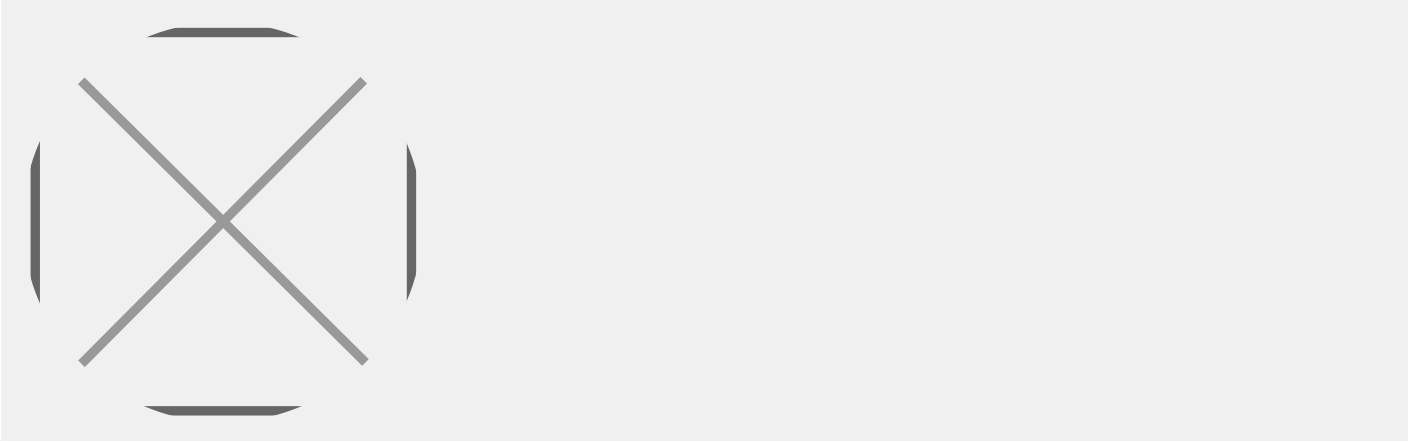
Interview: Bassel Amer, Regional General Manager Gulf & Egypt, Abbvie, UAE



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Bassel Amer, Regional General Manager of Abbvie, discusses the company's split in 2012, why it has been a good thing for both sides and everyone involved, including shareholders, and where he sees the Middle East market in the next five to ten years.

On January 2012, Abbott split into two entities, effectively creating Abbvie as an independent company that will continue to develop and market pharmaceuticals. What changes have come about from this move?

Let me first give you some background behind the rationale for this decision, which I truly believe is a smart move for us and was the right thing to do. The Abbott group was essentially a large healthcare company active in a wide range of areas such as nutrition, diagnostics, diabetes care, surgical devices, with a small part of the group dedicated to pharmaceuticals. The pharmaceutical division was in charge of developing research-based medicines for a variety of therapeutic areas.

Over the years Abbott acquired a number of pharmaceutical companies and became a major player in the global industry. As such, our shareholders began to question and assess what the real purpose and core of Abbott was as a company since its other business units are also quite large and profitable. There was also the question of investment in research and how much of the company's revenue should be reinvested into R&D of pharmaceuticals.

This last point is crucial at a time when health authorities, doctors and payers are becoming increasingly demanding in terms of the medical value of the products pharmaceutical companies are offering the community. Payers don't want to pay for the next hypertension drug with the same benefits as the ten others that already exist in the market. Healthcare systems everywhere are cutting costs and reevaluating their reimbursement of products based on how innovative products are, therefore pressuring the industry to come up with truly innovative products by investing in new research models.

Abbott's senior management had the great vision of pioneering this change in the industry by deciding to split the pharmaceutical business into its own entity that could focus entirely on R&D of new products without relying on the rest of the group to fund these research activities. The new company is now known as Abbvie. The decision to split the businesses was not easy, but in the long run it will be beneficial to both companies who can now dedicate themselves to their core activities. The split is also great for investors and shareholders who now can clearly decide whether they prefer to invest in the pharmaceutical R&D side of the business or on the nutrition and medical devices businesses.

How did the spin-off affect existing shareholders?

What we have discovered is that the mapping of shareholders has completely changed. Shareholders of Abbott have completely different profiles than those of investors interested in this high-risk business of R&D, which is Abbvie. The pharmaceutical business is more of a high-risk and high-value long-term return on investment versus a more short-term and stable business, which is Abbott. We also noticed that there are new shareholders interested in Abbvie now that the company is entirely concentrated on producing innovative pharmaceutical products.

How has this affected your local operations in the Gulf region? What have been the benefits and challenges that came from it?

There have been both internal and external changes, each with their own challenges. We first had to communicate to our team internally what was happening and why it had been decided to create Abbvie. We have a sizeable sales and marketing team so we truly had to take time to make sure they understood the new vision of the company. The Abbott working culture has typically been one of loyalty with many employees working in the company for years. As you can imagine it's not an easy task to explain to these people that they now work for a new and different company, but we have managed to do a good job and everyone has been supportive so far. The challenge was simply one of correctly communicating these changes, especially since we are somewhat isolated

from our headquarters in the US where all these decisions were made.

The second internal challenge was to separate our divisions, and this is a process that we are still working on. It has been a long transition that began two years back when we decided to operate the Pharmaceutical Products Division (PPD) separately from the rest. This means we started to have our own books, our own reporting line, our own systems, etc., so this also helped internally to prepare for a smooth transition when we became the new Abbvie.

Externally, we're also working on transitioning into the new legal entity, which requires obtaining and registering all the documents from our manufacturing sites in the US and Europe with the new Abbvie name. Once the registration been formalized in all our markets we then need to proceed to review and redraft all the agreements with our partners, such as distributors, which are essential to our operations here in the Gulf.

Finally, there is the shift to new packaging and branding, which means that once the Abbvie brand has been approved by authorities, we then have to obtain approval for the colors and layout of all our printed material, starting with the packaging of our products. We expect all these processes to have been finalized in 2014 in this region.

How are you actually improving the lives of patients through your products and the profile of your portfolio in the Gulf?

We have a portfolio dominated by Humira that represents between 40-50 percent of our sales. As you probably know, the beauty of Humira is that it can be used for a wide range of indications, which means that we can market it as several brands according to each indication. Our own internal structure is divided to accommodate this, so we have dedicated teams for four major indications: rheumatoid arthritis, gastroenterology, dermatology and all the others. When we sell Humira for rheumatoid arthritis it is a different brand than when it is used for Crohn's disease, for example. Beyond the branding, we also have different stakeholders for each indication, as well as different features and expectations from our doctors and patients in each segment.

Regardless of the therapeutic area, we are all very proud of Humira, which is actually one of the reasons why I decided to join Abbott. For some of the truly debilitating indications, such as Crohn's disease, we see a significant improvement in the lives of patients due to this product, so this always keeps us motivated. The medical value of the product is truly phenomenal, and is widely recognized by patients, doctors and health authorities alike.

While the value of Humira is undisputed, most of our products are regarded as unique because they address unmet medical needs. This is also the case with our prophylaxis for premature babies, called Synagis, which prevents many deaths in premature children. In fact, because Synagis is so unique in its class, we have had to work closely with doctors and health authorities to create guidelines and protocols for treating premature pregnancies. So far Synagis has had unprecedented success in the region, which was demonstrated by the presence of medical experts from every country in the region at a recent symposium we held to discuss the issue of premature babies.

From what I understand Humira only has a couple more years under patent. What are you expectations once the patent expires and how are you preparing for that?

I always tell my team that they need to consider Abbvie as an exciting opportunity for both the short and long term. The short term is of course related to Humira and all the great products that we have in our portfolio today and that will continue to drive our growth for the next couple of years. The beauty of Humira is that new indications are being researched, so there is still much to explore just with that single product.

Additionally, Abbvie has an amazing pipeline of products that should be coming to market starting 2015. The main thing that I can share with you today, because it is already in the public domain and in Phase III trials, is our breakthrough product for Hepatitis C that will entirely shift the model of treatment for this disease.

In the pharma industry there is a general perception that the Middle East is one of the last places for innovation to reach. For sure times are changing and there is high demand for new products here. What has been your experience so far and what are the trends that you are witnessing?

It is true that executives in other parts of the world believe that innovation comes late to the Middle East, but nothing could be further from the truth. Even I was under that impression when I arrived here after having worked in Europe. I thought I would come here and try to accelerate the entire process. What I discovered is that because in the past this area was indeed slow to bring innovation, doctors today are very eager and keen to use new products and to have access to them. Now with the Internet and all the available media, doctors in this region will learn about the latest treatments and immediately start looking to get them here. For this reason, the governments have been supportive of the trend and have updated regulations to allow for speedy registration once a product has been approved in the US or Europe.

Where do you see the market in five years form now?

I think five years from now, the Middle East pharmaceutical market will definitely slow down and we will no longer see the same growth rates as we do now. They will still be high, but we will probably begin to see growth rates in the high single digits rather than double digits. The market will be growing through local manufacturing alliances, some of which we are already witnessing in markets like Saudi Arabia. Most of big pharma is seriously looking into such opportunities, because they understand the benefits of localizing manufacturing.

I also foresee that the Middle East will become a logistics hub for the global industry, serving not only this region but also Asia and Africa. Dubai is certainly well positioned to fulfill this role as it is geographically very strategically located. Furthermore, I expect that clinical research will become more important in this region as standards of medical practice are raised and the confidence in conducting this type of research will be strengthened.

Is the UAE bound to lead in these trends? Will this country serve as a role model for the rest of the region?

Absolutely! I love the model of UAE and they’re driving many of the changes we are witnessing in the Middle East. They are strong believers in offering its population the highest standards and they make this happen by supporting the necessary changes. This includes providing the needed resources to drive innovation and setting up the legal frameworks that can support a healthy industry. Overall this country is open for business and they do everything possible to attract the best pharmaceutical companies here. They know that they need us for our products of course, but they also need us for our expertise. The authorities are approaching the pharma companies as partners rather than simply businesses.

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