

Interview with Marcello Rozas, General Manager, Argentina SA Baxter

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Do you think this is a good moment for the Argentinean pharmaceutical industry to have international exposure?

Indeed it is attractive, but we should keep the long term objectives on perspective. It is a stable and interesting market for multinational companies, as long as they can grasp the dynamics of the market.

Baxter started its operations in Argentina in 1993 and, even when the economic situation was stable at that time, the start-up period encountered some difficulties in terms of adjusting to the dynamics of the Argentinean market. Thus, during the 2001-2002 crisis the General Manager in charge of the affiliate developed the business according to the characteristics of our market, therefore creating sustainable foundations for growth in the last seven years.

What's the importance of Argentina for Baxter today and how much is the region a priority for the Baxter Group?

Baxter is currently a company with worldwide presence; almost 60% of revenues come from outside the US, with direct presence in 111 countries and 58% with local manufacturing facilities. Latin America is also very important for Baxter: 10% of revenues come from Latin America, with very big facilities and business in Brazil, Mexico and Colombia, including local manufacturing plants. Baxter has direct presence in 19 countries in Latin America, being Argentina the fourth largest affiliate with an annual turnover of \$60 million, which places it among the top 25 pharmaceutical companies in the local market.

What factors have led to this success?

Baxter Argentina has three business units: Bioscience, which includes hemophilia products and vaccines; Renal, which is focused on peritoneal dialysis and hemodialysis products and Medication Delivery, focused on products for hospitals: such as nutrition, anesthesia and IV solution products.

In Argentina, Baxter's success story is related to hemophilia, renal, and hospital product areas. As regards the former, Baxter supplies premium products to the hemophilia community, building up strong bonds with patients' associations and the scientific community.

The Argentinean healthcare system is considered to be one of the best in Latin America. The government covers 100% of critical diseases. In addition, there is strong commitment by HMOs in

Argentina to cover up critical therapies such as hemophilia and dialysis, which enables companies like Baxter to launch innovative products like our plasma-free recombinant factor VIII or products for diabetic patients who need dialysis.

This scenario is likely to give rise to favorable market conditions for multinational companies, which develop high-tech products through their research areas.

We met with Professor Gherardi at Baxter Italy and he was saying that the vision for Baxter is very unique because, unlike in other multinationals, the prime concern isn't profit. How does this affect your strategy and what is your vision of the company?

Argentina is considered by Baxter as an emerging market, which means a double-digit growth every year – something our affiliate has been doing in the last four years.

In the current economic context, to continue growing at such rate is a challenge, taking into consideration that Baxter has a high market share in businesses like hemophilia and renal, for which our long-term strategy is to continue diversifying our portfolio in the fields of hemophilia and dialysis and to strengthen our share in the hospital channel through products such as anesthesia, nutrition, vaccines, infusion pumps and IV solutions.

Even though profit and cash flow is very important for Baxter Argentina, it is also significant to be able to collaborate through the improvement of our products and technology with the scientific community and HMOs in Argentina. As an example, we have developed various joint initiatives with the National Academy of Medicine in order to conduct clinical studies in dialysis (2 years ago we developed a study with 400 renal patients sponsored by Baxter) and the development of the University of Hemophilia in Argentina, as well as in other Latin American countries.

The investment that Baxter has made here is related to developing Argentinean clinical studies. In fact, renal treatment in Argentina is well-covered by the Government. Baxter is currently developing clinical studies in order to best publicize the options of available treatments for patients.

Biotech is an area in Argentina that is being pushed by the Government and local companies are starting to get on board. Baxter is a company that has been involved in this sphere for a long time. How are these developments going to affect your business here in Argentina?

In our business, the government is trying to develop hemophilia products. For example, the University of Cordoba is attempting to develop the production of Factor VIII at local level, but its demand is almost 90 million IU per year and – UNC Hemoderivados – can only produce 2-3 million IU. The development of this product – a plasma derivative factor VIII- requires high investment in R & D and tight control of plasma donors.

Baxter was the first company to introduce specific products into the Argentinean market working together with the Government. How does your business model compare to other multinationals operating in Latin America?

Due to the type of critical therapies Baxter is involved in the country, we keep very good relationships with the National and Provincial Ministries of Health, Patients' Associations, Pharmaceutical Chambers and HMOs.

As an example of such practices, last month our Renal manager presented a renal program to a local HMO in one Argentinean province. This highlights our approach to do teamwork together with national and provincial governments, as it improves our close relationships with the purpose of achieving a better quality of life of patients.

How does Baxter succeed in reaching the whole country at different levels? How do you manage to integrate all the country and the whole spectrum in terms of geography?

Argentina is a very large country; Baxter has a Sales Force focused on three key areas: Renal, Hemophilia and Hospital Products. The global business uses the successful model developed in several countries at worldwide level â?? aiming at promotion and managing relationships with physicians and health care professionals.

Last year Baxter Group launched the website renalinfo.com, which featured information about diagnosing and living with renal problems, and the various treatments available. How important is that kind of training and education for Baxter Group and what is its particular importance in a country like Argentina?

In renal chronic disease there are three different treatment options: hemodialysis, peritoneal dialysis and transplant.

In the first case, the patient needs to go to the hospital every two days, three times a week for three hours, which means that the patientâ??s daily activities could be affected.

Due to the characteristics of the Argentinean market, hemodialysis accounts for 95% of all dialysis treatments altogether, being PD treatment only 5%. Keeping in mind that in other countries this treatment accounts for up to 30% of all dialysis treatments altogether, there is an opportunity to improve patientsâ?? quality of life by developing PD in Argentina, which allows the patientâ??s treatment at home.

Such a treatment improves the quality of life of the patient; therefore, it is important that governments and health professionals be aware of the economic advantages of dialysis at home and that is the reason why the patient must be fully informed as regards therapeutic options available to them in order to deal with their chronic renal disease. To achieve this, Baxter has a highly qualified team of clinical coordinators that are capable of training patients, nurses and physicians throughout the country through trainings, workshops and conferences.

In brief, if we put together high quality products, ongoing medical education and lower- impact treatments from the economic point of view on the governments, the result is a renal community with a better quality of life.

If we were to come back to Baxter Argentina in five years, what would you like to have achieved?

Thinking about the future and drawing up a long-term strategy is essential for a Company like Baxter, so Baxter Argentina is involved in a Latin American program with two other countries and a consulting company to develop our strategic plan. Here in Argentina we have come to realize that the best strategy for us would be to draw up a plan for the next three years.

We are investing a lot in hospital business by building up a special sales force and registering new products.

As you have seen, due to the therapies we deal with, we should stay close to patients, governments, HMOs and other society actors on a daily basis. That is exactly the commitment that fires us up to think about how to improve the quality of life of those patients depending on our products, which turns out to be highly motivating to be able to keep a permanent future-driven mindset.

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