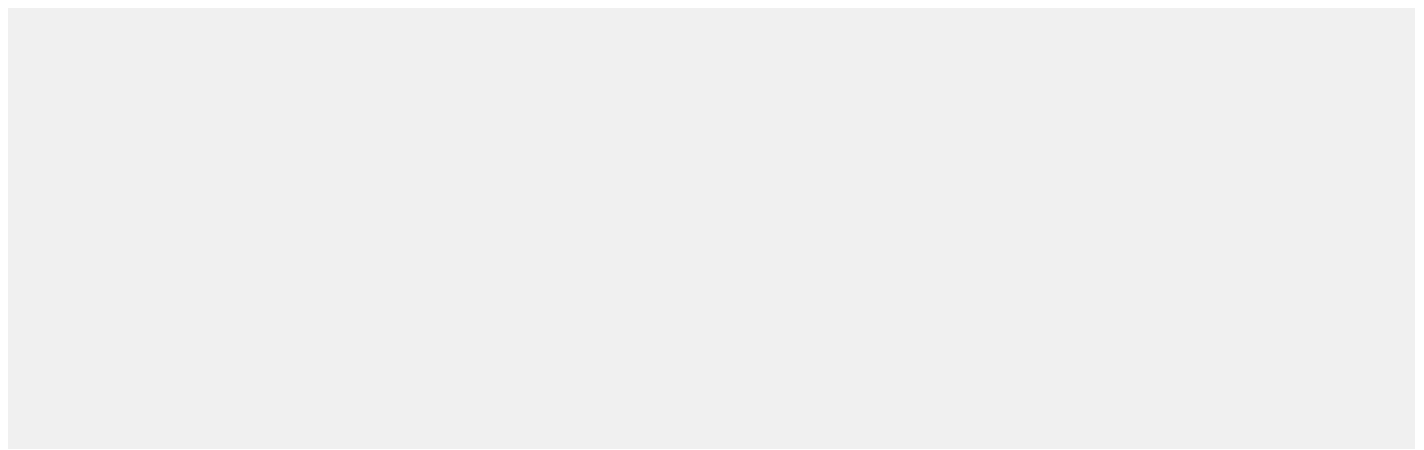


Interview with Maria Del Pilar Muñoz, Director of Sustainability and New Business, Eurofarma



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Your position unites two somewhat incongruous titles – Director of Sustainability, and New Business. How did this come to be, and what if any overlap is there between these two areas in Eurofarma?

I've spent my whole career in marketing, beginning in direct-to-consumer marketing in OTCs. In the 2000s, when generics started, I dealt with this area in Eurofarma because there was a lot of similarity in generics to what we were doing in OTCs, as generics depend significantly on strength at the point-of-sale and is more focused on consumers and pharmacies than doctors. In 2001, Eurofarma was one of the first companies to enter in this segment, and I began there and stayed for eight years, progressing through marketing and sales positions. I already had, at this time, experience in institutional relations and corporate communication, and in 2007-2008, when the company was re-organized and the Director of Medical Prescriptions assumed the position of VP Commercial, I maintained the position of Corporate Communication Director. However, part of this was environment and CSR concerns, as well as events and sponsorship, including race cars. I did this for one year, but I had a strong desire to do something more in line with my background, in the commercial area. When the old Director of New Business left the company, this area came to me, and it's an umbrella that doesn't seem to make much sense – but it does – because in fact sustainability works very closely with strategic planning, so there are synergies.

Since we last met with you and Mr. Billi in 2007, there has been quite a lot of occurring in terms of new business. In that interview we spoke of plans to grow, expand internationally, form new partnerships, and all of these have panned out. What have been some of the most important steps along the way since our last meeting in 2007?

Eurofarma had, in 2005, a strategic plan where we made it very clear out medium term goals. We had the vision to occupy a regional position in Latin America, and grow in Brazil to reach the top 3 by 2015. Since then, we began an internationalization program in the company, which will see us cover, by 2015, 90% of Latin America. This latter process began in 2009 with the acquisition of a small Argentinean firm, Quesada, and continued with a top 10 Uruguayan company, Gautier, which also operates in Bolivia. In 2010, Eurofarma acquired the Chilean firm Volta, and by the end of this year we will have two more, eyeing Colombia, as well as Venezuela where we are entering with a Greenfield project – because politically it is not feasible to enter via acquisition.

The idea is to buy small companies with significant growth potential, because Eurofarma can bring, in these countries, our enormous line of products from Brazil. In Brazil we have the most regulated market in Latin America, and thus ANVISA is a regional regulatory reference. Along the way, we will make many investments in human resources, because the focus in all these investments is on the prescription market, and we have the largest sales force in Brazil, and want to have a similar situation in the countries in which we're entering.

Overall, Eurofarma wants to make a big jump. In Brazil, what happened in the last four years is a growth in the prescription segment, and while Eurofarma is a diversified company present in all the most important segments, in prescriptions the company is the third most important in Brazil. Taken together with generics, Eurofarma is overall in the fifth position, and we want to be third. We depend significantly on new products, and to this end we are working very hard with international partnerships, licensing, and co-marketing, and also new product development. Today the company counts an enormous line of products waiting for approval in ANVISA. In the hospital area, we acquired a business called Segmenta, a further diversification, and are looking toward other areas where it's possible to enter, such as nutrition, ophthalmology, milk, and hospital sutures. The avocation of Eurofarma in Brazil is to grow with new products in prescription, and with the diversification of our portfolio.

In 2007, the market was consolidated, and is even more the case now. How are you staying competitive in a market where the advantages of scale rapidly reveal themselves?

In the area of generics, it's true that there is a strong concentration of sales, and the two biggest players are EMS and Medley. However, generics are not the primary focus of Eurofarma, for the

simple reason that prices are forever lowering to the point that products quickly become a commodity. It's not a segment very sustainable for companies that aren't the strongest, because the tendency, of working with high costs and scale, is to receive only low gains.

Of course, when you look at the market share according to the IMS audit, it doesn't reflect the total reality, because the data are recorded at ex-factory prices, and in the generics sector the high preponderance of discounts means that these numbers are often off by 70-80%!

Eurofarma believes in a more sustainable strategy. Because when we have a prescription from the doctor, and a relation of trust with the doctor and the company, you can generate demand at the point of sale which is much less vulnerable to competition. Apart from this, we work with innovative products which are, up to now, not the result of our internal R&D, but from international licenses we have with other companies. No companies will give a license to work with generics, because the compensation is not attractive. Therefore, the only way to attract international partnerships is to work very well with products that have a concept with the doctors, and high aggregate value, for government, hospitals, oncology – and that's where Eurofarma is placing its bets.

Of the R\$277.6m recently disbursed by the BNDES for pharmaceutical innovation, Eurofarma received the most of any company, at R\$105.7m. Could you speak to some of the most exciting innovation, R&D, and high added value drugs being brought to market?

Eurofarma works in innovation in four different ways. What is innovation for us, but is not innovation for the market, is working in generics and branded generics. We have more than 200 projects in development in the company, and there remains a lot of space to have success with these products without patent. For success in this area we need cost, and scale, and medical contacts, and the latter is our specialty with representatives who make upwards of 480,000 doctor visits per month.

We also have what we call "incremental innovation," which are associations of drugs, new indications of older drugs, or a new platform or presentation which may or may not be possible to patent, but nonetheless represents a differentiator.

Then, there is "radical innovation". Eurofarma has partnerships with two Brazilian universities and today have two products with a high probability of success, such that in 2014 and 2015, we plan to launch the first product as a pure result of internal Eurofarma innovation. We already have patents for the products around the world. One is an anti-inflammatory, and the other is in diabetes, which are both big therapeutic classes in Brazil.

Lastly, there is a strategy for very complex products, for which there is not yet expertise in Brazil, such as biotechnological products. Eurofarma has some international partnerships giving us possibilities in this regard. One is advancing clinical studies; the other is technology transfer, so

that these products will be one day produced by Eurofarma in Brazil. At present, Eurofarma and Cristalia are the only laboratories which have biotechnology plants in Brazil.

These together are four fronts, and we are very clear idea of where we want to arrive in each of these, and where we're going. Then outside of Eurofarma, not included in the turnover, is a joint-venture with Cristalia in medical prescriptions, and a joint-venture with the Brazilian-Spanish group called Hertape-Calier, which in 2011 initiated the production and sales of a vaccine for foot and mouth disease, which is very important for Brazil.

For the next few years, it will be possible to continue the double digit growth on the back of the traditional business model. But then, it will be up to radical, unproven innovation. How will you transfer your domain expertise in, say, branding, or sales force, into less certain high-technology niches?

Our DNA is production. Therefore, the knowledge that we are doing in tech transfer will be absorbed; this is clear, because Eurofarma has its history in exactly this. We will quickly learn to do, the same as we have in the past. To the other point, which is sales of future products being distinct from sales of today's products, it's important to note that sales of biologicals are to the government – it's not a matter of selling a new concept to doctors, because we're talking about, as a first step, biosimilars, products that have high costs and a small access to the population, with a relatively limited demand.

In fact, I don't think we'll have much distinction from what we're doing now, because it won't directly affect the existing business. The units working today will continue working on their products as they do today. And Eurofarma already works with innovative products, due to our partnerships with international firms.

In 2007 we painted a picture of the future; what does this picture look like now?

I believe Eurofarma is distinguished from its competitors in sustainability, which is a value for the company, counting projects that are unique in the world such as partnership with government and the largest retail group in Brazil, Pao de Acucar, for reversal logistics. Therefore, we are changing very strongly in the area of sustainability, because it's not only an internal value, a knowledge of our collaborators, but arrives at knowledge of doctors and the young who are future consumers of medicines, and hold these values close to their heart. Furthermore, within 10 years we will have a company far larger than it is at present, with a strong regional presence, and arriving to more regulated markets like the United States and Europe. This is a dream that has not yet been realized, but in the future, it will be, and we intend to be a Brazilian company operating in the world's biggest markets.

In Brazil, Eurofarma is consolidated as a good opportunity for international companies looking to enter emerging markets. What we offer is notable: we have strength in prescriptions, and an image and brand with medical community in all parts of Brazil through a very well done work in all the areas of marketing. What most differentiates us from our competitors, many of whom are very good, is our regional presence. Because international companies will benefit from a sole partner for all of Latin America, small and large countries alike. Eurofarma will differentiate itself, not only for values and quality, but its regional coverage available to offer to all its potential international partners.

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