

THE KINGDOM OF SAUDI ARABIA

KING ABDULLAH BIN ABDULAZIZ AL SAUD

STABILITY, PROGRESS AND CHANGE

Both a traditionalist and a reformer, HRH King Abdullah bin Abdulaziz Al Saud embodies the popular Islamic values most Saudis want to preserve and the change most hope to see. These have been evident in the stability, consensus-building and gradual political, economic and social change that have characterized the first six years of his reign.

The son of Saudi Arabia's founder, King Abdullah is both Prime Minister and Commander of the National Guard. He has successfully led this nation of 26 million people through periods of worldwide growth, such as the mid-2000s. He has also led them through times of challenge, such as the 2008–09 global economic crisis and the 2011 "Arab Spring." King Abdullah has put in place reforms, both large and small, that have set the Kingdom on a solid foundation, ready to face whatever global economic turbulence lies ahead.

He has successfully leveraged record oil revenues to implement a number of social programs aimed at raising wages in the public sector (which employs many Saudis), expanding public employment, introducing unemployment benefits and promoting the construction of housing for Saudis. This latter effort includes allocating \$66.7 billion to construct 500,000 new housing units over the next five to ten years and overseeing final work on a long-awaited mortgage law.

Alongside these efforts is a major multiyear, \$400 billion economic development program to build infrastructure in the power, transportation, education, retail, real estate and oil and gas industries. The Kingdom, which joined the WTO in 2005, encourages foreign direct investment and offers an attractive business climate. In the World Bank's 2012 annual ranking of business-friendly countries, Saudi Arabia ranked 12th out of 183 economies

and was the top performer in the Middle East and North Africa region for the seventh consecutive year.

Other reforms have included the liberalization of the telecommunications sector, which has created vibrant competition and enormous value for consumers and business. The Kingdom's incumbent operator, STC, embodies the vigor of this sector, with its fourth-generation networks and IPTV services.

Saudi Arabia is the world's largest producer of desalinated water, and is targeting this sector for reform. The Kingdom has long-term plans to privatize the Saline Water Conversion Corporation, which is restructuring to prepare for an IPO and planning to encourage public-private partnerships in the not-so-distant future.

Healthcare is another strategic focus, contributing greatly to the Kingdom's economic diversification, with a market forecast of \$36.24 billion by 2016. Saudi companies such as the Tamer Group are positioned to support development in this sector through international partnerships, manufacturing and other aspects of healthcare service and delivery.

King Abdullah is implementing other important political and social reforms. He has given increased authority to the Kingdom's still-appointed parliament, sponsored elections for municipal councils, announced that women will be allowed to take part in the next round of these elections, and formalized a new council of senior princes to elect future kings.

He built the \$5.3 billion Princess Nora Bint Abdulrahman University, the largest women's university in the world, as well as the mixed-gender King Abdullah University of Science and Technology, a world-class graduate-level research university. These two institutions exemplify King Abdullah's ability to balance tradition and change in a dynamic world and guide the Kingdom toward a stable and prosperous future.



HRH King Abdullah bin Abdulaziz Al Saud,
Custodian of the Two Holy Mosques

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STC GROUP (SAUDI TELECOM)

A Full-Service Telecommunications and Information Provider



Saud Al Daweesh, Chief Executive Officer of the STC Group

STC was the first operator in the Middle East and North Africa to launch a third-generation network in 2006, the first to offer an IPTV service in 2010 and the first to launch an LTE fourth-generation network in 2011. For Saud Al Daweesh, CEO of the STC Group, these accomplishments reflect the urgency for operators “to cope with, embrace and deploy new technologies in order to meet the demands of their customers, taking them into a new era and providing them with much more than conventional telecommunications products and services.”

Operators today can best serve their customers by moving beyond offering a phone line or Internet subscription. “Entering this new era, we are redefining the usage of multimedia services by merging telecom services with multimedia solutions, all with a purpose to provide value to our customers,” he said. “This is radically changing the concept of home TV viewing. Customers are able to control viewership in their home and access a wide range of channels to serve the tastes of all family members, as well as use the Internet straight from their television screen.”

But enabling such services is dependent on having the latest networks, which explains STC’s constant push for cutting-edge technologies. For example, LTE benefits operators by enhancing the capacity and effectiveness of their networks. For customers, this means real Internet speeds of up to 100 Mbps. For operators, this means they can run fixed-line services across these mobile networks, thus enabling the convergence of fixed and mobile services.

The shift in market dynamics means that STC’s focus is on becoming “a full-service telecommunications and information provider.” In order to capitalize on this, STC is building a solid ICT industry for its customers from the various sectors. STC’s ICT direction will reinforce its position as the leading telecommunications and IT enabler in the Middle East and North Africa.

Ongoing Overseas Expansion

STC was formed in 1998 as the incumbent mobile telecom operator in the Kingdom. Today STC is publicly traded on the Saudi Stock Exchange, although it remains 70% owned by the Saudi government. STC has 160 million subscribers in 11 markets, primarily in the Middle East and Asia.

The company’s growth outside of the Kingdom has greatly helped it diversify its income. Today, approximately 34% of STC’s revenue comes from outside Saudi Arabia. This “proves the viability of our overseas investments,” Al Daweesh says, pointing to STC revenues in Indonesia, which doubled in 2010.

STC accomplished this by acquiring numerous operator licenses in Kuwait and Bahrain. It also took stakes in existing companies, like the Maxis partnership (25% stake) in Malaysia,

Indonesia and India; and Oger Telecom (35% stake), which services Turkey and South Africa, among other countries.

The main reason for expansion was to transform STC into a global player by capitalizing on its successes locally, whether in deploying new technologies, creating new products and services, serving customers or building local talent.

“Being present in strategic markets gives us an edge to be able to serve our customers in multiple markets and gives us global reach.”

—Saud Al Daweesh

Outside the region, says Al Daweesh, “the partnership with Maxis was a fantastic opportunity to grow our footprint in markets where mobile penetration has lots of potential for growth, and our investment in Oger Telecom gave us access to markets such as Turkey and South Africa.”

STC is also committed to developing its employees and giving value to its shareholders. It’s all part of STC’s mission to provide customers with a “differentiated” experience—an integrated offering and bundling of products and services that they can get from one provider.

That one provider is, of course, STC.



STC Group operates in 11 countries.

SALINE WATER CONVERSION CORPORATION

Technology Innovation and Infrastructure Development Meets Growing Demand



H.E. Fehied F. Al-Shareef, Governor of Saline Water Conversion Corporation

Water is a crucial challenge in Saudi Arabia, which is no surprise in a country dominated by desert terrain. As a result, the Kingdom has emerged as the world's largest seawater desalination market. Water-sector expenditures for 2010–2014 are expected to exceed \$43 billion.

The Saline Water Conversion Corporation (SWCC) produces about 3 million cubic meters of potable water daily—nearly half of the 6.4 million cubic meters consumed by the Kingdom's 27 million people. "SWCC is the desalinated seawater market leader and the second-largest power producer in Saudi Arabia," says SWCC Governor H.E. Fehied F. Al-Shareef. Government-owned but slated for privatization, SWCC has a capacity of 5,000 MW of power and transmits desalinated seawater through 4,500 kilometers of pipelines across the Kingdom, according to Al-Shareef.

Water Resource Sustainability

Saudi Arabia consumes 250 to 300 liters of potable water per capita daily. Yet the real challenge resides in increasing the water supply, given that more than 50%

of the water consumed in the Kingdom comes from depleting ancient water aquifers. The Saudi Government has committed to reforms in the water sector to curb demand and reduce the depletion of nonrenewable water resources. Desalinated seawater is expected to play an increasingly strategic role in meeting water demand and ensuring the sustainability and security of water resources in the Kingdom.

Building Capacity

To attract nongovernment investment to the water sector, Saudi Arabia successfully developed four independent water and power projects (IWPPs) within the last decade, both of which are majority-owned by the private sector. Following the global credit crunch and recession, however, the government had to step in and provide funding for new desalination capacity.

The government has committed more than \$14.9 billion to present and future desalination projects. The Ras-El-Kheir cogeneration plant, set for completion by 2014, will produce 1.025 million cubic meters of water per day and 2,400 MW of electricity—making it the largest project of its kind. The Yanbu-3 plant, still in the tendering phase, would add another 550,000 cubic meters of desalination capacity and 2,500 MW of electricity.



As a result, SWCC is set to increase its share of the desalination market, with total capacity of around 5 million cubic meters per day by 2014.

Innovation

Not surprisingly, SWCC invests heavily in research and development. Through its Saline Water Desalination Research Institute (SWDRI), SWCC has achieved notable innovations, including a patented nano-filtration, multi-effect distillation technology. SWDRI is also a consultant on a solar-powered desalination plant that will be the largest in the world, producing 30,000 cubic meters of water per day. Additionally, SWCC plays a central role in driving global collaboration in the desalination sector, enjoying strong relationships with most players in the industry.

Restructuring and Privatization

"SWCC is going through a restructuring and privatization process that was approved in 2008," says Al-Shareef. This involves creating a holding company with subsidiaries owning operating assets, as well as commercialization and business-reengineering initiatives, among others. When global markets allow, private-sector participation will be introduced in SWCC's production plants following the IWPP model, with SWCC holding a 40% stake. Ultimately, greater private-sector participation in the future company will come through management contracts or an initial public offering.

For SWCC, which anticipates a large increase in its desalination capacity, the water sector in this desert kingdom offers significant opportunities for both local and international private-sector participants.

4th December, 2011

TAMER GROUP

Benchmarking Healthcare in Saudi Arabia for 90 Years



Ayman Tamer, Chairman and Managing Partner of Tamer Group

In 1922, the late Dr. Mohammed Said Tamer opened the first pharmacy in Saudi Arabia, ten years before the formal establishment of the Kingdom. Over the next several decades, he grew his business to include the import and distribution of medicine throughout the Kingdom.

Today, with the third generation of the Tamer family holding the reins, the Tamer Group operates in the fields of pharmaceutical manufacturing, medical instruments and supplies, high-end third-party logistics services, health insurance, hospital operations, pharmaceutical retail, and the distribution of nutrition, wellness, beauty and prestige products.

The company has forged joint ventures and partnerships with a range of international firms, including Nestlé, Novartis, Daiichi Sankyo Co., Ltd., and Astellas Pharma Inc. According to Chairman and Managing Partner Ayman Tamer, the Tamer Group offers its partners “commitment, consistency, courage and transparency.”

Growing Healthcare Demand

Tamer is optimistic about the Kingdom’s healthcare sector, in part because of the regulatory changes the government has made to encourage foreign investment and technology transfer—for example, easing licensing and permitting and introducing compulsory health insurance for expatriate workers in 2007.

In addition, the government is investing billions to upgrade and expand the healthcare system, including the construction of 120 new hospitals to complement the 244 already in operation.

These investments and changes are in part a response to the fact that the population is growing by more than 2.2% a year, according to the Ministry of Health. Nearly one-third of the population is under 15 years of age, and the portion older than 65 is forecast to grow 4% by 2015 and 7% by 2020.

“We envision this tremendous growth to continue for the next five years at least, as most investments are still in their early stages.”

—Ayman Tamer

As a result, the Ministry of Health estimates that the healthcare sector will be worth \$36.24 billion by 2016. With annual pharmaceutical sales totaling \$2.7 billion, there is plenty of opportunity for the private sector, explains Tamer, since “the growth envisioned is too great for the public sector to execute alone.”

Thus, international companies focused on healthcare, nutrition and wellness are looking to establish affiliates or subsidiaries in the Kingdom. “We take this regulatory shift as an opportunity because it allows us to partner with international companies and provide them with local expertise and knowledge, and extend to them the infrastructure for distribution,” says Tamer.

Strategic Priorities

Currently the Tamer Group is highly focused on partnering with either local or international partners to expand its drug manufacturing business. It is also working to increase its footprint in retail, and recently established a joint venture with two large pharmaceutical distribution companies to invest in a chain of pharmacies in the Kingdom and neighboring countries. “Retail reaches the consumer and patient directly and allows us to better understand their current and future needs,” Tamer explains.



The company is also improving its third-party logistics services. For example, it has upgraded its IT systems, and implemented RFID and warehouse management system technologies. Largely as a result of these new improvements, Nestlé recently chose the Tamer Group to be its third-party logistics services provider across the Kingdom.

Though much has changed for the Tamer Group over the past 90 years, one thing remains the same: According to Tamer, the company still seeks to “improve the quality of life and productivity of the citizens and residents of Saudi Arabia.”