first section is for 1 year, and for \$2.9m, this is a lot for a young growing company like us – 20 per cent of last year's revenue.

Much more important, though, than the revenue is what this arrangement is all about. This is the largest most well known tissue bank in the world – there are 75 million samples going back 90 years – it is a very important biomedical resource.

The US government has chosen us – Asterand – to conduct this key work – to report on the current state of the repository and make recommendations for best practices and usage.

It is humbling to be chosen, and we are looking forward to working with the US government on this important contract and building a relationship to engender further collaborative efforts.



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