



NYCOMED

Mutual success
in dynamic markets

Nycomed Company Brochure 2010



Working smarter

Remind us why GAIN is important to the organisation.

The EU approval of *Daxas* and subsequent first launches are great news, but we all know that significant investment is needed to ensure the product is established effectively. With Pantoprazole revenues declining, and with resources also needed to drive our pipeline forward and strengthen our platform in emerging markets, we must improve our competitiveness.

For G&A this means becoming leaner and more flexible, and moving towards a common operational model rather than country by country solutions. GAIN will help us standardise and automate processes in

Europe wherever this generates most efficiency and savings.

And what has been achieved so far?

After doing a feasibility study and testing it to see that it was 'do-able', we are now fine tuning the design and talking to countries to make sure they understand the 'hub' concept, before starting implementation of the new business models and organisation structures. We have also announced who the leaders will be in this new structure.

Crucially, we are also discussing with the countries what we need to have, as opposed to what would be nice to have, to make sure that we achieve our goals without jeopardising quality.

So what are the hubs exactly, and what changes will employees notice?

The hubs are similar to the Coordinating Country Concept in COMOPs, but tailored to our own requirements.

HR will follow the COMOPs model exactly. But other back-office functions will be regionalised, with countries that fit naturally together clustered together in four hubs (see panel).

Apart from no longer having their service providers sitting in the office next door, I hope most employees will notice very little difference. But one of our aims is that they will have more time to focus on their customers.

But surely local organisations will be very different, both operationally and culturally?

Culturally, I hope there will be very little difference. Most of these changes will happen without people in other parts of the business even noticing.

Operationally, of course, it will result in a reduced headcount – around 120 people less in total, with losses in some areas offset by increases in the hubs and our new Service Centre Europe for Accounts Payable in Poland.

By standardising and automating processes, the biggest difference should be that local administration functions have more time to better support their business.

With centralisation and regionalisation, though, won't we become more remote from our markets rather than closer?

Quite the opposite. GAIN will actually free up and help focus resources locally so that our subsidiaries can get closer to their customers.

Each local operating company will still have their own dedicated business partners in areas such as Finance, HR and IS/IT. There will be no changes to the customer-facing side of the business, either, so there should be no negative impact at all.

And the 'streamlining' and 'leaner' organisation won't simply mean more work for everyone?

No. This project has been carefully designed to deliver the same quality simply by us working smarter. We'll see this over the next months as we simplify some standard processes.



“Ultimately we need to change the way we work and implement processes that help us avoid adding cost in the future.”

The G&A hub structure

Finance, Group Indirect Procurement (GIP) and IS/IT in Europe will shift from local operating companies to four regional hubs:

- Northern Europe (Nordic countries, UK, Ireland)
- Western Europe (Austria, Belgium, Germany, the Netherlands, Switzerland)
- Southern Europe (France, Italy, Portugal, Spain)
- Eastern Europe (Baltics and Eastern European countries)

The Finance and GIP operating model in Greece will not change for the time being, due to the current complex economic environment.

Hubs will have lead markets, but these differ from function to function.

In Finance, accounting and reporting have been separated from business controlling. Accounts Payable for Europe will be centralised in a new Service Centre Europe (SCE) in Łódź, a city close to Łyszkowice, where our Polish plant is located.

HR in Europe has been organised regionally to align with the COMOPs Coordinating Country Concept (CCC) clusters. In addition, the Corporate HR functions of Corporate Compensation and Benefits and HR headquarters Zurich will be integrated into one team – Corporate HR Services and Compensation and Benefits.

It comes back to the 'need to have, nice to have' approach. We will make sure that all the 'need to haves' are properly resourced as before.

This is not the first or the biggest Nycomed restructuring, but some people wonder if the downsizing is causing more disruption than it's worth.

The primary objective of GAIN is to design and implement a better set-up of our G&A functions for the future. G&A costs have been continuously growing every year and this pattern cannot continue.

Support functions need to make sure we can service an ever growing number of employees more efficiently without exploding in number ourselves. We can do this by being better organised, and this includes standardisation and automation of services and processes. What we are doing today is creating the administration platform for tomorrow.

What is your long term vision for GAIN?

We need to learn to crawl before we run, and make this project a success first. But

ultimately we need to change the way we work and implement processes that help us avoid adding cost in the future.

We may end up as a public company, of course, which means we could have even more demands to improve the efficiency of our back-office functions.

What is your message to employees who may still be sceptical?

I understand their scepticism. I was sceptical myself at first, but quickly became convinced that GAIN was not only do-able, but the right way for us to go forward.

Let's be clear about this. Our ultimate objective is to create a better Nycomed. There are advantages and disadvantages to being in a group: the advantages include the launch of new products such as *Daxas*, but one of the disadvantages is the very fact that you are part of a group. You need to think of the big picture rather than individual interests, and it would be negligent of me not to look for ways in which the organisation can work more efficiently. ☺



New approaches designed to produce a competitive edge

- Five centres of competence in Europe as well as eleven production sites for regional supply
- Transfer of API production to India and construction of a new plant in Russia
- Green Belt Programme boosts global efforts for continuous improvement

In the conventional view of manufacturing, the objective is to optimise efficiency at individual production sites. Nycomed Operations aims to implement the more holistic concept of the supply chain – which means evaluating the added value and cost of each step in the entire production process, from the sourcing of the active pharmaceutical ingredient to the final delivery of the product to the customer. Production processes are designed to be lean, fast and scalable in order to fulfil the mission of ensuring product availability of the highest quality, on time and at a competitive price to internal and external customers.

Centres of competence for global products

During 2009, Nycomed made considerable progress in optimising its operations network by concentrating similar types of production in five centres of competence in Europe – which will reduce duplication and bundle expertise in specific technologies. Nycomed also eliminated manufacturing redundancies resulting from the acquisition of Altana Pharma by closing

FIVE CENTRES OF COMPETENCE FOR GLOBAL PRODUCTS

Asker, Norway: solid forms of calcium

Linz, Austria: sterile ampoules, biologicals and packaging

Lyszkowice, Poland: vitamin products and food supplements

Oranienburg, Germany: development, production and packaging of solid dosage formulations; and niche technologies, such as pellets and stick packs

Singen, Germany: liquids (including sterile liquids filled in ampoules, vials and syringes), semi-liquids, stick packs and ointments

two sites in Denmark and one in Finland. At the beginning of 2010, Nycomed had a total of 16 manufacturing plants. Five centres of competence produce strategic pharmaceutical products on a global scale, while other sites in Europe and emerging markets such as Brazil and Mexico manufacture products adapted to regional and local customer preferences, including a large number of over-the-counter brands.

APIs move to India, new plant in Russia

In 2009, Nycomed began the transfer of about 20 active pharmaceutical ingredients (APIs) from Europe to a regulatory approved site in India. This project, which includes a joint venture to construct a production facility in Mumbai, will help Nycomed become more competitive by taking advantage of Indian expertise in API manufacturing.

By making investments in the supply chain in the midst of an economic downturn, Nycomed illustrated one of the company's values: courage. In 2010, construction begins on a new manufacturing plant east of Moscow, which means an investment of between €65 and €75 million. When it is finished in 2014, the plant will produce liquid sterile products and solids for Russia and the Commonwealth of Independent States – underlining Nycomed's commitment to this fast-growing region.

Operational Excellence and 'Green Belts'

In parallel to optimising the operations network, Nycomed has placed a high priority on continuous improvement at all sites. The centre-piece is the Operational Excellence (OpEx) programme which combines standard industry approaches such as LEAN and Six Sigma to remove non-value-added steps in manufacturing and rethink production processes. As part of integrating OpEx into the mindset of the 3,500 employees in Operations, Nycomed has created a Green Belt training programme that includes a ten-day course, written exam and hands-on project. By the end of 2009, the company had over 120 Green Belts, some of whom will graduate to Black Belts and then train Green Belts. There are also a number of local improvement programmes at sites around the world. In parallel, Nycomed Operations is enhancing overall performance with a company-wide standardisation of procurement software and by working more closely with Marketing and Sales to reduce inventory and predict fluctuations in demand.



Preferred partner for external companies

In addition to supplying the company's needs for products around the world, Nycomed Operations earned more than €80 million in 2009 through contract manufacturing for third parties. More than 60 customers, from emerging biotech to market-leading pharmaceutical companies, prefer Nycomed for the customer-tailored approach and manufacturing quality that meets the high standards of the EMEA and FDA. Product support is provided at each stage of the lifecycle, from clinical development and product launch to optimisation of packaging and processes. Nycomed also works with reliable external partners to manufacture its own products, giving the company additional capacity and the ability to adjust production volumes to market dynamics.

The state-of-the-art production facility in Linz, Austria, is integrated into Nycomed's strategy of concentrating technological know-how into five centres of competence.

SETTING A COMPANY BENCHMARK IN NORWAY



Elverum, a production site near the Norwegian capital of Oslo, illustrates Nycomed's commitment to continuous improvement. In 2009, the site received a company award for optimising production of a fluoride dental rinse that brought material prices per bottle down 31% and reduced labour hours per bottle by 42%. In a separate initiative, a nasal spray production line was re-engineered based on direct input from employees and the help of Green Belts from the Operational Excellence programme – with a resulting 50% improvement in two key process steps. Despite last-minute regulatory changes to packaging in 2009, the site was able to produce enough stocks to launch Instanyl® on schedule in the EU. Active in contract manufacturing for third parties, Elverum has received a supplier excellence award from a well-known pharmaceutical company two years in a row.