Interview with Reinhard Uppenkamp, Chairman, Berlin Chemie/Menarini

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When we met Dr. Aleiotti in Italy, he said how important was Menarini´s acquisition of Berlin Chemie in the 1990s for the internationalization of the company in Eastern Europe and Central Asia. As the CEO of Berlin Chemie for the last seven years, what would you highlight as the main achievements of the company during this period and how much have you managed to penetrate the Central and Eastern European markets?

From the very beginning, Menarini wanted to became a truly European company. Naturally, their expansion started in Italy and followed with Spain, Portugal, and France – but there was a missing link to Germany, one of the biggest markets in the world. The acquisition of Berlin Chemie opened this central market and paved the way to the East.Besides, the circumstances were optimal for such a move. It happened in the context of the reunification of Germany when around 35 pharmaceutical companies from the East were available. The geniality of Dr. Aleotti made him see the complementarities between Menarini and Berlin Chemie and for that he decided to take the move, acquire Berlin Chemie and invest large sums in the German operations.Berlin Chemie´s main achievement during the last few years was to further expand into western Germany and to conquer the Eastern European market. The company started with Russia, Ukraine and the Baltic states and it is now one of the top players in the markets of Eastern Europe.As the most important subsidiary of the Italian Menarini group, Berlin Chemie fulfilled its targets and now our aim is to repeat this excellent performance in the coming years. The secret of our success was the complete

ownership and reinvestment of our profits into further expanding the business, and this is bound to continue.

Looking at Berlin Chemie’s figures today, what are the main growth drivers and business areas of the company?

The main therapeutical areas for the company are cardiovascular medicine, diabetes, painkillers and ovarian cancer. In this last field we have a first-of-a-kind drug that is already in phase III and it’s the first direct result of our reinvestments. Besides, we also partially deal with OTC and self-medication products.This wide portfolio made it possible to reach for the first time the EUR 1 billion mark in 2008 after consecutive years of double-digits growth. When I joined Berlin Chemie in 1997, its revenues were around EUR 100 million Euros – in eleven years our figures were multiplied by ten, not too bad!Berlin Chemie uses Germany as a base for its business in more than 30 different markets.

What’s the proportion of the German and foreign markets in these figures and what are the most promising foreign markets for the company?

Today Germany accounts for 30% of our market but our target is to lower the proportion to 10% thanks to the group’s increased internationalization.In the coming years the main markets for Berlin Chemie will be Russia, Ukraine and Poland; markets that together count with a population almost three times biggest than the German one.Berlin Chemie is very well consolidated in API production, contract manufacturing and in-licensing for other companies.

How is the company responding to the increased competition from low-cost emerging market producers?

Firstly, Berlin Chemie is an R&D intensive company that, differently from low-cost emerging market companies, competes on a quality-plus-cost base. Secondly, we offer a much higher level of penetration and marketing capacities to our partners than any of these competitors could ever do. Last but not least, Berlin Chemie covers the full range of important therapeutical areas – providing our partners with a truly complete knowledge of the market.For instance, in diabetes we produce medical devices that detect blood sugar levels on a daily basis; oral anti-diabetics in the modern form of SITAGLIPTINE thanks to our partnership with Merck KGaA; and then insulins together with Lilly. As you can see, Berlin Chemie covers the entire spectrum of the diabetes market, what enables the company and its partners to have a wide coverage in our markets.Berlin Chemie uses Germany as a manufacturing and R&D hub for its activities. However, Germany has been losing its position as the once ´Pharmacy of the World´ and many companies have diverted FDI to other

markets.

How do you balance the pros and cons of investing in the German pharmaceutical industry?

Germany still offers important incentives for the pharmaceutical industry, for instance it provides free pricing to drugs and I hope this will change in the coming years. Besides, Germany serves as a cutting-edge R&D base with an extremely qualified workforce and has high quality standards that guarantee the higher quality of the products Made in Germany.These are the reasons Berlin Chemie concentrates its facilities in Germany and it has been quite successful in building up on Germany's competitive strengths. However, Germany also has a very wide penetration of Generics. The country has to stick to the patent laws and balance the need of cutting healthcare costs with the need of nurturing innovation so that companies continue to invest in the country, and new medicines continue to improve people's lives. In the next 10-11 years, 1 out of 10 diseases will get the opportunity to be treated for the first time. If the right environment is in place, much of this progress will come from Germany.Even though you highlighted the German skilled workforce as one of its main strengths, it is also true that this is a very competitive labor market.

How Berlin Chemie manages to attract and retain the best talent inside the company?

First of all, we are located in Berlin and we are surrounded by universities with very skilled young professionals eager to work in a company like ours. The company has a strategy of attracting them at very early stages in their careers.Besides, Berlin Chemie has a very strong policy of supporting its employees in terms of health, family, training and education that creates a unique environment of trust and commitment that benefits the whole group.

Looking towards the future of Berlin Chemie – what are your expectations and ambitions for the next 3 to 5 years?

Thanks to being privately owned and for having the deserved confidence of its owners, Berlin Chemie has the freedom to make sharp moves that will maintain it on its double-digit growth of the past years. As a family owned company, Berlin Chemie has the privilege of planning on a 15 to 20 years timeframe and not on the results of the next quarter or semester as most of our competitors do. This is a valuable differential in an industry whose products can take up to decades from research and development to market. A continuous way of thinking shows a continuous way of growth – and this is why the future holds even better figures for Berlin Chemie.

As the head of the main international arm of the Menarini Group, what will be your final message to the readers of Pharmaceutical Executive?

Follow our example of success and come cooperate with us.

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