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Andras Gizur, president China & APAC for Gedeon Richter, shares his insights on the current market environment in China following the spate of recent healthcare reforms, the exciting innovations Gedeon Richter plans to launch in China in the next few years, the importance of fostering a friendly, cooperative and stable work environment, and his strategic priorities for the future.

Andras, what have been some of the key highlights for Gedeon Richter in the past few years?

Our affiliate in China is today 100 percent owned by Gedeon Richter, including both our prescription and our OTC businesses following the 2016 buyout of our local partner, GRmidas Pharmaceuticals. It was a strategic move by the company that had been agreed with our local partner from the very beginning of the JV.

Gedeon Richter China actually has three different business lines: prescription is our biggest, OTC is our second-largest business, and we also have a sourcing business here, where we buy active pharmaceutical ingredients (APIs) and intermediates from local Chinese manufacturers to supply the Group’s operations. This definitely makes sense because China is one of the largest API manufacturing countries in the world along with India.

I am responsible not only for China but also other markets in the Asia-Pacific region where Gedeon Richter does not have a direct presence. Naturally, China is our most important market in this

region.

Having been in the industry here in China for over two decades, can you comment on the current healthcare reforms and their impact on the sector here?

China has always been a tough and complex market but I would say that in recent years, it has become tougher, notably due to the reforms that are being implemented. First and foremost, companies need to change and adapt properly to all these reforms. They have to be agile enough to react properly.

That said, the government is definitely moving in the right direction with these reforms so this is overall positive for the Chinese healthcare industry. Nevertheless, for the companies operating in this space, they need to make their own assessments about how the reforms will impact their business, and in that way, develop strategies to be successful within the new, more developed and more innovative market environment.

How are you developing this agility within your organization at Gedeon Richter China?

As a company, we focus on our niche areas within the market segment. We are a leader in innovative women's healthcare globally. Most of our pipeline products here are in that therapeutic area, and with China's regulatory reforms, we are preparing to launch around six or seven new products in China in the near future. With China now an ICH member, the registration process is much more complicated than it was before, requiring more money and investment across the different aspects from clinical trials to registration and so on. Even working together with CROs is more complex than it was a decade ago.

A very big challenge is talent. There is huge competition for talent at the moment because it is not just the existing companies that need talent, CROs and new biotech start-ups are now starting to compete for talented, educated and qualified people. The talent pool is limited, of course, and HR costs have risen significantly.

In particular for Gedeon Richter, we are always looking for qualified, good people that are fluent in English and can understand international requirements and compliance standards. This is critical as we are a multinational company working to international standards. Within the competitive HR market, we need to work actively with both recruitment companies as well as through our own

efforts, depending on the requirements at the time. That said, I am happy that all but two employees at Gedeon Richter China are Chinese – myself and a new hire that recently joined from Hungary, who is responsible for financial and compliance aspects to strengthen our financial capabilities for the future. Everyone else is Chinese, which also shows the great efforts we have made in localizing our team here.

Having been here for 22 years, you must have developed some cultural affinity for working with the Chinese. What lessons have you learnt?

I am definitely very used to working in China now. For me, personally, I understand how local Chinese people think and work, and part of my role is to explain this to HQ because of the cultural differences. That said, the affiliate has been here a long time as well so HQ is very familiar with the complexities and characteristics of the Chinese market. I am happy to say that our relationship with HQ is very smooth and communication is very stable.

One of the important factors contributing to this stability is the consistency within the Gedeon Richter China team. This is one of our strengths, I believe; from the leadership to middle management level and even down to the supervisor level, many of our staff have been with us for ten or even fifteen years. This stability is very important. At the same time, we also need fresh blood and fresh talent, particularly in this changing and challenging environment. But having this balance of stability and freshness is critical to provide new ideas and drive our ongoing development.

As GM, aside from the financial factors to consider, I think it is very important to foster a friendly environment built on mutual listening and understanding. Cooperation is very important as well. When you are able to foster that kind of work environment, it is easier to have good staff retention.

Looking at Gedeon Richter's portfolio in China, what are some of the upcoming product launches?

Globally, our specialty areas are women's healthcare and CNS. Our presence in China is aligned with these two areas.

Product launches in China are always resource-intensive, requiring both a lot of investment as well as a lot of time. We have many innovative products in our portfolio globally that we are looking to

bring to the China market, for instance, REAGILA® (cariprazine), which was developed in-house. We are very proud to have developed this product in-house, as a Hungarian company. This product is already successful in the US market.

We are also looking to launch other women's healthcare products like contraceptives, hormone replacement therapies (HRT) and some others. We anticipate that these will all happen from 2020 to 2024. At the moment, to prepare for these, we are also strengthening the capabilities of our women's healthcare teams to support all these product launches.

What is positive is that in China, there are KOLs and top doctors that are very aware and knowledgeable of global industry developments, so they would already be familiar with our products and new therapies in the areas of women's healthcare and CNS. We have a good network with KOLs along with CROs, and we are continuously developing our contacts and presence in these areas.

Gedeon Richter has a very strong reputation in Europe in women's health and CNS, and in China, this is true for CNS. Our most successful products belong in that category. However, in the women's healthcare area, there is still more work to be done. We have two products already in the market but we would like to grow our leadership position further.

The competition has always been fierce in China, especially when it comes to the tender process for prescription products, as well as continuous competition from local players. Nevertheless, I think we have a strong positioning locally and I am positive this will continue to grow.

Until 2017, Gedeon Richter's China's affiliate was actually larger than the US affiliate in terms of revenues, which is rather surprising. What is the strategic significance of the China market to Gedeon Richter?

China has always been very important for Gedeon Richter and we are ranked number four just after the US market, and now with the reforms, I am sure our importance will continue to grow. Present sales and turnover figures are very important but we are also looking at the growth potential in the future with all the new regulatory reforms and faster approval timelines. The sourcing part of the business will continue to be very important as well because these APIs and raw materials are key to our global manufacturing supply chain. It is a very complex market and there is always the pressure to perform.

What are your strategic priorities for the next few years?

Firstly, we want to have the right answers and solutions to all these market changes and successfully complete the registration processes for all the products in our pipeline. At the same time, we want to maintain our successful business with our existing portfolio.

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