Interview with Andrew Eve, President Director, Boehringer Ingelheim Indonesia

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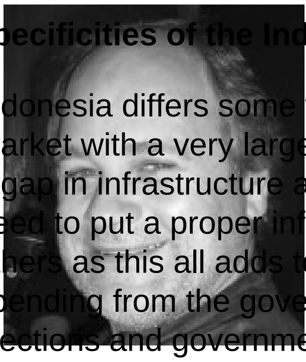

ce with Boehringer Ingelheim, what would you say are the main specificities of the Indonesian pharmaceutical industry?

Indonesia differs some what from other Asian countries, starting from being a non reimbursement market with a very large population, to people having a small disposable income. Indonesia also has a gap in infrastructure as compared to other Asian countries like Malaysia or Taiwan. There is a need to put a proper infrastructure in place, roads, railways, ports and telecommunications amongst others as this all adds to the cost of doing business.As far as healthcare is concerned, GDP spending from the government is small and declining. Moreover, this year Indonesia will have elections and government is increasing the level of subsidies for fuel and such like commodities which could be better spent. Even if that money were not used for the healthcare sector it could be used to develop infrastructure, which in turn could create more jobs and increase levels of income. As the majority of medicines are paid out of pocket and research based companies price their products at a higher level than local generics, it is challenging for us to find the right target customers. Moreover, many people that can afford our medicines are not treated locally but visit neighboring countries like Singapore, where up to 60% of the patients in some hospitals can be Indonesian.

Consequently, it is difficult to sell products to people that cannot afford them or to people who can afford them but are treated elsewhere which means that MNCs have a far smaller market share than local companies.How does Boehringer Ingelheim adapt its strategy to the Indonesian scenario?

We provide an opportunity for the Indonesian population to access the best international medicines and update the doctors in term of diseases and latest treatments that are available to give them a choice.Besides the production plant, Boehringer Ingelheim has three business lines covering: animal health, consumer health and prescription medicines. Consumer health care is definitely a good opportunity here while at the same time prescription medicines is still growing well.

Animal health is a new business we are developing with a good scope for poultry and swine vaccines.Considering the low IP protection and the high level of counterfeit drugs, what are the challenges of promoting innovative products in Indonesia?

I believe the level of counterfeit drugs is around 20%, which is very high. Our strategy is different from other subsidiaries worldwide as we do not have patented products in Indonesia and some of our products already have over 50 generic copies. On the other hand, these products are still performing very well in the market, and we certainly make the most of our older products, promoting them for a longer time as compared to other countries. Patients still buy our products because their efficacy and safety is well proven and know they can trust the product.Boehringer Ingelheim has been one of the first believers in the Indonesian pharmaceutical market and established a state of the art manufacturing plant in Bogor that complies with ASEAN GMP certification. Considering the increasing competition in the region what are still the advantages of having a manufacturing plant in Indonesia rather than say China? First of all, a country like China is so vast and its growth rate is so high that having a manufacturing plant in China to serve both the domestic market and the rest of Asia is extremely challenging. Additionally, in China and to a lesser extent in India, the cost of employment is rising and those countries will no longer be an inexpensive production base. In Indonesia we have just made a significant additional investment to enlarge our production facility to meet the growing needs of our local copmany and other multinationals for whom we toll manufacture, and cost wise we are comparable to India. We therefore provide value to our own company, to other Boehringer Ingelheim operating units to whom we export and also to other multinational companies who toll-manufacturing with us.

How will the 10/10 decree impact your strategy?

For Boehringer Ingelheim and for other research based companies in Indonesia with factories and spare capacity, the decree provides an opportunity. In this respect, MNCs coming to Boehringer Ingelheim will find a trusted company that produces according to GMP at a competitive price. For MNCs without a manufacturing plant it is tough and although it seems like a final decision has been made, there are still considerable efforts been made to reverse or at least modify the decree to exclude pharma companies. How is being a family owned company an advantage in a period of crisis? Being a privately owned company is one of the key differentiators of Boehringer Ingelheim. This status is reflected in the fact that we do not have pressure on dividends and earnings and that we can take a longer term view to develop and implement proper strategies. Boehringer Ingelheim has positioned itself as a well respected family owned company with high quality manufacturing standards and medicines with a strong research and development culture. When it comes to marketing practices we are probably a little bit more conservative than other companies on how we promote our products. This gives a different feeling and the patients, the doctors and all our partners know that we deliver what we promise. In addition to that, Boehringer Ingelheim has a strong respect for its employees and for their professionalism. We have a high level of autonomy in the decision process and,

within boundaries, the business is driven by the countries, not by a region or corporate body with minimal understanding of the complexities of the country on the ground. Final message about what our readers can find in Boerhinger Ingelheim Indonesia?

In Boehringer Ingelheim Indonesia they can find a professional company that has been in Indonesia for many years and which has the aim of providing the best available medicines to the Indonesian population. We have recently reinvested in our plant and have increased our workforce, including contracted workforce, to more than 700 people. We continue to invest in CSR projects from such projects as HIV Aids education to free medical check and medicines for the poor. Boehringer Ingelheim will continue to invest in Indonesia and its employees as well as providing the latest updates on treatments for the local medical community. We are here to stay for the long term.

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