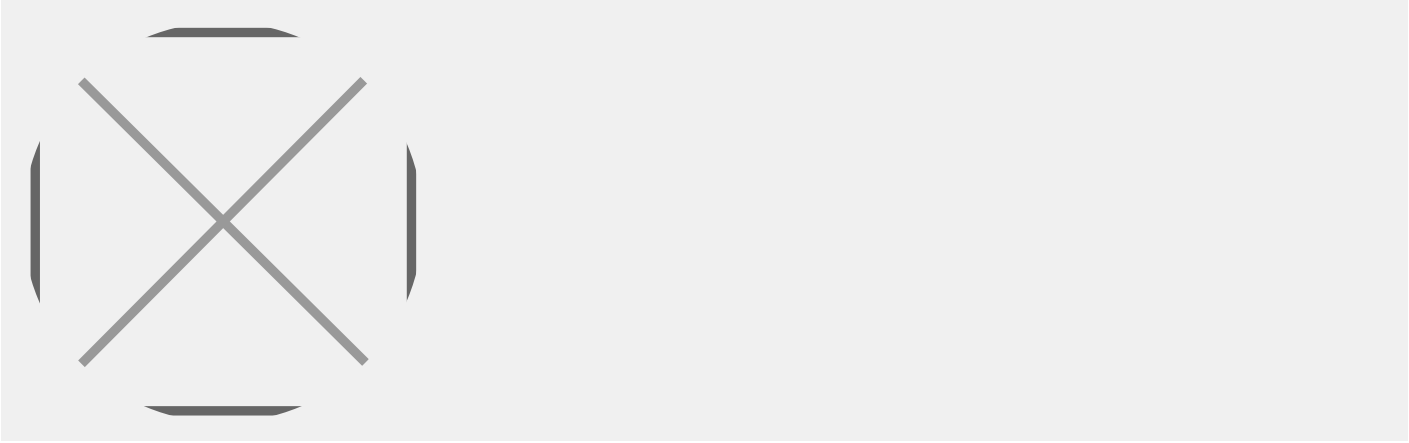
Interview with Dorel Tascau, General Manager, EGIS Romania



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You have been general manager of this affiliate for three years after a previous tenure as general manager of Leo Pharma here and in Bulgaria. The end of 2008 through 2010 were certainly not the easiest years for pharmaceutical companies. What was the business environment like when you first came in, and what priorities did you establish at the time?

It was the beginning of a cost-containment period. The government decided to think about new measures and for the first time in Romania we heard about price changing methods. At the end of 2008 and early 2009 discussions began about economic-oriented policies by having the lowest pharmaceutical prices in Romania. This country is very attractive for many business entities because of its market size and potential. But when you regulate an industry mainly based on financial elements the opportunities related to potential become equally balanced by risk.

In 2008, after a nice five year period of growth and consumption, we entered a period where risk balanced potential opportunities. We started to have changes in place: we changed the price method at least twice; we changed the nature of prescriptions – first being based on brand, then INN, then back to brand, then back to INN. I describe it as a time of experimenting with efficient ways to save money.

People widely agree that healthcare is not a cost, but an investment. The crisis motivated everyone to focus mainly on savings rather than investment. Romania started a bit earlier than the rest of Europe with savings policies because we have not yet reached EU or eastern European average standards for health and medical services.

Market growth in 2008 was very robust even when marked with cost savings measures. But interesting enough, units did not grow very much. If you look at unit distribution – original versus generics by diseases – you will see that not all the therapeutic areas were “favored.” Some, such as oncology, grew faster than others. What does that therefore reveal? Nobody had a specific strategy for cost control. Everyone was focusing on savings, but what kind of long-term health strategy was behind it? The politics of the health system itself have been going through very turbulent times over the past several decades with federal health ministers changing 19 times over the past 20 years. This reflects a disparity between the declarations of political leaders that healthcare is a top priority and the role that it actually played in the national agenda.

As you reference, healthcare was not seen as a top priority in Romania and is perhaps still not regarded as such today. Many CEOs agree that this is a challenging market given cost-containment pressures. How do you convince headquarters to keep investing in this market?

EGIS is very focused on eastern European countries. A huge portion of our business volume comes from central and eastern European countries. It is also an advantage to have our headquarters in Budapest because it allows us to better understand the policies, environments, and external factors in eastern European countries.

The way I present this local EGIS affiliate to headquarters is that no business executive looks ahead to just the next 3-5 years. If you want to develop a structure and business you need a direction that projects at least five years forward. You then need to relate what you expect to have in your portfolio with the local factors.

The three years from 2008-2011 was not a good period for investment in healthcare. The huge potential of this country is a very important theme which few people can deny. Now you see that government has announced the intention to break the monopoly control of the health insurance system through private insurance implementation. They previously tried to implement methodologies from other countries but realized that they cannot capture enough money because of a lack of efficiency in the way the system is presently organized. The government says that it will implement a type of private insurance but whoever transforms the system will pay a big price.

The system here is rather primitive. Money is not controlled by the payers. Most patients do not know what is in the package of services that they benefit from. The government is giving something back to the service providers and patients can benefit when the case is right. What I present to headquarters is that the gap should somehow be filled with private money or, optimistically, by government allocated funds. National budget allocations are not entirely mathematical exercises. If you want to put healthcare as a top priority I really believe that you can do it, but it requires a certain political culture and education of the population. As people get more information on the

internet about external standards of health they will become increasingly self-educated and the pressure to improve health standards will rise. The main argument that I present to headquarters is that sooner or later, despite all the restrictions and cost containment, as long as people get access to other standards of health, the pressure to move will be there. In this kind of emerging market you should still invest despite the risk.

When interviewing Laurentiu Mihai of APGMR, he noted that a big share of the budget still goes to expensive drugs and that a change in the system which favors generics is imminent. Do you feel that Romania is ready to increase its uptake of generics on behalf of policymakers? And do patients have sufficient awareness and acceptance of such drugs?

The government recently, and finally, declared that we should favor generics. Political layers are becoming aware of the importance of generics in national programs. Yes, this is a costly part of the budget. Yes, I think the time has come to change peoples' acceptance of generics. While it is very easy to say that people are uneducated about medicines, the focus should be on rectifying this problem. Why do we have an administrative power? Who should educate the people about healthcare? We see the power of media campaigns. There are a lot of NGOs doing good work on HIV education. A lot can be done when there is political desire. Everyone needs a driver on education. Yes, now is the right time and government should invest more in education. Education involves getting people to know what to ask, when to ask, and whom to ask. I truly believe that healthcare and education are very worthwhile investments which will ultimately generate savings for the system.

What role do you see for EGIS through your field force to educate the medical community and help raise awareness about therapeutic treatments?

As general managers, we try to maximize profits and run a good business. But we realize that without patients – the base of the pyramid – we are out of the market. It is especially true for generics because we can be very easily replaced. We try to modify our sales force toward key account concepts. Formal contact with the doctors is no longer the sole solution. You need to offer a solution that is promotionally, economically, and logistically superior to all the customers involved in product flows – pharmacists, distributors, and health insurers. This is no longer just a usual job of medical representatives. Our internal structures will be modified to meet market dynamics.

We will also participate in educating people about biosimilars and new treatments for oncology, chronic diseases, CNS, cardiovascular, and therapeutic areas that are very sensitive to patient education and reaction. However, it is naturally tougher to educate patients as a generics company, due to the contextual pressure because we do not rely on patent protection for our brands.

EGIS ranks 5th in its home market in Hungary with more than 5% market share. Here in Romania similar market share is clearly still far away. Do you see the possibility of replicating that position in Romania?

We successfully navigated through a tough period. We modernized our structure and are still in the process of adapting it to the local market. The generic market is very dynamic. Most companies have similar portfolios, strategies, and approaches in this financial context. This is the trend due to external factors. What I want is for us to go even further than the typical approach. The new era after 2008 was designed on the basis of efficiency involving a transformation of our sales force from the usual medical representatives to key accounts. We want to be proactive in assuming risk but with good control. Risk makes money if you assume it correctly. What we need is more predictability. Everyone, including EGIS, is looking for investment opportunities. We are thinking about managing costs, which is a sound policy, but mindful that we also need to invest.

Portfolios are more or less the same amongst generic companies here but products naturally need to stand out. Which products have been most successful for you here?

We have a very nice presence in cardiology with products to treat hypertension and cardiac failure. We also have an attractive market share with CNS products. We began developing oncology a year and a half ago which we will continually grow in addition to our biosimilar products. When discussing portfolio similarities we look at market volatility and how fast generics move. Nowadays companies do not have the same 2-3 year time span to build molecules place on the market. In the Romanian market it has been condensed to six months to one year. After that, due to the similarity of portfolios the market gets very crowded and there is minimal impact in product promotion. You then have low chances to build something strong. Companies are therefore adopting mixed commercial, promotional, and financial strategies to mitigate risk.

Many international companies have taken the opportunity to acquire local Romanian success stories. The acquisition of Terapia by Ranbaxy / Daiichi Sankyo is a great example, and has resulted in skyrocketing growth for your competitor. EGIS, however, has not pursued similar acquisitions. Is this a missed opportunity or do you look ahead to more opportunities for the future?

We did not miss out. While we tried in the past to asses the opportunity to acquire some companies, there is plenty of room for future opportunities. Fixed assets in production, for example, are not in the best shape now. When compared to Croatia, Slovenia, and Hungary, Romania does not have a very developed local producers segment. We are looking in that direction towards opportunities for long-term strategic investments. This of course depends on country risk from a financial, regulatory, and distribution perspective. We expect a lot of movements and restrictions in the distribution area over the next 2-3 years. Some players will leave the market, some will pursue

new ventures abroad, and some will limit their activities domestically. But for sure the distribution segment will concentrate. Pharmaceutical distributors here are tend to be privately owned and I believe that the market's evolution and regulations will deviate ownership structure from privately held to more corporate models defined by larger volumes and lower margins.

Looking towards the future, what is on the top of your agenda here at EGIS?

First we want to maximize our portfolio and differentiate our products. To differentiate a generic company during a crisis is tough, but we want to be considered among the main partners for doctors. We also want to establish strong partnerships with distributors and have a mutually beneficial approach with them. Relationships with distributors are evolving to be based on more than purely logistics. Some are developing very fast and are trying to become more reliable in delivering other types of services in sales and marketing. As promotional efforts, as I already mentioned, our first priority will be new partnerships with doctors. We do not want to just present products but helping them in solving specific issues and give them solutions to create better patient relationships. Looking further ahead, some of our top therapeutical priorities will be oncology and biosimilars.

After 15 years in the industry, how would you describe your management style? Has it changed over the years?

Yes, of course. People management in general has changed over the years throughout the entire pharmaceutical market. If you look at the business environment, peoples' mentalities, and their reaction to the financial crisis we have indeed changed. We need to be more flexible and proactive. We need to put "people value" first because value is not created by itself – only people create value. And because of the market's volatility we need the right talent to speculate opportunities. We learned that very talented people can bring more than a huge team. Our new style of management is to base our performance on talented people, risk mitigation, and increased efficiency. This will be a key priority for a small-to-medium structure like us.

What would be your final message to our readers about EGIS and its commitment to the Romanian market?

Romania is still a very attractive country. We pass a period when, instead of managing opportunities, we manage risk. However, for EGIS and other pharmaceutical companies, Romania should be seen as a very attractive country to invest in for the long-term. This is a time for all stakeholders to really upgrade their value propositions and create a modern healthcare system. Whoever wants to come here and can bring also a new piece of modern thinking will be a very happy person.

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