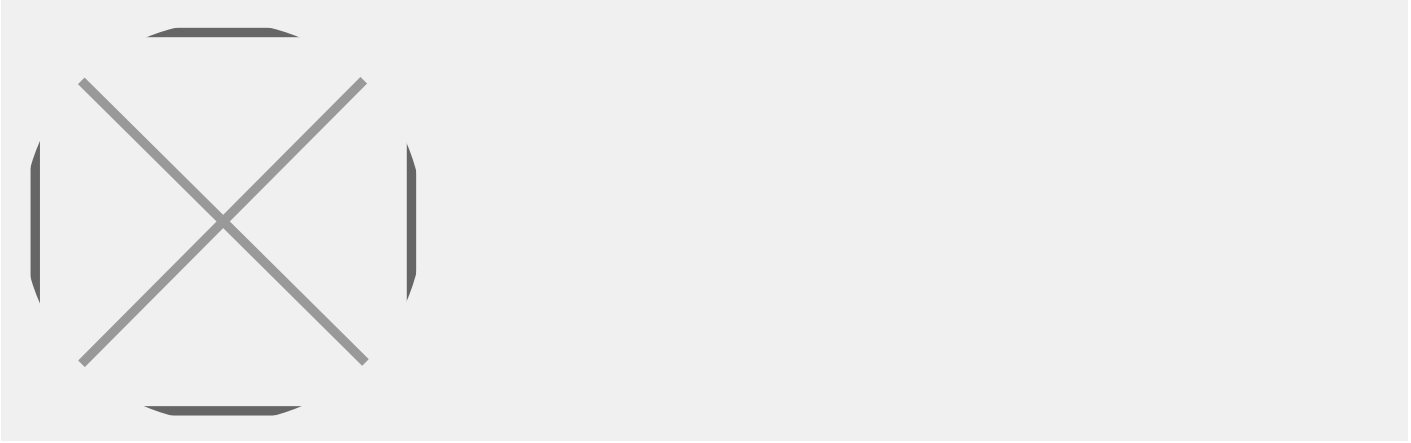
Interview: Paolo Carli, Head of Middle East, KSA & Egypt, Merck Serono, UAE



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Paolo Carli, Head of Middle East, KSA & Egypt for Merck Serono, speaks about the regions most pressing health issues—hypertension and diabetes— and how he thinks that collaboration of the industry with the government and educational institutes will help overcome this problem before it's too late.

What are some of the key strengths you see in Merck Serono, the goals that you have set for the company in the next few years and what is your strategy to make this happen?

Merck- Serono is already recognized in the region as a leading pharmaceutical company with a vast presence, including over 400 employees and our full portfolio of products available in the Middle East. I am proud to say that the company has been growing very quickly—at approximately twice the rate of the overall industry's growth – due to three main reasons.

Firstly, our product portfolio is well positioned to address the most pressing medical needs of the region, including diabetes and hypertension. Additionally, we also have a number of biologic products to treat more niche conditions, such as infertility and multiple sclerosis.

Second, Merck is widely recognized as a great place to work in and is ranked amongst the top 10 best employers here in the UAE and in many countries across the region. This means that our employees are highly motivated and that they believe in the mission of the company, which is further demonstrated by our low turnover of staff. I would like to continue this trend and even

improve our position as number seven in 2012. Furthermore, we were the only pharmaceutical company that was featured amongst the top 10 best employers.

Finally, our approach to the Middle East is quite innovative in that we believe that our success here is not only contingent on our sales-force, but it also depends on our localization of our production in order to be more responsive to local demand. Under the current conditions of importing medicines, there is a six-month timeframe from the moment they are exported from Europe until the medicines reach the patients. This lag will be minimizes to two months when we begin our local manufacturing, which is a great improvement in the access to such essential treatments.

Overall, I believe such a move is key to tackling diseases like diabetes by partnering with local players to genuinely improve medical practice in the country through better access to medicine, as well as medical education and disease awareness initiatives. This is why we are the first multinational company to set up a partnership with a local manufacturer to begin production in the UAE. Through this partnership with Neopharma, we will localize two of our products in the UAE, Glucophage and Euthyrox, where the former will be fully manufactured locally and the other will be packaged here before the end of 2013. The plan is then to move into full production during the first half of 2014. We believe in the importance of knowledge transfer and empowering the local industry in order to work as partners in addressing medical needs. The reality is that emerging markets such as the Middle East today account for 30 percent of Merck’s global revenues, so the company is greatly supportive of this localization strategy to invest in emerging markets through such manufacturing initiatives. The idea is to make emerging markets a core part of the company’s strategy and operations rather than simply serving as opportunistic locations. Ultimately, it is this mentality and approach that makes us different to other companies and what is driving our growth.

Given the legacy of pharmaceutical manufacturing in other countries in the region, why did Merck choose the UAE for such a partnership?

We are indeed moving in the same direction in other markets, such as a Saudi Arabia (KSA). KSA is by far the largest market in the region and is also expanding rapidly. For this reason we have created a dedicated team of 100 people that operates as a stand-alone unit. Furthermore, we are implementing the same strategy of localized manufacturing and expect to begin producing Glucophage in that market by the beginning of 2014 through our local partner, Riyadh Pharma. The idea is to use KSA and UAE as pilot markets for this manufacturing strategy to then replicate it in other countries once it has proven successful in improving access to medicine. Additionally, we prefer to work through local partners as a means of elevating medical practice and quality in these countries through the transfer of technology and best practices. Whereas most large pharmaceutical companies might have opted to acquire a local manufacturer, we believe that a model of collaboration has wider benefits and adds greater value to the country in the long run.

Ultimately it is more efficient to use local capacity rather than building our own facilities.

While the Middle East region has definitely been receiving greater attention from the pharmaceutical industry, other emerging markets still remain more important in terms of their size and contribution to revenues. How do you compete for internal resources given this dynamic?

It is very simple; whenever you are engaged in a competition one must beat the competition. This means that we must grow faster than our counterparts in order to prove the importance of this region, and I have no doubt that we can achieve this. There is no question that markets, such as Latin America and China, are also an essential part of the global Merck strategy, but I would like to think that we can grow faster than them and prove our worth.

As part of your vision to forge local collaborations, what has been your experience with governmental authorities thus far in jointly shaping the healthcare sectors of this region?

Frankly, I have been pleasantly surprised at how receptive and willing health authorities in the Middle East are in working together with the pharmaceutical industry to improve the quality and standards of their respective healthcare systems. Unlike in other markets, it is evident to me that health authorities here have truly made it a priority to elevate standards of care beyond anything else. This is why they are pleased to work with companies such as Merck that are of the same mindset and who believe that partnerships are the most efficient way to improve patient outcomes in the long term.

When I speak about partnerships I am not only referring to our local manufacturing initiatives, but rather this model of collaboration is something that we try to use in all our activities. One example is a partnership we established with Oxford University in the UK and local health authorities regarding diabetes screening. The aim is to bring the most modern screening practices and to raise awareness about the prevention of diabetes being more favorable than treating the disease once it has already developed. Both the university and health authorities have been extremely pleased with this collaboration, which is why we will continue supporting it for years to come.

The incidence of diabetes is a major issue for Gulf countries, and it must be addressed today. Whereas current estimates place the incidence of diabetes at one out of four people, this is soon expected to reach two out of four given current trends. There are many factors that exacerbate the situation, including environmental, genetic and lifestyle conditions. Environmentally, the weather here is simply too hot for people to be sufficiently active outside, particularly since air conditioning is now a staple comfort in all settings. People move from their air conditioned home, to their air conditioned car to reach their air conditioned office, and so on. Furthermore, given that locals were originally desert dwellers, their genetic makeup had adapted to live under conditions of general

food scarcity and strenuous conditions. These genetic predispositions are now overwhelmed with modern eating and lifestyle habits, which include lack of exercise, consumption of excess sugar and non-healthy food.

Finally, there is an added factor of Arab culture that values great hospitality involving long meals with abundant food. When you combine all these factors it becomes evident that we have a ticking bomb on our hands that we must avert as best we can. The same goes for hypertension, which is also diagnosed in 25 percent of the population. Merck cannot tackle these issues alone, which is why we strongly believe that collaboration is the right way forward.

The benefits of such collaborations are clear in the evolution of local healthcare systems. Here in the UAE this has lead to improved regulations and a tighter control of the pharmaceutical industry, such as through the dollarization of all imported medicines. How does Merck perceive such initiatives and ongoing changes?

Most of these initiatives are understandable and even necessary to some extent. Pricing issues are always sensitive for both the pharmaceutical companies and health authorities; however, there is a general understanding that the driving factor behind any new regulations should be sound pharma-economic analysis. This is why a constant and transparent dialogue is essential between both parties and through this we can find middle ground for the benefit of patients.

Similarly, the reimbursement systems of the region are currently being determined, with a mix of private and public payers at the moment. Where do you see this trend going and how will this affect the pharmaceutical industry?

The general trend seems to point to a convergence of interests between the private and public sectors in order to find the most efficient reimbursement schemes according to the legal framework and needs of each country. Here in the UAE we have dedicated teams for both of the sectors given that one is based on tenders and the other is more of a traditional sales representative marketing approach. Given this trend of convergence, however, I do foresee that we will eventually integrate both teams into a single operation. Currently the private sector represents the majority of our revenue here in the UAE, however, other countries are dominated by the public sector, which in some countries includes the military hospitals and institutions.

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