

EXECUTIVE SUMMARY

API MANUFACTURING AS YOUR INVESTMENT OPPORTUNITY

- Global pharmaceutical companies are looking to diversify their supply chain and lower their dependency on traditional countries in Asia Pacific, taking lessons from the impact of the pandemic on the global supply chains

Egypt has the largest and fastest-growing

- pharmaceutical market in the region valued at \$6.2bn, with more than 152 drug manufacturing factories, importing more than \$2 Bn worth of APIs annually

A huge investment opportunity to manufacture APIs in Egypt is driven by

- the growing trend towards localizing pharma manufacturing, creating export opportunities to the large pharmaceutical market in the MEA region valued at >\$70BN

EGYPT AS YOUR LONG-TERM BUSINESS PARTNER

- Strong GDP growth outpacing global markets with an average growth forecast of 5.5% (2022-2025)
- EGP2.3tn invested into infrastructural developments over the past 7 years
- A trade and investment hub that is supported by the country's large domestic market, strategic geographic location, and large and educated talent pool
- The country boasts some of the most competitive labor & electricity prices amongst its peers, alongside various free trade agreements that facilitate profitable production & exports

SCZONE AS YOUR UNIQUE INVESTMENT DESTINATION

- Well-connected to the modern road network of Egypt and enjoys direct connection to the new Suez-canal tunnels
- Offers direct financial incentives such as a 0% customs tax, a 0% VAT tax, and an export support program among other indirect incentives
- Enjoys special customs regime and trade regulations on top of being a one-stop shop for registrations, permits, licenses, and bureaucratic processes in general

001

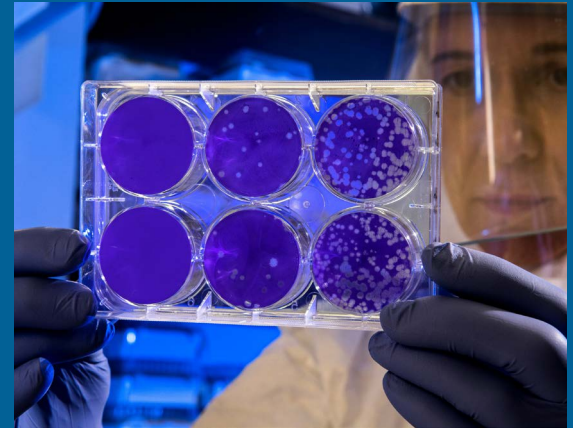
CHAPTER ONE

WHY INVEST IN API MANUFACTURING





With the Largest Pharmaceutical Market in the MENA Region, Egypt offers Significant Investment Opportunities for API Manufacturing



SC°ZONE'

■ UNIQUE LOCATION

■ HIGHEST QUALITY STANDARDS

■ RESILIENT ECONOMIC GROWTH

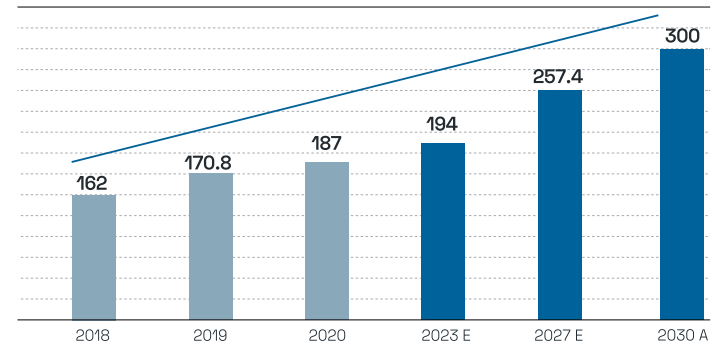
THE GLOBAL API MARKET IS GROWING AT A CAGR OF 6%, TARGETING 300BN USD IN 2030

KEY MARKET TRENDS TO CONSIDER FOR API MANUFACTURERS

- The increased prevalence of chronic diseases is driving the global pharmaceutical market growth and the need for active ingredients
- Global pharmaceutical companies are looking to diversify their supply chain and lower their dependency on traditional countries
- Targeted therapies require personalized medicine for smaller population sizes, which require a higher degree of flexibility in production facilities
- Reduced prices for APIs will drive demand, but will make existing locations less attractive due to inflated labor costs

THE GLOBAL API MARKET (BILLION USD)

↑ CAGR+6%



**API PRODUCERS WITH A RESILIENT STRATEGIC
MANUFACTURING POSITIONING WILL BENEFIT MOST
FROM THESE TRENDS**



SC°Z■NE'

IS THE PERFECT PARTNER FOR
PROGRESSIVE CMOS

The shift towards personalized medicine and production of small molecule APIs requires a stronger diversification with continuous and flexible manufacturing



SC°Z■NE'

■ UNIQUE LOCATION

■ HIGHEST QUALITY STANDARDS

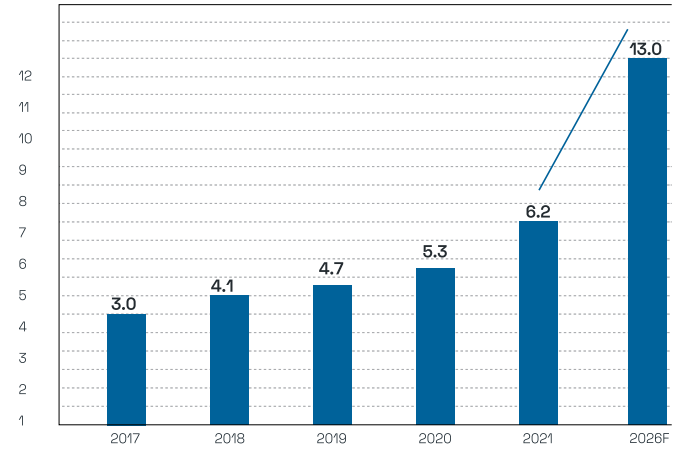
■ RESILIENT ECONOMIC GROWTH

EGYPT HAS A FAST GROWING PHARMACEUTICAL MARKET WITH SALES EXPECTED TO REACH \$13 BN BY 2026

- Egypt's pharma sales are mainly driven by out-of-pocket expenditure as consumers find self-medication to be the cheapest form of treatment.
- Spending on pharmaceuticals is relatively high, contributing to around 25-30% of Total Health Expenditure (THE).
- One of the key drivers behind the industry's growth is the rapidly growing chronic disease burden that has accompanied the ageing and fast-growing population, particularly driving the growth of higher value prescription medicines in Egypt

PHARMACEUTICAL SALES, \$ BN*

+16%

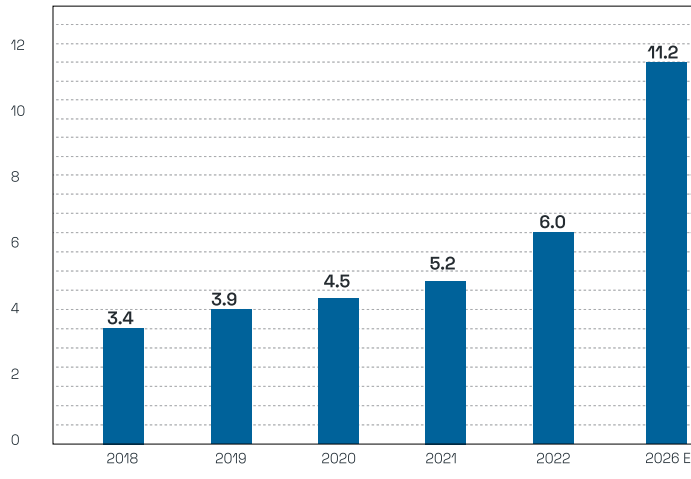


* Using average currency exchange rate 2016-2021

THE STRUCTURE OF EGYPT'S PHARMACEUTICAL MARKET MAINTAINS AN ATTRACTIVE LOCAL MANUFACTURING ENVIRONMENT

PRESCRIPTION MEDICINE DOMINATES

PRESCRIPTION DRUG SALES, \$BN



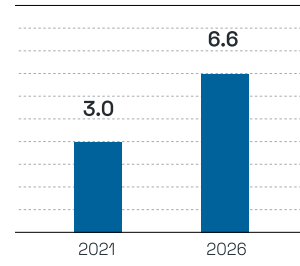
- With 184bn EGP in Sales in 2026, more than 85% of Egypt's pharma sales are prescription drugs, leading to a sustainable growth in demand of pharmaceuticals

Sources: IQVIA, Fitch solutions, Ntsal Analysis

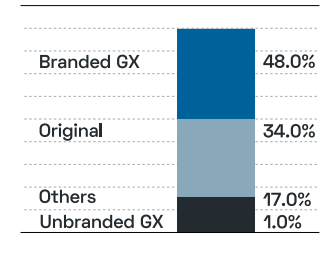
GENERIC DRUGS HAVE A SIGNIFICANT SHARE

GENERIC DRUG SALES, \$BN

↑ +17.0%



DRUG SALES DISTRIBUTION BY TYPE (%)



- Generic drug sales, including branded and unbranded drugs, are expected to grow at 17% CAGR through 2026, making local manufacturing a highly attractive investment



SC°ZONE'

SUPPORTS A FLEXIBLE
PRODUCTION AT SCALE

Aging populations & increases in chronic diseases such as cancer, cardiovascular diseases & diabetes, accelerate the demand for APIs in the region



SC°ZONE'

■ UNIQUE LOCATION

■ HIGHEST QUALITY STANDARDS

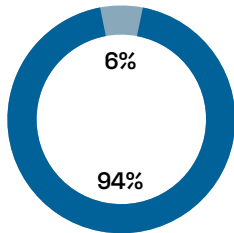
■ RESILIENT ECONOMIC GROWTH

MORE THAN 150 LOCAL DRUG FACTORIES RELY MOSTLY ON IMPORTED APIs VALUED AT \$2.3BN, PRESENTING STRONG OPPORTUNITIES FOR LOCAL API MANUFACTURING

152

DRUG FACTORIES
IN 2022

Currently more than 150 local factories manufacture pharmaceuticals



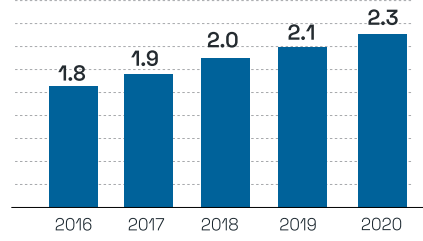
■ Private Sector ■ Public Sector

94% of investments in local drug manufacturing is driven by the private sector

\$2.3bn

VALUE OF IMPORTED
APIs IN EGYPT

EGYPT'S API IMPORTS, \$ BN



90%

OF APIs
IMPORTED

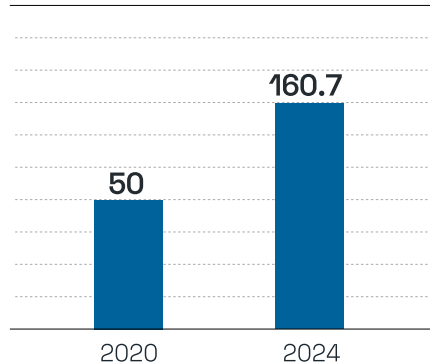
Despite the strong growth and position of local pharmaceutical manufacturing, more than 90% of all API's are imported.

Hardly any local API manufacturing exists

IN ADDITION TO THE LOCAL MARKET DEMAND, FAST GROWING PHARMACEUTICAL MARKET IN AFRICA ENHANCES INVESTMENT OPPORTUNITIES

AFRICAN PHARMA MARKET (\$BN)

CAGR+20%



The wider pharmaceutical market in Africa is set to grow even faster than the expected domestic growth in Egypt, with hardly any local API manufacturing capabilities established

MORE THAN 95%

of all API's in Africa are imported



The SCZone in Egypt provides the most attractive investment destination for global manufacturers to serve domestic markets in Africa

- Highest quality standards to ensure a GMP readiness for local API manufacturing
- Proximity to African markets & ease of logistic access via road and sea

STRONG EXPORT OPPORTUNITIES WITH INCREASING DEMAND, COVERED BY FTAs FOR EGYPT

Beyond the domestic market demand in Egypt, multilateral trade agreements with the largest pharmaceutical manufacturing countries exist



- Removing tariffs on all trading industrial products
- Total API imports of \$96.18BN in 2019 for the EU 27
- Egypt is one of 4 countries in Africa, 8 in MEA region that have FTA with EU



- Among 55/54 African Union nations: by Feb 41, 2022 countries deposited their instruments of ratification.
- Removing customs and tariffs.
- The pharmaceutical market in Africa has a CAGR of 20% in the coming years.
- African countries import between 95% to 99% of their required medicine.



- Conditional duty-free access to the largest pharma & API market
- The North American API market is valued at \$67.9BN in 2019
- Currently both Jordan and Israel have FTAs with the US (separate from QIZ)

STRONG EXPORT OPPORTUNITIES WITH INCREASING DEMAND, COVERED BY FTAs FOR EGYPT



- Eliminating most tariffs among members
- The Middle-East API Market is expected to reach \$19.5BN by 2026 from \$11.1BN in 2016 with a CAGR of 5.9%
- A high spending power and a cultural preference for expensive foreign brands in GCC has resulted in 85% of pharmaceuticals in the country being imported, which can be partially met by Egypt through the GAFTA Trade Agreement



- Reducing customs duties
- In 2019, Latin America imported an API value of \$2.7BN from China alone (8% of China's API exports)
- Egypt is one of only 2 countries in the MEA region that has an FTA with Mercosur countries

STRONG OPPORTUNITY FOR INVESTMENT IN LOCAL API MANUFACTURING EXISTS WITH SIGNIFICANT EXPORT POTENTIAL

4-8

New proposed
factories

The existing market Gap in local API manufacturing creates a significant opportunity for new factories.

5%

Reduction of import
value

Each new API factory with an average plant capacity of 2000 TPA is expected to reduce Egypt's API imports by 5%.

\$130mn

Export Value

In addition to capturing a fair share of the local markets, each factory can achieve an annual **export value of over \$130MN.**



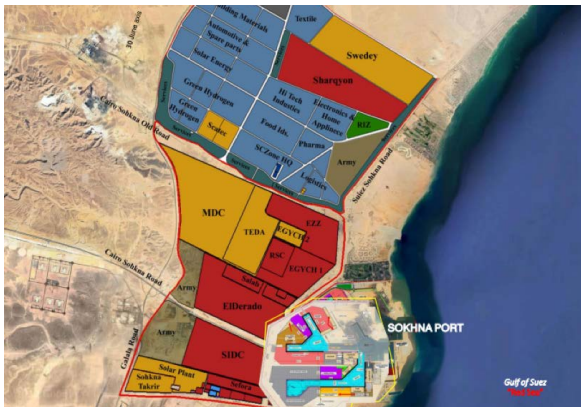
THE API FACTORY WILL BE LOCATED IN A SPECIALIZED INDUSTRIAL PHARMACEUTICAL AND API CLUSTER WITH ACCESS TO ALL REQUIRED FACILITIES AND UTILITIES



SCZONE OFFERING AN AREA OF 230 KM² IN EAST PORTSAID INDUSTRIAL ZONE

UTILITIES:

- Sea Water Desalination Plant (New EPS City) 150,000 M³/day.
- A Wastewater Treatment plant (capacity of 100,000 M³/day).
- Sewage Lifting Stations / 4 X 500 Ltr/S.
- Electricity Substation (125*2 MVA)
- Electricity Substation under construction
- (175*2 MVA) + 3 Electricity networking Projects
- Fiber Optics Cables



SCZONE OFFERING AN AREA OF 300 KM² IN SOKHNA INDUSTRIAL ZONE

UTILITIES:

- Sea Water desalination plant with a capacity of more than 100,000 M³/day
- Waste-water treatment plant with a capacity of 35,000 M³/day
- Portable Facility with a capacity of 2,000 M³/day Wastewater Treatment



SC°Z■NE'

PROVIDES A HOLISTIC ENVIRONMENT FOR THE HIGHEST CGMP PRODUCTION



An API is only as valuable as its purity – across raw materials, synthesis, production and storage capabilities

SC°Z■NE'

■ UNIQUE LOCATION

■ HIGHEST QUALITY STANDARDS

■ RESILIENT ECONOMIC GROWTH

API MANUFACTURING IN THE SCZONE GUARANTEES THE HIGHEST PRODUCTION STANDARDS AND A SEAMLESS VALUE CHAIN

PHARMA GRADE CHEMICALS



The majority of APIs used are synthetic, for which Egypt has a strong supply of pharma grade chemicals. Biological raw materials are mainly imported

HIGHEST GMP STANDARDS

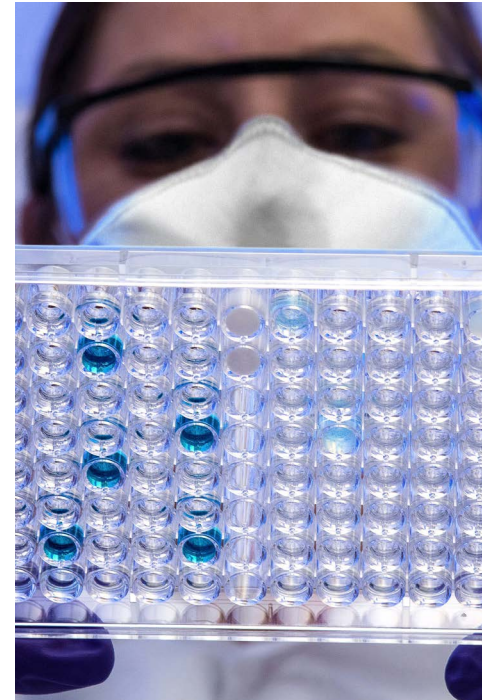


Egypt has competitive labor costs, available machinery and equipment, and professional infrastructure

ACCESS TO GLOBAL AND LOCAL MARKETS

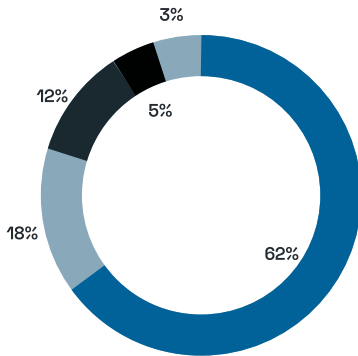


The strategic location of the SCZONE on a global trade route and its proximity to Africa, the Middle East and Europe provide a unique platform for global exports



CHEMICAL SYNTHESIS APIS DOMINATE THE EGYPTIAN MARKET

API TYPES USED IN EGYPT



- Chemical
- Biological
- Semisynthetic
- Both biological & chemical

NEARLY 70%

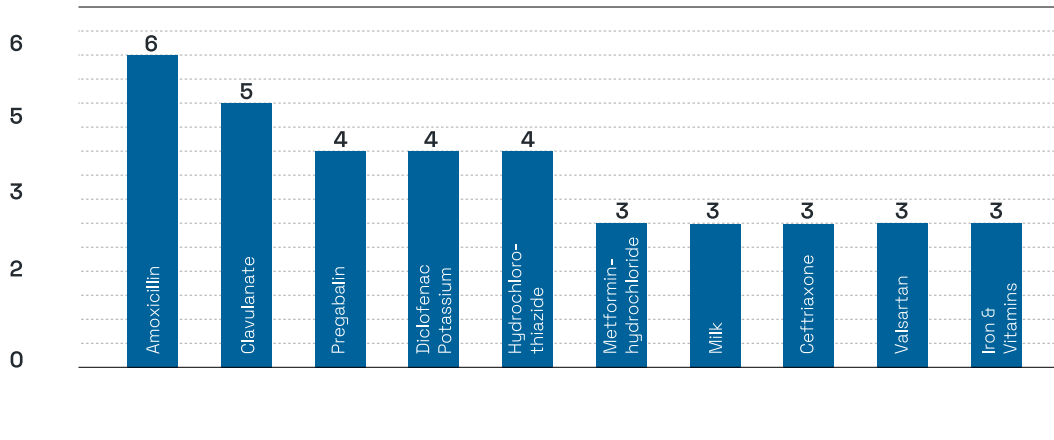
OF THE APIS OF THE BEST-SELLING DRUGS IN EGYPT (2019) ARE THE RESULT OF CHEMICAL SYNTHESIS MANUFACTURING, WHICH IS IN LINE WITH THE GLOBAL TREND.

30% are the result of BIOLOGICAL SYNTHESIS MANUFACTURING



BIOLOGICAL SYNTHESIS APIs ARE DEMANDED BY THE TOP 2 BEST-SELLING DRUGS IN EGYPT

APIs FOR THE TOP 100 BEST SELLING DRUGS IN EGYPT



- The APIs of the top 2 best-selling drugs in 2019 (Augmentin, Hibiotic), which are amoxicillin and clavulanate, are based on a biological synthesis
- Most Molecular and Micro-Biology products are currently imported



INTEGRATED ROUTE



ONE DESTINATION



INTEGRATED ROUTE



ONE DESTINATION



INTEGRATED ROUTE



ONE DESTINATION



INTEG

002

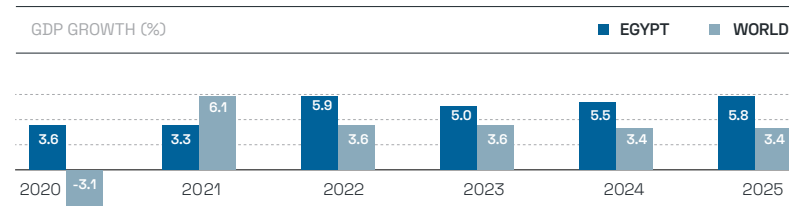
CHAPTER TWO

WHY EGYPT



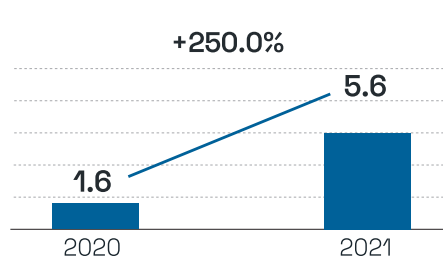
EGYPT IS ONE OF THE LEADING ECONOMIES AND GROWING INVESTMENT HUBS IN AFRICA AND THE MIDDLE EAST

GROWTH RATE EXCEEDING GLOBAL AVERAGES

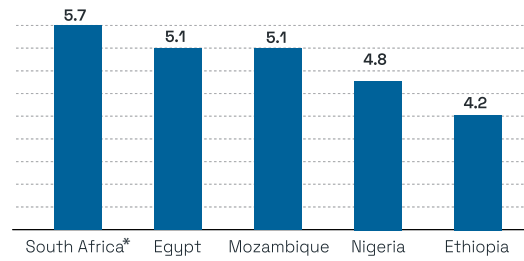


- Strong GDP growth outpacing global markets with an average growth forecast of 5.5% until 2025

GREENFIELD INVESTMENTS (\$BN)



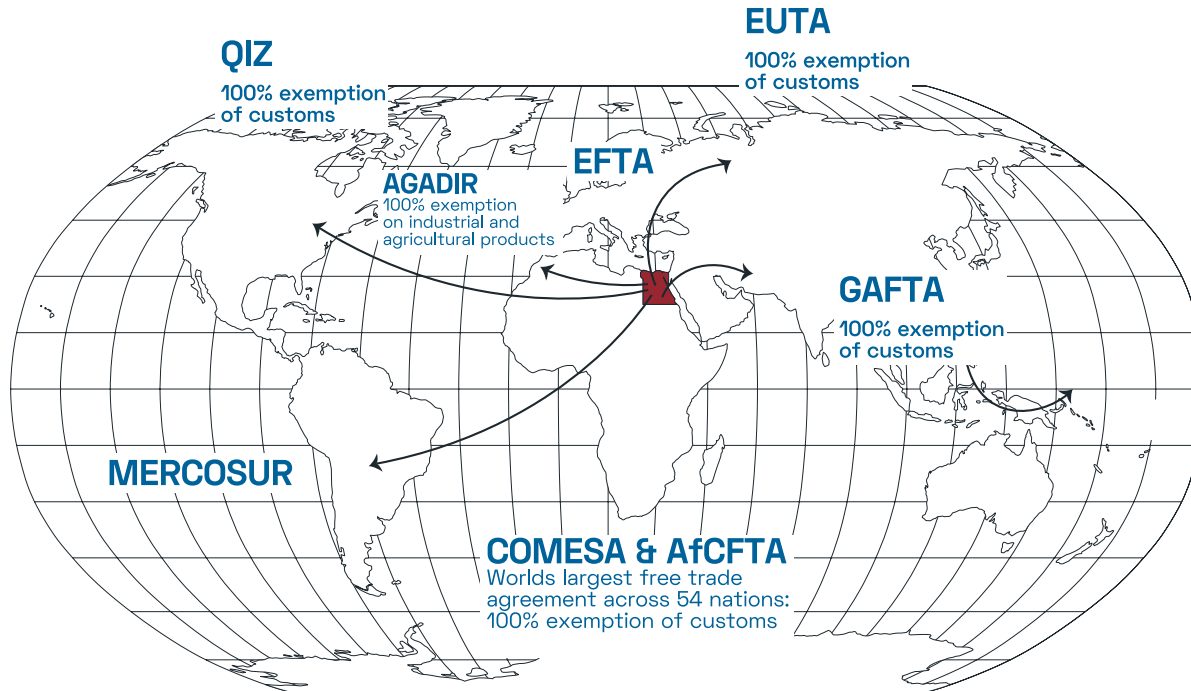
FOREIGN DIRECT INVESTMENT (\$BN)



*South Africa FDI excludes Naspers & Prosus \$35 BN deal

- A trade and investment hub that is supported by the country's large domestic market, strategic geographic location, and large and educated talent pool

WITH 12% OF GLOBAL TRADE PASSING THROUGH THE SUEZ CANAL, EGYPT IS STRATEGICALLY LOCATED AND SUPPORTED BY REGIONAL FREE TRADE AGREEMENTS



EGYPT IS THE

2nd

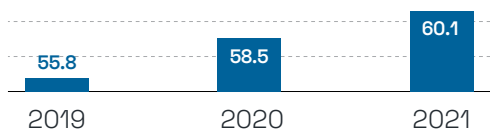
LARGEST
FDI RECIPIENT
IN AFRICA

THE GOVERNMENT'S RECENT ECONOMIC AND STRUCTURAL REFORMS ARE BEARING FRUIT

LEGISLATIVE AND INSTITUTIONAL REFORMS

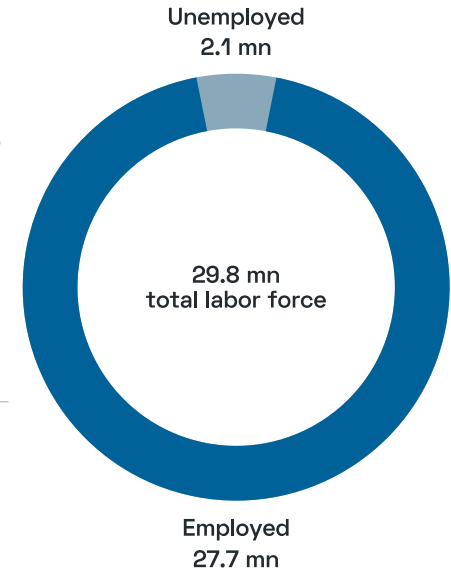
- Facilitating trade by automated customs system "Nafeza" [2021]
- Online system for filing and paying taxes [2020]
- Strengthening minority investors protection [2020]
- One-stop investor shops to obtain necessary approvals and licenses

EASE OF DOING BUSINESS SCORE



LABOR MARKET AND TALENT DEVELOPMENT

- Large and skilled labor force of 29.8 million people
- 85.8K graduates from higher technical institutes
- >150,000 teachers registered in TVET system
- >2 million students enroll in the Technical Education & Vocational Training (TVET) program annually



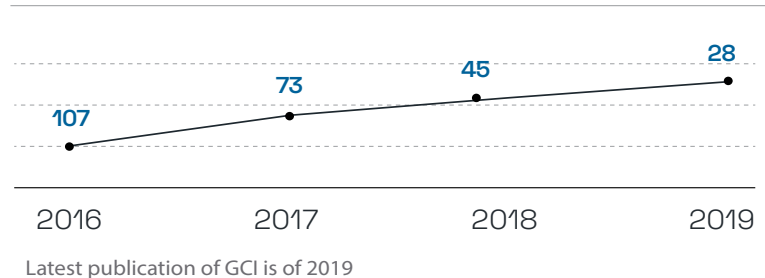
EGYPT HAS ACHIEVED HISTORICAL AND UNPRECEDENTED ACHIEVEMENTS IN THE FIELD OF INFRASTRUCTURE PROJECTS

INFRASTRUCTURE AND CONNECTIVITY

- EGP2.3tn invested into infrastructural developments over the past 7 years
- EGP1.1tn designated for road network development between 2014-2024, resulting in the construction of 7000km of newly developed roads and maintenance of 5000km of existing roads
- EGP387bn invested into the energy sector between 2014-2021, which saw Egypt achieving an electricity production surplus of >25% in 2022
- EGP50bn invested in upgrading existing airports, alongside the construction of 5 new airports in key areas across Egypt
- \$12.4bn allocated to the "National Ports Development Plan" launched in 2017 to increase total cargo tonnage handled per year from 120mn tons to 370mn tons by 2030
- 28% of total government investments allocated to the transportation sector in FY 2022/2023, of which EGP176bn are earmarked for the National Authority for Tunnels
- National high speed electric train spanning 1000 km, connecting sea- and land ports to cities and industrial areas, set to have its first phase completed in early 2023 at an investment cost of about \$8.7bn



QUALITY OF ROADS INFRASTRUCTURE, RANK



INTEGRATED ROUTE » ONE DESTINATION ■ INTEGRATED ROUTE » ONE DESTINATION ■ INTEGRATED ROUTE » ONE DESTINATION ■ INTEG



003

CHAPTER THREE

WHY SCZONE

THE SCZONE PROVIDES AN INVESTOR-FRIENDLY BUSINESS ENVIRONMENT THAT IS A CORNERSTONE FOR EGYPT'S NATIONAL DEVELOPMENT PLANS

455

MILLION SQM2
TOTAL LAND AREA

6

SEA PORTS

4

INDUSTRIAL ZONES

3

MAIN OPERATORS IN
THE PORT

14

INDUSTRIAL
DEVELOPERS

>95

OPERATIONAL
COMPANIES IN THE
PORTS

>300

OPERATIONAL
ESTABLISHMENTS

100K+

DIRECT JOBS
CREATED

31°14'33" ⓪ 32°18'19" ⓪
ⓂⓂ 01

WEST ←
PORTSAID PORT
ميناء غرب
بورسعيد ←

31°12'28" ⓪ 32°27'28" ⓪
ⓂⓂ 02

EAST →
PORTSAID PORT
ميناء شرق
بورسعيد →

31°08'02" ⓪ 33°49'46" ⓪
ⓂⓂ 03

ALARISH
PORT
ميناء
العرش

29°53'23" ⓪ 32°27'40" ⓪
ⓂⓂ 04

ADABYIA
PORT
ميناء
الأديبة

29°48'05" ⓪ 32°18'13" ⓪
ⓂⓂ 05

SOKHNA
PORT
ميناء
السخنة

31°05'58" ⓪ 32°22'13" ⓪
ⓂⓂ A

EAST → PORTSAID
INDUSTRIAL ZONE
المنطقة الصناعية
شرق بورسعيد

30°45'40" ⓪ 32°16'56" ⓪
ⓂⓂ B

WEST ← QANTARA
INDUSTRIAL ZONE
المنطقة الصناعية
غرب قنطرة

30°57'14" ⓪ 32°21'33" ⓪
ⓂⓂ C

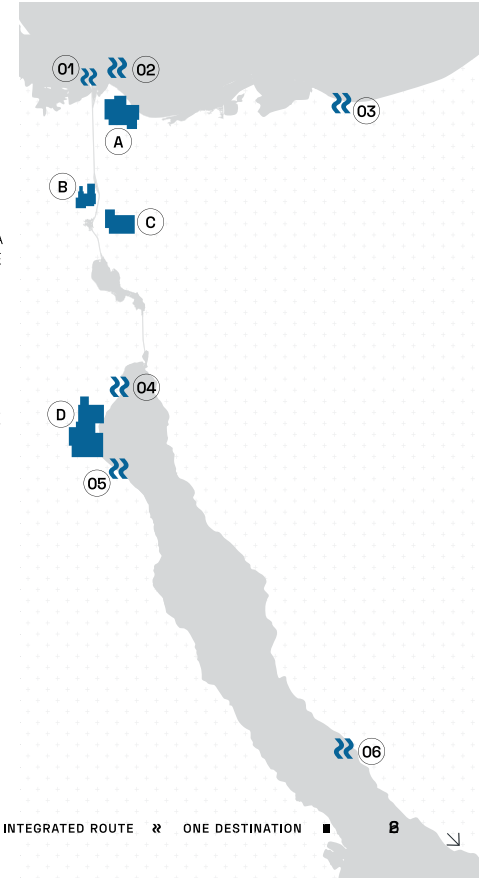
EAST → ISMAILIA
INDUSTRIAL ZONE
المنطقة الصناعية
شرق الإسماعيلية

29°59'12" ⓪ 32°18'37" ⓪
ⓂⓂ D

SOKHNA
INDUSTRIAL ZONE
المنطقة الصناعية
السخنة

29°42'47" ⓪ 32°18'18" ⓪
ⓂⓂ 06

ALTOR
PORT
ميناء
الطور



SCZONE IS A PROMISING INVESTMENT ZONE LOCATED AROUND THE GLOBAL TRADE ROUTE [SUEZ CANAL] WITH

REGIONAL CONTEXT

1.3^{BN}

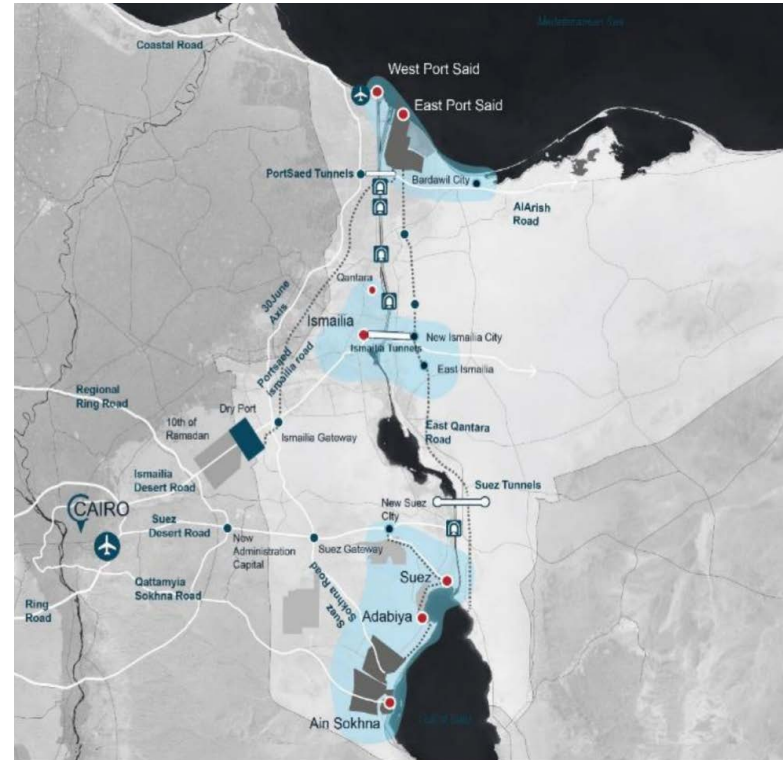
GROSS CARGO
TRAFFIC/YEAR

12%

INTERNATIONAL
TRADE/YEAR

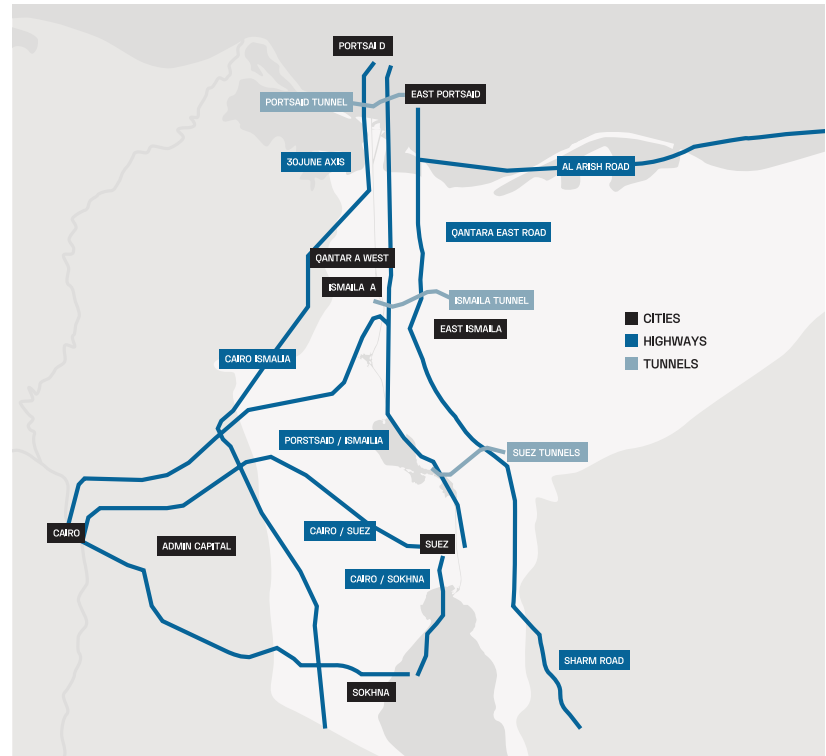
>20K

SHIPS/YEAR



THE SCZONE IS WELL CONNECTED TO EGYPT'S MODERN ROADS, RAIL AND AIRPORT NETWORK

SCZONE is well connected to the modern roads network of Egypt and enjoys direct connection to the new Suez Canal tunnels, facilitating transportation between its two banks.



THE SCZONE'S SERVICES FACILITATE KEY PROCEDURES FOR INVESTORS



SPECIAL CUSTOMS REGIME AND TRADE REGULATIONS

- Create an integrated industrial community
- Establish a logistic platform to serve international trade
- Reduce costs and time of shipments release
- Simplify and ease import/export regulations

ONE-STOP SHOP

Providing convenient integrated services under one ceiling

- New Establishments & Companies registrations
- Issuing all Licenses (construction & operation... etc)
- Extracting the work permits
- Issuing residency permits for the foreign investors

ATTRACTIVE INCENTIVES AND BENEFITS FOR GLOBAL INVESTORS BUILD A CONDUCIVE BUSINESS ENVIRONMENT IN THE SCZONE [1/2]

DIRECT FINANCIAL INCENTIVES

0% CUSTOM TAX



- 0% customs on all projects' components imported from abroad under the condition of exporting the final products
- Custom tax applied on imported components only when exporting to the local market

0% VALUE ADD TAX



- 0% VAT applied on all local and foreign imports required for manufacturing, production and operation
- 14% VAT is only applied when exporting final products from SCZONE to the domestic market

CORPORATE TAX REFUND (INCENTIVES FOR 7 YEARS)



- Discount on Tax (net profit) equivalent to 50% of the project investment costs such that the incentive does not exceed 80% of the paid-in capital

EXPORT SUPPORT PROGRAM



- Industrial manufacturers for export purposes at SCZONE will benefit from the program
- Enhancing the price competitiveness at foreign markets

ATTRACTIVE INCENTIVES AND BENEFITS FOR GLOBAL INVESTORS BUILD A CONDUCIVE BUSINESS ENVIRONMENT IN THE SCZONE [2/2]

INDIRECT INCENTIVES

“THE LEGAL FRAMEWORK”



- SCZONE established and empowered by the special economic zones Law No. 83/2002 which gave a legal framework that reinforces; Flexible, Autonomous and Decision in a single place

“ONE-STOP-SHOP SERVICES”



- New Establishments & Companies registrations
- Issuing all Licenses (construction & operation.. etc)
- Extracting work permits
- Issuing residency permits for foreign investors

EXPORT & IMPORT REGULATION



- Special rules governing imports and exports from the SCZONE
- Reduced cost & time of regulatory examination of shipments
- Treating end industrial products as local products

NEW CUSTOMS GUIDE 2020 & DIGITAL TRANSFORMATION



- Creating an integrated industrial community
- Establishing a logistic platform to serve international trade
- Reducing release time of shipments

5-YEAR RESIDENCY PERMIT FOR THE FOREIGN INVESTORS



- Foreign investors have the right to obtain residency for a period of 5 continuous years, renewable for similar periods throughout the duration of the project

CONTACT US TO LEARN MORE ABOUT INVESTMENT OPPORTUNITIES

WE WILL SUPPORT YOU EVERY STEP IN THE WAY, FROM CONCEPTUALIZATION TO IMPLEMENTATION

001 CONSIDER

002 EXPLORE

003 PLAN

CONTACT US
INVEST@SCZONE.EG

INTEGRATED ROUTE » ONE DESTINATION ■ INTEGRATED ROUTE » ONE DESTINATION ■ INTEGRATED ROUTE » ONE DESTINATION ■ INTEG