GCC Pharmaceuticals Industry

December 5, 2010

ALPEN CAPITAL

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1 Executive Summary

1.1 Scope of the Study

This report caters to investors looking for investment opportunities in the Gulf Cooperation Council (GCC) pharmaceuticals sector. It focuses on opportunities and challenges in the GCC pharmaceuticals sector as well as factors that drive its revenue and earnings. Our sector model estimates total sales until 2020.

1.2 Investment rationale

Deriving growth clues from the healthcare sector, the pharmaceuticals sector is on a development trajectory in the GCC. As stated in the Alpen Capital Healthcare Report, the GCC countries are likely to experience a sharp increase in healthcare needs in coming years, primarily led by a growing and ageing population and a rise in chronic non-communicable 'lifestyle' diseases. This coupled with favourable government policies would drive growth in the pharmaceuticals sector in the region.

In the GCC, governments have been the chief financiers of the healthcare sector. To reduce this burden on the state, the GCC governments are taking steps to encourage private participation in the sector and liberalise ownership laws. This has led to entry of many foreign companies in these countries for expansion of operations. The governments are also prioritising better healthcare infrastructure to boost the pharmaceuticals sector. This unparalleled convergence of necessity and opportunity creates a number of opportunities and challenges.

Moreover, mandatory insurance for expatriate employees, who form about 40–80% of the total GCC population, is also expected to boost pharmaceuticals sales in the region; as these measures would stimulate better healthcare access to employees and increased demand for drugs.

Pharmaceuticals sector sales would grow in tandem with rising healthcare expenditure in the region. Shift in disease mix to lifestyle-related diseases along with increased use of cheaper generic[1] drugs would augment pharmaceuticals sales growth in the region.

Alpen Capital estimates pharmaceuticals sales in the GCC to be US$ 5.6 billion in 2010. Saudi Arabia and the UAE, with their large population base and local domestic manufacturing facilities, have the highest share in the region. Going forward, pharmaceuticals sales in the GCC are expected to grow in the range of 6%–8% CAGR during 2010-2020 to reach US$ 9.9 billion – US$ 11.6 billion in 2020.

Changes in the demographic profile and disease mix call for higher growth in healthcare services, which in turn would boost pharmaceuticals demand. However, local manufacturing is limited and not enough to meet the growing demand. This creates a strong need for private sector participation, making the GCC pharmaceuticals sector an attractive investment destination.

Local pharmaceutical manufacturing is limited in GCC; for example, in Kuwait, only 20% of pharmaceutical products (volume wise) were manufactured domestically in 2009. Other countries such as Oman and Bahrain have under-developed local manufacturing and very few players. This is primarily because of requirement of high capital expenditure and lack of R&D capabilities of local players. Further, as drugs are predominantly imported, they are generally priced higher in GCC vis-à-vis other countries. A local manufacturing set-up can ensure lower prices and wider reach of drugs. Thus, opportunities exist for players to set-up local facilities to meet the growing GCC drug demand.

Since only a few pharmaceuticals stocks are listed on the capital markets, investors have limited options to participate in the booming GCC pharmaceuticals market. Therefore, private equity and venture capital are the most suitable investment vehicles.

[1] Generics are the types of drugs, which can be produced and distributed without any patent protection. These drugs are generally substantially low in prices, as they do not involve patents registration costs.

1.3 Investment negatives

Although plenty of opportunities exist for the pharmaceuticals sector in the GCC, they are punctuated by a few challenges. A large part of the populations prefers imported patented drugs to domestically manufactured generics. Persuading them to switch loyalties is a challenge.

Further, manufacturing is one of the most capital-intensive sectors entailing high turnaround time; this acts as a barrier for many investors looking for a quick turnaround. Moreover, although new government policies and regulations are being implemented to accelerate private sector participation and keep pace with increasing demand in the region, they might take time to come about, implying execution risk.

1.4 Conclusion

The GCC pharmaceuticals sector, similar to healthcare, is expected to grow strongly, fuelled by shifting demographic profile and a conducive regulatory environment leading to increasing private sector participation. Alpen Capital believes that the GCC pharmaceuticals sector would see a major transition in quality of services provided and its global competitiveness. Going forward, domestic manufacturing in the GCC will improve, limiting imports of drugs. Moreover, regional drug price harmonisation and growth of generics will significantly improve availability and quality of pharmaceuticals in the region.

2 GCC Pharmaceuticals – Industry Outlook

2.1 Methodology summary

We have projected pharmaceuticals sales in the GCC in 2020 based on healthcare statistics from the World Health Organisation (WHO), World Bank, and the Ministries of Health (MoH) of the respective GCC countries. Following is a brief of the methodology adopted.

We have derived pharmaceuticals sales as a percentage of healthcare expenditure. This percentage has been assumed based on historical health expenditure and pharmaceuticals sales data in the GCC. We also analysed pharmaceuticals sales and health expenditure for OECD and developing nations to seek a range and validate these percentages.

Projections for each of the above-mentioned components are based on historical values; estimates have been sourced from global bodies such as WHO, IMF and the World Bank and are also based on our analysis of the GCC pharmaceuticals and healthcare sectors.

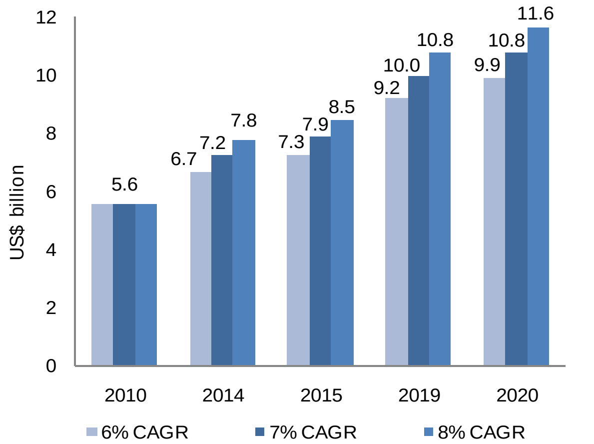
- **Population estimates:** Historical numbers are from IMF sources, whereas growth projections are from the World Bank.

- **Healthcare expenditure:** This comprises government contribution (GDP and social security funds) and private sector contribution (private insurers, out-of-pocket expenses). Its growth is dependent on rising income levels (reflected in GDP growth) as well as increasing insurance coverage in the region. Historical health expenditure numbers are from WHO and estimates are based on historical trends, future GDP growth, and a premium accounting for increased health insurance penetration.

As healthcare expenditure increases, pharmaceuticals revenue/sales will also rise. The size of the pharmaceuticals sector would be impacted by and shift in disease mix to lifestyle-related diseases. (Explained further under the "Outlook Snapshot" section). This is primarily because as private sector participation rises, local manufacturing facilities develop in the GCC and thereby, sales of local drugs are expected to increase. Moreover, as many patents of branded drugs are expiring during 2011-2015, manufacturing of cheaper generics drugs is expected to increase.

Based on growth of generics manufacturing in the region and shift in disease profile, we expect the pharmaceuticals sales to grow in the range of 6%–8% CAGR during 2010-2020 and be in the range of US$ 9.9 billion – US$ 11.6 billion in 2020 (see Chart 1).

Chart 1: Pharmaceuticals sales (US$ billions)



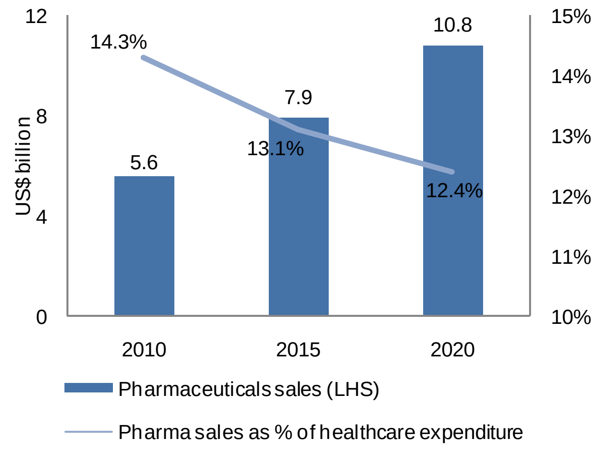
Source: Alpen Capital

2.2 Outlook snapshot[2]

Pharmaceuticals sales to grow from US$ 5.6 billion in 2010 to US$ 10.8 billion in 2020

In a 7% growth scenario, Alpen Capital expects pharmaceuticals sales in the GCC to grow to US$ 10.8 billion in 2020 from US$ 5.6 billion in 2010.

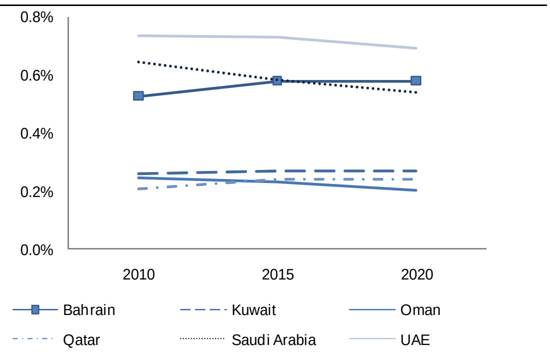
Chart 2: GCC pharmaceuticals sales: 2010 to 2020



Source: Alpen Capital

However, as the sector matures, pharmaceuticals sales as a percentage of healthcare expenditure in the region is expected to decline and eventually reach that of the developed nations. Alpen Capital estimates the ratio to fall from 14.3% in 2010 to 12.4% in 2020 (see Chart 2).

Chart 3: Pharmaceuticals sales as % of GDP: 2010 to 2020



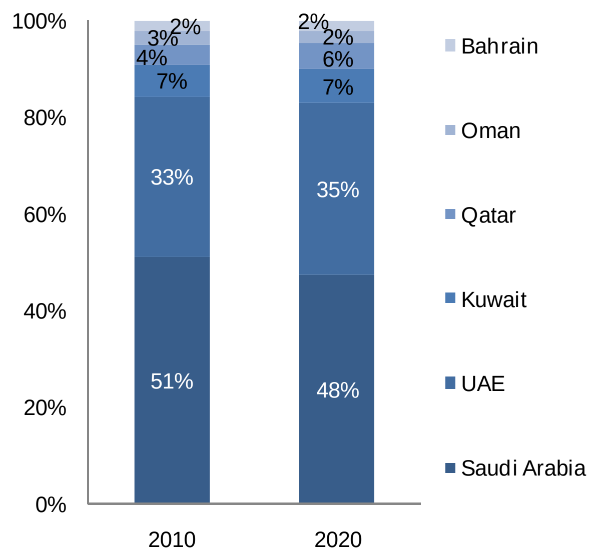
Source: Alpen Capital

Pharmaceuticals sales as a percentage of GDP is in the GCC are expected to remain almost constant during 2010 – 2020 with any increase/decrease in one country being balanced by a decrease/increase in another country (see Chart 3). While pharmaceuticals sales of Kuwait, Oman and Qatar constitute less than 0.3% of the country's GDP, in the rest of the GCC states, the percentage hovers around 0.5%.

Saudi Arabia will have the highest share

Considering Saudi Arabia's huge population base, it will have the highest share of 51% in terms of total pharmaceuticals sales, followed by the UAE (see Chart 4).

Chart 4: Regional distribution: 2010 – 2020



Source: Alpen Capital

As the GCC pharmaceuticals sector develops, regional distribution is also expected to change. While Saudi Arabia's share would decline from 51% to 47% during 2010 to 2020, that of smaller geographies of Qatar and Bahrain would increase slightly.

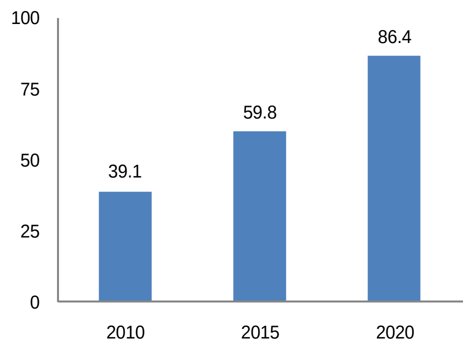
This would be primarily because the smaller markets of Qatar and Bahrain would experience higher growth than the comparatively developed market of Saudi Arabia. For instance, while we believe Qatar and Bahrain will grow at a CAGR of 11% and 7% respectively during 2010-20, Saudi Arabia will grow by 6% during the same period.

[2] All calculations in the section are based on 7% CAGR growth

Rise in healthcare expenditure

As healthcare matures in the GCC, expenditure in the sector is also set to rise (see Chart 5). Contribution from both public and private sectors would increase going forward.

Chart 5: Healthcare expenditure: 2010 to 2020



Source: Alpen Capital

However, to reduce healthcare cost burden on the states, governments are promoting private sector participation. As private insurance rises, share of the private sector will grow in overall healthcare expenditure.

Shift in drug consumption pattern

As stated in 2009 Healthcare report, Alpen Capital expects a marginal decline in the prevalence rate for communicable diseases, which generally decrease with economic development and increase in health consciousness.

Communicable diseases, such as malaria and tuberculosis, can be substantially controlled through increased hygiene, higher availability of vaccines and greater awareness about prevention. However, a decline in communicable diseases will be accompanied by a tremendous rise in lifestyle diseases[3] such as cardiovascular ailments and diabetes.

Urbanization and rising per capita income have led to the consumption of unbalanced diets and a more sedentary lifestyle in the GCC, thereby aggravating the prevalence of lifestyle ailments such as diabetes and cardiovascular diseases. The UAE ranks second highest in the world for diabetes prevalence (20%), followed by Saudi Arabia (16.7%), Bahrain (15.2%) and Kuwait (14.4%), according to the International Diabetes Federation.

Coronary problems and other obesity-related diseases are also on a rise in the Gulf region. According to WHO, the diabetes-affected population in the region is expected to increase 2.5 times by 2030 from 2000 levels, with Kuwait and Oman registering the highest CAGR of 3.8%. Diabetes patients in Saudi Arabia are projected to increase by 3.5% annually from 890,000 in 2000 to 2,523,000 in 2030, while those in the UAE are expected to increase by 2.3% per annum from 350,000 in 2000 to 684,000 in 2030.

The incidence of these diseases, however, can be curbed largely through higher health awareness and preventive measures. The GCC governments are striving to spread awareness and succeed in these initiatives.

This shift in the disease prevalence rate will lead to a shift in the drug consumption pattern as well. Higher incidence of lifestyle diseases translates into higher per capital healthcare cost, as the average treatment cost in the case of lifestyle-related ailments is higher than other hospitalized cases.

[3] Lifestyle diseases are the diseases or disorders that people contract due to the way they live and interact with their environment. These diseases occurs by the same risk factors such as smoking, unhealthy diet, and physical inactivity which may results in the development of chronic diseases, such as heart disease, stroke, diabetes, obesity, metabolic syndrome, chronic obstructive pulmonary disease, and some types of cancer.

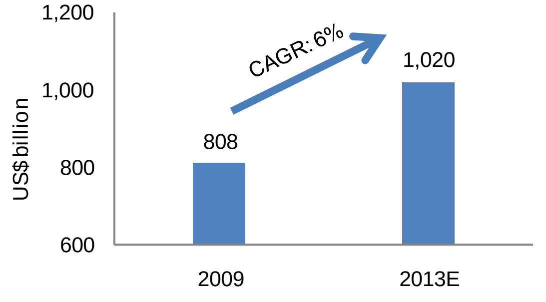
3 The Global Pharmaceuticals Industry

The global pharmaceuticals industry, which derives growth clues from the healthcare industry, is undeterred by the global economic recession. The sector experienced annual growth of 6.6% during 2003-2008. However, it saw a slump in 2009-2010 due to saturation in the key markets of the US and Europe. Going forward, the emerging markets of Asia and Latin America are expected to grow robustly, fuelled by availability of low cost medicines and a favourable regulatory environment.

Global pharmaceuticals market expected to witness prolonged good growth

The global pharmaceuticals market stood at US$ 808 billion in 2009 and is estimated to grow by nearly 5% to reach US$ 848 billion in 2010. Going forward, it is projected to grow at a CAGR of 6% during 2010-2013 to reach US$ 1,020 billion in 2013 (see Chart 6).

Chart 6: Global pharmaceuticals industry: 2009-2013



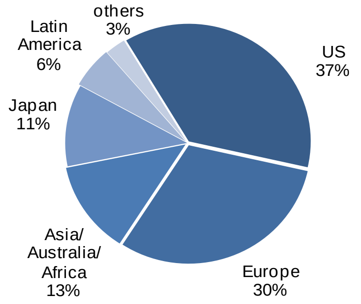
Source: IMS Health[4]

Growth in the sector is primarily driven by increased prevalence of lifestyle diseases, rising income levels, availability of healthcare facilities and funding on market demand.

The US leads the pharmaceuticals sector

The US commands the largest share in global pharmaceuticals market. With the market size of US$ 300 billion in 2009, it constituted nearly 37% of the global market (see Chart 7). US market is further estimated to grow at 4% to reach US$ 315 billion in 2010.

Chart 7: Pharmaceuticals market regional distribution: 2009



Source: IMS Health Market Prognosis 2010

Increased availability of mature and innovative products, refurbishing of the US healthcare system, changing demographics, and increased prescriptions of cholesterol and diabetes drugs have boosted growth of the US pharmaceuticals industry.

However, growth is expected to slow due to various macroeconomic and industrial factors: slow innovation process; a stringent FDA leading to fewer approvals for new products; greater use of generics products over patented drugs; and significant patent losses in the near future.

Emerging Asia Pacific pharmaceuticals market outpaced the US

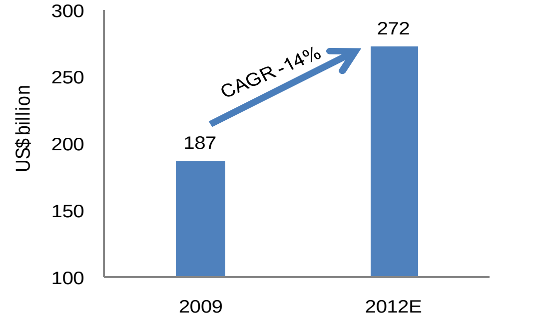
The emerging nations of India, China and Brazil experienced fastest growth of nearly 15% during 2003-2008.

The Asia Pacific market is expected to grow from US$ 187 billion in 2009 to nearly US$ 275 billion in 2013, at a CAGR of 13% (see Chart 8). This is mainly owing to low cost availability of medicines, rising income levels, and growth of business and health insurance schemes, ensuring sales of branded drugs. Moreover, intense competition among major players in the regions has fuelled growth. A favourable regulatory environment in these countries has also allowed easy entry of foreign companies. Expansion

[4] IMS health provides end-to-end solutions in analytics, consulting and services for the healthcare sector covering markets in over 100 countries. It draws on a range of data sources from drug manufacturers, wholesalers and retail pharmacies to hospitals, long-term care facilities and healthcare professionals.

of many multinational companies, development in contract manufacturing of generic drugs and Active Pharmaceutical Ingredients (APIs) and R&D activities have further driven growth in the pharmaceuticals sector in emerging markets.

Chart 8: Asia Pacific pharmaceuticals sector size: 2009-2012



Source: IMS

China is expected to grow at a CAGR of 20% during 2010-2013, constituting 21% of the global market by 2013, owing to readily available medical care facilities.

The Latin American markets are forecast to grow at a robust 23% from US$ 37.6 billion in 2009 to US$ 46.4 in 2010, due to change in regulatory policies and increased manufacturing base for generic drugs by the US drug makers. Strong economic growth in these countries will drive lucrative growth in these markets.

Share of generic drugs increasing

The pharmaceuticals industry, mainly comprising generic and patented segments, is changing with higher growth expected in the generic segment, implying significant growth opportunities for generic manufacturers. Patent expiry of key drugs in many markets, primarily the US, until 2012, is expected to impact growth in the sector.

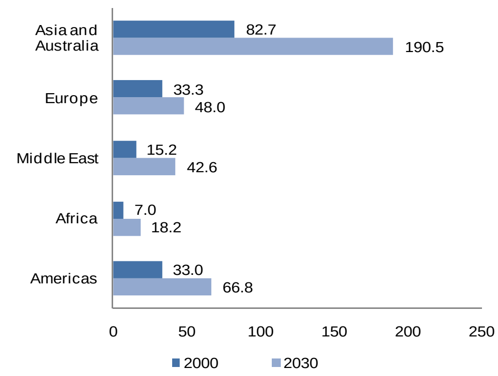
Generic drugs are expected to lead the market, as they are less expensive than branded drugs, which are developed by leading pharmaceutical companies.

Share of anti-diabetic and cardiovascular drugs expected to grow

The anti-diabetic and cardiovascular drugs are expected to grow at a fast pace in the near future due to changing demographics and lifestyles in both emerging and key markets and increased incidence of cardiovascular diseases. While diabetes prevalence in the Middle East and Africa will grow at a CAGR of 3.5% and 3.2% respectively, muted growth of 1.2% and 2.4% will be seen in European and Americas regions respectively (see Chart 9).

Therefore, cardiovascular drugs have potential to see continued sales growth in mature and emerging markets.

Chart 9: Increased prevalence rate of diabetes: 2000-2030



Source: WHO statistics

However, the cardiovascular drugs market is expected to have high volatility during 2011-2015 due to patent expiry. During 2011–2015, US$ 77 billion sell patent drugs are expected to expire, including Pfizer's Lipitor (Lipitor), GlaxoSmithKline's Avandia (Avandia) and Johnson & Johnson Company Levofloxacin (Levaquin). This may result in entry of generic unbranded drugs and possible rise in drugs volume sales, but decline in revenue.

4 The GCC Pharmaceuticals Industry

4.1 Overview

The GCC pharmaceuticals industry accounted for nearly 1% of the global pharmaceuticals industry in 2009. The sector is still in a nascent stage compared with international standards. To compete with the global pharmaceuticals industry and meet increasing healthcare demand, GCC is undergoing a massive change by implementing reforms, simplifying government regulations, and upgrading and expanding healthcare infrastructure.

The GCC pharmaceuticals market depends primarily on imported pharmaceutical drugs and therapeutics. Nearly 80% of total drugs consumed in the region are imported. This situation provides opportunities to private players to set up their own manufacturing units in the region. The governments of GCC countries are planning to raise their domestic production via investments in the pharmaceutical industry and adaptation to liberal trade policies and international healthcare standards. Moreover, the private pharmaceuticals sector in the region, which tends to favour branded pharmaceuticals, is marked by tight price controls.

Regional growth surpassed developed markets

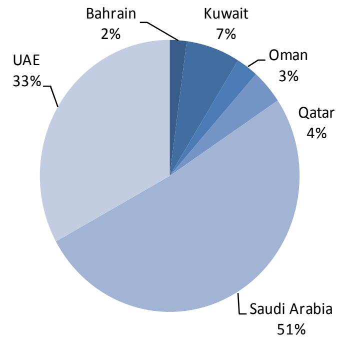
GCC pharmaceuticals sector is expected to experience a growth rate of 7% in 2010, compared with developed markets of US and Europe, which are expected to witness a growth of 6%.

This is primarily due to conducive regulatory policies in the region, growing incidence rate of lifestyle-related diseases and high drug prices in the GCC. Growth of the pharmaceuticals sector in the developed markets has declined as several patents have expired recently and generic drugs are increasing.

Saudi Arabia has the largest market share

Saudi Arabia is estimated to command the largest market share of 51% in 2010, followed by the UAE at 33%. Other GCC states are estimated to contribute only 16% to the overall sector (see Chart 10).

Chart 10: Regional distribution of pharmaceuticals sales: 2010



Source: Alpen Capital

Foreign drug manufacturers have created a steady platform for pharmaceutical R&D and production in Saudi Arabia and the UAE, leading to significant pharmaceuticals sector growth in these states. Share of smaller states is expected to rise as these countries form strategic trade relations with other nations and multinational pharmaceuticals players establish their bases here.

Research and Development activities set to increase

Currently, corporate spending on R&D as a percentage of total revenue is exceptionally low in the GCC compared with international levels. Low investment in the region is primarily due to the small manufacturing base of local firms, low access to finance, and shortage of skilled workers and personnel.

As the industry undergoes rapid expansion, it would experience significant pressure from multinational companies interested in an open drug market.

4.2 Industry structure

Saudi Arabia

The Saudi Arabian pharmaceuticals market is one of the largest in the Middle East; it is expected to represent 51%, or a size of US$ 2.8 billion, of the GCC pharmaceuticals market in 2010.

Currently, Saudi Arabian government is the chief financier of the healthcare sector; but it has shifted some of its financial responsibility to the private sector by introducing mandatory private health insurance coverage for expatriates in 2006. It also intends to encourage investments in the local pharmaceuticals industry to boost domestic production.

Local pharmaceuticals production facilities are limited in the GCC, and Saudi Arabia, with 27 manufacturing facilities in 2009, leads the region. The country has opened the sector to foreign participation and taken steps to provide equal opportunities for both local private and foreign companies in the sector.

European and the US companies dominate as major pharmaceuticals suppliers to Saudi Arabia. Other players from Japan are also positioning their business in Saudi Arabia and establishing joint ventures in pharmaceutical manufacturing with Saudi partners. For instance, Saudi Arabian Japanese Pharmaceutical Company (SAJAPHCO) and is a joint venture between Japan International Development Organization (JAIDO), Sankyo, Yamanouchi Pharmaceuticals, Marubeni Corporation and Saudi-based wholesaler Tamer. Saudi Pharmaceutical Industries & Medical Appliances Corporation (SPIMACO) and Glaxo Saudi Arabia are among the largest producers of pharmaceuticals in the country.

United Arab Emirates (UAE)

The UAE pharmaceuticals market, which is estimated to reach a market size of US$ 1.8 billion in 2010, is the second largest in the GCC. The UAE has been dependent on imported medicines as local players lack sufficient R&D capabilities. The country, with eight domestic manufacturers in 2009, has relatively limited local production capacities. The domestic production market is ruled by generic drugs. Julphar is one of the leading drug makers in the region; other players include Globalpharma, Gulf Inject, Medpharma, Neopharma and PharmaCare.

Kuwait

Kuwait represents the third-largest pharmaceutical market in the GCC. The sector size is expected to be US$ 374 million in 2010. High expatriate population and dominating presence of patented drugs, along with a favourable regulatory structure and stable political and economic conditions, drive pharmaceuticals sector’s growth in Kuwait.

Only 20% of pharmaceutical products in terms of volume were manufactured domestically in Kuwait in 2009. Kuwait-Saudi Pharmaceutical Industries (KSP) is the only prime generics producer in the country. Pharmaceuticals multinational firms do not have manufacturing facilities in the country, and operate through representative offices in neighbouring countries of Saudi Arabia or the UAE.

Currently, the market is dominated by imported and expensively priced patented drugs as generic drugs are not widely available.

Qatar

Qatar, with a developing local pharmaceuticals manufacturing industry, has an estimated industry size of US$ 227 million in 2010. Although the country has a small market size, its per capita drug expenditure is high, and a favourable structure provides better opportunities for private players.

Some recent developments, such as establishment of a medical device company – Qatari German Company for Medical Devices (QGMD) and a biotech research company – Scientific Medical Applied Research & Development Company (SMARD), have been undertaken in the pharmaceuticals sector. These represent the government’s initiatives to establish the domestic pharmaceuticals industry and improve Qatar’s economy.

Oman

Oman has one of the smallest drug markets in the GCC by value. It is estimated to be US$ 152 million in 2010. Rising number of non-communicable diseases is the primary growth driver of the pharmaceuticals sector in the country.

The domestic manufacturing industry is small, with only two main producers – National Pharmaceutical Industries (NPI) and Oman Pharmaceutical Products Company

(OPPC). While, local drug companies produce basic products, hi-tech drugs are imported.

Similar to Kuwait and Bahrain, multinationals operate in the region through offices in Saudi Arabia and the UAE. The main suppliers include GlaxoSmithKline (GSK), Roche, Bristol-Myers Squibb, Sandoz, Merck & Co, Pfizer, AstraZeneca and UAE's Julphar.

Bahrain

Bahrain's pharmaceutical market is the smallest in the region with estimated market size of US$ 118 million in 2010. Domestic manufacturing remains underdeveloped due to limited investments and the population's preference for high-tech treatments. Therefore, opportunities exist for private players willing to invest in a small market.

Going forward, the generic sector is expected to play a significant role in market development as the government plans to raise health awareness and control costs.

Multinational firms do not have manufacturing facilities in the country, and operate through representative offices in neighbouring countries of Saudi Arabia or the UAE. Key suppliers to the Bahrain market include GlaxoSmithKline (GSK), Roche, Bristol-Myers Squibb, Sandoz, Merck & Co, Pfizer and AstraZeneca, as well as the UAE's Julphar.

4.3 Regulatory environment

Ministry of Health of GCC states are regulatory authorities for the regional pharmaceuticals sector. They also regulate prices of pharmaceutical products. Conducive regulations – such as mandatory health insurance to all expatriates and nationals – have boosted the sector. Moreover, to reduce healthcare costs, the regional governments are encouraging private sector participation and implementing price and supply controls. They have hosted opportunities for many private sector players.

Currently, GCC governments are trying to boost domestic drug manufacturing and reduce dependence on imports by entering into joint ventures and licensing deals with multinational pharmaceutical companies.

To bring about reforms of harmonisation of varying prices and consolidation of the regulatory process, the GCC implemented a centralised system, Gulf Central Committee for Drug Registration (GCC-DR) in May 1999, which currently runs parallel to the regulatory regimes in the region. In May 2010, the UAE has revealed formation of Middle East Generic Association (MEGA) to promote proper regulatory and bioequivalence testing and advance generic drug sales in the region.

The regulatory framework in various GCC states is as follows:

Saudi Arabia

Saudi Food and Drugs Regulatory Association (SFDA), along with Ministry of Health, regulates the pharmaceuticals sector. In 2008, it initiated a draft regulatory framework to minimise the drug registration process, which takes nearly 8 to 18 months in the country. To increase pharmaceuticals sales, SFDA has allowed supermarkets and medium-to-large-size food stores to sell Over the Counter (OTC) [5] medicines.

In 2008, Ministry of Health of Saudi Arabia decided to cut licensed medication costs by 1% for each year of their registration to boost drugs sales.

Saudi Arabia became Trade-Related aspects of Intellectual Property Rights (TRIPS) compliant in 2009; it is expected to attract foreign investment in the sector with promotion of licensed manufacturing agreements between multinational proprietary drug producers and local manufacturers. This is expected to lower the country's drug imports and improve local access to advanced new medicines. Saudi Arabia allows 100% FDI for drug manufacturing.

United Arab Emirates (UAE)

The UAE follows a stringent drug registration process for approval of drugs with US-FDA and European manufacturing licences, to reduce possibility of counterfeits. According to the US officials, the UAE is the only Gulf state to participate actively in international regulatory schemes for active ingredients. To maintain the

[5] OTC drugs are medicines that may be sold directly to a consumer without a prescription from a health care professional

quality of UAE-registered products and preserve international standards, the country imposes strict quality control on drug manufacturing facilities, ensuring that they are Good Manufacturing Practice (GMP) compliant.

The UAE-FDA is expected to revise federal regulations for testing and quality control of drugs, to make it more structured. It plans to undertake stricter measures to clamp down on illegal trade of counterfeit medicines in the country.

Ministry of Health and Research Park DuBiotech came up with new regulations for products pricing, labelling and advertising of imported and local products in 2007, to boost R&D activities in the country. DuBiotech is Middle East's first Science and Business Park dedicated to various initiatives and companies across the life science value chain with an emphasis on R&D. Moreover, to improve business prospects, Ministry of Health of UAE is implementing vigilance practices by sending a vigilance officer to every subsidy of drug makers in 2010.

Kuwait

Kuwaiti Ministry of Health is the main regulatory authority for registration of new drugs. It follows a rationalised process for drug approval, unless the drug has been approved in a major reference country such as the US. The country has a small local manufacturing base and heavily depends on imports. However, to increase local production, the government is expected to raise drug registration fees to more than US$ 2,000 per product.

Kuwait FDI law has authorised 100% foreign ownership in the pharmaceutical sector since 2003. It is compliant with the World Trade Organization's (WTO) Trade-Related Aspects of Intellectual Property Rights (TRIPS) accord. Although the country is a signatory of General Agreement on Tariffs and Trade (GATT), weak patent protection and an opaque, discriminatory pricing and reimbursement policy are major concerns.

Qatar

In Qatar, the Supreme Council of Health is empowered to regulate prices of medical services and enforce regulations for state and private providers. The country has a long registration process of two years. It will be benefitting from the GCC Common drug registration process (GCC-DR), when it will have bulk tenders and can purchase drugs prices at relatively lower prices. Qatar has secured better value on high-volume purchases as it has a small population and drug prices are high. Qatar allows 100% FDI in pharmaceutical sector.

Oman

Oman Directorate General of Pharmaceutical Affairs and Drug Control (DGPA&DC), supported by Ministry of Health, develops and implements national drug policy, ensures availability of drugs, and monitors drug imports and assurance of accepted quality.

The product registration takes around 6-12 months, but if a drug is not imported within a year of approval, it may be de-registered and the process would have to be repeated. Ministry of Health has tightened controls on approval of herbal medicines in response to the growing popularity of alternative therapies. These medicines also need to be approved by the DGPA & DC.

Bahrain

Bahrain follows a policy of importing drugs directly from a manufacturer with licensed research capabilities in Saudi Arabia or other GCC countries. The drugs can be distributed in Bahrain only by a firm licensed by Bahrain's Ministry of Commerce after the country's Ministry of Health's approval. The drug registration system is usually transparent, professional and efficient with average approval time for new drugs at three to six months.

Chart 11: Drug registration duration in GCC countries

Country	Duration
Saudi Arabia	8 to 18 months
Bahrain	3 to 6 months
Qatar	2 years
Oman	6 to 12 months

Source: MOHs of GCC countries

4.4 Foreign players

Arrival of foreign players has improved the scenario in the GCC pharmaceuticals market. Competition would intensify among top multinationals and a few emerging local companies.

Major pharmaceuticals players in the region include GSK, Abbott, Novartis, Astra Zeneca, Johnson & Johnson, and Pfizer.

To tap the potential of the underdeveloped GCC pharmaceuticals market, foreign players are expected to undertake strategic partnerships with regional institutions for R&D activities. A strict regulatory landscape in the region, along with a stable political and economic scenario, ensures a healthy pharmaceutical and healthcare business environment. Some GCC countries, such as Saudi Arabia and Qatar allow 100% ownership in the sector.

Exhibit: Foreign tie-ups

GlaxoSmithKline: Glaxo Saudi Arabia, one of the leading foreign suppliers to the Saudi Arabia market, is a joint venture with around 51% of the shareholding owned by Saudi Import Company and 49% is owned by UK's GlaxoSmithKline.

Tamer Group: Japanese firms have also invested in Saudi Japanese Pharmaceutical Company (SAJA), a joint venture of Jeddah-based Tamer and two of Japan's largest pharmaceutical firms - Astellas and Daiichi-Sankyo – which produce generics and licensed products.

Cipla: Cipla, one of the largest Indian pharmaceutical companies, set up a joint venture in 2006 in Saudi Arabia—Cipladawa Medical Services Co. Ltd. The company was reportedly awarded a SR 1 billion annual contract in 2005 to supply medicines to the Saudi National Guards.

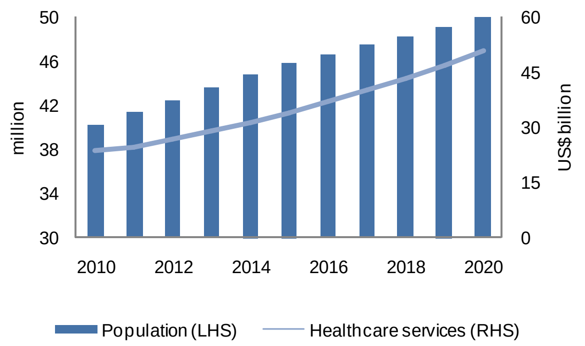
4.5 Growth drivers

Favourable demographics – increase in life expectancy

Shifting demographic pattern (rising ageing population) is expected to drive pharmaceuticals demand in the GCC. During 2010-2020, the share of population over 65 yrs is expected to grow from 2.7% to 4% in overall population. The GCC population growth has averaged 3% per annum during 2004-09, while world population has risen 1%. Improved healthcare infrastructure and decline in mortality rates boosted this population growth.

Saudi Arabia has the largest population of 26.1 million in the region in 2010, followed by the UAE with 5.1 million. According to Euromonitor International, expatriates are projected to constitute 84.5% of the UAE population in 2030, compared with 79.7% in 2010. The Gulf's real estate, construction sector boom, and tax-free status have attracted expatriate workers to the region.

Chart 12: Growing healthcare industry with increasing GCC population: 2010 – 2020



Source: IMF and Alpen Capital

High life expectancy and sharp population growth are expected to drive demand for pharmaceuticals in the coming years (see Chart 12).

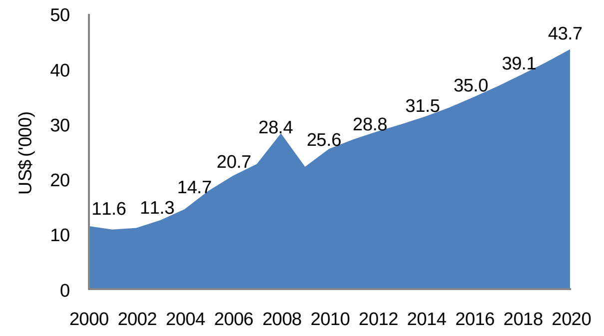
Increasing healthcare awareness

Growth in per capita income and an increasing number of expatriates in the GCC have created healthcare consciousness among people (see Chart 13**).**

The infant mortality rate has significantly declined over the years due to availability of better healthcare facilities and medication. Moreover, governments are launching various national health programmes to increase awareness of diseases. For instance, Saudi Arabia launched an obesity control campaign in May 2010.

Chart 13: Healthcare awareness indicators

Rising GDP per capita in the region...



...Translating into better healthcare standards

GCC Countries	Infant mortality rate (per 1,000)		Life expectancy at birth (in yrs)	
	1990	**2008**	**1990**	**2008**
Bahrain	20.0	9.6	73	76
Kuwait	10.7*	9.4	73	78
Oman	29.0	10.3	70	76
Qatar	12.9	9.2	75	76
Saudi Arabia	30.0	18.4	68	73
UAE	11.4	7.1	73	78

*Source: World bank; * : data for 1992*

Increasing purchasing power and availability of various medicines for cardiovascular diseases and diabetes seem to be fostering growth of the pharmaceuticals industry in the region.

Increasing incidence of lifestyle diseases such as diabetes and obesity

As stated in the Alpen Capital Healthcare report, increased urbanisation and per capita income have led people to consume unbalanced diets and aggravated lifestyle-related diseases such as diabetes and cardiovascular ailments. According to the International Diabetes Federation, the UAE ranks second in the world for diabetes prevalence (20%), followed by Saudi Arabia (16.7%), Bahrain (15.2%) and Kuwait (14.4%). Moreover, obesity-related and other coronary diseases are rising in the region.

Increased incidence of such diseases would boost the market for drugs such as insulin. Although patents for many drugs are expiring, increasing lifestyle diseases would maintain revenue of the prescription drugs market in the long term and encourage prospects for generic drug makers by 2013.

Conducive government policies

GCC governments are the chief financers of healthcare in the region. For instance, Saudi Arabia allocated 11% of its budget to the healthcare sector in 2010 **(**see Chart 14). Going forward, increased budgets and healthcare reforms by the governments will increase the potential for higher per-capita spending on medicines.

Chart 14: Budget allocation on healthcare (2010)

Countries	% of allocation of budget
Saudi Arabia	11%
UAE	6.4%
Kuwait	NA
Qatar	7%
Bahrain	8%
Oman	12%

Source: Zawya, ameinfo and Gulftimes

Besides encouraging increased private sector participation, GCC governments are also promoting Foreign Direct Investment (FDI) into the healthcare sector, as it is on the priority agenda. Large-scale healthcare sector projects — such as Dubiotech and the Dubai Healthcare Complex in the UAE and medical centres such as King Abdullah Medical City of Makkah — would be a major driver for investments in the UAE and Saudi Arabia drug industry respectively and drive foreign investments as well.

GCC governments have taken active efforts to liberalise ownership law, enabling foreign ownership to boost FDI and promote growth in the domestic pharmaceuticals industry. This has led to various foreign companies establishing manufacturing facilities in these countries and expanding operations. Governments provide incentives to multinational companies including free property leases, interest free loans, and government subsidies.

For instance, in 2010, French drug company Sanofi-Aventis signed an agreement under the sponsorship of the Saudi Arabian General Investment Authority (SAGIA) to build a manufacturing facility, in King Abdullah Economic City (KAEC), producing oral ant-diabetic and cardiovascular products. Similarly, prominent drug makers like US-based Wyeth and Japan-based Eisai increased their activities in the region and established regional offices during 2009.

Mandatory medical insurance for employees

Many GCC countries have mandated employers to provide basic healthcare services, including insurance, to their expatriate employees, who form about 40–80% of the total GCC population. Saudi Arabia was the first to mandate medical insurance for expatriates in 2006.

Initially, the Saudi Arabian government policy required employers with more than 500 expatriate employees to provide private health cover, which was later extended to over 100 expatriate employees, and then to more than 50 international employees in September 2008. The law is now extended to Saudi nationals as well.

UAE introduced the National Insurance Company to handle the insurance of nationals in 2007. The government also boosted private participation in healthcare by implementing the Federal Health Insurance Scheme in January 2009. Going forward, government reforms such as entry of private insurers will drive market demand for innovative and branded pharmaceuticals in the GCC.

Bahrain plans to make health insurance compulsory for the entire population, as health expenditure is rising. The country is yet to implement mandatory private health insurance for expatriate workers; however, the government has a five-stage plan to make private health insurance compulsory for all expatriate workers by 2013.

Kuwaiti nationals are covered by a universal health insurance scheme, which provides free health services and reimburses certain drugs. However, expatriates pay fees for non-emergency health services and receive state-subsidised drugs from a limited list.

Qatar has one of the lowest health insurance levels in the GCC. However, the government formed the National Health Authority (NHA) to monitor pharmacies and healthcare. It planned to implement new health insurance schemes and laws at end-2009, which was later delayed; this is likely to decrease the healthcare burden on individuals and employees.

These measures would provide better healthcare access to employees and increased demand for drugs.

4.6 Industry trends

Majority of the region's drugs requirement fulfilled by imported drugs

The GCC countries are characterised by a low pharmaceuticals production base. Leading local manufacturers such as UAE-based Julphar and Saudi-based SPIMACO had less than 10% market share in 2009. Saudi Arabia and the UAE imported 80-85% of pharmaceuticals in 2009. More than US$ 1 billion of pharmaceutical products are imported every year in the region, mostly from Europe and the US.

The local pharmaceutical manufacturers in the region focus primarily on generics drugs. These companies also rely heavily on imported raw materials.

Stringent regulation process for registration of new drugs in the region

Regulations governing the registration of drugs approvals are complex and entail a long process in most of the GCC countries for local and foreign products, to minimise presence of counterfeit products. For instance, in Saudi Arabia, new drug registration takes 8 to 18 months.

In Saudi Arabia, the Ministry of Health executes its own laboratory analysis before approving a new type of drug in a country even if it is US FDA approved. It is constantly taking measures to speed up the registration process and bring it at par with international standards.

The region is also expected to come up with a new centralised system, Gulf Central Committee for Drug Registration (GCC-DR), which currently runs parallel to the regulatory regimes of the GCC countries.

Potential for sale of drugs in the region

The norms for product registration in the GCC countries are at par with US FDA and EU standards, which make it difficult for players to sell and distribute generic drugs. Setting up of manufacturing facilities is easier in the region, compared with sale of drugs. This offers great potential for drug makers in terms of sales in the GCC, especially in the generic drugs sector.

However, sale of drugs is restricted by state control, with governments fixing drug prices and capping profit margins for wholesalers and distributors in many countries.

Moreover, local manufacturing requires greater investment to meet demand and maintain competition with regional rivals, especially in terms of prices.

Increasing privatisation

Attempts to increase privatisation in the healthcare sector by GCC governments will boost investment in healthcare infrastructure. To increase access of medicines, many private players are encouraged to set up manufacturing plants with incentives such as free property leases, interest-free loans, and government subsidies.

Chart 15: Private share in total healthcare expenditure: 2008

GCC	Private expenditure as % of Total Healthcare Expenditure	Private insurance as % of private expenditure
Bahrain	30.3	14.9
Kuwait	23.2	8.4
Oman	26.7	24
Qatar	29.8	0
Saudi Arabia	22.3	22.4
UAE	32.7	22.2

Source: WHO March 2008

The governments are also allowing up to 100% foreign and private ownership in local manufacturing companies and offering greater support for development of in-house R&D facilities to the companies.

This offers a great potential for drug makers in terms of sales in GCC, especially in the generic drug sector. However, sale of drugs is restricted by state controls, with governments fixing drug prices and capping profit margins for the wholesalers and distributors in many countries.

ALPEN CAPITAL

Exhibit: New pharmacy start-ups/ expansion

2009: In February 2008, India's Intas Biopharmaceuticals (IBPL) announced its plans to register itself in the GCC states

2008: Bangladesh-based Beximco Pharmaceuticals received approval from GCC countries to sell its medicines in the region in 2008

2007: In 2007, UAE-based pharmaceuticals manufacturer Julphar entered in a joint venture with Global Investment House to operate a chain of pharmacies – Planet Pharmacies. Going forward, it plans to operate 2,000 pharmacies by end of 2010

Moreover, in most of the GCC countries, expatriates are required to purchase medicines primarily from the private pharmacies and retail outlets. This has boosted the participation of private players (pharmacies) entering in the sector.

Mandatory medical insurance for expatriates and nationals fostering private insurance participation in the region is expected to boost the pharmaceutical sector.

Patented drugs dominate with 75% share in the GCC

Most of the GCC manufacturing plants, focused mainly on production of generic drugs, face difficulties in competing with foreign multinationals importing branded pharmaceuticals products. The GCC region imports more than US$ 1 billion of pharmaceutical products every year, mostly from the US and Europe. Patented drugs dominate the market, with generic drugs accounting for just 5-6%.

No standardised drug prices across GCC region

Due to the small size of the GCC market and increasing trend of privatisation, it is unviable to standardise prices of drugs in the region. Local manufacturers find it hard to squeeze margins significantly, as manufacturing is attached with huge operational costs and cutting margins may erode commercial sustainability. Therefore, each GCC country has different rules and regulations and a unique pricing policy.

Saudi Arabia has one of the lowest prescription drugs prices in the region, owing to the large market which allows manufacturers to sell medicines at cheaper prices. On the other hand, lower volumes in the Qatar pharmaceuticals sector and high per capita income have led to high pricing of drugs in the country and dominating presence of imported medicines.

UAE curbs dealing in forged products by banning re-export of medicines

To limit growing regional trade in forged registered and unregistered medicine products, many countries plan to impose a ban on re-export of medicines. Counterfeit medicines worth US$ 5.4 million were seized by the UAE government in 2007. It also destroyed 293 tonnes of counterfeit medical products in 2008 in Dubai. Moreover, it is in discussions with free zones and other relevant authorities to toughen measures and put a ban on entry of medical products and diagnostic devices without its approval. The government has introduced a draft federal law to clamp down on such activities and impose strict financial penalties against offenders.

4.7 Challenges

High dependence on imports

Increased dependence on imported medical products and medicinal ingredients is posing a challenge for the GCC countries. Saudi Arabia and the UAE consume 80% of imported pharmaceutical products because branded medicines are made available by multinational companies. Local companies manufacture 15-20% of the medicines consumed.

In this scenario, local manufacturers face a challenge. For instance, Julphar sells 90% of its manufactured drugs outside the GCC as imported branded drugs are preferred to locally-made generics in the region.

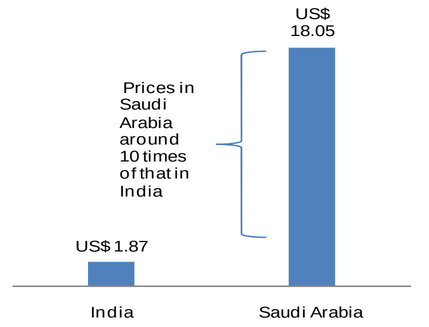
Significant growth barriers for OTC medicines

A significant growth barrier for companies producing OTC medicines in the GCC is tough regulatory conditions, which prohibit advertising and promotion of drugs. Moreover, such drugs can only be purchased from licensed pharmacies and not from general retail outlets, except in the UAE. These restrictions limit growth of such medicines in the GCC and also the market share of such products.

High drug prices

Medicines are unevenly priced in many GCC countries. According to the WHO survey, in 2008, drug cost in the UAE was 23 times more than internationally recommended prices. In addition, some national pharmacies sell generics medicines that are 13 times costlier than international reference prices, as per WHO statistics 2009. Such inequality is due to the small size of the domestic pharmaceuticals market, which restricts price negotiation powers with pharmaceuticals companies. For example, the prices in Saudi Arabia are low due to high volumes but higher in smaller GCC countries. Further, manufacturing in the region involves high capex and thus low margins for manufacturers, leading to differences in pricing among GCC countries.

Chart 16: Price disparity of stomach ulcer drug: 2008



Source: arabianbusiness.com

Saudi Arabia, despite being the largest pharmaceuticals market in the GCC, had significantly high drug prices for some therapeutic diseases such as stomach ulcer, which was 10 times costlier in Saudi Arabia than in India in 2008 (see

Chart 16).

Pricing of drugs depends largely on the number of players operating and strength of alliances in the region. Prices can be maintained by implementing a bulk purchasing process and economies of scale by companies. The governments should reassess their drug approval processes, introduce less expensive generics, and leave it to consumers to make choices between branded and generic drugs. They can also ease restrictions on approval of generics from countries such as Egypt and India, without compromising on quality and safety.

In April 2010, Kuwait's Minister of Health announced reduction in medicines prices for 5,000 essential drugs by 5% and review of such prices every six months. Easing pricing pressure and making private sector drugs affordable are primary concerns of governments. In Qatar, medicine prices are high owing to small population; low local pharmaceuticals demand base, and high per capita income.

Foreign players face challenges in drug distribution

Since, many GCC countries do not allow foreign players to participate in the retail and wholesale pharmaceuticals sector; these foreign players are entering the region by set up of their manufacturing facilities to manufacture approved drugs in the region. To get the market access for distribution in GCC region, the foreign players also enter in joint ventures with the local distribution firms or have licence agreements with local firms for drug distribution.

Difficulties in setting-up and running pharmaceutical manufacturing facilities

Pharmaceutical manufacturing set-up requires high capex and has long break-even time thus acting as deterrent for players to set up plants.

Further, R&D investment in the GCC is low compared with developed nations, primarily because of the small size of local manufacturing firms, low availability of finance, and shortage of skilled workers and personnel. With limited R&D capabilities, local players can produce only generics while majority of the demand is of patented drugs. Thus, to compete, the local company's focus shifts towards production of patented drugs by paying royalties to international pharmaceutical companies and laboratories and making agreements with patent holders.

4.8 Way forward

Smaller regions to form strategic export markets

Countries such as Oman, Bahrain, Qatar and Kuwait, which have limited population, are striving to secure strategic trade partners for low cost generic drugs distribution. This serves as an alternative to setting-up of manufacturing bases which multinational drug makers do not find attractive enough due to pricing limitations.

Generic substitution will maintain market growth

With an increasing trend of lifestyle diseases such as diabetes and obesity in the GCC, a long-term source of revenue from prescription of these drugs is expected to rise. This segment will continue to dominate and may create interest in the generic segment. Many players such as Julphar have manufacturing expansion plans to cater to the needs of such therapeutic segments. The smaller niche drug makers in the GCC would have more support from their governments for increasing production capacity to contribute toward broader economic growth.

Joint ventures and licensing deals with pharmaceutical MNCs would help reduce prices and improve access to medicines

To improve health care facilities and medical distribution, Ministry of Health of Saudi Arabia established The National Company for Unified Purchase of Medicines & Medical Appliances in 2007 for purchasing, storing, and distributing medicines and medical appliances in the region. The new wholesaler would help minimise the current high prices owing to competition with drug importers that service the public sector.

Regional price consent

To synchronise varying drugs prices in all GCC countries, governments are striving to unify regulatory processes and introduce a central registration procedure that will have a consolidated effect on all regulations pertaining to registrations in the region.

For instance, GCC countries started a Group Purchasing Programme in 1982 to control healthcare expenses, beginning with hospital equipment. Bulk buying of medicines would undermine regional price disparities, due to small population base of few states.

However, the proposed common medicine prices move may also impose strict pricing restrictions on the GCC states, subsequently limiting profitability for foreign drug-makers.

OTC drugs distribution

Going forward, there is a significant scope for OTC drugs market to expand as many GCC countries such as Saudi Arabia and UAE are allowing essential OTC drugs like vitamins to be sold in retail outlets and shopping malls. For instance, in 2010, UAE-based BinSina pharmacy opened the first in-store pharmacy for the retailer Carrefour. This partial liberalisation of OTC drugs sales is expected to boost the overall sector growth.

Potential for R&D sector in the region

As the pharmaceuticals sector in the GCC region matures, R&D spend on the sector is set to grow. Since generics constitute a small fragment of the pharmaceuticals sector, R&D spend has been low on it. However, going forward, these countries are not only increasing their R&D spend on generics, but also, encouraging private players' participation on the same.

With the development of consortium such as Dubiotech which can become a hub for R&D companies, many multinational companies such as Pfizer are planning to bring teams of researchers in to the region. The MOHs expect good scope for R&D in the future, which is essential for the long-term growth of the sector.

Need for Government initiatives

GCC governments should take the following steps for development of pharmaceutical sector in the region:

- Develop policies for promoting local production of drugs with acceptable quality.

- Encourage foreign players to set-up facilities through joint ventures and licensing. Provide free property leases, interest free loans, and government subsidies.

- Simplify regulations, upgrade and expand healthcare infrastructure (hospitals, clinics, R&D centres etc.)

- Develop education systems to address requirements of skilled workforce in pharmaceutical sector

- Encourage private health insurance coverage

Country Profiles

Kingdom of Saudi Arabia

Macro-economic indicators

Indicators	Unit	2010E	2020E
GDP	*US$ bn*	442.9	944.2
Population	*mn*	26.1	31.7
Inflation	*%*	5.2	3.5
Healthcare expenditure (HE)	*US$ bn*	19.0	42.6
Pharmaceuticals sales	*US$ mn*	2,860	5,113

Source: IMF, WHO and Alpen Capital Analysis

Key pharmaceuticals players

Company	Type
Glaxo Saudi Arabia	Manufacturing/distribution
SPIMACO	Manufacturing/distribution
Jamjoom Pharma	Manufacturing
Al Jazeera Pharmaceutical Industries	Manufacturing/distribution
Al Haya Medical Company	Distribution
Banaja Pharmaceuticals	Distribution
Tabuk Pharmaceuticals	Manufacturing/distribution
Saudi Arabian Japanese Pharmaceutical(SAJA)	Manufacturing/distribution
Novartis	Manufacturing/distribution

Overview

Saudi Arabia's pharmaceutical market share is estimated to be 51% in 2010, the highest in the region. The market is expected to grow at a CAGR of 6.5% in 2010-2014.

Pharmaceutical product demand is expected to increase with rising population. The government is prioritising this sector for investments and encouraging private sector sources such as private medical insurance and healthcare investments. The government budget for the healthcare sector increased enormously from US$4.4 billion in 2003 to US$11.9 billion in 2008. The country has stepped up efforts on IP rights and is liberalising the economy and reducing its dependence on oil.

Key Insights

- Saudi government has been constantly taken steps such as allowing 100% foreign ownership, providing low cost loans and low cost power to encourage domestic production in the sector
- Many countries such as Japan (the largest trading partner of GCC) are in the process of making Free Trade Agreements (FTA) with Saudi Arabia for development of the pharmaceuticals industry
- Wholesale and retailing of products are not permitted for foreign players, but setting up of a pharmaceutical manufacturing plant is allowed
- The drug registration process with the FDA varies from six to 18 months; Ministry of Health continuously takes steps to reduce this

United Arab Emirates

Macro-economic indicators

Indicators	Unit	2010E	2020E
GDP	*US$ bn*	250.6	551.1
Population	*mn*	5.0	6.25
Inflation	*%*	2.2	3.4
Healthcare expenditure (HE)	*US$ bn*	9.2	21.2
Pharmaceuticals sales	*US$ mn*	1,841	3,815

Source: IMF, WHO and Alpen Capital Analysis

Key pharmaceuticals players

Company	Type
Julphar	Manufacturing/distributing
Neopharma	Manufacturing
Global Pharma	Manufacturing/distributing
Pharmatrade	Distribution
Arabian Ethicals Company	Distribution
Modern Pharmaceutical Company	Distribution
BinaSina	Distribution
Pfizer	Distribution

Overview

The UAE is the second-largest region in the GCC in terms of market share with estimated market size of US$ 1.8 billion in 2010, but it is heavily dependent on imported products for consumption as its economy is characterised by high per capita income.

Europe has maximum share of 63% in supplying drugs to the UAE.

For improving quality of healthcare, the government implemented the Federal Health Insurance Scheme in January 2009 by boosting private participation in the sector.

Key Insights

- There are discrepancies in prices for generics drugs compared with other countries as they involve huge marketing cost
- Although considered as very safe and stable sector in the country, little attention is paid to the investment in R&D
- The government has imposed a ban on re-exports and taken a multilateral approach for detection and seizure of fake drugs, to deal with the issue of counterfeit drugs in the region

Kuwait

Macro-economic indicators

Indicators	Unit	2010E	2020E
GDP	*US$ bn*	144.2	270.6
Population	*mn*	3.6	4.3
Inflation	*%*	4.4	3.5
Healthcare expenditure (HE)	*US$ bn*	3.7	7.4
Pharmaceuticals sales	*US$ mn*	374	736

Source: IMF, WHO and Alpen Capital Analysis

Key pharmaceuticals players

Company	Type
Kuwait Saudi pharmaceutical industries company	Manufacturing/distribution
Nour Al Yasmin Pharmaceutical Co.	Manufacturing/distribution
Mohammed Naser Al Hajery and Sons	Distribution
Warba Medical Supplies Company	Distribution
Safwan Trading and Contracting Company	Distribution
YIACO Medical Company	Distribution

Overview

Kuwait has the third-largest market share in the GCC pharmaceutical sector with estimated market size of US$ 374 million in 2010.

Strong pharmaceutical regulatory structure and stable political and economic conditions drive growth in this sector in the region.

For regulating higher drug prices, the government is taking action to reduce prices of essential drugs by 5% and review prices every six months. It also plans to implement a common pharmaceutical import policy for easing cost pressure and increasing affordability for the private sector. It intends to implement reforms and attract investments from the private sector.

Key insights

- Many demographic and epidemiological factors drive this sector in the region and obesity related problems are among the highest here in the world
- Pharmaceuticals multinational firms do not have manufacturing facilities in the country, and operate through representative offices in neighbouring countries of Saudi Arabia or the UAE
- Drug prices in Kuwait are one of the highest in the GCC. Therefore, government is implementing restrictions and control over drug pricing and profit levels, as well as reimbursement of high-priced medicines
- Due to relative wealth of the population and significant expatriate population in the country, branded and patented drugs are more popular; however, the government has been extending support to generic procurement for reducing healthcare expenditure

Qatar

Macro-economic indicators

Indicators	Unit	2010E	2020E
GDP	*US$ bn*	109.0	258.3
Population	*mn*	1	2
Inflation	*%*	1.0	4.0
Healthcare expenditure (HE)	*US$ bn*	4.5	10.3
Pharmaceuticals sales	*US$ mn*	227	618

Source: IMF, WHO and Alpen Capital Analysis

Key pharmaceuticals players

Company	Type
Ebn Sina Medical Company	Distributing
Qatar Pharmacy Est	Distributing
Qatar Pharma	Manufacturing/distributing
Tylos Pharmacy	Distributing

Overview

Qatar is characterised by a strong intellectual property rights environment, urbanisation, low regulatory risks and high per capita spending on branded and imported drugs.

Qatar has estimated market size of US$ 227 billion in 2010. The country continues to attract more healthcare investments in the country to meet increasing demand. It allows 100% FDI into the sector.

Key Insights

- Changing epidemiological profile of increasing genetic disorders, which continue to boost demand for long-term chronic medicines in the country, would act as a key driver
- The fair licensing policy by the Qatar National Health Authority resulted in ease of entry for foreign players and development of the healthcare sector
- The authorities are yet to introduce a compulsory health insurance scheme for all workers and individuals
- It has the lowest levels of insurance in the GCC; burden on the public sector is expected to reduce with increased participation of private insurance players

Oman

Macro-economic indicators

Indicators	Unit	2010E	2020E
GDP	*US$ bn*	62.2	117.4
Population	*mn*	3.1	3.9
Inflation	*%*	3.9	1.7
Healthcare expenditure (HE)	*US$ bn*	1.5	3.0
Pharmaceuticals sales	*US$ mn*	152	241

Source: IMF, WHO and Alpen Capital Analysis

Key pharmaceuticals players

Company	Type
Ebin Rushed Pharmacy Company	Distribution
Oman Pharmaceutical Products Company	Manufacturing / Distribution
National Pharmaceutical Industries Company	Manufacturing / Distribution

Overview

Oman is characterised by a small population base and strict drug price control. It is estimated to have a pharmaceutical market size of US$ 152 million in 2010. Wealthy and ageing population, fondness for imported and branded products and regulated intellectual property environment are key factors for growth in the sector in the region.

The country has lowest per capita healthcare expenditure among the GCC countries with limited manufacturing facilities. The government is focussing on private sector participation to shift its burden, but multinationals seek limited growth in the region.

Key insights

- The country expects to boost domestic generic drug production as it secured FDA approval for export of generic antibiotics in the well-paid US market, which is already approved for countries such as Australia, Germany and the UK
- The Government is constantly making efforts to attract private participation in the sector by providing subsidies for projects and setting up pharmacies in the country
- Mandatory insurance for employees is yet to be implemented by the Government
- The GCC common drug policy will provide a significant advantage to smaller states such as Oman where drugs are purchased through joint tenders for the region

Bahrain

Macro-economic indicators

Indicators	Unit	2010E	2020E
GDP	*US$ bn*	22.3	39.5
Population	*mn*	1.0	1.3
Inflation	*%*	2.4	2.0
Healthcare expenditure (HE)	*US$ bn*	1.0	1.9
Pharmaceuticals sales	*US$ mn*	118	229

Source: IMF, WHO and Alpen Capital Analysis

Key pharmaceuticals players

Company	Type
Maskati Group	Distributing
Al-Jishi Corporation	Distributing
Bahrain Industrial Pharmaceutical Company	Distributing
IBN Sina Pharmacy	Distributing
Allmedpharma	Distributing
Alrahma-Pharmacy	Distributing

Overview

Bahrain has estimated pharmaceuticals market size of US$ 118 million in 2010. Growth is limited by the small population base of the country; it would be driven by increased per capita consumption, population growth, and growing importing costs.

Even with a low market size, the region is characterised by low prices versus other gulf nations. This can create an interest among foreign players.

Private players command almost 50% share in market spending. There are ongoing developments in the healthcare sector by neighbouring countries such as Kuwait and Saudi Arabia for development of the pharmaceutical sector in Bahrain.

Key insights

- Around 60% of the Bahraini population is overweight and the country has the fourth-largest share in diabetics in the GCC (as of 2007). These are the key growth drivers for its pharmaceuticals sector
- Bahrain has a limited manufacturing base and imports almost all of its branded pharmaceutical products, accounting for nearly 96%, with the help of various FTAs
- Low pharmaceuticals spending in Bahrain offers little attraction to foreign drug makers for establishing manufacturing sites in the country

Company Profiles

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO)

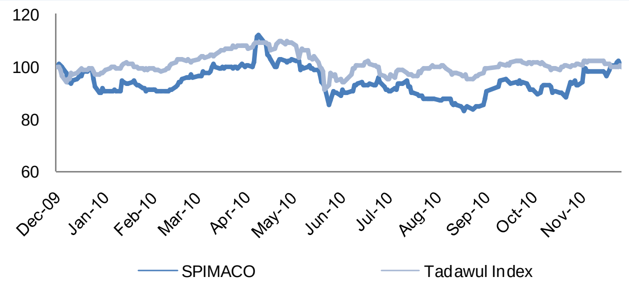
Public: Saudi Arabia

Stock data

Bloomberg ticker	SPIMACO AB
Price (SAR)	31.0
52 Week High/Low	37.6/27.5
Enterprise value (USD mn)	572.4
Market cap (USD mn)	648.2
6 month average daily value traded (USD mn)	6.4

Source: Bloomberg

Stock chart

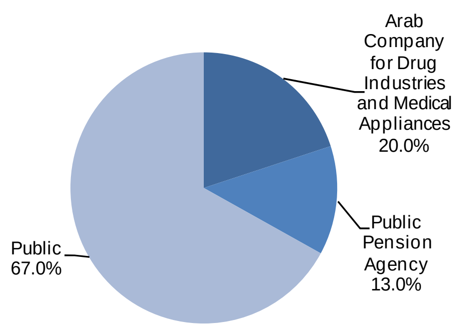


Performance summary

(USD mn)	2008	2009	% change
Revenue	232.4	253.5	9.1%
COGS	58.4	55.9	-4.3%
Operating income	30.0	39.0	29.9%
Operating margin (%)	12.9%	15.4%	2.5%
Net income	34.2	41.3	20.7%
Net income margin (%)	14.7%	16.3%	1.6%
ROE (%)	6.0%	8.7%	2.7%
ROA (%)	4.8%	6.6%	1.8%

Source: Zawya and company website

Shareholding structure



Business description

Overview

SPIMACO is involved in manufacturing as well as marketing and distribution of generic and licensed pharmaceuticals through its subsidiaries in the MENA region. It was established in 1986 for production of Active Pharmaceutical Ingredients (API) and medical appliances. The firm had 1,000 employees in August 2010. Its main manufacturing facility is at Al–Qassim Pharmaceutical plant in Saudi Arabia, which produces more than 768 registered products.

Products segments

- SPIMACO's products include oral solids, oral liquids, capsules, dry powders, injectables, ointments, creams, suppositories, and other forms
- It produces anti-rheumatics, antibiotics, antimicrobials, anti-tuberculosis, anti-allergic drugs, cough sedatives, expectorants, topical corticosteroids, antiseptics, low-calorie sweeteners and medical appliances

Manufacturing capacity

- In 2009, SPIMACO's manufacturing plant at Al–Qassim produced 3.5 million litres of liquid medicine, 55 million capsules and 850 million tablets annually

Awards and certifications

- SPIMACO is the first pharmaceutical company to secure ISO 9001 certificate in Saudi Arabia
- It was awarded King Fahad Award for the best plant in the chemical and petrochemical industries sector in 1995
- In 2004, SPIMACO was awarded by His Royal Highness prince Naif Bin Abdul-Aziz for "Saudization"

Recent news and development

- **Jan 2010:** SPIMACO announced its intention to acquire a pharmaceuticals manufacturing company in Egypt for expanding operations overseas
- **Nov 2009**: It announced its plan to raise SAR 295 million (US$ 78.7 million) through a rights issue

ALPEN CAPITAL

TABUK PHARMACEUTICAL MANUFACTURING COMPANY

Private: Saudi Arabia

Snapshot

Year established	1994
Headquarters	Riyadh, Saudi Arabia
Manufacturing plant	Tabuk city
Employees (2010)	1,114

Source: Company website

Business description

Tabuk Pharmaceuticals, established in 1994, is a fully owned subsidiary of Astra Industrial Group – (AIG) from 2006. It is headquartered in Riyadh and has a manufacturing plant in Tabuk City. Tabuk had 1,114 in 2010. It is one of the largest manufacturers and distributors of generic and licensed pharmaceuticals in Saudi Arabia. The firm has products presence in MENA, North Africa, Central Eastern Europe, Western Europe, Commonwealth of Independent States (CIS) and USA. Until date, it has developed more than 195 products.

Segments and services

Product segments

- The firm produces drugs for various therapeutic categories such as alimentary and metabolism, anti-infective, NSAID and pain killers, respiratory, dermatology, cardiovascular, CNS system, systemic hormones and parasitological medicines

Manufacturing capacity

- In 2009, Tabuk's manufacturing facility produced 500 million tablets, 250 million capsules, 19 million injectable vials and 5 million of ointments and creams

Research and development

- It has R&D operations in Jordan with large information access resources and databases, and wide range of new formulation and analytical equipment to handle development of various dosage forms
- It currently has 87 products in R&D covering different therapeutic categories

Awards and certifications

- Tabuk has European GMP approved manufacturing facilities, along with FDA accreditation

Recent news and developments

- **Mar 2010:** Two new antibiotic products were registered in Ethiopia, Enervit (a multivitamin) and Meiact (an antibiotic)
- **Mar 2010:** European Patent Office (EPO) granted a formula patent to Tabuk's R&D director for coming up with a new formula for Ciprofloxacin, a broad spectrum antibacterial agent, which is a significant milestone
- **Feb 2010:** Al Hashar Pharmacy honoured the Tabuk Pharma team on achieving good sales growth in 2009

GULF PHARMACEUTICALS INDUSTRIES (JULPHAR)

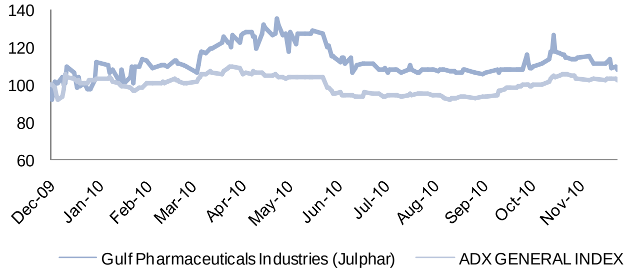
Public: UAE

Stock data

Bloomberg ticker	JULPHAR UH
Price (AED)	1.7
52 Week High/Low	2.2/1.4
Enterprise value (USD mn)	395.7
Market cap (USD mn)	330.1
6 month average daily value traded (USD mn)	0.18

Source: Bloomberg

Stock chart

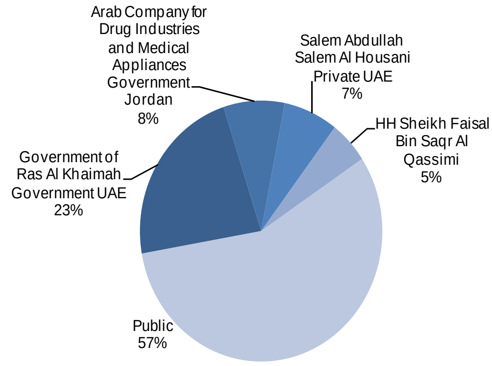


Performance summary

(USD mn)	2008	2009	% change
Revenue	170.2	207.5	21.9%
COGS	42.9	40.3	-6.0
Operating income	24.0	38.8	61.4%
Operating margin (%)	14.1%	18.7%	4.6%
Net income	36.46	33.4	-8.5%
Net income margin (%)	21.4%	16.1%	-5.3%
ROE (%)	10.7%	9.2%	-1.5%
ROA (%)	8.3%	7.0%	-1.3%

Source: Bloomberg, Zawya and company website

Shareholding structure



Business Description

Overview

Julphar, a joint stock company, is involved in manufacturing and distribution of generic therapeutic pharmaceuticals. It was established in 1984 and has headquarters in the UAE. It had 2,000 employees in 2010. The firm has nine production facilities in the UAE, which produced 440 types of generic drugs in 2009. It has sales offices in 26 countries across four continents. Julphar's products are sold in more than 45 countries. As of May 2010, it distributed 10% of production in the UAE and 90% outside. Private market sales accounted for 64% of total sales in 2009, and during the year, the firm had registered 10 new products in the MENA region.

In 2007, Julphar and Global Investment House (GIH) entered in a joint venture to launch chain of pharmacies called Planet Pharmacies. It plans to operate over 2,000 pharmacies by end of 2010.

Products segments

- The firm's product range in the therapeutic segment comprises local anaesthetics, cardiovascular systems, endocrinology, anti-infective, respiratory system, immunosuppressant, musculoskeletal and joint diseases, central nervous system, nutrition and blood, oral cavity and gastrointestinal tract, skin and paramedical products
- It has 3,487 products registered in more than 45 countries, with over 800 formulations and 184 brands

Manufacturing capacity

- Its initial seven factories produced 2.5 billion capsules and tablets, 100 million tubes of creams and ointments and 94 million bottles of syrup, annually as of 2008

Awards and certifications

- Julphar's manufacturing facilities comply with cGMP requirements, FDA and NASA standards

Recent news and development

- **Apr 2010:** Julphar entered into an agreement for US$ 4 million with Linde KCA, a consulting firm for engineering in Germany, for design consultation for last phase of the Insulin plant
- **May 2010:** Julphar signed a contract with GEA-Diesel for US$ 17.6 million for completion of final phase of the insulin plant project for developing clean utilities and plant infrastructure
- **Jul 2010:** Julphar , which is in an expansion phase, will spend US$ 136 million to start a plant in two years, which will produce more than 50 million vials of insulin per year, to be sold throughout the MENA region only

JAMJOOM PHARMA

Private: Saudi Arabia

Snapshot

Year established	1997
Headquarters	Jeddah, Saudi Arabia
Manufacturing plant	Jeddah, Saudi Arabia
Employees (2009)	350

Source: Zawya

Business description

Jamjoom Pharma, a subsidiary of Jamjoom Group owned by Youssef Mohammed Salah Jamjoom, was established in 1997; its operations commenced in 2000. The firm has headquarters and a manufacturing facility at Jeddah and offices at four locations in Saudi Arabia. It had 350 employees in 2009. Jamjoom Pharma is involved in production of nearly 100 generic and licensed pharmaceutical products, which are sold in Saudi Arabia and 15 other countries in the MENA region.

Segments and services

Product segments

- Jamjoom Pharma manufactures therapeutic medicines for following diseases/conditions: Allergy/inflammation, anti-fungal, anti-glaucoma, anti-hypertensive, anti-inflammatory, anti-ulcerative, antibiotic, antiseptic, corticosteroid, h2-antagonists, muscle relaxant, proton pump inhibitor, steroids, and vitamins

Manufacturing facilities

- Jamjoom Pharma follows internationally recognised standards such as USFDA, EU, ISO, AUPAM; other standards include current Good Manufacturing Practices (cGMP), current Good Laboratory Practices (cGLP), and International Conference for Harmonization (ICH) guidelines

ALPEN CAPITAL

GLAXO SAUDI ARABIA

Private: Saudi Arabia

Snapshot

Year established	1992
Headquarters	Jeddah, Saudi Arabia
Manufacturing plant	Jeddah, Saudi Arabia
Employees (2010)	264

Source: Company website, Zawya

Business description

Glaxo Saudi Arabia, established in 1992, is a subsidiary of GlaxoSmithKline, which is involved in manufacturing and distribution of pharmaceuticals. It has a manufacturing plant in Jeddah and sales offices at six locations in Saudi Arabia. Glaxo Saudi Arabia has 264 employees in Saudi Arabia in 2010. Its sales were US$ 234.8 million, 36% of Glaxo sales in the MENA region in 2009.

Segments and services

Shareholding

- Around 51% of the shareholding is owned by Saudi Import Company, while 49% is owned by GlaxoSmithKline

Products

- It manufactures a wide range of different therapeutic medicines. Some of its local brands include the following: Antibiotics – Augmentin; Chronic and asthmatic medicines – Seretide; cardiovascular medicines – Avandia; antidepressants – Seroxat

Patents

- It has a total pool of 800 granted or pending patents globally

Certifications

- Its consumer healthcare manufacturing site was certified by the ISO 14001 and OHSAS 18001 standards in 2007

Key Achievements

- Augmentin became the best-selling brand in Saudi Arabia in 2009 in terms of sales
- The firm maintained leadership in respiratory, antibiotics, CNS, vaccines and anti-diabetics medicines in Saudi Arabia in 2009

KUWAIT SAUDI PHARMACEUTICAL INDUSTRIES COMPANY (KSP)

Private: Kuwait

Snapshot

Year established	1990
Location	Kuwait

Source: Company website

Business description

Kuwait Saudi Pharmaceutical Industries Company is involved in development, manufacture and marketing of pharmaceutical products. It was established in 1992, with support of Swedish Astra Company, which is managed by a Kuwait Saudi joint venture company since 1994. It produces more than 120 products, which are primarily distributed in the Gulf states, the Middle East and some African nations and major clients include governments of Gulf nations.

Segments and services

Products

- KSP's products include large-scale parenterals solutions, small-volume parenterals solutions, different solutions for cardiovascular, respiratory, infectious, muscuskeletal and nervous respiratory diseases in the form of tablets, syrups, creams and ointments

Production facility

- The firm sources raw materials from suppliers such as BASF, Novartis, Merck and ISP
- Its plant and the 5,000 sq. ft. independent warehouse are completely qualified and validated by PharmaPlan (Germany) and it has a hygienically monitored environment complying with current Good Manufacturing Practice (cGMP) and WHO standards
- The plant's annual production capacity of LVP solutions in 2009 was 10 million bottles with 300,000 bags of solutions, 800 million oral tablets/capsules, and 26.5 million bottles syrups as of 2009

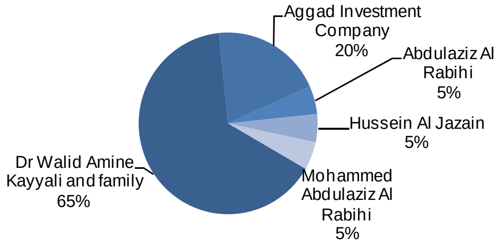
RIYADH PHARMA

Private: Saudi Arabia

Snapshot

Year established	1994
Headquarters	Riyadh, Saudi Arabia
Manufacturing plant	Riyadh, Saudi Arabia
Employees (2009)	550

Shareholding Pattern



Source: Company website

Segment and services

Business description

Riyadh Pharma was established in 1994 for manufacture and distribution of generic and licensed pharmaceuticals and cosmetics. It has headquarters and a manufacturing plant at Riyadh. The firm manufactured 215 products including 205 generics and 10 licensed in 2009, which were distributed in the MENA region. Riyadh Pharma’s revenue was US$ 48.316 million in 2008. The firm has a tie-up with Al – Haya Medical Company (AMCO) – its sole agent and distributor in Saudi Arabia.

Products segments

- Riyadh Pharma has products in various therapeutic categories – analgesic, antipyretics, antacids, anti-allergic, anti inflammatory, antibiotic, antihistaminic, antispasmodic, steroids, miotic, mydriatic, etc

Manufacturing capacity

- The firm produced 1 billion tablets, 500 million capsules, 30 million bottles of syrups and suspensions, 7.5 million bottles of paediatric drops, 10 million bottles of eye drops, 7 million tubes of eye ointment, and 10 million tubes of skin ointment and skin creams in 2009

Certifications and accreditations

- The firm follows all quality services practices — Good Manufacturing Practice (G.M.P) and Good Laboratory Practice (G.L.P) — in its labs
- Riyadh Pharma has been accredited by major pharmaceutical companies such as Smith and Nephew, Janssen-Cilag, Merck and Norgime, which produce their patent drugs in its factories

JAZEERA PHARMACEUTICAL INDUSTRIES

Private: Saudi Arabia

Snapshot	
Year established	1999
Office	Riyadh, Saudi Arabia
Manufacturing plant	Riyadh, Saudi Arabia
Employees (2010)	550

Source: Company website

Business description

Jazeera Pharmaceutical Industries is a subsidiary of Hikma Pharmaceuticals. It was established in 1999 for manufacture and distribution of generic and licensed therapeutic products. Jazeera's office is located in Riyadh and its manufacturing plant is in the Riyadh Industrial Zone. It registered 110 generic and licensed pharmaceuticals products in 2009. The firm currently has 550 employees in more than 15 countries in MENA and Africa.

Segments and services

Product segments

- The firm produces anti-invectives, musculo-skeletal, cardiovascular, alimentary, respiratory, dermatology, and genito-urinary medicines under the therapeutic segment

Manufacturing capacity

- The firm's manufacturing plant has capacity to produce 220 million capsules, 690 million tablets, 27 million suppositories, 16 million pouches and 54 million liquid and powder-filled bottles per year as of 2009

Production facility

- The plant covers 15,000 sq m with specific manufacturing facilities and a centralised quality control laboratory to ensure quality of standards in manufacturing
- The firm also has FDA-approved R&D centres compliant with global scientific protocols for conducting tests

Partners & alliances

- Jazeera has alliances with several manufacturing and technical companies such as Fujisawa Research Laboratories, Nycomed and Dainppon Pharmaceuticals to exchange knowledge and expertise and develop new products for its portfolio

Certifications and awards

- Jazeera received Good Manufacturing Practice (GMP) certificate from American Food and Drug Administration in 2006 for compliance with standards

WARBA MEDICAL SUPPLIES COMPANY

Private: Kuwait

Snapshot	
Year established	1979
Office	Kuwait

Source: Company website

Business description

Warba Medical Supplies Company is a subsidiary of Al Razzi Holding Company, which is a large investor in the healthcare sector in Kuwait and the GCC countries. Warba Medical Supplies was established in1979 mainly for distribution of pharmaceutical products to the Kuwaiti market. It later diversified into health and beauty, medical and scientific equipment, and animal health and agricultural products segments.

Segments and services

Product segments

- The company pharmaceuticals portfolio includes OTC, antibiotics, contraceptives, narcotics, vaccines, plasma products, blood derived products
- Its health and beauty department include hair care, cleansers, moisturisers and complete range of anti age products
- Medical and scientific portfolio products include various hospitals, laboratory and home health speciality equipments
- It also supplies veterinary medicines, vaccines and accessories from different multinational companies

Customers and principals

- The company sells products to Ministry of Health, Ministry of Defence, Kuwait Oil Company hospital and as well as private sector hospitals, pharmacies, clinics and laboratories
- Warba Medical Supplies sources its products from various pharmaceutical companies such as Gilead, Janssen-Cilag, SPIMACO, Schwarz Pharma, Stiefel laboratories, Ebewe Pharma, Daiichi Sankyo and Laboratorios Torlan

MODERN PHARMACEUTICAL COMPANY

Private: UAE

Snapshot

Year established	1969
Head office	Dubai, UAE
Employees (2010)	700

Source: Company website

Business description

Modern Pharmaceutical Company, a subsidiary of Al Batha group, is involved in imports, distribution as well as marketing of different healthcare products. Its product range includes pharmaceuticals, medical equipments, laboratory reagents, skin and beauty care products, home monitoring devices, and dietary supplements. Its head office is located in Dubai Healthcare City, with warehouses at Sharjah and Abu Dhabi. The company achieved sales turnover of US$ 200 million in 2008.

Segments and services

Product distribution

- The company's pharmaceutical division distributes products in controlled, semi-controlled, prescription and OTC segments to governments, private hospitals and clinics
- It has retail distribution outlets, which are strategically located in all major cities of the UAE

Partners

- The firm has partnership with many local and multinational companies such as Alcon, Astra Zeneca, Bristol-Myers, Galderma, and GSK, Johnson & Johnson, Novartis, Merck, Nycomed, Pfizer, Riyadh Pharma, Sankyo, Sanofi-Aventis, Tasly Pharma and Wyeth Pharma for sourcing of products for distribution

Regulatory regime

- The company follows all legal processes for trademarks and registration of its products with Ministry of Economy and Commerce of the country
- Registrations and pricing of products are regulated in accordance with Ministry of Health

QATAR PHARMA

Private: Qatar

Snapshot

Year established	2008
Headquarters	Doha, Qatar
Manufacturing plant	Doha, Qatar
Employees (2009)	300

Source: Company website

Business description

Qatar Pharma was established in July 2008, while its production started in June 2009. Manufacturing facility spread over 50,000 sq m; its office is located in Doha, Qatar and has 300 employees. The firm currently manufactures parenterals products and plans to start the production of ethical pharmaceutical drugs forms such as tablets, capsules, syrups, eye drops, ointments and creams by the end of 2014.

Segment and services

Products segments

- Qatar Pharma produces large volume parenteral products such as basic (standard) intravenous solutions, electrolyte solution, nutritional preparations, electrolyte & nutritional preparations, osmotic diuretics, plasma volume expanders, amino acids, antimicrobial, dialysis solution and anaesthetic agents

Certifications and accreditations

- The firm follows of development, production, storage and distribution of medicines based on QMS and in conformity with ISO 9000 standards and ISO 14001 and GLP, GCP, GDP and (GXPs) regulations. Its manufacturing facilities meet all major international standards and regulations: current Good Manufacturing Practices (cGMP) and U.S. Food and Drug Administration (FDA)

ALPEN CAPITAL

OMAN PHARMACEUTICAL PRODUCTS COMPANY

Private: Oman

Snapshot

Year established	2000
Manufacturing plant	Salalah, Oman
Head Office	Seeb, Oman
Employees(2010)	300

Source: Company website

Business description

Oman Pharmaceutical Products Company (OPP) is a subsidiary of Al Bahja Group – a diversified business conglomerate in Oman involved in sectors such as agriculture, FMCG, copper trading, real estate, hotels & resorts, pharmaceuticals and alternative energy solutions. OPP's head office is located in Seeb and manufacturing plant is in Salalah in Oman. The firm is involved in the development, production and marketing of generics and OTC pharmaceuticals in the GCC and worldwide, having acquired many international regulatory approvals. It also offers contractual manufacturing services to multinational corporations and large pharmaceutical organisations seeking to outsource production in the GCC.

Segments and services

Product segments

- The company's pharmaceuticals portfolio consists of different therapeutic segments such as antibacterial and antiviral, cardiovascular and anti-diabetics, analgesic and antipyretics, gastrointestinal, dermatological, respiratory, hormones and steroids and antigouts drugs

Manufacturing Capacity

- It manufactures 870 million tablets, 288 million capsules, 12 million liquid oral bottles, 7.5 million dry powder oral suspension, 15 million tubes per annum

Certifications

- Its manufacturing plant is certified from regulatory authorities such as MHRA-UK, TGA-Australia, RVO-Germany, and GCC-DR
- OPP is accredited by the Government of Upper Bavarian Authorities, Germany as well as to the Ministry of Health, Oman and the GCC Central Committee for Drug Registration

Latest news and Developments

- **Mar 2010:** Oman Pharmaceuticals received the approval for its First anda neomycin sulfate tablets from US-FDA

Al-Jishi Pharmacy

Private: Bahrain

Snapshot

Year established	1959
Headquarters	Manama, Bahrain
Employees (2010)	100

Source: Company website

Business description

Al-Jishi Pharmacy was founded as the first pharmaceutical distributor in Bahrain in 1959 by Rasul Al-Jishi. The company later diversified its business in medical equipments and consumer supplies and renamed as Al-Jishi Corporation in 1980s. It is one of major distributors of pharmaceutical products and equipments all over Bahrain and is involved in selling, marketing and distribution of medicines. Its customers include Ministry of Health, defense force hospitals, private hospitals and clinics, and universities.

Segment and services

Distribution

- Al-Jishi Pharmacy is the sole distributor in Bahrain for some of the international companies such as MSD, Roche, Astrazenaca, Alcon, Vitabiotics, Actavis, Sandos, Sedico, Meda, Pfizer, Catalysis, Generex and Sanofi Pasteur
- It opened three other retail pharmacy outlets in Bahrain Al-Farabi Pharmacy, Seef Pharmacy, and Al-Hayat Pharmacy to reach more customers

Certifications

- The Quality Management System at Al-Jishi Corporation has been developed, implemented and in accordance with ISO 9001:2000 certifications.