Richter Group
News

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2009/1
Dear Reader,

It is a pleasure to greet you on the occasion of the appearance of the first issue of Richter Group News! Gedeon Richter Plc. has grown from a family enterprise into a multinational pharmaceutical undertaking. Through a market network extending over five continents, products manufactured in Hungary and five foreign production subsidiaries reach the inhabitants of more than 100 countries around the world. The Richter Group’s overall performance can be expressed in figures, but is much more than the sum of the outputs of its individual members. And it is not only efficiency that makes it important for us to know more about each other.

Richter is like a big family as we often say. So we should maintain contact, inform each other of significant events in our lives, our latest achievements and new developments in the world around us, as befits family members even when they live continents apart. This is exactly what we would like to achieve with our new internal, international publication. To establish a forum for “family members” so that they can report on and receive a taste of each other’s daily operations, problems that come up in the course of work, successes and the particularities of different markets. We hope that Richter Group News will not only bring its readers agreeable and entertaining moments but, by sharing our experiences contribute also to their professional growth.

We plan for our publication to appear quarterly and to be distributed partly in print and partly in electronic form, in accordance with preliminary estimates of demand. I trust that you will find the first issue of Richter Group News to your liking and will contribute to its success by submitting your reports, articles, photos and useful ideas.

Wishing you all a pleasurable and useful read,

Zsuzsa Beke

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On 16 March 2009, William de Gelsey, Chairman of Gedeon Richter’s Board of Directors and Senior Adviser to UniCredit CAIB Securities, was presented with an award “For Services to the Hungarian Economy” by Gordon Bajnai, Hungary’s Minister for National Development and Economy. The renowned Hungarian-bond investment banker has over many years placed his international experience and reputation at the service of Hungary’s economic and financial interests.

Since Creditanstalt’s return to Hungary, William de Gelsey has been particularly helpful in assisting Hungarian companies to integrate into the world economy. As Chairman of the Board at Gedeon Richter Plc., Mr Gelsey has made a significant contribution to enhancing Richter’s recognition abroad as well as preserving the company’s independence.

A British citizen, William de Gelsey is the son of Baron Henry de Gelsey and Baroness Marguerite de Gelsey. Mr Gelsey was educated at the Royal University Catholic School in Budapest, then obtained an MA in Natural Sciences from Trinity College, Cambridge. He gained industrial experience at Imperial Chemical Industries, followed by management consulting. It was in 1960 that he turned towards investment banking. First he was appointed managing director of Hill Samuel & Co. then became deputy chairman of the international investment bank Orion Royal Bank. In 1988 he moved to Vienna where he resides to this day, working as a senior adviser to UniCredit Bank (former Creditanstalt). Following Gedeon Richter’s privatisation, an operation steered by the Hungarian subsidiary of Creditanstalt, Mr Gelsey was elected Member of the Richter Board in 1995. He has acted as Chairman of the Board for 10 years. To honour his self-sacrificing service to the Hungarian Catholic Church, in 2005 William de Gelsey was appointed Knight Commander of the Order of St Gregory the Great by the late Pope John Paul II. Mr Gelsey played a major role in having 320-year-old Royal University Catholic School reinstated in its original building. Banned from operating between 1948 and 2004, the school is now run by the Metropolitan Archdiocese of Esztergom-Budapest and caters for the Catholic upbringing and education of 600 students.

On the occasion of Hungary’s National Day 15 March, William de Gelsey was presented with a medal “For Services to the Hungarian Economy” by the Hungarian Republic’s Minister for National Development and Economy on 16 March 2009.

Crisis in competitiveness
Massive forced contributions from the pharmaceutical industry

Hungarian manufacturing of pharmaceuticals boasts a century of tradition. It owes its worldwide reputation and recognition primarily to the high intellectual added value of its products resulting from research and development. It is often said in economic and political discussions that it is precisely this segment of the economy – the manufacturing of products of high intellectual added value – which could provide a break-out point for Hungary where the country can compete in EU and world markets. But though domestic pharmaceutical manufacturers are considered, due to their financial resources, experience and highly trained workforce, the major champions of Hungarian innovation, their competitiveness and thereby also that of Hungary is in danger. The effects of the Hungarian law on the finance and reimbursement of pharmaceutical products and its revisions have dealt it a major blow.

In view of the role of domestic pharmaceutical firms in the national economy, they deserve subsidies rather than having to provide contributions to the public purse; the more so since pharmaceutical industry is a sector less affected by recession, a particularly important aspect to consider when economic crisis threatens. Important though it is to keep the budget for drugs under control, the pharmaceutical sector has a much wider impact on the national economy. That is why any problems arising need a complex approach from the government, through continuous coordination between the Ministries of Health, Finance and National Development and Economy.

Manufacturers are again confronted by the so-called medical representative fee. Keeping the drugs budget at the previous year’s level is itself a problematical issue, since owing to new drug listings a multi-tier reimbursement system is expected to be instituted in 2009. Price reductions on the domestic market have also had a negative effect on the prices which can be charged for exports.

The contributions required under the reimbursement system laid down in the law on the finance and reimbursement of pharmaceutical products have also put domestic pharmaceutical manufacturers’ competitiveness at further risk, especially in view of the looming economic crisis. As a consequence of the sector-specific taxes and forced contributions, domestic pharmaceutical manufacturers have to operate in highly unfavourable economic conditions. The impact of the law has thus been a significant setback in the competitiveness of domestic manufacturers. The forced contributions may also result in reductions in spending on research and development, CSR and new investment as well as on the important role these manufacturers play in the domestic labour market. That is however, a matter for the national economy.

Erik Bogsch, CEO
"Investor of the Year" certificates are presented annually by the Hungarian Ministry for National Development and Economy and ITD Hungary to those companies which have contributed most to the development of the Hungarian economy and the growth of employment in the previous two years. In 2008 Gedeon Richter received a prize for its highly significant R&D cooperation primarily in the educational field.

Total investment by award winners exceeds 1.2 billion euros, providing directly some 5,200 new jobs. Mercedes-Benz Manufacturing Hungary Kft. was recognised for the largest greenfield investment of the period 2007–2008 and for the most jobs created. The company’s new 800-million-euro investment in Kecskemét will provide 2,500 jobs. Hamburger Hungária Kft. won the award for largest expansion. By enlarging its production facilities which recycle waste paper to create packaging material, the company is creating some 300 new jobs.

IT Services Hungary Kft. was recognised for creating the largest regional service centre in 2007–2008. It is establishing service centres in Budapest and Debrecen, creating 1,745 new jobs in Hungary. For the fourth time, one of the six certificates went to the most investor-friendly industrial park. In 2008 awards were made to the Szolnok Industrial Park and the Szolnok local authority.

Gedeon Richter received its award for its highly significant R&D cooperation primarily in the academic field. As a pharmaceutical company, Richter manufactures products of particularly high added value. Among companies in Hungary and the Central-Eastern European region, Gedeon Richter spends the highest proportion of turnover, 10% on average, on research and development. One secret of its success, among others is that since its founding in 1901 it has built upon Hungary’s intellectual strength, the expertise accumulated over the generations. This is why an important element of its strategy is to support scientific education in Hungary and keeping young people in Hungary – and at Richter itself. It also places great emphasis on cooperation in the industrial and academic sphere. Richter operates joint research projects with more than thirty leading Hungarian universities and academic research institutions. A good example is the laboratory, researching into the source of pain and its alleviation by drugs, established in the Transdanubian Regional Research Center at the University of Pécs with the assistance of a contribution of several million forints from Richter. In 2008 the University of Debrecen and the management of Gedeon Richter decided on a basis of common interest to expand their successful professional cooperation with further grants to research and doctoral studies. In the same year the Debrecen local authority, the Hajdú-Bihar County Chamber of Commerce and Industry, the University of Debrecen and Gedeon Richter Plc. signed a strategic partnership agreement. Its goal is that in the medium term Hungary and Hajdú-Bihar County should become an economic environment where the engine of the economy is knowledge and innovation and where Hungarian enterprises are capable of bringing to the market globally competitive products and services.

Winners of the Investor of the Year 2008 Certificate:

• “The largest greenfield investment” – Mercedes-Benz Manufacturing Hungary Kft.
• “The largest new investor” – Hamburger Hungária Kft.
• “The company creating most new jobs” – Mercedes-Benz Manufacturing Hungary Kft.
• “The company establishing the largest regional centre” – IT Services Hungary Kft.
• “The certificate for research and development” – Gedeon Richter Plc.
The competition was open to architects who had projects completed and brought into use after June 2006. The goal was to help to develop architectural and environmental culture, create new values and conserve traditional values, as well as to encourage participants to co-operate in the creation of the urban environment and in planning and building or rehabilitating buildings in value-adding ways to the highest standards.

In their evaluation, the committee stressed that Richter’s award-winning Chemical Research and Office Building was neither superficial, angular nor “cold”, nor dignified in an authoritarian manner, but rational, innovative, functional and well-suited to its site: elegant and easy on the eye. The role of the knowledge industry and the use of innovative, novel value-creating solutions received special mention in the committee’s evaluation.

**Richter’s Chemical Research and Office Building in brief**

It was in 2000 that, for the first time in its history, Richter had an opportunity to make a large-scale greenfield investment at its Budapest headquarters. Seizing this opportunity, the Company purchased the next-door 14-hectare site and spent several billion forints on reshaping the new property and on its environmental remediation.
Although the present Gedeon Richter Representative office in Latvia was opened only in June 1996, the fact is that Gedeon Richter has been present in the territory of Latvia for nearly 50 years. During the last 12 years, the number of people working for the office has increased by nearly eight times – from four employees at the start to 31 in 2009. These numbers show the quantitative development of the Gedeon Richter office, but do not represent the quality of the team. We want to open up the curtain at least a little to show what the Gedeon Richter company is in Latvia. The important words here are loyalty, growth, innovation, tradition and relationships.

Loyalty
Loyalty is a word which indicates heartfelt trust in the company for which one works, in one’s partners and in one’s products. This is all possible if the team believes in the higher ideal of the importance of their work. The team at the Latvian office of Gedeon Richter is made up of people who appreciate the company’s mission and are proud to say that they work for it. The team spirit, the atmosphere at the office, opportunities for personal development, and many other factors – these are things which have ensured that Gedeon Richter has had one of the lowest rates of staff turnover of all pharmaceutical companies in Latvia.

Growth
Every company dreams of training loyal, professional employees, and the Gedeon Richter team in Latvia has accomplished exactly that. Five people from our management team began their work at the Latvian office of Gedeon Richter as sales representatives with experience of working with doctors. Each employee can see opportunities for true growth. The management team is fully cognisant of the environment in which colleagues work. In other words, they are familiar with the everyday duties of sales representatives who communicate with specialists, pharmacists, opinion leaders, etc.

Innovations
The company’s original and licensed products have added value to the image of Gedeon Richter in Latvia. These are medicines which are true sales leaders. Innovation and creative ideas are instruments which we are not afraid to use in our marketing campaigns in order to introduce new products to the market and to ensure their sustainability there. It is however a firmly established law that form can never be more important than content.

Traditions
Gedeon Richter is a company with a wealth of history, and people in Latvia are familiar with this fact, too. Doctors and pharmacists are always eager to respect tradition, because that is a value which strengthens trust in the company. That was seen clearly when Gedeon Richter celebrated its 100th anniversary in the Latvian capital, Riga. In 2006, we launched a new tradition, “My Pharmacist,” and repeated the project in 2008. People visiting pharmacies were asked to fill out a form in which they indicated their favourite pharmacist, thus saying thank you for kind words, nice smiles and good advice. The “My Pharmacist” project positioned Gedeon Richter as a socially responsible company, concerned for public health and welfare. It has also ensured that the name of Gedeon Richter is well known among specialists, pharmacists and the public at large.

In 2005, the company began an education and loyalty programme for pharmacists, “The Postinoor Academy.” We did not imagine that this successful project would turn into the much broader programme known as the “Gedeon Richter Academy.” Nearly every employee of Gedeon Richter uses the academy as an instrument which supports the company’s reputation and its level of product recognition.

A few facts about the pharmaceutical market in Latvia
Latvia is a comparatively small country, with 2.3 million residents, and this determines the relatively low turnover of the pharmaceutical market – LVL 200 million (EUR 285 million) in 2008 (provisional data). The market for generic medications represents around one half of that turnover in Latvia. Medicines covered by national compensation rules represent around 30% of total consumption of medicines. In 2008, the state paid an average of EUR 4.7 per capita for compensated medicines – one of the lowest indicators in the EU. That may be why 30% of the market for medicines in Latvia is controlled by over-the-counter products. As is the case throughout the world, growth in the pharmaceutical market in Latvia has been directly in line with economic growth. The market grew rapidly until 2009 – by 48% in 2007 over 2006, and by 10% in the first half of 2008 compared with the first half of 2007. The price of medicines increased substantially over the last several years, particularly for products for which no state compensation was paid. This had much to do with the growth rate in the market for pharmaceuticals. The beginning of 2009 has brought economic difficulties, and development of the market has come to a halt. Every participant in the market is forced to devote all its strength just to maintaining its position.

The Gedeon Richter portfolio in Latvia
According to IMS data from 2008, Gedeon Richter is in 12th place in Latvia among pharmaceutical firms, and represents 2.2% of the market in terms of value. The Gedeon Richter Representative office in Latvia mostly works with products related to cardiovascular diseases, neurology, gynaecology, cardiology, psychiatry, rheumatology and urology. Among the top products are Calvion and Mylocarm, which are both original Gedeon Richter products and represent a substantial part of the company’s turnover, as well as Lindyntie, Aftal, Avonex, and emergency contraception. Several new products that have been introduced over the last several years and have attracted the trust of both doctors and patients include Aftal, Escapelle, Omsial, Azalia, and Columit.
In launching the My Pharmacist project, Gedeon Richter has gained a strong cooperation partner in the Pharmacists’ Society of Latvia, an opinion leader both for pharmacists and mass media, whose support for the project provides important added value.

During the course of the My Pharmacist project in 2006, 2991 postcards and 1055 letters were received in which the choice of a particular pharmacist was explained in positive terms. After the closing event of the project, each postcard and letter was delivered to its rightful recipient, the pharmacist described in the postcard or letter. 115 favourite pharmacists, representing towns and districts in Latvia who received the most votes from their daily evaluators – pharmacy customers – were invited to participate in the closing event of the My Pharmacist project. The event turned into a very emotional and heartwarming experience, because people who had written the most cordial words about the pharmacists special to them, were the ones asked to present awards to those pharmacists. The closing event of My Pharmacist was a celebration for those pharmacists who welcome and give useful advice to each and every customer of their pharmacy every day.

The project was repeated in 2008 to continue the tradition. People had the opportunity to vote for their favourite pharmacist in every pharmacy in Latvia from the 1st of March until the 1st of May. Volunteer participants in the project completed postcards, available in every pharmacy, or could cut out a voting form or write a letter. When completed, postcards, forms, and letters were put in voting boxes provided in each pharmacy.

To encourage participation, it was announced that the senders of the most cordial postcards and the author of the best letter would receive surprise presents from Gedeon Richter.

Members of the jury of the My Pharmacist project came from the Pharmacists’ Society of Latvia, the women’s magazine Marta and Gedeon Richter. They selected the winning pharmacist in each town and district by adding together all the postcards, ballots and letters. A heartwarming celebration in honour of all the winners of the project took place on 12 June 2008.

The information sources for the project in 2008 were the weekly women’s magazine Marta, and the Pharmacists’ Society homepage www.farmacijamic.lv. Interviews with winning pharmacists were published in Marta magazine. At the end of the project the awards ceremony was to be reported in Marta magazine. Comprehensive information for pharmacists about the project was posted on www.farmacijamic.lv.

This cooperation also provided a special chance to learn pharmacists’ opinions on the project and to make improvements during its course.

The social character of the project attracted favourable media attention, thus increasing the resonance of the project in Latvian society and positioning Gedeon Richter as a socially responsible company caring for the health and well-being of society.

In 2006 Gedeon Richter launched the ”My Pharmacist” project in Latvia with the aim of developing a long-term relationship with pharmacists. A project of this kind was an innovation in the pharmacy field in Latvia. Pharmacy customers were asked to value their favourite pharmacist and thank him or her for their smile, advice and kind words! By implementing this project, Gedeon Richter wanted to show what beneficial and special work pharmacists do every day.
The Polish pharmaceutical market is one of the fastest growing pharmaceutical markets in Europe. According to IMS Health data, the value of transactions in 2008 amounted to over 17.5 billion at manufacturers prices (4.2 billion EUR). Pharmacists’ sales in 2008 exceeded 25 billion PLN (6 billion EUR), 10 per cent higher than in 2007. The 2009 forecast is much more cautious: the market is expected to grow by no more than 5-6 per cent, with the OTC group of medicines gaining the most.

The Polish pharmaceutical market is highly fragmented. It has about 350 active companies, 15 per cent of which (i.e. about 50 companies) control over 80 per cent of drug turnover. Gedeon Richter’s turnover (in value) puts it among the top 15 manufacturers.

Generic drugs dominate the market. The number of generic drugs has increased from 1,000 in 2004 to over 7,000 at the beginning of 2009. This is favoured by the state refundable policy that aims at limiting surcharges on more expensive innovative medicines – a tendency present in the whole of Europe.

**Legal article changes**

The medicine sales market is largely dependent on changes in the law. A further amendment to the Polish Pharmaceutical Law is planned in 2009. This much discussed project includes, among other things, tightening margins on refundable drug prices, a ban on combining retail and wholesale activity and consequent restrictions on advertising and promotion.

After the law takes effect (probably in the second quarter) prices and margins of medicines refundable from public funds will be set officially by the Minister of Health in agreement with the Minister of Finance. Thus, the same drug prices will apply in all pharmacies in the country. According to initial estimates, this change will negatively affect the costs to patients and, in the end, to the state budget. IMS Health forecasts a 16 per cent growth in the value of transactions in 2008 amounted to over 17.5 billion at manufacturers prices (4.2 billion EUR). Pharmacists’ sales in 2008 exceeded 25 billion PLN (6 billion EUR), 10 per cent higher than in 2007. The 2009 forecast is much more cautious: the market is expected to grow by no more than 5-6 per cent, with the OTC group of medicines gaining the most.

The new amendment concerning medicinal products will affect the costs to patients and, in the end, to the state budget. IMS Health forecasts a 16 per cent growth in the value of transactions in 2008 amounted to over 17.5 billion at manufacturers prices (4.2 billion EUR). Pharmacists’ sales in 2008 exceeded 25 billion PLN (6 billion EUR), 10 per cent higher than in 2007. The 2009 forecast is much more cautious: the market is expected to grow by no more than 5-6 per cent, with the OTC group of medicines gaining the most.

**Gedeon Richter in Poland**

Gedeon Richter Poland has two subsidiaries, Polfa Gdansk, a member of the Gedeon Richter group since 2002, and the newly created Gedeon Richter Marketing Polska. The last tranche of Polfa shares was purchased by Gedeon Richter from the Polish State. Completion of the privatization process coincided with Gedeon Richter’s modifying its strategy for the Polish market. The above mentioned subsidiary Gedeon Richter Marketing Polska started its activity in November 2008. It was created out of the former RG Representative Office in Warsaw and the Marketing Department of Polfa Gdansk. By joining the sales and promotional forces of the two previously separate units a new team of 430 persons was created and one of the strongest promotional groups on the Polish market came into being (GlaxoSmithKline employs about 362 Medical Representatives and Polpharma about 380). Combining promotional and marketing activity should bring considerable efficiency on the Polish market in the next few months. The new company will actively promote medicines from both Polfa and the whole Gedeon Richter portfolio. Thus, the combination has resulted in a wide therapeutic range for our representatives to handle. Areas include cardiology, neurology, oncology, gastrology, psychiatry, dermatology, gynaecology and medicines used in multiple sclerosis. The new company is managed by Mr László Nemes, formerly director of the Representative Office of Gedeon Richter in Poland.

Polfa is currently managed by Mr Tomasz Németh, who has been with the Company since 2002. After transferring its Marketing Department to the newly created company, Polfa now has over 530 employees. It finished 2008 with 10% sales growth over 2007. Polfa launched further cardiological products on the Polish market in 2008. Apart from production, Polfa is also involved in pro-social activities; it cooperates with scientific societies, initiates educational programmes, popularises medical knowledge in the press and it cooperates with many academic centres in Poland. These initiatives received a big response, reflected in winning the Company, among other things, an award for its contribution to propagating pharmaceutical and medical knowledge; another for its five-year cooperation with the pharmacists’ association (Polpharma and Servier also received this award); and the title “Master of Pharmacy” by Gedeon Richter for its focus on ethical rules in running education activity among pharmacists and doctors (awarded for the first time in 2008). Polfa’s OTC product Folik won the “Gold Otis” award, granted by Polish consumers.

**Combining promotional and marketing activity should bring considerable efficiency on the Polish market in the next few months.**
As chairman of the board of Gedeon Richter Romania, what is your view of the development of the group during the time you spent at Târgu-Mureş?

Our company’s development in the last five years is best described in numbers: in 2003 the company had 310 employees and a turnover of 6 million euros, for 2008 we predict revenues of about 200 million euros and around 2000 employees. It was a steep road full of potholes, but we achieved our results by ourselves, without help from outside consultants – in this way, all the burden and beauty associated with the expansion of the company were due to the employees.

In my opinion, maintaining stability is the most important factor today. While in 2004-2005 the local market was our only source of income and we therefore depended exclusively on the Romanian market, today we can draw on other sources of revenue. Thanks to exporting, and to other sources of revenue. Thanks to exporting, and to other sources of revenue.

We are a daughter company of Gedeon Richter Plc. The representative offices do not have independent legal status: they are incorporated units – but this is not the case with Gedeon Richter Romania. When we speak about the Gedeon Richter Group, we think of all the companies and representative offices in the multinational company, but there is also the Gedeon Richter Romania Group, which is in fact a group of companies in itself. Romania is the only country where such vertical integration within the Group has taken place.

Practically speaking, what does vertical integration mean and what are its advantages?

Until now it has been hard to monitor and control activity from production lines through to wholesalers, doctors, pharmacies and patients, and to follow up our efforts, to understand when and why they lead to success or to the contrary. Well, today we have a clear view of the entire chain that connects manufacturer, distributor, doctor (specialist) and chemist, because we have managed to build up our own system, that assures that the products reach their final destinations. The “Richter Pharmacy” network established in the course of the past two to three years and the two wholesale companies Dita and Pharmafarm have contributed to a large extent to curtailing the commercial cycle of new products, shortening the time it takes for a product to reach the pharmacies from its market launch.

As to the advantages offered by the vertical integration, I would mention first the powerful orientation it produces towards the domestic market, and secondly the shortening of the sales cycle of products manufactured and distributed by the Gedeon Richter Group. Owing to the professionalism and the competence of the employees of the wholesalers Dita and Pharmafarm, we rank 6th–7th among Romanian distributor companies, which is no small matter in such a fragmented, dynamic and – why not say it – unpredictable market, as the Romanian pharmaceutical market.

In recent years what do you see as the most significant events in the operation of Gedeon Richter Romania?

First of all, I will try to assess the importance of events. I have already mentioned the advantages of vertical integration. Another very important fact is that the R&D department in Târgu-Mureş has been granted the right to develop products for the entire Gedeon Richter Group, and the multiculturalism of Gedeon Richter Romania has been a major contributor to this. An important aspect of our activities is the development of a “centre of excellence” in Târgu-Mureş, where we produce “retail” products. Starting from the beginning of 2008 other important events occurred in the life of our company. I would like to mention the incorporation of the Bucharest representative office into the Gedeon Richter Romania Group. Thanks to this important step, the product portfolio of our marketing team was expanded with new eye-catching products and the range of therapeutic areas widened. In my opinion, the fact that in the future the “two Richters” will not be confused with one another can also be considered an advantage.

How do you see Gedeon Richter Romania Group’s position in the Romanian pharmaceutical industry?

We are still among the top few members of the Romanian pharmaceutical industry, taking into consideration, of course, the (hopefully continuous) future development of the market. Cultural harmonisation must be extended to the entire Gedeon Richter Romania Group and incorporated into each and every unit. We must raise consciousness of the Richter culture, and stress that the human factor is of crucial importance for the company.

It is important to note that the team responsible for the completion of the integration has now been put together and this offers a sense of security. Flexibility is the key, not only for success but also for survival. Stability is important in a world that changes very fast. The only question that remains is the “speed of the change” and our capacity to react and adapt ourselves.

How do you think the economic crisis will affect the pharmaceutical market? Will 2009 bring anything new?

Of course it will, and without any doubt some things have to change: the present situation is unacceptable. During discussions with colleagues from other companies like Zentiva, Sandoz and Terapia, and other important local pharmaceutical companies, we agreed on a common perception of the present situation in Romania. For this reason we decided to withdraw from the Romanian Pharmaceutical Producers’ Association, which is passive and low-profile at the moment. We founded the Romanian Generic Pharmaceutical Producers’ Association, which will be more active, braver and which includes the biggest Romanian manufacturers of pharmaceutical products. The founders are Terapia-Ranbaxy, Ozone and Gedeon Richter. Other companies such as Zentiva, Antibiotice, Labormed, Actavis, and Vinspectrum have indicated their intention to join. The necessity of establishing the association is seen by the fact that domestic producers benefit from only 20% of the revenues of products sold on the Romanian market, while they produce 80% of the country’s pharma consumption needs. Cheap and populist phrases can’t be sold anymore. After the „euphoria” of a prominent market perspective we have to recognise the lack of political and legal stability. This is why nowadays investors are extremely careful, and many believe that the Romanian market is fairly risky.

As far as Gedeon Richter Romania is concerned, we can say that, despite the economic crisis, we are not in a critical position. Local generic pharmaceutical producers without substantial export volumes will survive the crisis only with considerable difficulty, if at all. Given our company’s current situation, that is to say, our performance on both domestic and foreign pharmaceutical markets, we are confident.
Speaking openly about sexual education is not easy in a country where sex education at schools is still a taboo. The "1+1=3" campaign is a truly outstanding project which, on the one hand, made a breakthrough in ways of talking about birth control in public and, on the other, fulfilled a burning need for such information. The campaign put in the focus not only women, as was usually done before, but also men – mainly the young ones. Moreover, it also addressed breastfeeding mothers, who often lack sufficient information on birth control in their condition.

The starting point for the campaign were the alarming statistics regarding young people having unprotected sex, resulting in adolescent pregnancies, legal and illegal abortions, dramas linked with family pathologies and even adolescent suicides. Gedeon Richter sponsored 2 surveys performed by the prestigious Polish research centre CBOS: "Sexual behavior of young people in Poland" and "Situation of adolescent mothers today and a few years ago". Both confirmed the burning need for sex education. Over 51% of young Polish people think that knowledge about sexual life (including contraception) delivered by school is insufficient. Their main source of information are peers/friends (55.4%), Internet (43.9%), teachers (34.9%) and youth magazines (32.6%). The survey showed that young people would prefer to receive this information from parents (73.9%), school (6.6%) or doctors or pharmacists (35.7%). Three-quarters of respondents believed sexual education classes should be obligatory.

The goal set for the campaign was thus to provide this education in such a way as to engage families in dialogue with their children, encourage teachers to be more open about sex education and to help build communication between experts and the wide public. To strengthen the campaign with external expertise, we gained the Polish Gynecologists Society & Family Development Society as honorary patrons. In addition, we obtained national media patronage and also local media patronage for each event.

The first activity prior to the research was the organization of Month of Conscious Parenthood. It was a series of special events which took place in different parts of Poland, beginning with Mother’s Day (26 May), then Children’s Day (1 June) and finally Father’s Day (23 June). In five Polish cities, special campaign-branded tents were set up to which young people, children and their parents were invited to participate in educational and entertainment games. Young people also had an opportunity to consult a gynecologist or sexologist. A special discreet place was set up, where one could talk face to face with an expert. People also received the educational brochure "Contraception guidebook – how to plan a family consciously", a publication with simple words, vivid graphics, direct communication prepared in cooperation with the Polish Gynecologists Society.

Next important activity was education during Heineken Open'er Festival – the biggest young people’s event. This was the second time when we appeared during such an event: there was a tent called Intim Zone by www.wpadka.pl (our famous website dedicated to emergency contraception). Young people participated in educational quizzes and competitions concerning sexual life and contraception.

Also a competition was organized with students’ media: popular students’ portal and students’ radio stations called "Rhytmic conception for contraception".

The last step was the organization of a meeting for breastfeeding mothers. It was a good occasion to ask the gynecologist about difficult issues concerning contraception during breastfeeding. Our experts (gynecologist and sociotherapist) described how women’s life is changing after childbirth and how to enjoy the fertility and return to intimate life with safe contraception protection. This action was organized with MaMa Foundation aimed at young mothers.

The campaign helped to fulfill the goals set at the beginning:

• it communicated the problem of conscious parenthood and responsible sexual behavior of both partners
• increased awareness level of contraception among youth (confirmed in quizzes)
• created among decision-makers conviction and need of education regarding conscious parenthood
• built an image of Gedeon Richter as patron of conscious parenthood

The participants communicated a need for continuity of such activities. Due to those needs as well as the constant need of education we’re preparing for the 2nd edition of the campaign in 2009.

"Aware Parenthood Campaign, When 1+1=3" was one of the three finalists of the best educational campaign in the "Złote Spinacze 2008" ("Golden Clip 2007") prestigious public relations business competition. The 'Golden Clip' competition is one of the most important events in the PR business in Poland. It is organized by the Polish Public Relations Consultants Association. Its aim is to increase the standards and expand professionalism of the PR trade by means of promoting the best projects carried out in Poland.
Gedeon Richter Ukraine held its annual meeting to review the 2008 results in a charming suburban town near Kiev named “Pushcha-Voditsia” on 23-24th January 2009. Marketing achievements both for Ukraine in general and for each region separately as well as strategic tasks for 2009 were presented by Country manager János Szabó. The regions with the best sales performance received awards.

After the official part of the annual meeting, all employees were invited to a celebration dinner and corporate party. The programme of the festive evening was designed specially for our company. Participants had the opportunity to show off their individual talents whether theatrical, musical, dancing etc. as well the most important ability, namely teamwork. You can see some photos from the party.

But let us return to the formal part of the meeting and summarise the proceedings.

Gedeon Richter in Ukraine experienced steady and continuous growth in the past few years. The team numbers were increased, its support was improved, the range of specialist knowledge was broadened and enhanced, and the product portfolio was optimised and expanded. Undoubtedly, the company has become more closely integrated into the Ukrainian health care sector. Those times have now passed. Robust progress began to slow down last autumn and ceased completely around the middle of October.

To put it in another way, while in the first three quarters of 2008 the volume index of Richter products was 57% as compared to the comparable period of the previous year, the total index for 2008 was only 18%. Nevertheless, Gedeon Richter’s index figure still exceeds those of other manufacturers operating in the same pharmaceutical market, especially if we take into account the systematic increase of Richter’s share in the Ukrainian market during 2008.

The reduction in growth rates is connected with both the world economic situation and the economic situation in Ukraine.

The exchange rate of the hryvnia to the US dollar has remained unchanged in Ukraine for the last 7 years. At the same time the State committee of statistics has reported annual inflation of 20% on average.

Assuming that the economic system of Ukraine will outlive the economic changes that are happening at the world level, Ukrainian health protection system will survive. Unfortunately, viewed in terms of GDP health care constitutes a very small piece of the national cake.

According to expert estimates, drug consumption per capita in USD terms is substantially higher in Moldova and Byelorussia than in Ukraine. In the former countries people are in a position to spend more on health preservation and health improvement than in Ukraine. Ukraine is a unique country in the world in more than one aspect: a large population, industrious and highly educated people, an advantageous geopolitical position, rich natural resources, and a powerful industrial foundation, which came to a halt in the 20th century. But there are also factors that make life more difficult in this pleasant and powerful country.

The solvency of the Ukrainian population is in rapid decline, due to the collapse of the national currency. In total the cost of medications in hryvnias is becoming comparatively high, consumers are beginning, to feel a decline in the availability of pharmaceutical products, and this has already caused heavy social damage to the country.

Contrary to the deteriorating conditions, the employees of the Ukrainian representative office are full of optimism and determined not to reduce their efforts.

The managers of the representative office of Gedeon Richter Ukraine have given the following tasks to the employees: on the one hand, they need to complete the tasks that have been undertaken, and on the other, implementation needs to be monitored more closely.

Today it is necessary to work more closely with the pharmacies. The role of pharmacists in health protection is on the increase. One of the main tasks of the marketing department, among others, is to create a training system for medical representatives which will provide them with the information they need on the products we manufacture.

Gedeon Richter boasts an expansive product portfolio. It is necessary to create a correct, country-specific product structure to be able to manage it effectively. The marketing department of the Ukrainian representative office put many working hours into this in 2008 and their efforts have borne fruit.

It is important to note that optimal correlation of quality and pricing has been Gedeon Richter’s trump card for many decades. The current crisis may perhaps give the Richter team in Ukraine a good opportunity to establish a base for future successes. It is not so important now who will earn more, but who will lose less. We believe that those who are well prepared professionally will lose less as well as end up being more effective. Therefore, 2009 must bring strategic and high-quality changes for the Gedeon Richter team in Ukraine.
Modern mini-pill available in Lithuania

The history of hormonal contraception in Lithuania started nearly 40 years ago. It has a close connection with Gedeon Richter as the Hungarian pharmaceutical company was first to present a “pill” on the local market. After “the iron curtain” had been destroyed, availability of oral contraceptives in Baltic countries and competition between OC manufacturers has increased dramatically. Popularity of hormonal contraception grew year by year. If ten years ago only about 3% of fertile-age women were using hormonal contraception in Lithuania, now the number of pill users is higher five to six times. Gedeon Richter keeps the lead in this area – 34-35% of Lithuanian women who use OC prefer pills manufactured in Budapest. The newest product, presented by the company at the end of 2008, is a mini-pill. The launch was a big event in the area of family planning as regular progestogen contraception was not available in the Baltic region since 2006. For the launch Gedeon Richter Representative Office in Lithuania organised local conferences for gynaecologists of Vilnius, Kaunas, Klaipeda, Šiauliai and Panevėžys regions. The new mini-pill was accepted with great enthusiasm by the specialists. Many of them confirmed that a big gap that existed for the last several years has been filled up successfully. “Finally we have a modern hormonal contraceptive for breastfeeding women”, was the most typical professional comment during the event.

A letter to Father Frost

Christmas (New Year’s Day in Russia) is the holiday when everyone, especially children, believes that all dreams come true. That is why CJSC “GEDEON RICHTER-RUS” together with the local TV decided to prove that miracles do exist.

At the beginning of November 2008 the local TV and newspapers announced that all the children from 6 till 10 years old from Yegorievsk (the town where CJSC “GEDEON RICHTER-RUS” is located) had an opportunity to write a letter about their life, dreams, family, country or town to Father Frost. But it should not be just a letter but some creative work. We involved the Education Committee and the management of all the local schools who had to make the first shortlisting of the best works in their schools.

By the middle of November we received 3 300 letters from the children of Yegorievsk. The representatives of the local schools, the Education Committee and CJSC “GEDEON RICHTER-RUS” spent two days selecting the best works. We saw that the letters were products of family creative work so the project turned out to be even better as it united the children and their parents.

There were 50 winners whose works were the most original, creative, had the most interesting and original content. At the beginning of December the representatives of the local TV went to Veliki Ustyug (the motherland of Father Frost), where they took the works of the winners and the presents. There, in his palace, Father Frost congratulated the winners reading extracts from their works and passing them the presents. The whole event was captured on video.

On December 15 there was a final show where all the winners with their parents were invited. Father Frost appeared on a large screen in the middle of the stage greeting everybody on occasion of the Christmas holidays, thanking every child who wrote a letter to him and congratulating the winners. But not only the winners got presents. Every child who wrote a letter received a gift from Father Frost. There were discs, children’s books, small toys and in each parcel there was a personal letter from Father Frost to the child. During the final show the winners read poems, sang songs and danced. The event was really a fairy tale for every child as their efforts and work were evaluated by the grand magician, Father Frost.
The programme continued with a Cuban animation dancer and a Cuban music group. The Party was held in two of the country’s biggest cities (in two separate sessions). This gave us the opportunity for face-to-face dialogue with every guest. Those who didn’t want to dance could sample long drinks. A fiery Cuban band, a lively dancefloor and high-quality programmes all contributed to the very pleasant atmosphere throughout the evening.

What can we say at the end? We are very happy that our partners are eager to incorporate this event into their busy schedules. And for the future, we intend to strengthen this tradition. Hopefully, the New Year Party will become a delightful tradition not only for Gedeon Richter, but first of all, for our guests.

Held for the fourth time, the New Year Party this year was organised in Cuban style and our guests were welcomed by country manager MVDr. Martin Čepa in cooperation with sales managers, product managers and area managers. A hostess opened the evening and invited Slovakia’s Country manager to open the proceedings. We had a chance to listen to Richter’s results in the year 2008 as well as an outline of plans for next few years.

The evening continued with a formal presentation of the Richter Award in two categories:
- For excellent realization of the Nemesys project, the award was given to Doc. MUDr. Ján Lietava, CSc. (Scientific coordinator)
- For education in RHEUMATOLOGY the award was presented to Prof. MUDr. Ivan Rybár, PhD. and to Prof. MUDr. Jozef Rovenský, DrSc.

Awarding project partners was one of the reasons to organize the New Year Party.

During the night our guests were entertained by the hostess who presented activities of Gedeon Richter.

"Welcome the New Year with us." This was the title on the invitation card, the message you saw first when you opened the envelope. Do you find it interesting? If yes, then read on…

At the end of 2008 Gedeon Richter’s Moscow office changed location, so the Moscow office staff met New Year in the new office. It is a completely new, modern style office building located next to the city center and 2 metro stations. Gedeon Richter joined with Moscow division of Gedeon Richter Rus and Moscow personnel now occupy almost 2,500 square metres spread out on two floors of the B-storey office area. The building is called “Dobrynia” (named after Dobrininsky Pereulok) and represents a modern business and apartment centre equipped with all necessary facilities.
In the first week of March our internal photo contest was concluded. According to contest rules, any Richter employee from Russia (of a total over 600 people) could send a picture with a summer theme, featuring e.g. the sun, the sea etc., in the period of July-December. Then the staff voted for the best 3 pictures and chose the following winners: Andrey Yatsishin – Medical representative in Khabarovsk city; Inna Kozlova – Moscow office employee; Anna Shur – Head of Ekaterinburg representation.

3 Best pictures:

- Top: Batman is back
- Above left: Born in summer
- Left: I love women... [Richter employees]

In total 65 pictures participated in the contest and we received over 300 votes. The winners got valuable prizes (digital photo equipment and household goods).
Gedeon Richter was born on 23 September 1872 in Ecséd in Heves county, Hungary. He was educated at the Franciscan secondary school in Győngyös and, after three years as a trainee received his pharmacist trainee diploma from the Kolozsvár University of Sciences, Institute of Pharmacy. In 1895, on completion of preliminary studies at the Faculty of Arts of the Budapest University of Sciences and comprehensive exams at the Medical Faculty, he received his diploma in pharmacy.

At the end of the 19th century Gedeon Richter made the industrial production of medicines his life’s work. After obtaining a diploma with distinction in pharmacy, he studied modern methods of pharmaceutical production in England, France, Germany and Italy. During a three-year study tour he learned about the latest findings of biological research, which raised the hope that deficiency diseases of the human organism could be treated with doses of active substances extracted from the corresponding animal organs. The innovative young pharmacist recognised the promising possibilities offered by the new therapy still in development at the time, and he dedicated himself to the development of organotherapeutic preparations.

Returning to Hungary, he sold the family estate he had inherited in Ecséd and on 10 December 1901 submitted an application to the Budapest City Council for the right to purchase the Eagle Pharmacy (located at 105 Úllői út, Budapest). This day is considered the birthday of the Richter pharmaceutical company.

Among the eponymous founder’s first preparations were Ovarium tablets®, made from pig’s ovaries and Thyreoidea® tablets, made from sheep’s thyroid glands. As early as 1902 Gedeon Richter began the manufacture of a hypertensive product made from the adrenal gland and containing adrenaline. The drug was marketed under the name of Tonogen Suprarenale Richter® and has been a regular product of the company since, though its API has been synthetically manufactured from the 1950s. The adrenaline-based preparation established the company’s reputation.

With a rapidly growing turnover, the Eagle Pharmacy proved too small, so Gedeon Richter decided on production on an industrial scale and set up a modern pharmaceutical factory in Kőbánya (a suburb of Budapest), on a plot covering...
QUIZ

In every edition of Richter Group News we plan to offer our readers a chance to test their knowledge of the “Richter universe” and win a book. Questions will cover both important and trivial facts about countries where Richter is present.

Please send your answers by 17 August to: rgnews@richter.hu

The subject of the message should read: QUIZ.

The winner will receive a copy of László Mészáros’s illustrated album “The Danube.”

The winner’s name will be announced in the next issue.

1) What is Vietnam’s currency?
   a) dollar
   b) đong
   c) escudo

2) What is the area of India in square kilometres?
   a) 3 287 000 km²
   b) 1 485 000 km²
   c) 20 000 459 km²

3) What are the colours of the Lithuanian flag?
   a) yellow, green and red
   b) blue, white and yellow
   c) red and white

4) What is Poland’s most common yet unofficial state motto?
   a) Only honour can prevail
   b) God, Honour, Fatherland
   c) Unity, Truth and Liberty

ANECDOTE

Biological efficacy studies were conducted on laboratory animals, so an animal house was arranged in which were kept mice, rats, guinea pigs, cats and rabbits. There were no difficulties in obtaining supplies since the company arranged to breed these animals except for cats, which Richter continued to purchase. This caused much bother. Even though the notice “cats purchased” which hung at the gates stated clearly that the offer applied only to cats owned by the vendor, neighbourhood children did not respect it and collected cats at random. Naturally, when they brought them in, they swore that the cats were their own. However, soon the old women of the neighbourhood would appear to inquire about their lost pets. Fearing that the cats had ended up in the animal house, they begged to be allowed in to look for their pets. This usually happened, and not only increased the costs of cat supply but made it a lot more complicated.