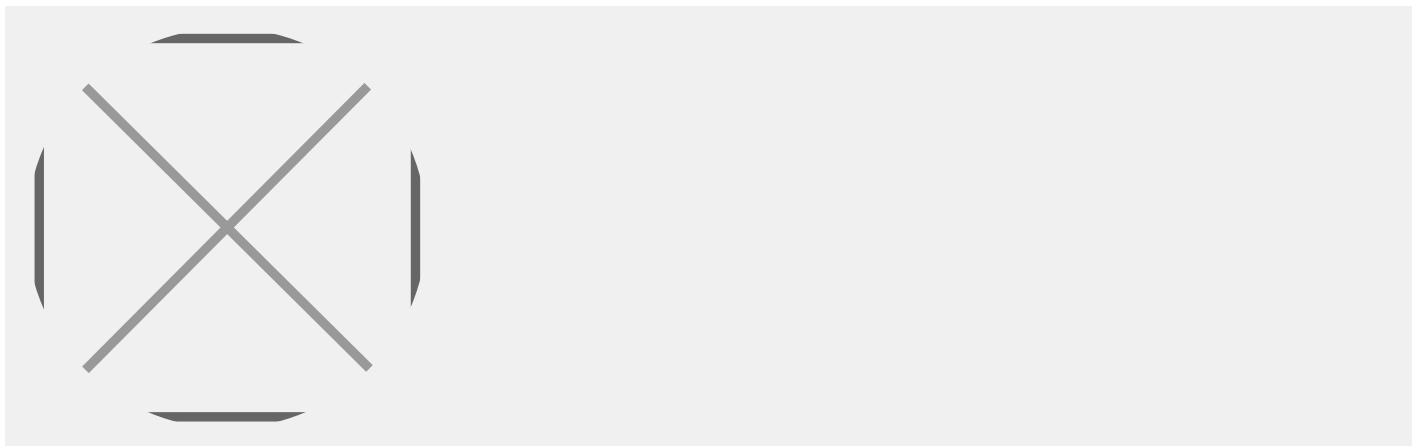


Interview with Dr. Zoltàn Jakab, General Manager, Abbott Hungary



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You took over as GM back in 2008. No doubt that this was a challenging time to run a business, in particular in view of the external economic environment. Can you provide our readers with a better idea on the business environment as you took over the operations here?

After 1990, the Hungarian pharmaceutical market has been growing very rapidly, turning it into one of the most attractive markets in the CEE region. There has always been a budget deficit however, creating a system that became no longer sustainable. The first government intervention henceforth took place in 2007, when cost containment measures were introduced. It was a time when the drug budget was frozen.

Nonetheless, there were still opportunities and new products were still being launched in the Hungarian market. These were innovative medicines with a lot of potential to treat new patients on the one hand, and new generic drugs following major patent expires on the other hand. In the last few years, despite the flat drug budget, there was an increase in the total market. Within that, those companies that were successful in launching new products, had the potential to increase their sales.

When I joined Abbott in 2008, we had a mixed portfolio of older products –some already in the declining phase after losing reimbursement- as well as a number of new products that had just been launched. In the last few years, we therefore managed to increase our sales in Hungary, mainly because of these new and innovative specialty medicines.

The other major change was the acquisition of the Solvay business worldwide as well as here in Hungary. This mostly added a number of mature products to our portfolio, especially generics. For this part, we are mostly stagnating in terms of growth.

You said that the Hungarian pharmaceutical environment has been attractive in the past. Do you feel that some of this attractiveness has been lost now that the government has again implemented new cost containment measures in 2011?

Some of this attractiveness has definitely been lost in 2 different steps: first in 2007, and now again in 2011. In Europe, Hungary currently probably has the most restrictive market place. In terms of possible cost containment measures, almost all have been applied in Hungary. There are multiple restrictions, creating a challenging –if not hostile- environment.

The positive growth of Abbott is exactly related to the mixed portfolio of older and newer medicines then?

Positive growth can come if companies were able to renew the portfolio. Companies that had new products or indications in recent years, or companies that entered the generics market have been able to tap into new growth opportunities.

Can you elaborate on the broader portfolio that Abbott has managed to bring to the Hungarian patients, and which therapeutic areas have been key for your operations in the country?

The largest therapeutic area for us today is immunology, which represents various diseases such as rheumatology, arthritis, psoriasis, gastro-intestinal indications, and so on. This area does not represent a huge patient pool, but it entails severe and chronic diseases.

We also have a range of cardiovascular products within our older portfolio. This was for example an area where we reduced our promotional investment in recent years. This has been an area where we had to rationalize and in some cases stop active promotion. Here, we also lost reimbursement for a number of hypertension drugs, because of the reference pricing frame.

We are also present in one segment of cancer therapy, anaesthetics, pre-mature new born babies, renal diseases, and a number of other areas.

It is quite a broad portfolio, but we invest only in selected products and areas. This has been the case in recent years.

In 2008, Abbott also won the Medicine of the Year award from the Hungarian Society of Experimental and Clinical Pharmacology. Was this a milestone for the organization?

The product, Humira, was a milestone in itself. There was a time that Abbott's global portfolio was driven by cardiovascular and anti-infectives products. Humira is now the number one product in the portfolio, both in Hungary and worldwide, and therefore brought a significant change within the organization.

Humira is a very unique and specialized product, with considerably sophisticated medical knowledge behind it. It transformed our organization in terms of capabilities. The award was in fact just another indication that this product was something special and unique, with the ability to provide a breakthrough treatment in many patients' lives.

It represents a major achievement in research & development as well as in manufacturing too. It is a real 21st century product.

What are the unique benefits that Humira brings to the patients?

We talk about patients that are in the later stage of their disease. Their everyday life is very much hindered by their disease, making the patient unable to work, walk, etc. This means that the patient sometimes also becomes excluded from the social community. In many cases, when other medications do not work anymore, biotech products such as Humira can bring a major improvement in the treatment. It can make patients active again, and give them a chance to take care of themselves again. This is a very significant improvement in people's lives.

In some cases, people that were out on sick leave can return to work and become a full part of the society again. This is the real improvement.

One of our indications is a disorder with skin symptoms as well, for which I have been told by dermatologists that when they first administered Humira, they thought it was a miracle. Thus, the improvement is so significant that even the doctors had a hard time believing it. This is the biggest change.

Clearly a lot of knowledge you also bring to the medical community. Are these relations something that comes natural for Abbott?

It is probably similar for most innovative players in the market. They indeed do not only bring the products, but also the knowledge and the opportunity for the medical community to develop itself. This is particularly true for the specialty products, where development occurs fast. We are active in nurturing such relations.

Without the presence of innovative companies in Hungary, there would not have been any post-graduate education of physicians –and sometimes medical staff as well- for the last 20 years. This may be similar to other countries in this region, where doctors and healthcare workers are underpaid and cannot afford to remain updated with the latest knowledge and developments.

Without us innovators, the quality of care would not have been the same.

It may become easier to attract medical practitioners to the private sector then. Do you see this as an opportunity for Abbott?

This was probably not an opportunity, but rather obvious for us. In reality, even the sales representatives were required to be either physicians or pharmacists. The fact that it was relatively easy to attract physicians may be good for the industry, but is not a long-term advantage for the health care system in Hungary. A good balance is beneficial here.

Further education can also be provided by conducting clinical trials in the country. Is this an opportunity you have been able to tap into in Hungary?

In the last few years, we have significantly increased the number of clinical trials in Hungary, to about three times the number we had before. In the specialist segment, this is indeed a very good platform to support specialists and to educate them. We did invest in such activities here.

Do you also see certain benefits for the patients there, such as earlier access to innovative medicines?

I can see that in certain areas, higher numbers of patients are being treated through clinical trials. This is thus a clear benefit, as they have the chance to be treated with the most modern medication if they qualify according to the specific criteria. Moreover, it is also an advantage for the payers that normally need to fund these therapies. Additionally, it is a good income for the physicians and institutes that are involved in the studies.

Abbott is more than medicines alone, with a range of medical devices, diagnostics and infant products. How significant are these areas in Hungary today?

Unfortunately, these areas are not as significant as in other countries. We have other divisions present, the pharmaceutical one being the largest. We then have the diagnostics, vascular and nutritional division. Diagnostics and vascular are represented by distributors because of the attractiveness of the market and its size. At one point, we had a larger presence in this area, but this is no longer the case.

Abbott is a very socially responsible citizen in Hungary, with examples of donations such as the Mylab 25, educational programs such as crossroads, and so on. What can you highlight about Abbott's efforts to give back to Hungarian society and its medical community?

One example is the donations where we aim to improve the quality of care. Donations of mobile goods, such as machines, are indeed an example as such. These machines are very modern and high-tech. In a machine the size of a laptop, it is almost unimaginable that you can now fit everything that used to take up an entire room a few years ago.

For the patient, this means that they no longer need to be registered for an investigation, where waiting times sometimes take up to two weeks. The doctor can now regularly monitor the status of the patient at the side of the bed. The institutes cannot afford these machines, as they were not part of the everyday practice, justifying the fact that we saw the need to donate some.

At least as important was the education of the physicians, because it offered a new capability for them. While the training was done by external professionals over a period of 6 months, there was significant commitment of the physicians to attend theory and practice courses on their Saturdays.

Another example comprises donations of products and tests that are being used in hospitals, but worth mentioning is also the involvement of the AIPM members in supporting the victims of the Ajka alumina sludge spill in 2010.

In BusinessWeek magazine, Abbott has also recently been awarded as the best company for a career start. What makes this branch an attractive place to work?

Most likely, this attractiveness is related to the values and the culture of the organization, where improving patient lives remains the key focus of the company. Another factor is probably the fact that innovation drives our company and the continuous renewal of our products.

Abbott provides good career opportunities, which is certainly attractive for the employees. I can see that many people spend more than 20 years with the company, the so-called Abbott veterans, while there has even been the case of one employee working for 50 years for Abbott. It shows that there is a strong employee commitment.

You joined Abbott after a career at GSK before. On a more personal note, how was it for you to switch from an Anglo-Saxon to an American corporate culture?

It was not very different. I can imagine that German and French corporate cultures are more apart than the English and American ones. The change was therefore rather smooth. The key observation I made is that Abbott was probably less centralized than GSK at that time.

What are you personally most proud of, of what you have achieved in your 3 years heading Abbott in Hungary?

Roughly 80% of the employees here are newer than me, which is a very high percentage. It meant a complete transformation of the organization. As people are the most important and can make the difference between companies, I am very proud of the current team. These people are very motivated and are ready to take on the challenges of the pharmaceutical environment in Hungary.

In 3 to 5 years from now, where would you like to see Abbott in Hungary?

The next couple of years will be challenging for the entire industry, and it is my personal goal to strengthen the company in these difficult times. Probably, there is not going to be a growth opportunity in the next two years. But those companies which will be able to strengthen their organization and “reinvent” themselves, can be very successful within a 5 years period.

Based on this 5 years horizon, I hope to see Abbott higher in the ranking than it is today, and probably larger in sales. This sales increase should probably come from a combination of organic and inorganic growth, through acquisition. The most important aspect is the quality and the capabilities of the organization.

Do you have a final message for the readers?

I would like to prove that Hungary is an attractive opportunity in the long term. Those companies that are able to invent themselves, and re-invent their processes and partnerships, will be successful. Probably, Hungary is now at a crossroad, where the quality will start to make a big difference

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