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Maria del Pilar Muñoz, vice-president in charge of M&A and Sustainability at Eurofarma, one of the largest and most innovative pharmaceutical companies in Brazil with operations in 20 countries across Latin Americ , provides insights into the key competitive advantages of Eurofarma, its unique internationalization strategy, and the company's historical approach to following the highest governance standards.

What have been the key success factors that have allowed Eurofarma to become one of the largest pharmaceutical companies in Brazil – one of the most competitive markets globally?

Having been at Eurofarma for 25 years, I can say with confidence that we occupy such a prominent position in our sector thanks in large part to our shareholders' values and beliefs. Additionally, the desire to reinvest in the business itself in order for it to grow has been present throughout our history and is part of our DNA. We have always been willing to take risks, to think about the long- and medium-term rather than simply the short-term, and to set ambitious goals, with an entrepreneurial vocation. Beyond this, the company believes in its human capital and its ability to attract and retain talent. The people who are driving the operation as well as their engagement and firm belief in the company's business are critical success factors and have greatly contributed to

bringing Eurofarma to where it is today.

What are your current priorities?

We have both long-term and short-term goals. Presently, we are more focused on consolidating our presence for Latin America, as having a relevant position regionally is of extreme importance for the company's strategy. In the meantime, we are now finalizing our 2030 strategy plan; mapping new markets and the company's entry into new continents. Our greatest ambition is to be global, to participate in the main pharmaceutical markets around the world.

When we met with you a few years ago, Eurofarma had the ambition to cover 90 percent of the Latin American market by 2016. Where does Eurofarma stand now?

Today our coverage of Latin America is actually aligned with the objective you mentioned, while we are currently present with our own operations in about 20 countries globally. In order to have regional relevance, we however still need to enter important countries such as Mexico, which I believe is our biggest challenge for the region.

Although we are present in all of these countries, our footprint there is not as strong as it is in Brazil, so it still takes a lot of effort on our part in order to consolidate these operations and become a relevant player in each of the countries where we operate through both organic and inorganic growth.

Eurofarma's M&A policy has traditionally been aimed at acquiring mid-sized companies in new markets. Now that you have a more consolidated footprint in the region, are you changing your growth approach for some markets?

In our history we have indeed acquired mostly mid-sized and small companies, as we bet more on small operations that can become platforms for us to place our commercial model, pipeline, and portfolio on – and from this point on grow organically. Nevertheless, such organic growth is slower and demands an enormous effort, and this process overall has taken more time than the company hoped for.

Regardless of taking advantage of these platforms in order to grow organically, Eurofarma is always looking for potential targets even in the markets where it is already present; not just company targets, but products and product lines as well in order to accelerate this growth.

Which specific therapeutic areas or different product lines are you focused on?

Looking at market segments, we are greatly focused on retail and generic products, and – in both areas – Eurofarma keeps broadening and diversifying its portfolio. This is why we don't focus on specific niches, therapeutic areas or medical fields. Our model, what we'd like to build –mirroring what we've accomplished here in Brazil – is a broad portfolio so we can visit all medical specialties, invest in a large sales force, and truly generate prescription demand.

What is your approach when you acquire a company in Latin America? What do you look at to ensure that it's going to be a success?

Regardless of the size of the operations, we look very carefully at these companies' reputation, the work they've already developed with the physicians, and the knowledge they have of the entire value chain. Given that our resources are smaller than global companies and our human capital cost is much higher than most of them, we are very thoughtful to create a good due diligence and we keep a close eye on the critical issues at hand and our success factors.

Our first international acquisition was conducted in 2009 in Argentina, and I believe we've learned a lot during the past eight years, while reducing our risk exposure because we buy medium and small-sized companies only.

As a consequence, now that we can take larger leaps, we are more prepared for it. We have a clear picture of what can be a critical success factor in an acquisition, what didn`t work, what worked. We try to leverage this in order to get the best possible due diligence, and we surround ourselves with the best partners. We also have an extremely transparent policy with regards to our numbers and open data, as well as offering the best conditions so the stockholder can make their decisions based on cost-benefit and the risk involved in these operations.

What are Eurofarma's plans for more regulated markets, such as Europe and the US?

Any pharmaceutical company that has the ambition to be global and has the intention to develop incremental or innovative products must be present in the world's main markets. We are working and preparing to achieve this goal. Of course, in the short-term, our main goal is to consolidate our Latin American operations so that we can take the next steps without having to interrupt any incomplete process or shift our efforts. We have begun to map less regulated markets so that we can later on enter the more regulated markets, including both Europe and the US.

We are also currently in the process of getting certification for our main industrial center, Itapevi Complex, so we can think further ahead to export our products to these atractive markets. This pulling through, Eurofarma will be eligible to not only participate in these markets through local operations but also export our products to regulated markets.

Eurofarma has been a pioneer in Brazil in developing partnerships with multinational companies, for example with Pfizer since 2010 for Viagra and Lipitor. While most international companies are moving their focus to specialty pharma, are you still prioritizing this partnership approach with MNCs?

Yes. We already have some agreements with multinationals for the distribution and promotion their products (new molecules and mature products too), and this is a growth pillar we want to further develop. Furthermore, by becoming a regional company with the ability to distribute and promote new products, second brands or even becoming an extension for global medium-sized labs that have incremental products but aren't present in the region or aren't strong here, we believe Eurofarma emerges as a highly attractive partner.

Eurofarma is one of the Brazilian companies that invest the most in R&D, and the company recently announced its ambition to allocate ten percent of its revenues to this endeavor by 2020. To ramp up this innovation process, why not acquire an innovative company?

It's an option. Actually, Eurofarma was close to innovative start-up companies and, two years ago, bought participation of Melinta in the US. Basically, we are focused on internalizing this knowledge and qualifying our people; we believe we have good researchers in Brazil who can thrive here and contribute to the national industry's growth. But the acquisition of an innovation platform abroad which could help shorten this path is on the discussion table too.

A big gap between domestic and international companies is usually sustainability and corporate governance. Why do you believe that Eurofarma is closer to an international company than to a domestic one in this regard?

As a company, Eurofarma was born producing for third parties; so, since the very beginning we've been in contact with many multinational companies. This has kept us in contact with these governance models and to be closer to the rules that such companies adopted so that we could also be a CMO for them. Hence, it's always been part of our history.

In the grand scheme of things, I believe Eurofarma underwent a natural evolution regarding compliance norms, professional structures, independent counsel, and a structure that allowed for better governance in all operations. This process occurred naturally from the growth needs of Eurofarma itself and demands that came from our international partners. This helped us to get where we are today. Always having our stockholder's guidance, trying to foresee trends and be prepared for a more and more regulated market was always used to benefit the company. Before compliance was mandatory, we already had it. Before an independent ombudsman channel was mandatory, we had ours up and running. Before Eurofarma even dreamed of having an IPO, we were already following good practice policies and IFRS policies to publish our balance sheets.

This is all a consequence of our transparency policy and governance allied with trying to be at the cutting-edge in all areas. We are not yet an innovative company in the sense of having in-house developed NCEs in our portfolio, but we try to keep innovation flowing through all of our processes. Thus, Eurofarma was the first company to issue 100 percent of its invoices electronically, because it was a governance and transparency principle. It was also a way for us to be ahead of the competition. Eurofarma was the first national company to have SAP as an ERP system; so we could take a leap ahead and have all the information in a single system.

We continue seeking good governance and this might be what brings us closer to multinational companies instead of to national ones. Overall, the gap you mentioned is not a reality for us.

What are the next steps that you are exploring?

Everything you can possibly imagine in all the different areas. I'll give you some examples: in the inverted logistics process, we're anticipating future regulations; in the process of proper medication disposal, we are already anticipating ourselves; in the corporate venture process, we

are the first national company to have an internal corporate venture department. These are just some examples of an intense movement within the company: the search to be the first to arrive where possible is a constant in our day-to-day life.

Brazil is a country with a lot of inequalities and Eurofarma is one of the largest pharmaceutical companies in the sector. How are you trying to ensure that all Brazilians can access quality healthcare and pharmaceutical products?

Access to medication is at the company's core; what we do is ensure scale gain so that we can have competitive costs and prices. This is not only a social cause but also a matter of survival for us. We believe this helps give access because it helps the country to develop itself. For We have a policy that ensures the use of free samples as a promotional tool. Free samples are used in the beginning of treatments which helps not only to promote our products but also encourages patient compliance to the treatment, because in a way we subsidize the beginning of the treatment.

On the other hand, Eurofarma has a firm policy regarding medication donation where any type of destruction is avoided to the greatest possible extent. Before sending medication to destruction, we try to donate it to institutions that can make good use of it; which is expensive! In Brazil you pay tax for such donations just like if you were selling the products, and these donations are only possible because they relate to our company's core values; if you were to calculate the exact numbers of doing this, you'd see that it would be cheaper for Eurofarma to destroy these products than to donate them.

Furthermore, Eurofarma keeps an Institute, a non-profit organization, OSCIP, which tries to reduce social inequalities through youth education so they have a better shot at a career.

Overall, we designate about five percent of our profit to social investment, and we believe these resources provide transformational possibilities for Eurofarma and Brazil.

What is the image of Eurofarma you have been building over the past decade? How do you want the company to be perceived?

First of all, Eurofarma is a very solid, serious, sustainable, and robust company that has a very clear medium and long term plan. The trust we have with all of our stakeholders is possibly our biggest heritage. I'm not only talking about patients, physicians or clients which is the traditional

channel where we must keep good relations, but also business partners, competitors, and the distribution chain.

Eurofarma has built a strong reputation for itself because it’s always been very transparent and has always stuck to its values, and it’s clear to us where we’re headed and how to get there without letting go of its values. Eurofarma proudly stands as an ethical, innovative, and reliable partner which doesn’t promise what it can’t deliver and grows far above the market, around 17% per year duriung the last 15 years, in a very sustainable way.

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