

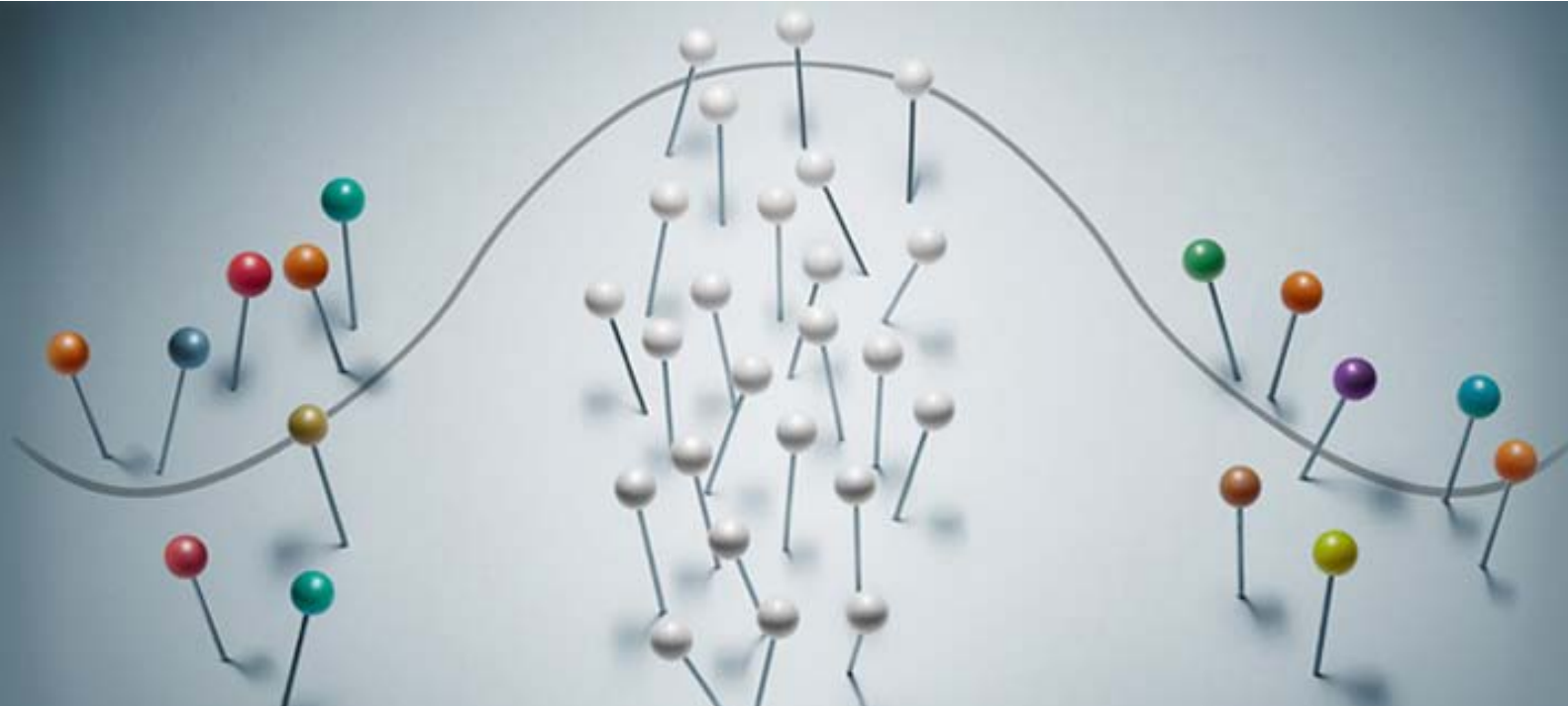


Global & GCC Pharmaceutical Market trends

*Prepared for First Coordination Meeting for the
Pharmaceutical Industry in the GCC & Yemen*

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Agenda

- Definition: what market(s) are we describing ?
- Global and MENA Context
- GCC overview
- Focus on KSA
- Focus on UAE
- Issues to be addressed

The global pharma value chain is worth over \$700 bn pa, of which R&D accounts for ~16%, manufacture ~29%, and sales and marketing ~36%; we will be focusing on the latter in GCC

Research and Development					Manufacture				Sales/Marketing	
Industry Segment	Discovery R&D	Active Process Development	Dose Form R&D / Drug Delivery	Clinical Trials/ Regulatory Filings	Intermed. Manufacture	API Manufacture	Dose Form Manufacture	Dose Form Assembly and Packaging	Sales & Marketing	Post Launch Activities
Overall	\$40 B 6%	\$20 B 3%	\$15 B 2%	\$35 B 5%	\$55 B 8%	\$55 B 8%	\$70 B 10%	\$20 B 3%	\$250 B 36%	
Innovator	5%	3%	2%	5%	7%	7%	9%	2%	35%	
Generic	8%				15%	15%	24%		25%	
OTC	4%				9%	10%	15%		51%	
Biotech	24%				5%		7%		25%	
TOTAL	16%				16%		13%		36%	

Sources: IMS Health, Datamonitor, PhRMA, Ernst & Young, HighTech Business Decisions, PAREXEL, PharmaSource, Evaluate Pharma, S&PA analysis.

We are able to draw on IMS's unique proprietary databases and considerable experience with clients in this region

- **Where do IMS numbers come from, and what are they measuring ?**

*IMS collects and compiles detailed data for the private/retail prescription markets worldwide, and combines this with **informed estimates for other sectors** (e.g. tender/government/hospital sales, consumer health). Product data is prescription pharmaceuticals, whether patent-protected or generic, and whether sold via pharmacies or hospitals, although not all 'institutional' markets (hospitals, tenders) are covered.*

*The volume of each item is measured and valued at '**ex-manufacturer**' prices to ensure **consistency** across countries with different distribution margins and tax regimes. The data can be reported by product, molecule, dose-form, therapy class, company and country/region, and is adjusted to ensure consistent trend information (e.g. allowing for exchange rates)*

- **Why do IMS figures 'disagree' with other figures we may have seen in material issued by (for example) companies and governments ?**

*IMS measures the use of pharmaceuticals '**in-market**', so avoids the complication of imports and exports. Companies which report sales rarely do by product, and almost never by product by country, and many companies also incorporate into their sales figures other revenue-earning activities (e.g. bulk chemical, consumer products, diagnostics, and distribution) are not covered.*

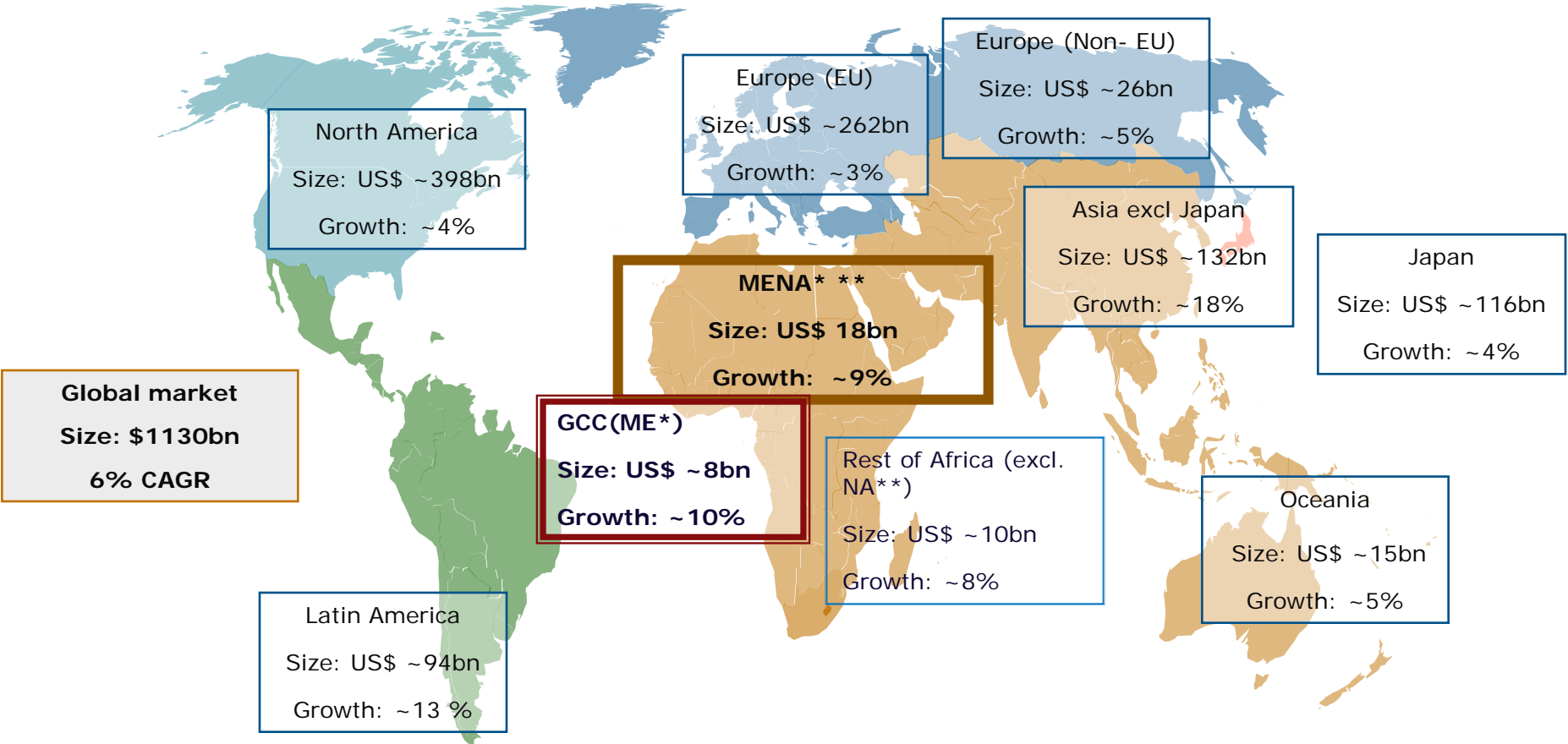
- **Are IMS insights only derived from its data ?**

*No. **IMS has local offices in Dubai and Jeddah, and has undertaken many consulting assignments within GCC** during which it has established high quality **relationships with, and understanding of the major stakeholders in the pharmaceutical market***

***IMS also operates globally, so is able to leverage insights from other markets** which have relevance to GCC*

Pharmaceuticals in the MENA region in which GCC lies is expected to grow at an 'emerging markets' rate

Global: IMS Regional Pharmaceutical Outlook in 2014 (US\$ Billions)



Source: IMS Health, Market Prognosis, 2010

*GCC includes: Saudi Arabia, UAE, Kuwait, Yemen, Qatar, Oman, Bahrain **NA includes: Egypt, Algeria, Morocco, Tunisia, Libya, Sudan



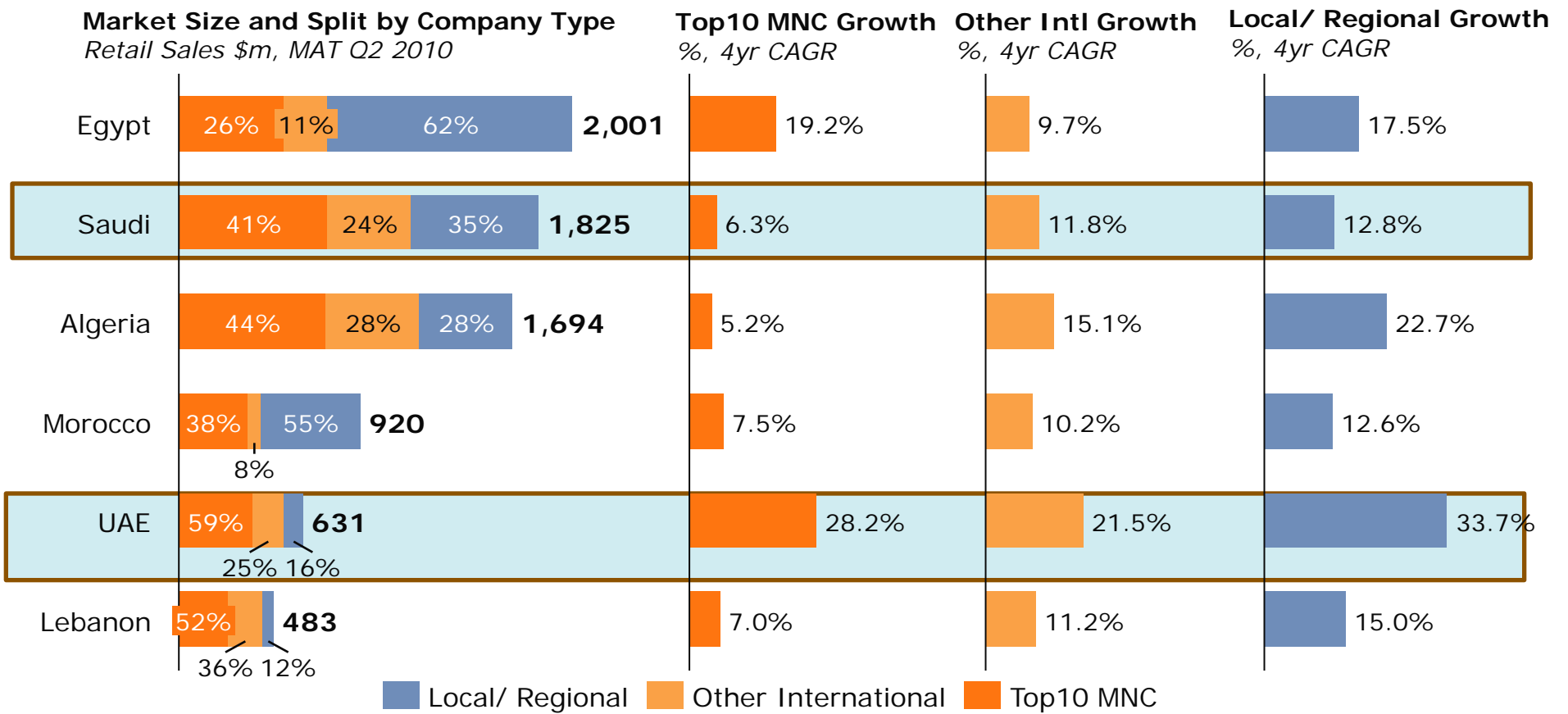
Both KSA and UAE are strong performers in the broader MENA region

	Saudi Arabia	Egypt	Algeria	Morocco	UAE	Lebanon
Market Overview	Strong domestic demand driving robust growth	Double digit pharma growth	Double digit growth; inequitable access to healthcare	Moderate but consistent single-digit growth in pharma market	Double digit growth; economic rebound expected	Double digit growth despite political volatility
Therapy Area Deep-dive	Local/regional players offer high growth products	Top TAs growing but heavily genericised	Strong value and volume growth in specialist care	Primary care and acute diseases driving growth	Recent original product launches in top TAs	All top products from international players
Competitive Environment	Strong international presence with local/regional players driving growth	Dominance by local/regional players	Dominance by local/regional players	Dominance by local/regional players	Strong international presence with local/regional players driving growth	•Strong international presence with local/regional players driving growth
Market Access	Growing private health coverage; adequate IP protection	Poor IP protection but improving regulatory environment	Import ban and cost pressure restricting international players entry	Recent reforms improving healthcare system and market access	Relatively easy registration for FDA/EMA approved products	Poor IP protection and non-transparent regulatory framework

* Attractive as manufacturing base



Regional and local players in GCC account for significantly less of the market than in Egypt and Morocco



Source: IMS MIDAS; Retail Panel

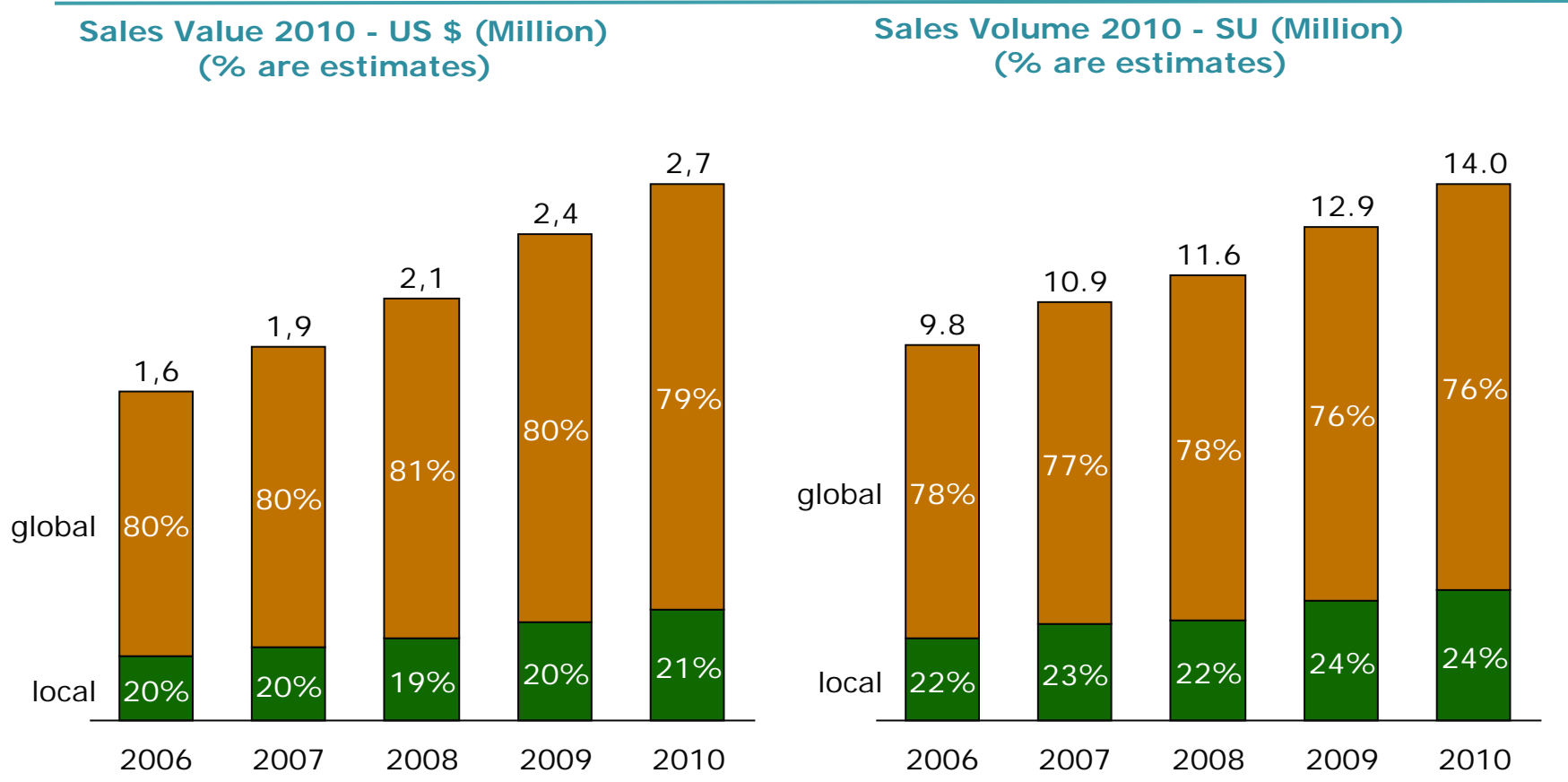
The GCC pharma market is dominated by Saudi Arabia, which accounts for two thirds of the total GCC region value

US\$ million at Ex-Manufacturer Prices, using Constant Exchange Rates					
Country	2010	2011	2012	2013	2014
Saudi Arabia	3451	3749	4076	4430	4820
United Arab Emirates	996	1145	1317	1540	1802
Kuwait	311	336	361	386	411
Yemen	127	130	134	139	144
Qatar	111	119	129	138	147
Oman	108	118	129	140	153
Bahrain	74	80	84	87	91

- Saudi Arabia accounts for two-thirds of GCC region’s sales
- Together with UAE and Kuwait, it accounts for 91% of GCCsales; it is for this reason that IMS only compiles detailed product information for these three markets
- UAE growth, and consumption per head, is significantly faster than elsewhere

Over time, local/regional manufacturers have slowly increased their market share, but more in terms of volume than value

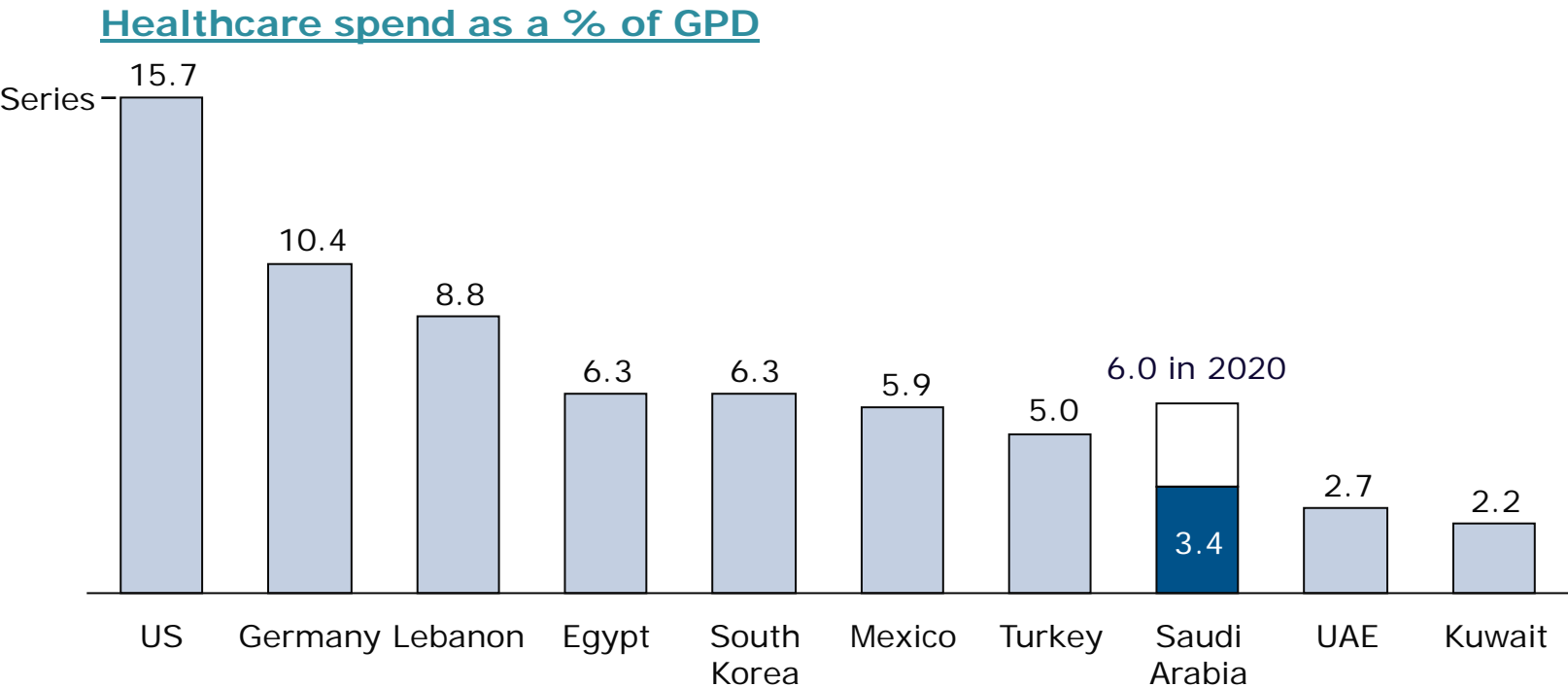
GCC* Corps, Global vs. Local Top 100



Source: IMS Health MIDAS December 2010

GCC*: Saudi Arabia, UAE, Kuwait retail only

Saudi Arabia currently spends a relatively small fraction of its GDP on healthcare. However, this is expected to change

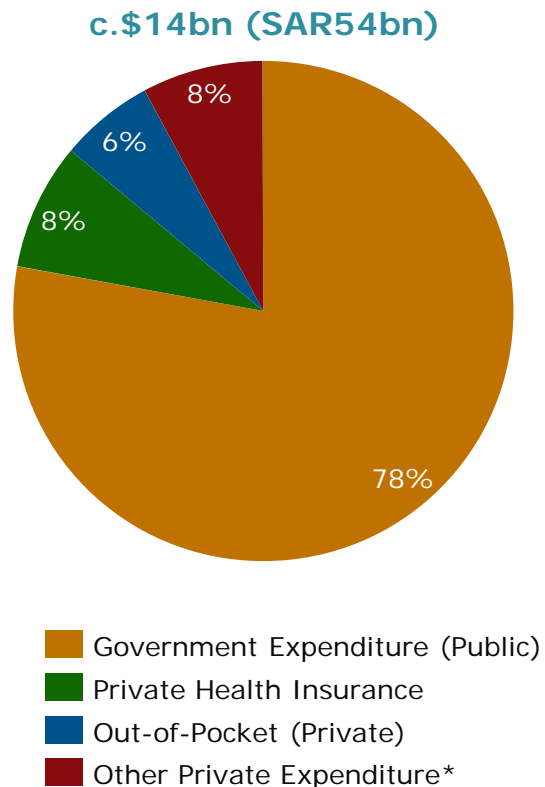


Forecast healthcare expenditure to around 6% of GDP by 2020 will sustain the growth of healthcare and pharmaceutical industries

Source: WHO 2010; IMS market prognosis; IMS analysis

Government policy to provide the highest possible quality of care has driven public spending to ~80% of the total

Healthcare Spending by Sector (2008)

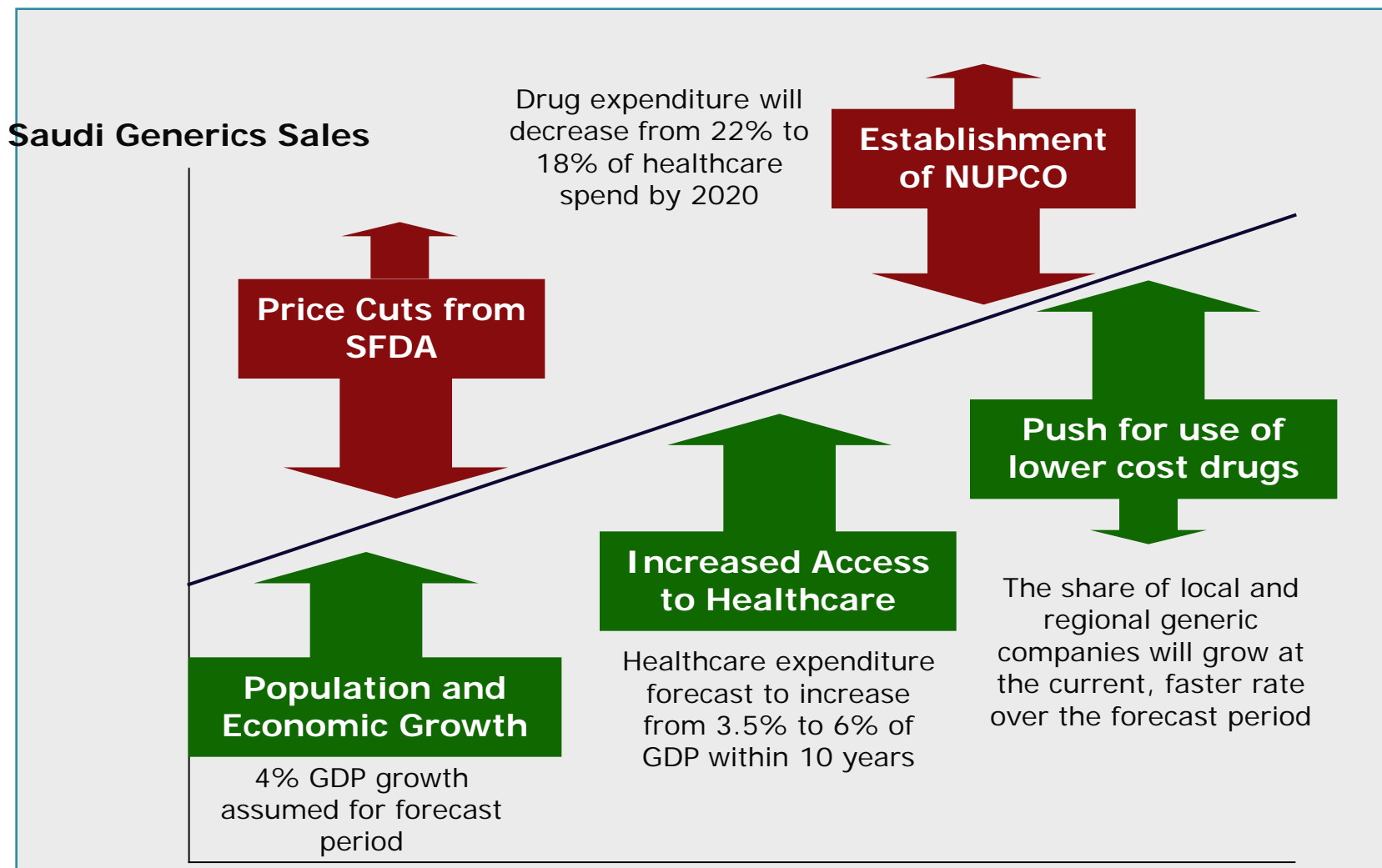


- The Government is the major provider of healthcare in Saudi Arabia accounting for ~80% of all healthcare expenditure
- Saudi nationals and some public sector expats are eligible to receive free public health services and pharmaceuticals
- As well as the MoH, some Saudis and their dependants are eligible to receive healthcare from other governmental institutions such as the National Guard, Ministry of Defense and others
- The remaining expenditure is derived from private sources including private health insurance and out-of-pocket expenditure

Source: WHO 2010; IMS Analysis

Note: **Other Private Expenditure includes non-profit institutions, resident corporations and quasi-corporations not controlled by government*

The Saudi pharmaceutical market is subject to many pressures



The KSA government has invested heavily to improve access to high quality healthcare, and this can be expected to accelerate

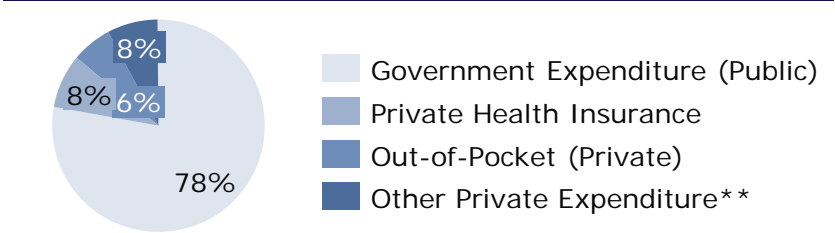
Total Health Expenditure as % GDP ('07): 3.4%



Per Capita Health Expenditure-PPP('07, US\$): \$768



Healthcare sector spend ('07)



Healthcare Infrastructure

- 3489 pharmacies
- 110 hospitals
- 16 physicians per 10,000 population
- 22 hospital beds per 10,000 population

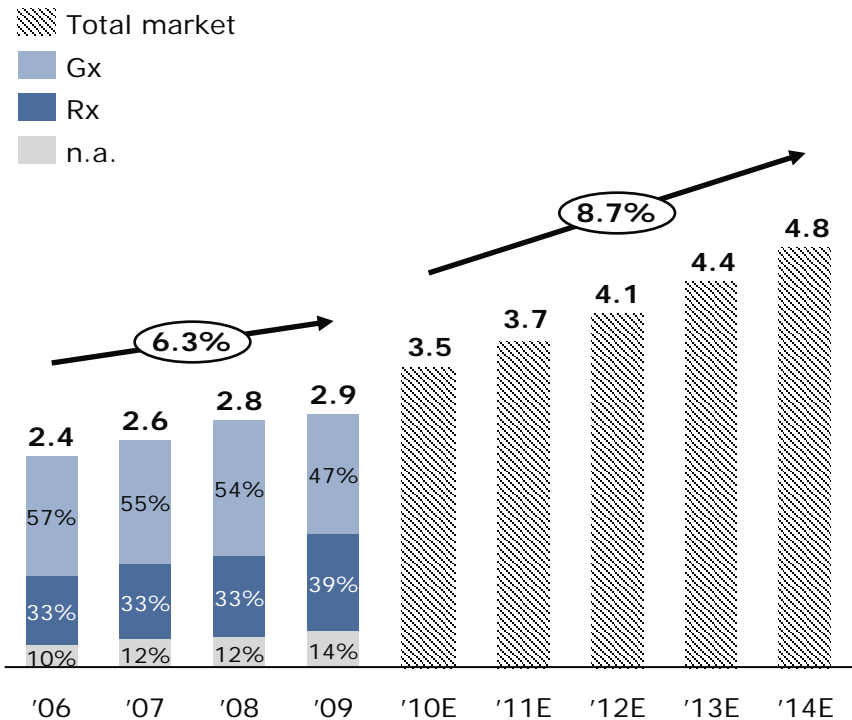
Healthcare Dynamics

- Saudi Arabia has one of the most developed and sophisticated healthcare systems in the region
- The healthcare system consists of 3 tiers: primary (healthcare centres), secondary (general hospitals) and tertiary (specialist hospitals). Health Centres are assigned to catchments areas with a defined population and they act as the first point of contact for patients
- The MoH and the other governmental institutions (e.g. National Guard, Ministry of Defence) account for >75% of the healthcare expenditure
 - The MoH is responsible for the management, financing and regulation of the healthcare system; it is the major provider of national healthcare services
 - Saudi nationals and some public sector expats are eligible to receive free public health services and pharmaceuticals
- The remaining expenditure is derived from private sources including private health insurance and out-of-pocket expenditure

Source: WHO; Business Monitor International; IMS analyses

The dynamics within the KSA market can be expected to benefit local producers, with volume growth and price constraint

Historic & forecast market evolution
(LC US\$ Bn) *



- Saudi Arabia is projected to contribute 30% of the total regional market (2010)

General Market Drivers & Constraints

- Drivers**
- ↑ Strong economic credentials with growing affluence despite the economic downturn
 - ↑ Growing local population generating solid domestic demand
 - ↑ Rising chronic disease burden (e.g. diabetes)
 - ↑ Continued investment from the government to modernise and expand healthcare infrastructure
 - ↑ Broader health insurance coverage (e.g. compulsory co-operative insurance for all expats and Saudi nationals in the private sector)
 - ↑ Persistent dominance of patented and imported products which tend to have higher price
- Constraints**
- ↓ Fluctuating oil prices affecting government's healthcare budgets
 - ↓ Cost containment initiatives including strict price controls and enforced price cuts
 - ↓ Increasing generics usage as a result of the efforts of MoH and insurance companies to lower pharmaceutical costs

Source: IMS Market Prognosis; Business Monitor International; IMS analyses

UAE has the highest per capita health spend in the region; the government is committed to provide high quality of care

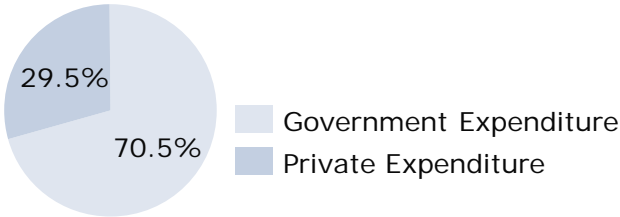
Total Health Expenditure as % GDP '07: 2.7%



Per Capita Health Expenditure-PPP'07, US\$: \$982



Healthcare sector spend '08



Healthcare Infrastructure

- 15 physicians per 10,000 population
- 19 hospital beds per 10,000 population

Healthcare Dynamics

- UAE has a comprehensive, government-funded healthcare system although the level of insurance coverage varies in the different emirates
- UAE nationals receive free healthcare funded by the government
- >50% of the population e.g. blue collar workers lack public health insurance cover, although non-insured could still receive free basic treatments in public facilities
- Expats must pay for healthcare services
 - In Abu Dhabi, this is done through the compulsory health insurance where the premiums are paid by the employer
 - In Dubai and other emirates, this is done through either private insurance or out-of-pocket
- The private sector is relatively new but its importance in providing quality care is expected to increase in the coming year, especially for UAE nationals and upper-middle class expats
 - Private clinics and hospitals are usually found in most urban centres and the quality of the facilities and services are highly variable
- Most insurers offer virtually the same range of services with minor differences in terms of which services and medicines they reimburse

Source: WHO; BMI; IMS analyses

The UAE pharma market has retained a strong preference for originator, branded products

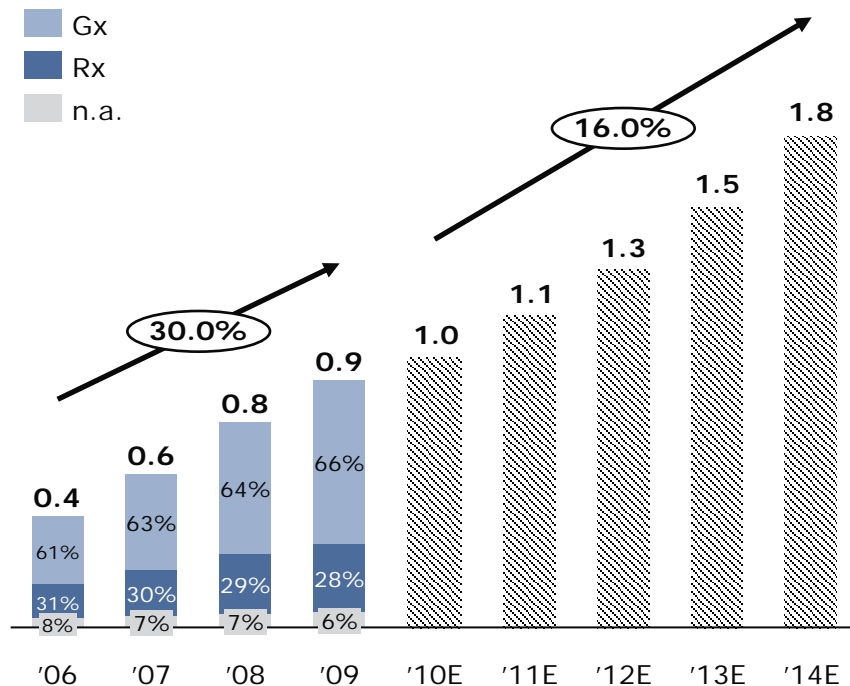
Historic & Forecast Market Evolution LC US\$ Bn*

▨ Total market

■ Gx

■ Rx

■ n.a.



- UAE is projected to contribute 9% of the total regional market
- Limited generic penetration

General Market Drivers & Constraints

Drivers

- ↑ Small but growing and wealthy population base
- ↑ Government's significant investment in health infrastructure
- ↑ Expansion of the private health sector
- ↑ Promising economic outlook
- ↑ Prescriber's and KOL's reference for branded products
- ↑ Increasing public-private partnerships as evidenced in Johns Hopkins' takeover of management control of Tawam Hospital in '06
- ↑ Exports

Constraints

- ↓ Increasing generics usage in Abu Dhabi in accordance to the basic insurance policies
- ↓ Regionally fragmented healthcare system and insurance coverage, leading to an uneven access to healthcare services

Source: IMS Market Prognosis; BMI; IMS analyses

A number of conclusions can be drawn from this relatively brief analysis

- GCC pharmaceutical markets have shown, and can be expected to continue to show sustained growth given favourable economic and demographic factors.
- Significant investment has taken place in GCC to strengthen the economic, scientific, regulatory and healthcare infrastructure.
- However, with a few notable exceptions, local manufacturers have gained a relatively low proportion of the value in this market
- There are locally-HQ'd companies, and some of them have strong branded generics portfolios. However, few of them have a significant presence outside GCC and in most cases they market branded generics or products developed by, and licensed in from multinational companies
- The GCC pharmaceutical industry is therefore relatively poorly positioned along the pharmaceutical value chain, and in particular the Discovery/Research into innovative products and formulations
- We believe that opportunities both within and outside GCC should be identified and evaluated using consistent evidence-based criteria. We will discuss during a separate session how these might best be addressed