Interview with Martin Hagenlocher, Managing Director, Bayer Austria GmbH

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You have been with Bayer for almost 15 years. What would you say defines your loyalty to the company, and has the time so far met your original expectations?

Bayer is a great company today; it was also a great company when I joined in 1998. The fascination with innovation has always been in the genes of the company. The old mission statement of Bayer in those days was competence and responsibility. Dealing with pharmaceuticals creates a certain responsibility towards patients and physicians. That attracted me in those days. Bayer has seen tremendous developments in the past fifteen years, as well as some difficulties such as product withdrawals, tough times with the pipeline, or a gap in new products. Nevertheless Bayer has very committed people in the organization. Bayer is also more than pharma; it is also consumer health, diabetes care, and animal health. Furthermore, it is more than healthcare, with its subgroups Bayer CropScience and Bayer MaterialScience.

Having worked here since 1998, and CEO since 2002, what would you highlight as some of the major milestones or achievements since assuming this responsibility?

Looking back, it comes down to products and people. In terms of products, there have been many fascinating launches such as Avelox®. In the launch year, Austria achieved the highest market share globally for this product. The company also launched Levitra® during this time. I think the last few years have been a new and exciting period for Bayer. Recently the company obtained approval for Eylea® in Europe – a new treatment for wet age-related macular degeneration. Furthermore our innovative anticoagulant Xarelto®, which is already used successfully for stroke prevention in

patients with atrial fibrillation, has received approval for new indications. There are now two or three companies with new compounds in this segment after sixty years of no innovation in the area. That is a real advantage for patients, and there are more to come. Bayer now has a strong internal pipeline which will be the basis for growth in the coming years. If I look back at huge events concerning both people and products, Bayer has been very active in the merger and acquisitions (M&A) arena. Sometimes this leads to difficult moments as good colleagues with whom you have worked over the years leave for another company. In terms of large acquisitions, I played a global role during the Schering-integration, the biggest acquisition Bayer ever made. In this process global business units and global regional functions were integrated. That was a fascinating time. With regards to people, part of Bayer's corporate social responsibility is ensuring our employees are well qualified and trained. Bayer Austria has developed an award-winning program for young leadership development, called the Bayer Academy. It is fascinating to see individuals grow when you overlook such an organization for many years.

Bayer has over 5,000 products in its portfolio worldwide; how does it look in Austria, and what therapeutic areas are at the forefront of Bayer's innovation?

Bayer's portfolio in Austria does not differ much from our global core portfolio. In terms of pharma, Bayer's franchise in cardiology is on the rise. In general, the company is still a strong player in the antibiotic market segment. Bayer is also a clear market leader in the field of women's healthcare. For the men's healthcare franchise, Bayer has its erectile dysfunction and testosterone-based products. In the specialty segment, Bayer also has a strong position in the neurology sector, and gains importance in pulmonary hypertension. Bayer is also involved with the self-testing segment of diabetes, the company produces and sells devices that allow diabetes patients to monitor their blood-glucose levels.

You mentioned that you were the market leader in a number of these divisions. Are these at the level you personally want them to be, or do you believe there could be room for improvement?

There is always room for improvement, and I think one should never be satisfied with what you have, without devaluing what you have achieved.

We spoke to Viktor Geisler of Bayer in Russia who talked about the peculiarities of the Russian market, and that different markets require different mentalities. As a national spokesperson for a number of Balkan country affiliates for Bayer, to what extent does this work for you?

Bayer Austria has had the responsibility for Southeastern Europe for three years now, but Bayer manages its business with central platforms for business-enabling functions like HR, finance, communications, and accounting. These platforms provide professional services at a good price to

all the subgroups operating in a country. Bayer also has compliance and legal functions here. With these enabling functions we ensure a common image and appearance throughout operating countries. This is a unifying function inside Bayer with regard to the company culture. The business responsibility remains within the subgroups, it is not steered out of Vienna. From the business perspective I am responsible for Austria and managing the Austrian market.

Austria has one of the best education systems in Europe, with a solid infrastructure and very good talent pool. To what extent is Bayer Austria tapping into these resources, and could you highlight some of the strategic partnerships you have with local research institutes or spinoff companies?

From the structure of Bayer's business, the company does marketing, sales, and clinical research in Austria. Here the company is involved in phase II to phase IV clinical study programs: some local studies, but mainly multinational clinical studies. I think Austria has a very good infrastructure for clinical studies. The country has high quality research institutes, university clinics, and the hospitals outside of universities have very high standards and qualified personnel to run clinical studies. There is a good base for clinical research in Austria and also with reasonable support from government given the tax situation. It can always be better; but I think here we are in a very good situation. By investing in clinical research, you also finance opportunities for high quality researchers whom you can keep in the country, and subsequently this makes your medical institutions more attractive. This is in the face of competition from people who choose to travel for their treatment to places like Dubai or the US, for example. If we have high quality clinical research in Austria, we are also more competitive here.

How do you think Austria rates to places like Dubai; do you see the country serving as a beacon for the globe?

I do not have any statistics, but I can see that there is significant development in medical tourism, for people who get treatments here in renowned private hospitals.

Dr. Spatz of Teva Ratiopharm is expecting a very high growth segment of OTC in the next year at around 7 percent. Do you expect the same high growth for your market in the Austrian context?

Bayer is the clear market leader in this segment. The growth is sometimes a little more difficult if you already have very high market shares in different segments.

In addition to a strong commitment to CSR, you also have a very strong corporate culture, centred on the "LIFE" acronym (Leadership, Integrity, Flexibility, Efficiency). How do you foster the LIFE environment within Bayer Austria, and what are some of the notable results?

The most important thing is to lead by example. It is not something you instil with workshops; it is rather a process, and the most crucial point is to live the LIFE values. We of course do employee surveys with follow-ups, and we rank very highly in Austria compared to the local benchmarks. Social interactions and respect are of utmost importance, and recently we have been fostering a feedback culture. European-based companies do not typically have a feedback culture as compared to the United States. This is something on which Bayer is still improving. Open and honest feedback is an important cornerstone of a good company culture.

As of this year, Bayer was ranked 7th by IMS for top pharmaceutical companies in Austria. Where do you plan to take Bayer's operations in the next two to three years?

I am not very concerned about Bayer's ranking; it sometimes depends more on which of the other companies are merging more rapidly. From a customer's perspective, Bayer's position is not relevant. We certainly want to achieve above-market growth in the market, and Bayer has a large and solid portfolio to achieve this. The statistics also depend on whether it is retail figures or combined retail and hospital figures, and usually they do not reflect rebates in hospitals or expensive specialty products that are directly distributed. Bayer is seen by its customers as an innovative company that comes up with new solutions for them, and that provides drugs that are of benefit for the patients. It is also a company that provides proper advice and information and high quality, objective information.

You are German but have been living in Austria for eighteen years, and had previously worked for a French company. Are there any nuances in staff management you have noted that required changing in order to fit better the Austrian context?

I do not perceive myself as having changed my style. Rather, it has evolved over the years. I worked in the Munich branch of Sanofi, and Bavaria has more similarities with Austria than with some parts of Germany. Adaptation flexibility is required more often nowadays. Everybody works in international teams, as Bayer Austria holds responsibility for Southeast Europe.

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