

Interview: Filya Zhebrovska - Chairman of the Supervisory Board, Farmak, Ukraine



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Tags: [Ukraine](#), [Farmak](#), [Pharma](#), [Strategy](#), [Manufacturing](#), [Internationalization](#)

Filya Zhebrovska, chairman of the supervisory board of Farmak and the company's general director between 1995 and 2017, provides insights into the strategy she has followed to establish Farmak as Ukraine's largest domestic company and the market leader in the country since 2010. She also documents the impact of the recent government's reforms on Ukrainian pharmaceutical companies and gives in depth views on Farmak's ambitious international expansion plans, with as special focus on the EU and US markets.

Since becoming the CEO of Farmak in 1995 the company has gone from strength to strength and since 2010 has been the sole leader of the pharmaceutical market in Ukraine. What have you done differently to your competitors to reach this leadership position?

First and foremost, we must look at the evolving history of Farmak to understand how we have driven the company to the number one position in both sales and market share in Ukraine, inclusive of domestic and international companies. I began working at Farmak in 1980 and during that time – the Soviet era – Farmak and the domestic manufacturers in general did not focus on finished products, specializing more heavily on APIs. After taking over in 1995 as general manager, four years after the independence of Ukraine and the fall of the Soviet Union, I quickly changed our company's approach, moving towards the production of new generic products that conformed with European standards and requirements, such as GMP certification. This was a crucial move in

allowing Ukrainian patients to access high quality world-class medicines, an area we pride ourselves on at Farmak, as our objective is to register up to 20 new medicines annually.

On the other hand, times have not always been easy at Farmak and for the Ukrainian pharmaceutical industry in general. From a commercial perspective, our company's sales (in local currency) increased 26 percent in 2014 and 42 percent in 2015 respectively, with 35 percent of sales coming from international markets. These numbers however do not paint the whole picture, as the industry, more than anything, has been pulled down heavily by currency devaluation [*the exchange rate of the Ukrainian hryvnia versus the US dollar decreased more than threefold between the beginning of 2014 and mid-May 2017, ed.*].

Farmak, as a company, decided as a moral obligation to only increase prices 100-150 percent to give our patients the possibility of accessing important medicines during these very difficult times, as neither salaries, nor pensions, increased during the past crisis. Despite having an increase in sales percentages during 2014 and 2015, our sales in USD drastically fell, to the point we will not achieve 2013 USD sales numbers in 2016, and may not until 2018. According to our projections, the Ukrainian pharmaceutical market may struggle to reach the 2013 value of 4.5 billion USD until 2021. Despite this very challenging context in our domestic market, Farmak has so far managed the situation relatively well, thanks to a rigorous handling of our product pricing against the hryvnia, and we will continue to assess the market for further opportunities.

You have mentioned Farmak's ever-growing portfolio of drugs, which now holds now more than 200 products. How do you plan to further evolve it in the upcoming years?

Currently, we have over 100 products at some stage of development and we are very specific in the selection of our upcoming drugs. We allocate substantial drug development resources to our core areas – diabetes, cardiology and respiratory diseases – and we are very diligent in understanding which drugs are coming off patent protection, then adding them to our portfolio if they are unavailable in Ukraine. We are also particularly active in neurology and psychiatry, and now have entered, and hopefully soon expanding, to the exciting field of woman's health after having recently developed some eye-catching molecules in this area.

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Oncology wise we are not heavily invested, despite having a few select products currently on the market or under development. In Ukraine, 85 percent of medicine spending comes as out-of-pocket expenses, meaning there is a high risk to develop such products as not all patients are capable of purchasing them. We hope the new reforms will allow patients to access these essential medicines

in the future, not just for cancer, but also HIV, vaccines and other life-threatening diseases.

All in all, we are focused on expanding our portfolio, but we understand we must undertake this task in a meticulous way. In this regard, Farmak holds a very modern operational structure with dedicated strategic teams continuously assessing the market to identify the correct approaches to be implemented at the opportune time, which is absolutely crucial in a volatile but promising market like Ukraine.

Very few significant reforms have been implemented in Ukraine since the country's independence; however, a pioneering (but still limited) reimbursement mechanism was recently set up, while the centralized procurement of medicines was also outsourced to international agencies - in a move aiming to tackle corruption and the misuse of public resources. What is your assessment of these recent reforms?

We heavily support the introduction of this reimbursement mechanism, which so far covers 21 International Nonproprietary Names (INNs) in three key therapeutic areas - cardiovascular diseases, diabetes, and asthma. Farmak participates in this pioneering scheme and we acknowledge its great importance to drive forward Ukrainian health.

Although it has contributed to ensure patients are being treated more consistently than previously, we are more skeptical about the outsourcing of centralized procurement of medicines to three international organizations, namely the United Nations Children's Fund (UNICEF), the United Nations Development Program (UNDP) and UK-based Crown Agents. As Ukraine already holds a mature domestic pharmaceutical industry, it would be more cost effective for the government to construct agreements with local producers, which would drive down the on-shelf price of medicines for patients. In the meantime, the local pharmaceutical industry, of which Farmak is the leader, should also be consulted on what are the best medicines for patients. Procuring internationally, in my opinion, will stunt the developmental growth of many local medicines. If the aforementioned international agencies look to work more often with foreign pharmaceutical companies than with local companies, the latter will then be less focused on advancing certain critical areas, like vaccines and oncology, as there will be less return on investment.

For example, botulism is a disease caused when undercooked food containing a bacterium is digested, and the toxin of the bacterium is released in the intestine. It generally occurs in younger children and can lead to death, but is easily prevented through vaccination. Ukraine has this vaccine readily available at all times, therefore we wonder why we need to tender this treatment and procure it through these international agencies. This process takes a substantial amount of

time, which these patients do not have, and is just one example of why the government needs to understand patient health should always come above everything else.

Building on your leadership in the Ukrainian market, how does Farmak plan to expand internationally?

Being the leading company in Ukraine, we are always pushing the boundaries on new innovative processes and our international expansion has been an ongoing project for many years already – though entering the EU is not simple for any Ukrainian company. Currently, over 35 percent of our sales are export based and we for example have great expertise and knowledge of the CIS region.

In 2006, we began our expansion to the greater EU market and in that time partnered with another company to jointly create two new generics. Recently, in February 2016, we acquired a Polish marketing company, another important step toward the internationalization of our company. We already hold seven products registered in Poland, four of them at present being sold, and five in the pipeline. Additionally, our company's steady entry into the EU has also led to the registration of two products in Lithuania, while we are positioning ourselves in Western Europe with three registered products in Netherlands and two in Germany.

In summary, we are constantly looking for new partners, and we see the upcoming year of paramount importance for our company in our search. We plan to carry over to Poland our excellent business processes and approach to provide patients with a heightened opportunity to access high-quality, affordable medicines.

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Are you carrying over the same Ukrainian portfolio to the EU, or are you focused on a tailored approach for specific markets?

I have a slogan: “medicines shouldn't have borders”. If a product is of high quality in Ukraine, it must be accessible worldwide. Therefore, the clear answer to your questions is yes, we are using our high-quality, EU standard portfolio sold in Ukraine to go international. We produce the same quality generics as other companies, so we will not produce specific drugs for different markets. This challenge does not stop at the EU, and we are ready at Farmak for another goal of ours: to enter the competitive US market.

In 2016, Farmak joined the Drug, Chemical & Associated Technologies Association (DCAT), a global business development association, with the idea to expand our commercial network in the US. In this regard, we have recently found a very interesting partner, with whom we jointly designed an

effective supply chain system based on APIs produced in China. Our American partners have completed the audit of our processes and facilities, and we now expect that – before the end of 2017 – this product will enter the US FDA’s procedure of registration, while it is already sold in the highly regulated Australian market.

In the mid-term, we plan to bring other products into the US market, although this may not happen before 2020, as we still need to go through US FDA inspection and these products’ registration process. So far, the US FDA has only performed inspections for the production line of our biologically active supplements, which itself was a lengthy and complex process. The FDA will now need to do the same for our other manufacturing facilities, so we will have to wait a while, but I have no doubt it will ultimately be worth it – the US makes up half of the global pharmaceutical market.

Looking retrospectively, what stands as your proudest achievement at the head of the company?

On July 1st 2017, I stepped down as general director [*Since 01 July 2017 the position of general director has been held by Augustin Dubnička, e.d.*] and moved into the role of chairman of the supervisory board. My new role will allow me to further work on our company’s strategy and expansion, supervising the next steps we will pursue. Although I will not be the company’s general director, I will still be around to help mold the company and hopefully bring Farmak into a new era and build an exciting future for Ukrainian pharmaceuticals domestically and internationally.

When it comes to my proudest achievements, I would indisputably highlight the creation of over 1200 jobs for 1200 Ukrainians, and we value each and every one of them. Furthermore, I am also proud of our capacity to move from being a top 10 domestic player to become Ukraine’s market leader. I will be passing to the new CEO a great company with enthusiastic and intelligent managers, an innovative R&D team, a world-class production capacity and a marketing team that holds an unrivalled expertise in Ukraine.

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