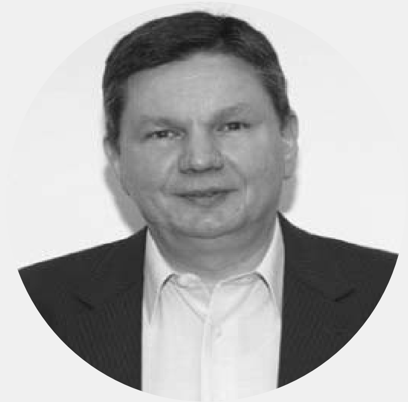
Interview with Michal Pietraszek, General Manager, Apotex Poland



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You have been heading the affiliate since its creation in 1997; therefore you saw its evolution and growth. Would you say that Apotex Poland has evolved in accordance with the first objectives you set for yourself and for the company at the very beginning?

I consider Apotex Poland being half way to success today. The company has established operations in the country quite late compared to most of Apotex's competitors who are in Poland since the early 1990s. The group's global strategy has long been to focus only on the North American market – Canada & the US, and it took time before the company looked at other markets.

In fact, Apotex registered a couple of products in the beginning of the 1990s, such as Ranitidine or Verapamil, the first and for a while only generic registered in Poland. Apotex's headquarters in Canada hesitated a long time whether or not the company should increase its presence in Poland, probably due to the very bad press made on the country after Poland's transition from a communist system to an open market system. Apotex waited another seven years following the transition, and finally the decision was made: Apotex launched products in 1998 and hired twenty sales representatives in Poland. I eventually convinced my Canadian colleagues that the Polish market was a good market for the long run.

In fact, the whole dynamic of Apotex's presence in Europe changed when the group acquired a small Dutch pharmaceutical company, sign of a stronger focus from the headquarters on the European markets. The manufacturing facilities in the Netherlands have the capacity to supply all European markets including Poland, it is therefore today much simpler to operate in Poland from a logistical viewpoint.

Nevertheless, the start of the operations was challenging, as the Polish system is highly different from the Canadian one. Different kinds of dossiers were requested to have the drugs registered. It took a great amount of time and effort to go through all the administrative barriers in Poland.

Apotex is registering step by step a lot of products in the country. The group has nearly twenty pending product registrations in the European Mutual Recognition Procedure (MRP), preferred to the national registration process that may take a long time to deliver final approvals.

What is the strategic importance of Poland for the group's global operations today?

Poland is today considered by the head office in Canada as a very good market for the long run. I receive tremendous support from the head offices in Canada and from the regional offices in the Netherlands.

The company's best generic products have been chosen for registration in Poland, and the affiliate will now be focusing on new products. With the help of many lawyers, the group is looking at the patent situation in every European country. In Poland, if a patent expires today, Apotex is ready to enter the market tomorrow.

You mentioned that the affiliate will focus on new products. Apotex's first innovative drug, Ferriprox™, has been approved in over 50 countries but not in Poland. To what extent is this product a priority for you in 2011?

Ferriprox is a niche product. The company's initial strategy was to launch Ferriprox in Poland, but the size of the market – the treatment fits to only fifty patients in Poland – recalled this choice. From time to time, patients from Africa or the Middle East suffering from iron overload associated with thalassaemia require the product. In these cases, Apotex provides the product for free.

In fact, Apotex is developing many innovative medicines currently in the pipeline. In the next fifteen to twenty years, the market will be switching to the so-called bio-similars. Apotex will not miss the boat and is already involved in several bio-similars projects.

Competitivity on both quality and price is a must in the generic business. What is Apotex's main comparative advantage to gain market share in Poland in this highly competitive environment?

Even though Apotex Poland has no interest in entering over-crowded therapeutic groups, the company's unlimited product portfolio in Canada represents a great advantage for all affiliates. There is a 100% coverage, which means that every product from every therapeutic group is available. Apotex Poland is thus able to operate in the Polish market with very new products that show the highest potential for this specific market.

You mentioned at the beginning of the interview that because of a late entry on the Polish market, Apotex sort of missed the 1990s, described by Pawel Miskiewicz of Genzyme Poland as an El Dorado. How to define the Polish market today?

There are more than 700 pharmaceutical companies operating in Poland according to IMS data – and they are new companies entering the market every year – which tells a lot about the competitive nature of the environment. There are so many generic products registered in the country that I wonder when the pharmacists will say: “I have no more space on my shelves for new products”. Moreover, generic companies in Poland have a strong price competitivity. Albeit this, Apotex wants to be successful in Poland and will be.

The hot topic in Poland is the discussion in the Parliament on a new reform on healthcare submitted by the government. Views are shared on whether companies should be pessimistic or hopeful about the new bill, so for a leading generic company like Apotex, does this represent an opportunity or a threat?

I am in favour of some changes in the pharma regulatory system such as the introduction of fixed prices and margins. I also understand that the government sees a need to implement some change, when the public payer needs to spend more money for the reimbursement of the drugs for Polish patients than it was forecasted.

Nevertheless, frankly speaking, I do not like most of the content, in the like of the 3% tax on the sales of the reimbursed pharmaceutical drugs. Apotex is operating in Poland as a representation office, so the affiliate is not concerned. Whereas it is not a major issue for international companies, Polish companies will have to pay those extra 3% on turnover and cannot deduct it from the tax, according to the new reimbursement act. The Minister of Health (MOH) also planned to set a limit down to 17% for the reimbursement of the drugs. Fortunately, this project has been aborted.

I understand the purpose of the reimbursement act for innovative companies, because the public payer needs to plan its future spending, but I do not understand that this applies to generics as well. For instance, in the negotiation process with the MOH, if Apotex presumes the company will be selling 100 000 units of generics, and in the meantime it appears that the sales potential exceeds 120 000 units, on the one hand Apotex will have a loss of earnings of 20%, and on the other hand patients will be receiving less medications.

In any case, if Apotex wants to stay in Poland, it has to accept the rules of the game.

Today, the generic penetration in Poland is 85% in volume terms. Do you consider that this figure could change, considering the new demographic and political trends in Poland – a rising middle income population, the development of personalized medicine, the increasing understanding of the authorities for innovative medicines?

I have observed that there is a good press nowadays for generics. The majority of the population understands the meaning and the purpose of generic medicines. Generics are exactly the same medicines as the brand products, much cheaper because the company does not spend money for the development of these drugs. The reimbursement level is the same for generics and innovative products, according to the Polish law. I therefore believe that the pattern will remain stable, despite that the middle class can more and more afford original products. In fact, I am even hoping that the generic market will develop itself further, up to 90% or 95%.

Considering your long leadership of the affiliate, how through the times you have seen the Polish workforce and talents evolving? What is Apotex's philosophy to attract the best talents of the industry to the company?

The evolution of the Polish workforce over the last fourteen years has indeed been highly interesting. When Apotex started its operations in Poland and hired sales representatives, the majority of candidates had backgrounds of physicians and pharmacists. Nowadays, Apotex frequently receives applications from candidates with a business background, as well as veterinarians, biologists, teachers. The profile of candidates has dramatically changed.

Before I joined Menarini in 1992, I used to work as an associate professor in the department of pharmacology at the medical university. My salary was less than 200 US dollars; Menarini was offering five times more. Nowadays, doctors can get much more than what pharmaceutical companies can offer to sales representatives.

Even though Apotex Poland's workforce includes 150 sales representatives out of a total of 185 employees, the company is still considered as a family type company. The company has not reached its critical mass yet. Often, when a company grows, a hierarchical structure and more distance between the employees and their management need to be introduced to a certain extent. Nevertheless, I managed to maintain at Apotex Poland the management's philosophy which I valued from the beginning.

When I moved from Menarini to Apotex, I took with me most of my people, which is why I am in an ideal situation today for doing business. I know well the people who work with me, we trust each other, we know our skills and the potential of the company. When a new position is available within the company, I would rather promote someone from our existing organization rather than looking for somebody new. Obviously, new comers bring good ideas from time to time, and as the industry knows and recognizes Apotex's philosophy, the company is able to attract the best talents.

What is left for you to achieve at Apotex Poland and where would you like to take the company in the next five years?

I have the personal ambition to have Apotex enter the top five generic companies in Poland in the next five years. Nowadays, I have green lights from my head offices for my operations in Poland, just started to search for potential partners and acquisitions, which will help making it to the top five rapidly. Even though the company started quite late in Poland, it is today successful, thanks to its people and portfolio.

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