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The Chairman of Ferring's Group Operating Committee and Senior Vice President Europe-Canada elaborates on how Europe can be the thinking engine for global pharmaceutical trends.

Ferring has bundled the European and Canadian markets into one single region. Could you please introduce us to the full scope of your role and explain why the European and Canadian markets are considered to be one region?

I believe that it is a rather standard grouping within the pharmaceutical industry. The market access system in Canada is similar to the market access system in Europe in terms of negotiations with the payer as well as public governance for instance. Hence why it makes sense to regroup Canada with Europe rather than with the USA.

At Ferring, we need to operate as a matrix organization and I have two roles within this. Firstly, I am responsible for the commercial operations in Canada and Europe which includes the CIS region and the developing markets of the east. And secondly, in 2016, we changed our governance structure and as part of this change I gained the additional role of chairman of the Group Operating Committee. Having grown from some 100 million € to almost two billion € in annual sales in a

relatively short time, Ferring's owner—Frederik Paulsen— and his executive leadership team recognized the challenges accompanying rapid growth and the consequent necessity to change our organizational structure. The goal was to reignite innovation and ensure Ferring stays true to the original spirit of the company which fosters innovation and local initiatives. Subsequently more responsibility was placed upon the local affiliates empowering and encouraging them to act locally.

We also created a group operating committee which runs the day-to-day operations, allowing the executive board to focus more on the long-term strategic positioning of the company while we focus on short to mid-term targets. I am the chairman of this operating committee which includes as members the heads of all functions involved in day-to-day operations (commercial, product supply, regulatory affairs, global marketing, global regulatory affairs, legal, HR, finance). The vision of Frederik Paulsen and his Executive Board is to enable Ferring to act faster, in an even more innovative way, which entails that the company must be run by the people close to the business. The matrix organization with the group operating committee at its head, allows us to achieve just that: remaining a fast, flexible and highly innovative company.

I would like to add that the beauty of working in midsized companies is the flat organization. You are aware of the number of people involved and decision making is a short process, whereas in large organizations, one needs to go five levels up and it often becomes too big to move.

Given the rapid growth of Ferring in its past, is it a challenge to maintain this particular spirit and culture?

Indeed it is. Frederik Paulsen and his Executive Board witnessed that the ease of the decision-making lessened as we grew, but they also understood the need to maintain this midsized company spirit, harnessing all the benefits it offers. Maintaining this spirit has not always been an easy task, nonetheless I am confident that by adapting as we have we are able to succeed in remaining true to our original spirit.

What did you do to ensure that this spirit is maintained in the various regions?

The second idea of our owner was that, as we continue to grow, these pyramid structures that naturally establish themselves within the company need to be avoided. The creation of the Group Operating Committee together with a general trend towards pushing decision making down by at least one level in the organization is the first step in avoiding the establishment of these structures.

Moreover, in the regions we created what we call “Local Board Operating Entities” (LBOEs), which are best described as standalone new businesses. The idea is to identify growth spots within different markets and regenerate innovation in new entities which are responsible for their own manufacturing, R&D, sales organization etc. all remaining within the Ferring organization. The current growth spots where we have established LBOEs are China, Japan, India, Brazil, the US and Russia; all markets in which we experience rapid growth. By having chosen this type of internal organization, we ensure that processes and innovative ideas do not have to go through the ‘big machine’ and subsequently get killed by the structure. Quite on the contrary, such entities ensure that innovations and business happen where they need to happen!

Given the shift of geographic significance in the pharmaceutical landscape towards emerging economies, how do you ensure your region remains relevant?

The sales contribution from our European operations has decreased from approximately 50 percent ten years ago, to 40 percent today. However, this aligns with our long-term objective which is a scenario in which Europe and the US market are generating a third of our revenue each, with the remaining third being generated in the rest of the world. Nonetheless, I do not want Europe to be perceived as the slow-moving market of our organization. Quite the contrary, Europe is profitable and therefore generates needed finances for the development of our businesses in other parts of the world. In other words: Europe remains the profit engine of Ferring and we are proud of the fact that we generate the finances enabling the needed research and growth in our fast-growing markets.

Obviously, it is not motivating if I tell my people that we are characterized by slow growth of two or three percent due to the prevailing cost constraints and price reductions in this part of the world, and frankly, we are not at all characterized by that. Hence, I am continuously highlighting that we are essential to innovation and having established the LBOEs does not mean that we will become less significant within the innovation processes. I am convinced that Europe can be the heart of the company’s transformation process due to both: the business success and high innovation capacity.

Moreover, the pharmaceutical industry is currently facing a commoditization trend across the globe which is why the times of a long period in which high price sales can be achieved are over. Payers are increasingly pointing towards your competitors and choose solely on a price basis, which creates the need to move away from a pure product sales basis towards establishing service platforms which create added value by addressing the real need of the patient whether that be a

drug, a form of diagnostic, financial solutions and so forth. In Europe, the pharmaceutical industry is comparatively advanced which is why I believe that we are naturally at the forefront of this development. Being the key player in the fertility and obstetrics markets, Ferring in Europe has a splendid position to be the driving force behind this development by re-listening to patients and consequently setting up a set of services accompanying our core business. These sets of services bundled on a service platform can accompany patients and provide information regarding subjects such as their genetic profile, the availability of assisted reproduction services in their neighborhood, how to finance fertility treatments, and more.

Our second area of expertise is inflammatory bowel diseases such as ulcerative colitis—a chronic inflammatory bowel disease—and when you listen to patients you realize that they are often in a miserable situation as—although they keep taking their medicine—they constantly worry about when the next crisis may happen. In this area, for instance, I believe we can add value to our drugs by providing devices or new methods of diagnostics which will measure the level of gut inflammation thus giving warning signs which would ease the patient's life considerably. Another area where we can improve the life of the patient is by utilizing what is now called the "big data". Mining and analyzing big data could not only establish new pathways of diagnostics through analyses, but moreover be used to seek patterns in the day to day life of patients which are associated with their inflammatory crisis. Europe is very well positioned to be the global driver behind all of the aforementioned trends and developments, and as company this is also exactly where we want to be!

Taking the big data and digital advancement as example of the developments within this vision, one sees that this topic in the past has been rather slowly embraced. How do you ensure this dimension is fully embraced and approached appropriately?

Indeed, there are great ideas and what is needed now is to actually start somewhere. The LBOEs we have created are great for initiating some of these ideas as we quite simply say 'go ahead and do it!' My view is that we should not ask for an immediate return on investment, this will take the pressure off the LBOEs thus fostering the transformation from a risk averse to a risk daring mindset.

Ferring across Europe has been very proactive in implementing innovation in life cycle management and a lot is happening in the area of dosage delivery management. What

are the reasons behind this focus?

There are two reasons for this development: firstly, we maintain a close relationship to our patients which allows us to re-tailor our products over their life cycle according to the patient's needs. This can be, for instance, that over time we change our drugs from tablet to sachet form if we see that it will serve the needs of the patients. Moreover, we constantly scrutinize how we can make our drugs more effective. It's all about understanding the patients' needs and the science which combined lead to innovation within the life cycle of one of our drugs. A great example would be our drug called MINIRIN a peptide which normally needs to be injected, as a peptide normally gets destroyed in the stomach. As injections are typically not patient friendly, we developed a nasal spray. Then we acknowledged that for children taking a nasal spray every night is not the optimal solution. Therefore, we went back at it again and succeeded in developing a tablet and later a fast dissolving melt formulation which proved to be the right solution for children.

Secondly, given our mid-size, our R&D has to be focused. We spend considerable money on new chemical entity (NCE) R&D but in comparison to Big Pharma players, this is not a lot. This makes excellent life-cycle-management a necessity.

Market access has become increasingly difficult across Europe, how do you ensure accessibility of your drugs to your patients?

Market access has become critical to be able to sell in Europe; in response, we have already strengthened our teams with market access experts. Moreover, we have established a global market access group which develops the value dossiers of the drugs which are then transformed by the individual affiliate to suit their specific market requirements. While we worked a lot on gaining professionality in recent years, what we had not done yet—but what we are doing now—is to ensure that market access is a present dimension within the development phase of the product. This will mean that the aspect of what payers will compare the drug to, is a considered aspect, consequently ensuring that we have elements of proof that what we put on the market is as good or better than what is used and reimbursed across Europe. Ultimately, that requires that we achieve an excellent level of collaboration between our R&D professionals and our market access professionals as they simply could have different perspectives on what the drug should be compared to.

In the past, you were a strong advocate of a universal pricing system across Europe. How could such a system work?

Before the EU was established, a company had to register a drug with 20 to 30 authorities across Europe, which obviously took significant resources. With the EU came the European Medicine Agency (EMA)—a fantastic achievement—and ever since with application at one entity a drug is granted access across Europe. The next step must be the European wide Health technology Assessment (HTA), which would imply that companies could go to the entity responsible and find out the acceptable comparators across Europe prior to starting the studies required for market access.

The final step is the pricing and I am convinced that it is perfectly valid for the Greeks, for instance, to say to the pharmaceutical companies that due to the economic situation they cannot pay the same as Germany does; hence why the pharma companies then offer a lower price so Greek patients have access too. However, by doing so the drugs reaching the Greek market at a lower price will eventually be legally sold in Germany by “parallel traders”, thanks to the EU competition legislation. The importing country patients do not benefit from the lower price as most of the price difference remains in the parallel traders’ pockets. This diversion of value to the trade can be avoided by implementing a universal transactional price across Europe, a unique price at which goods are exchanged between the industry and the wholesalers, preventing trading gains which benefit the traders rather than the patients. Countries could negotiate rebates on the universal transactional price with pharmaceutical companies individually and outside of the trade, so that the net price after rebate reflects their ability to pay. This would ensure patient access across all European nations while preventing higher than justified profits in the distribution part of the value chain.

Michel Pettigrew, President of the executive board and COO of the Ferring group said he wants Ferring to hit the € 3 billion mark by 2020 and become the uncontested leader in reproductive health. What can Europe contribute to this ambition?

This is pretty much along the lines of what we have previously discussed. We can be the thinking engine which will create a state of the art platform of services adding value to our drugs. For example, REKOVELLE our newly approved drug for controlled ovarian stimulation (COS) in Europe is associated with a diagnostic tool which evaluates the level of the ovarian reserve of a given woman by measuring a specific hormone called the Anti-Mullerian hormone (AMH). If this information is

combined with her weight, you can create an algorithm which tells the doctor what the best dose of the product is. This will ensure that the stimulation process will generate the optimum number of fertilizable eggs. Personalized medicine; intelligent and avoiding extremes, state of the art!

Moreover, I believe that in terms of drugs we should continue pointing our research towards fertility and maternal health. So much need to be discovered for example in the area of egg implantation following an in vitro fertilization process; nobody fully understands the bio-chemical dialogue between a mother's endometrium and the embryo before it implants. Understanding this dialogue and possibly developing drugs that help it will greatly improve the chances of baby born. That's one of our opportunities in terms of drugs and there are also great opportunities in the area of services to patients: young women starting a professional career should be thinking about children, and when they do, they should also think Ferring! We can achieve this as we are already the major player in this segment and we must be recognized as the company for fertility, obstetrics and maternal health.

What is the significance of Switzerland in all of this?

Beyond the fiscal advantages, Switzerland is at the heart of Europe, it is very attractive to international talents and I am confident it makes sense to be here. Although the costs of operating in Switzerland are indeed very high, it remains one of the best place in Europe as it has the right ecosystem established, whether that be academia, research, industry— all is here and very well linked. Moreover, in contrast to large countries—where typically one player is dominating—the abundance of pharma and med-tech players present here means that every company in Switzerland is equal.

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