

# HEALTHCARE & LIFE SCIENCES REVIEW



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# CYPRUS

OCTOBER 2018



## *Acknowledgements*

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PharmaBoardroom is profoundly grateful first and foremost to President Nicos Anastasiades, for his continuous support, enthusiasm, and words of encouragement.

We also extend our gratitude to...

Constantinos Ioannou, Minister of Health

Thomas Antoniou, Chairman, Health Insurance Organisation

Athos Tsinontides, Managing Director, Health Insurance Organisation

Petros Agathangelou, President, Cyprus Medical Association

Nathanael Antis, Secretary, Cyprus Association of Pharmaceutical Companies (CAPC)

Kyriakos Mikellis, President, Cyprus Association of Research and Development

Pharmaceutical Companies (KEFEA)

Marios Tsiakkis, Secretary General, Cyprus Chamber of Commerce and Industry (CCCI)

Polis Peratikos, Executive Secretary, Cyprus Health Services Promotion Board

for their guidance, insights and enthusiastic support during the compilation of this report.

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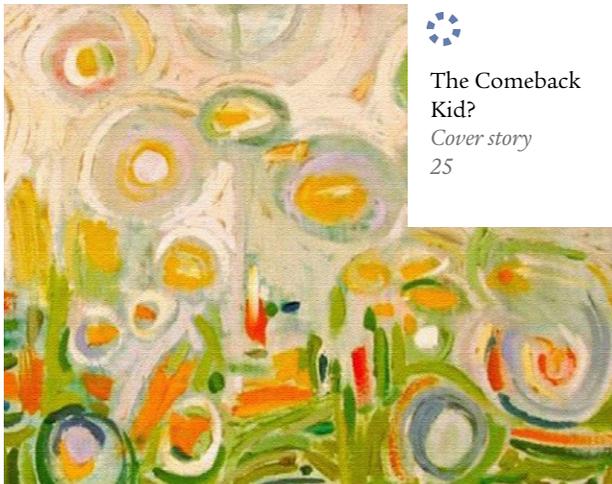
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The Healthcare & Life Sciences Review was produced by PharmaBoardroom.

**Report Coordinators:** Magdalena Kantor, Pauline Besson  
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## *Preface*

With a population of just 1.2 million and a proportionately small pharmaceutical market by EU standards, Cyprus is often overlooked as a healthcare and life sciences investment destination. However, with the island now on the road to economic recovery following the EUR ten billion IMF-ECB-EU troika bailout in 2013, an air of confidence is again beginning to permeate Cyprus, bolstered by the country's key selling points: a geostrategic location close to the rest of Europe as well as the Middle East and Africa, full EU membership and norms, a favourable tax regime, a business environment conducive to growth, a large, well-educated and internationally experienced talent pool, and comparatively low costs.

Low government expenditure on healthcare – standing at EUR 1,592 per capita compared to an EU average of EUR 2,797 – has been a persistent problem for Cypriot patients for several years, restricting their access to drugs and creating some of the highest out-of-pocket expenditure levels in Europe. However, change appears to be on the horizon with the implementation of a universal healthcare system – GeSY – set to be fully complete by 2020.

The industry insiders whose comments form the basis of this new report – heads of local distributors and manufacturers, as well as multinational affiliate leaders and government representatives – give their take on the potential impact that GeSY will have on their operations and on Cyprus as a whole. Other topics discussed include Cypriot companies' internationalization strategies in Greece and the Middle East, the country's tentative steps into the potentially lucrative medical cannabis niche, and how Cyprus is leveraging its “sun, sea and sand” reputation to establish a name for itself as a premier medical tourism hotspot. ❁



Dear members of the international healthcare community,

As President of the Republic of Cyprus, I am pleased to introduce the 2018 edition of the **Cyprus Healthcare & Life Sciences Review**, which provides an excellent opportunity to present the progress achieved in Cyprus in the fields of health and economy.

Five years ago, Cyprus faced an unprecedented economic crisis that required a radical change of direction. In this respect, the introduction of significant structural reforms, the careful management of state finances and the enhancement of the tax and legal frameworks have resulted in renewed substantial investments in a wide range of sectors such as energy, banking, shipping, telecommunications, real estate and tourism. The challenge now is to keep up the

momentum and ensure that Cyprus remains on a path of sustainable growth.

Following the decisive steps towards the reform of the wider health sector, the implementation of the National System (GeSY) remains one of my main priorities during this second term in office, in order to improve our health services towards the patients.

In this regard, we reaffirm our commitment in offering the best business environment for life sciences companies by presenting attractive tax and administrative incentives. Part of this progress is also attributed to the local and international pharmaceutical and healthcare business already present on the island, which have always stood as reliable allies in overcoming the challenges we face and in bringing highly needed solutions to move our health system forward.

All stakeholders engaged realise the necessity reform the healthcare system and hold a common interest and a shared duty in supporting the patients in Cyprus with better treatments and in strengthening the spirit of collaboration that has to define our health system.

Sincerely,

Nicos Anastasiades,  
President of the Republic of Cyprus





Dear members of the healthcare and pharmaceutical sectors,

As Minister of Health of the Republic of Cyprus, it is with pleasure that I introduce this exclusive edition of the Cyprus Healthcare & Life Sciences Review, showcasing an in-depth coverage of the key strengths and current progress of our country's healthcare ecosystem.

Recent years have brought significant reforms to the Cyprus healthcare environment with the ambition to provide high-quality standards and equal healthcare services to all our citizens. The first step has been taken in June 2017 through the enactment to law of two pieces of legislation, the autonomisation of the public hospitals and GeSY, the National Healthcare System. In the next few months, we are focusing on making public hospitals ready to be integrated to the greater project of NHS, as well as promoting collaboration between the public and the private healthcare sectors to better manage the nation's resources and ensure patients can be treated in a timely manner. In the meantime, the Ministry of Health also focuses on unifying the public and private sectors to allow a better understanding of the epidemiological burdens that need to be tackled and provide more business opportunities to the pharmaceutical industry, ultimately bringing more life-saving treatments to our community.

With the Cyprus Healthcare & Life Sciences Review 2018, I invite all members of the global pharmaceutical and healthcare communities to read the promising opportunities Cyprus can offer, and to consider how they can leverage their unique expertise and capabilities to support the Cypriot population.

Sincerely,

Constantinos Ioannou,  
Minister of Health of the Republic of Cyprus



## CYPRUS SNAPSHOT

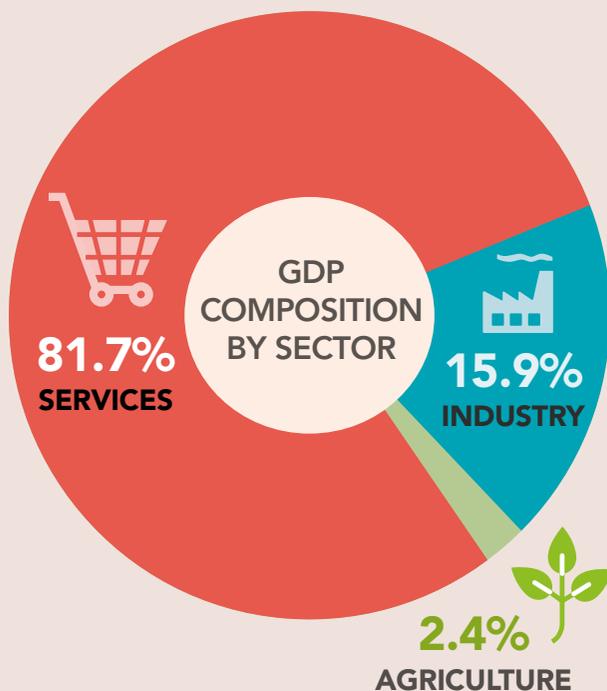
Source: World Bank



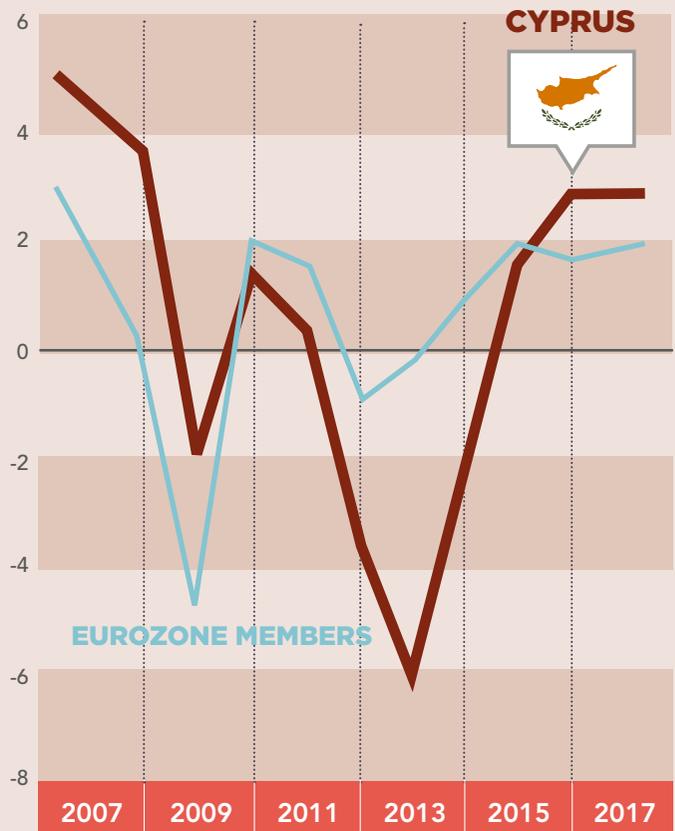
## CYPRUS MACROECONOMIC SNAPSHOT

**€17.9 BILLION**  
(SEPTEMBER 2017)

TOTAL GDP



## REAL GDP GROWTH OF CYPRUS AND EUROZONE



Source: National sources, IHS, Euler Hermes



### PHARMA MARKET SIZE COMPARISON

(EUR mln)

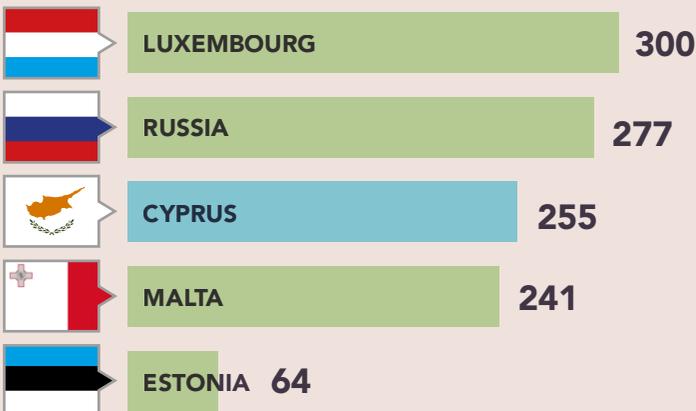
Source: EFPIA (2015)



### PHARMA EXPORTS COMPARISON

(EUR mln)

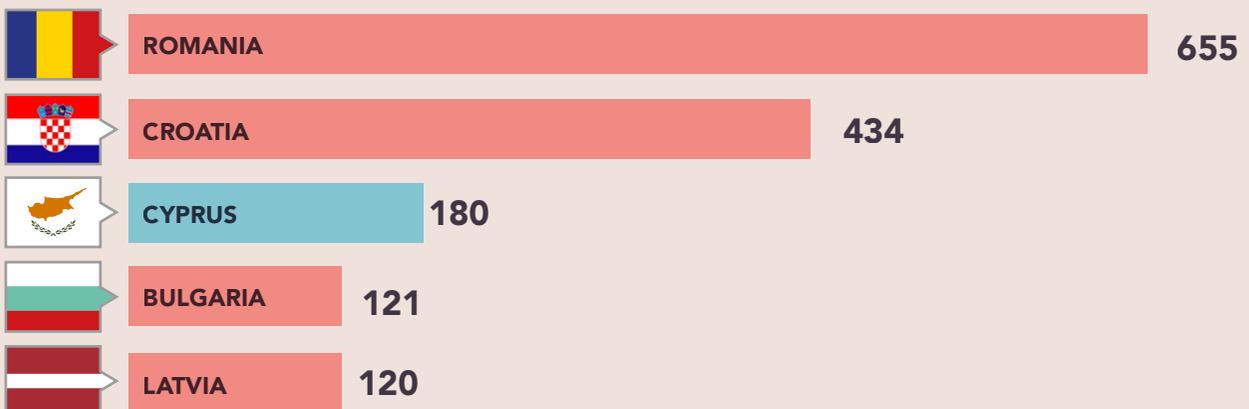
Source: EFPIA (2015)



### PHARMA PRODUCTION COMPARISON

(EUR mln)

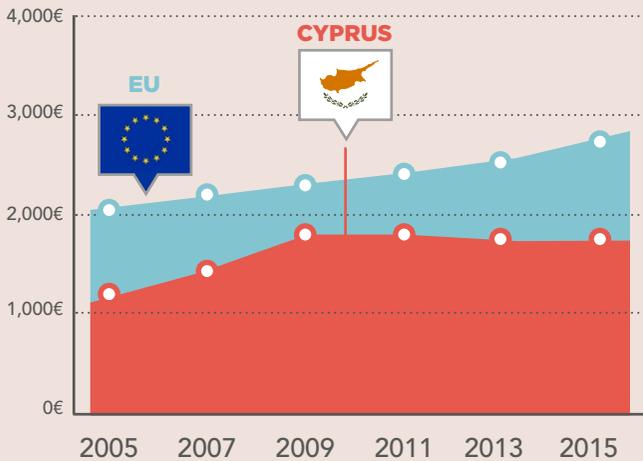
Source: EFPIA (2015)





## HEALTHCARE EXPENDITURE PER CAPITA

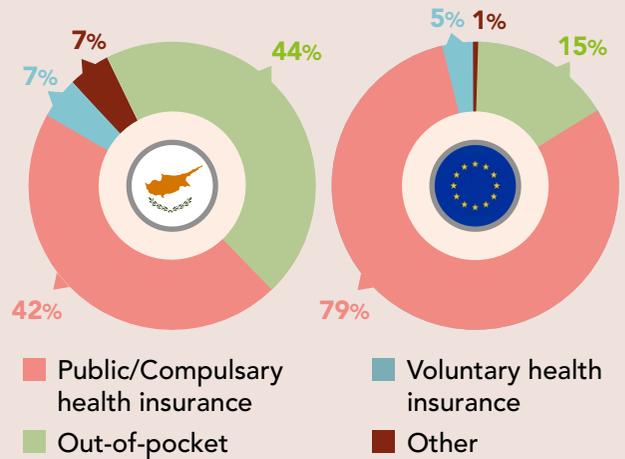
PER CAPITA SPENDING (EUR PPP)



Source: OECD

## OUT OF POCKET SPENDING

44% of all healthcare spending in Cyprus is out-of-pocket, compared to a 15% average across the EU

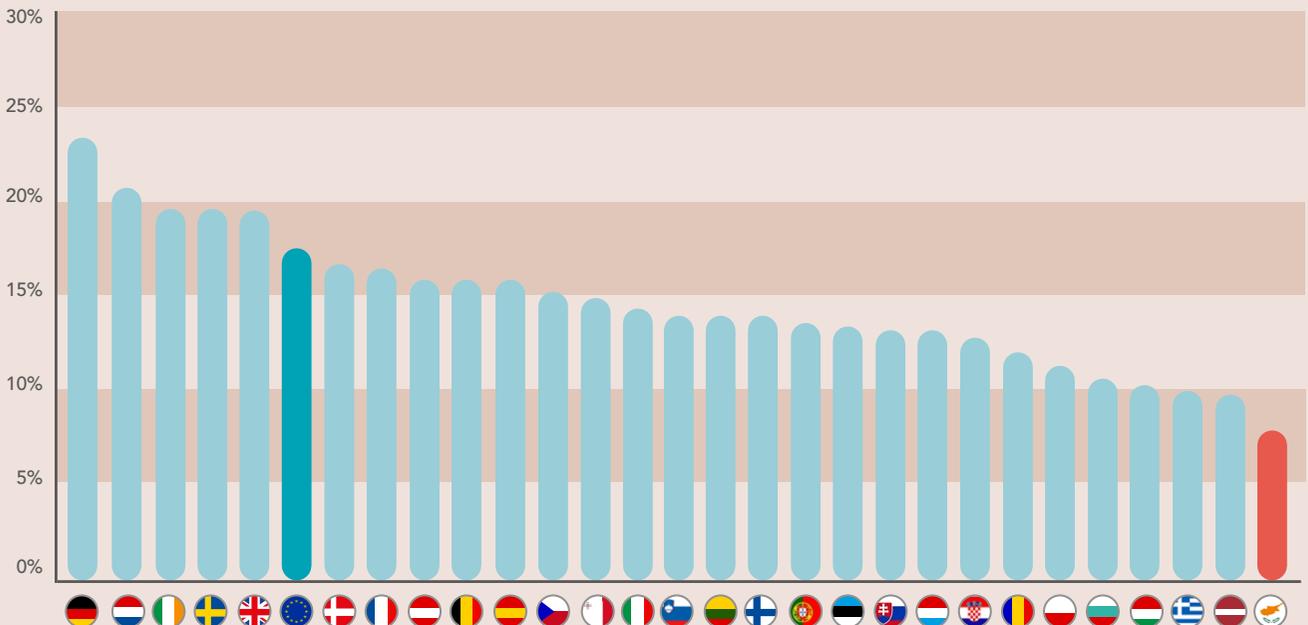


Source: OECD

## GOVERNMENT EXPENDITURE ON HEALTH

CYPRUS SPENDS LESS OF ITS GOVERNMENT EXPENDITURE ON HEALTH THAN ANY OTHER EU MEMBER STATE

Government expenditure (%)

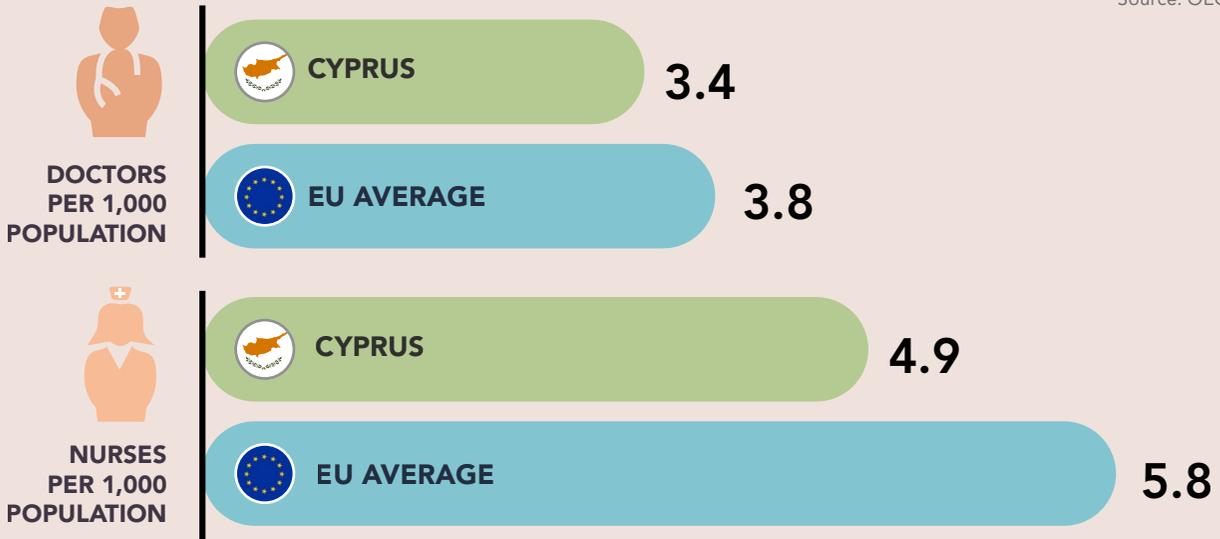


Source: OECD Health Statistics' Eurostat Database, WHO Global Health Expenditure Database (data refer to 2015)



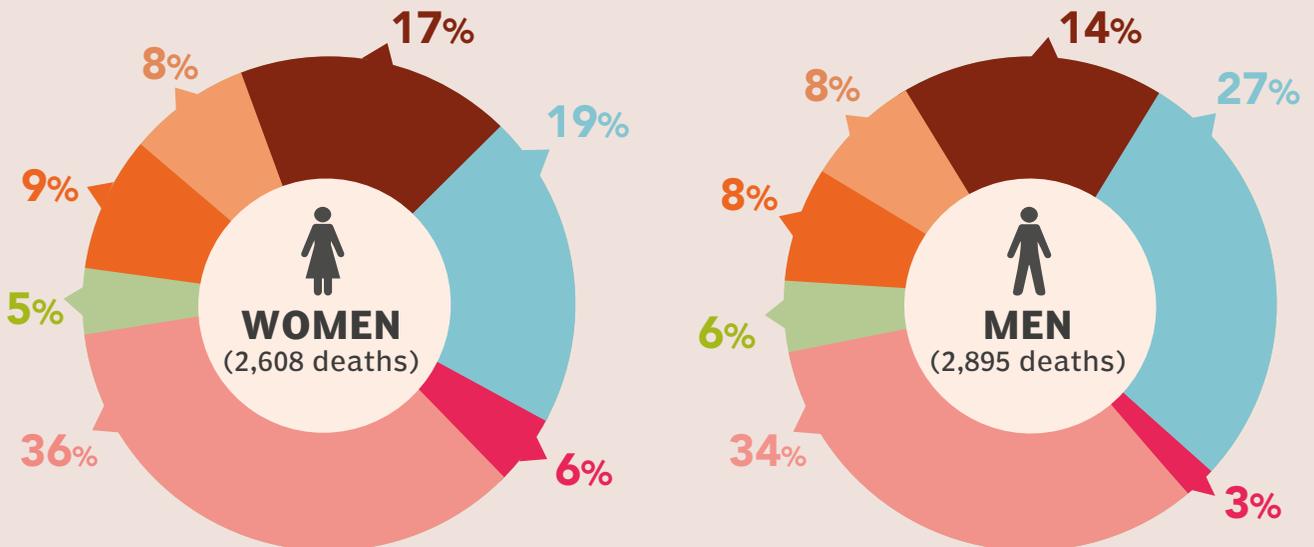
## STAFFING

Source: OECD, WHO



## CYPRUS EPIDEMIOLOGICAL PROFILE

THE MAJORITY OF ALL DEATHS IN CYPRUS ARE DUE TO CARDIOVASCULAR DISEASE AND CANCER



Cardiovascular diseases



Cancer



Endocrine, metabolic system



Other causes



Nervous system (ind. dementia)



External causes



Respiratory diseases

Source: OECD, Eurostat



Distinguished collaborators of the global healthcare sector,

As the Chairman of the Board of Directors of the Health Insurance Organization (HIO) of Cyprus, I am proud to introduce this exclusive 2018 edition of the Cyprus Healthcare and Life Sciences Review, which I consider being a formidable opportunity to display the key changes currently underway in the country.

HIO, is the organization in charge of establishing Universal Health Coverage through the General Health Care System (GeSY) in Cyprus and is working tirelessly to improve and ease the access for Cypriot patients to safe, effective, high-quality healthcare including pharmaceutical products. The HIO has been taking important steps to further refine the regulatory and financial framework in order to ensure that it is aligned with the best European standards in order to provide a sustainable system.

As chairman of the HIO, I invite you and the healthcare community at large to have a look at the exciting developments our country is making through this in-depth report.

Warm regards,

Thomas Antoniou,  
Chairman  
Health Insurance Organization (HIO)

## JOIN THE CONVERSATION



# Cyprus

Additional full-feature interviews from our Cyprus 2018 Report can be accessed on PharmaBoardroom, the premier website for C-Level executives, consultants and state actors in the pharmaceuticals and life sciences sector, alongside hundreds of exclusive interviews featuring the main movers and shakers of the industry, free country reports and sector insights supplemented by the latest news from global markets.

## AMPLIFIED CONTENT



**VARNAVAS VARNAVA**  
 Founder and Director,  
 Biotronics, Cyprus



**CHRISTOFOROS HADJIKYPRIANOU**  
 CEO, European University  
 Cyprus



**MICHAEL NEOPTOLEMOU**  
 Managing Director,  
 Remedica, Cyprus



**IACOVOS GHALANOS**  
 Life Sciences Head,  
 KPMG Cyprus

## IN BRIEF



@pharmaboardroom

#Cyprus' first-ever #biotech discovered a series of non-invasive prenatal tests for several syndromes and genetic diseases.  
 @patsalisphil Founder of @NIPDgenetics #pregnancy  
 #GeneTherapy #WomensHealth #Genomics #hcsM #MEDTECH

Read the interview

@pharmaboardroom

#Cyprus: Sun, Sea and...Surgery? "I believe Cyprus can become a really important hub for medical tourism thanks to our welcoming culture, great weather and educated talent pool."  
 Christoforos Hadjikyprianou, CEO @EuropeanUniCy #medicaltourism  
 #hcsM #surgery

Read the article

@pharmaboardroom

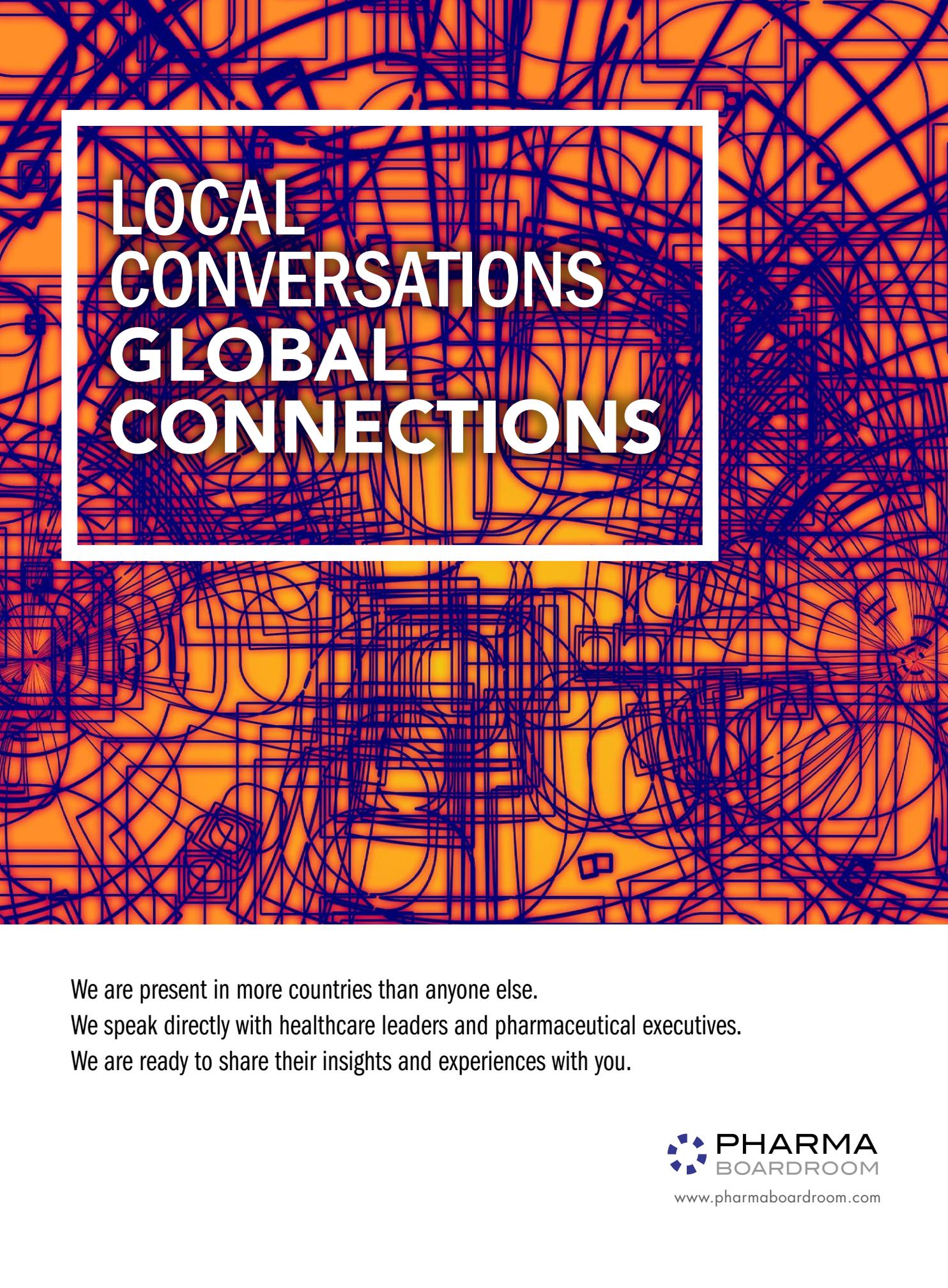
"Cyprus has laid the foundations for the implementation of a National Health Scheme, equal to that of any other European country" - Constantinos Ioannou #MinisterofHealth, #Cyprus  
 @K\_Ioannou #NHS #GeSY @CyprusMOH

Read the full interview

@pharmaboardroom

#Cyprus has joined a growing number of European nations in legally permitting the cultivation and provision of #MedicalCannabis.  
 #cannabis #marijuananeWS #MedicalMarijuana #CBD #Legal #hcsM

Read the article



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# PRESIDENTIAL PRIORITIES

In an exclusive interview, President Nicos Anastasiades outlines his public health priorities, the continuing importance of the pharmaceutical industry to Cyprus's economy, and the nation's attractiveness as an international investment destination.

**HCLS:** In March you were re-elected for a second term as President of Cyprus. How do you assess your administration's record on public health to date?

**NICOS ANASTASIADES (NA):** The enactment to law of the two pieces of legislation, the GeSY (National Health System) and the autonomisation of the public hospitals, was undeniably the highlight of my first term as President of the Republic of Cyprus. Following many decades of consultations, the unanimous vote of the two pieces of legislation leaves me fully satisfied, as the State will now be able to respond to the demand of the citizens for comprehensive and equal medical care for all.

At the same time, we took decisive steps towards the reform of the wider health sector, which will eventually lead to the successful introduction of GeSY. We laid the foundations for re-organizing the Primary Healthcare Sector and it is now being processed, to be completed by the end of the year. We have acknowledged that patients deal with certain problems in their daily routine in the public hospitals and, therefore, we implemented measures that improve both the services towards the patients and enhance the cooperation between the public and the private sectors, thus creating the preconditions for the smooth implementation of GeSY. We have also signed important Agreements with our EU partners and other neighbouring countries, such as Israel, on medicines or organ transplant, that empower our position in the region.

In addition, other projects have been put into implementation. To name just a few, we are working in finalizing: (i) the establishment of University Clinics, a win-win environment for both the academic staff and students and health professionals in public hospitals that will also



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**ENSURING OUR  
CITIZENS' GOOD  
HEALTH IS NOT  
NEGOTIABLE.**



encourage the growth of research in the medical field in Cyprus, (ii) the regulation of the cultivation, production and export of medical cannabis, which will, inter alia, attract foreign investments and contribute to the promotion of R&D, and (iii) the promotion of the development of private initiatives in healthcare sector that could contribute in the treatment of several and severe illnesses.

Overall, I must say that significant steps were made in the sector of public health since I first assumed office in 2013. I am very well-aware that there are still changes that need to be done and I reassure you that we are constantly looking for new practices that could help in the current situation until the implementation of GeSY.

**HCLS: What are your main priorities and policies for public health for your second term?**

**NA:** Apart from the major reform of the autonomisation of the public hospitals and the implementation of GeSY, other big changes were launched, aiming at the improvement of the quality of the provided healthcare services for the benefit of the patients.

For instance, the big project of introducing electronic health is already under-going. All citizens, from their birth, will have their own personal electronic file with all their medical data, which will also facilitate the access to the patient's health record by the providers of health services and help in the treatment of diseases.

Another major development for the healthcare sector is the establishment of University Clinics, a measure that will empower the collaboration amongst academics and health professionals, to improve the provided medical services and highlight the skills of the country's human resources.

Furthermore, it was always my conviction that patients have a big role to play in decision-making and their voice should be heard loud and sound. In this respect, we have promoted the institution of "Patient Advocate", which will empower the capacity of the patients to assert their rights.

Equally significant is the promotion of the regulatory frame for the cultivation, production and export of medical cannabis. In addition to the medical benefits, Cyprus will gain in the sectors of businesses and development and will upgrade its role in the key sector of research and innovation, through attracting of foreign investments.

It is important for everybody to realize that all the actions, whether completed or are still in process, have a single purpose, which is to essentially improve the health services our citizens receive. Ensuring our citizens' good health is not negotiable.

**HCLS: The healthcare system of Cyprus is undergoing transition with the roll out of GeSY, a full-coverage healthcare program encompassing the entire nation. How is the government managing the expectations of each stakeholder and leveraging the experience of its EU neighbours to ensure a sustainable and efficient delivery of public healthcare?**

**NA:** The transition in the healthcare system is the most important reform we are introducing for our citizens since the late 1960s, when we introduced the Social Insurance Scheme. It is a major project that will indeed encompass the entire nation and will turn inside out the way things have been working for decades. When we set about to do this comprehensive reform, we faced the concerns and the opposition of almost all parties involved. I must say that some



of those concerns were justified and to a point expected. Through intense yet constructive dialogue, however, we eventually reassured all stakeholders on the necessity to reform the healthcare system, thus reaching our target. Some of the big concerns expressed by the stakeholders were welcomed and incorporated in designing a scheme that will work for both patients and health professionals.

We realized from the very first moment that it was not on us to reinvent the wheel. So, we turned to the experts in the EU and the World Health Organization for guidance and assistance. In full collaboration with other EU and WHO member states, we absorbed techniques and expertise that helped us move forward and strategize the new environment of public healthcare, ensuring that it will be functional, efficient and sustainable.

**HCLS:** Pharmaceuticals constitute an important slice of Cypriot exports. What steps is your administration taking to nourish the local pharma and medtech industry? What makes Cyprus a compelling destination country and investment prospect for drug manufacturing / development?

**NA:** Indeed, Pharmaceuticals are crucial to the Cyprus economy with locally manufactured pharmaceuticals accounting for around 20 percent of our national exports. Industry stakeholders, therefore, are of significant importance and policies that focus on enhancing growth and innovation within our local pharmaceutical industries are high on the agenda.

Currently, the Ministry of Health is in the process of establishing a National Pharmaceutical Authority (NPA). This NPA will regulate human medicines, medical devices, cosmetics and food supplements, and aims to improve the quality and breadth of services provided to industry stakeholders. The establishment of the NPA, will provide considerable autonomy to this regulatory body and allow for the transition from a rigid traditional vertical structure to a more contemporary and more efficient horizontal structure. This will allow for healthy growth and improvement in the services provided. The NPA will be better positioned to attract additional highly-specialised staff and thereby be enabled to provide critical new services, such as taking the lead in European regulatory procedures, at an attractive competitive cost to industry, in addition to

drastically improving turnaround times for current services, further adding value to the services provided to industry. We have also invested considerable effort and have already implemented changes, which improve the experience and quality of current services provided to our industry stakeholders and have enhanced the relationship between industry and regulator to allow for constructive two-way transparent interactions.



## PHARMACEUTICALS ARE CRUCIAL TO THE CYPRIOT ECONOMY

Furthermore, we are developing mechanisms and policies, which will further encourage the development of highly-skilled talent in the industry and supporting education and training opportunities, thereby increasing the pool of local expertise both for industry and the regulatory body. Additionally, we are a market that is supportive of the SPC manufacturing waiver, which is currently being discussed in Brussels. The SPC manufacturing waiver aims to encourage companies to maintain or bring their pharmaceutical manufacturing activities within the EU market.

We are also actively supporting efforts to encourage the attractiveness of Cyprus as a centre of innovation in pharmaceuticals. One such current effort is the legalisation of medicinal cannabis production in Cyprus. The island's ideal climate conditions and attractive tax environment is a major opportunity for investors in this area. As well as an investment opportunity for overseas medicinal cannabis producers, the legislation encourages investment in R&D in this area, for which we hope to attract additional overseas investment in Cyprus.

Cyprus is a compelling destination (geographic location, legal framework, educated workforce, etc) and pharmaceutical manufacturers will find that the country is an ideal centre for investment and for establishing their operations.

**HCLS:** As the President of the Republic of Cyprus, how are you promoting Cyprus on the world stage and in the eyes of the international business community as an attractive and competitive place to do business?

**NA:** During the past few years, through an ambitious reform programme we have succeeded in turning an



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## THE CHALLENGE NOW IS TO KEEP UP THE MOMENTUM AND ENSURE THAT CYPRUS REMAINS ON A PATH OF SUSTAINABLE GROWTH.

economy in distress into a success story that gained international praise.

During this second term in office, one of our main priorities is to continue promoting Cyprus as an attractive investment destination so that Cyprus remains firmly on a path of sustainable growth.

At the same time, despite the economic difficulties that we have faced, our country's comparative advantages not only remain intact, but have been further enhanced and expanded. These include one of the most competitive corporate tax rates in Europe at 12.5 percent, a significant network of Agreements for Avoidance of Double Taxation (60 as of today), Cyprus's unique geographical location at a crossing point between Europe, Asia and Africa providing easy access to those markets, a highly qualified and professional workforce and a fully EU harmonised tax and legal system.

The combination of the above-mentioned, in conjunction of the reform of the public sector and the enhancement of the tax and legal framework, resulted in renewed investor interest and substantial investments in a wide range of sectors. From the operation of oil & gas giants in Cyprus' EEZ, to the licensing of the first integrated casino resort for an investment of more than EUR 0.5 billion, the impressive 18 percent annual increase in investment funds' registration, the record numbers of the tourism industry in both arrivals and revenue and the commercialization of the Limassol port, it is evident that our efforts have borne fruit.

Further, the newly established Deputy Ministry of Shipping offers substantial support to the increasingly growing maritime sector of Cyprus and at the same time I have no doubt that the Deputy Ministry of Tourism, planned to be operational by 01 January 2019, will enhance even further the growing tourist industry and provide new promising investment opportunities.

As a result, a few weeks ago Cyprus, following successive upgrades of its economy by international rating agencies, is now rated to the investment grade, after being in the "junk" category seven years ago. This

demonstrates the positive economic outlook of Cyprus, with obvious positive repercussions as regards the country's financial and investment potentials.

The challenge now is to keep up the momentum and ensure that Cyprus remains on a path of sustainable growth. Sound governance of public finances, complemented by a business-friendly investment environment, sectorial and horizontal incentives, a comprehensive government strategy for investment facilitation and continuing to invest in education, research and innovation, entrepreneurship and the empowerment of our youth, are critical elements in this path.

**HCLS:** What do you hope to be your ultimate legacy?

**NA:** My top priority cannot be other than addressing the unacceptable current state of affairs with the continuing Turkish occupation of 37 percent of the territory of the Republic of Cyprus.

Only a viable and functional solution, in line with our EU membership and the best practices of democratic countries of the UN, can establish the conditions for achieving lasting peace, allowing my country to fully take its stride and for all Cypriots to live in a normal state and work together for the prosperity and security of all.

As I have repeatedly stated: I remain strongly and truly committed to achieve a solution on the basis of the relevant UN resolutions and the European Union acquis, continuing the negotiations on the six-point framework that the UN Secretary – General has set as the basis for the way forward.

We expect Turkey, which has a key role in the efforts to reach a settlement, to rise to the occasion and demonstrate the necessary political determination to reach a settlement and concretely contribute to regional stability.

On our own behalf, I wish once more to repeat that we are determined to rise to the challenge of our historic responsibility and do our utmost so as to provide a peaceful future for all Cypriots. 🌟



# A NEW ERA OF HEALTHCARE

Constantinos Ioannou, the recently appointed Minister of Health for Cyprus, discusses the upcoming implementation of a national healthcare system in the country, GeSY, his key priorities during these times of change, as well as the impact the new healthcare system will have on the public and the private sector.



**Constantinos Ioannou**  
MINISTER OF HEALTH

**HCLS:** You were recently appointed as Minister of Health of Cyprus at a moment when the governmental agenda is busy with the implementation of GeSY and the hospitals' plan to be autonomous. How is the Ministry supporting these ambitions?

**CONSTANTINOS IOANNOU (CI):** June 2017 was a landmark for the Cypriot health sector. We all acknowledged that the existing system was outdated and in need of reform. After the enactment to law of the two pieces of legislation, GeSY and the autonomization of public hospitals, Cyprus has laid the foundations for the implementation of a National Health Scheme, equal to any other European country, designed on the principles of universality and equal access to healthcare services for all citizens. In the meantime, and until 2019 when the first phase of GeSY will be implemented, we can only start improving aspects of the existing tired and out-of-date system.

The greater challenge of the wider healthcare reform is the autonomization and the modernization of public hospitals. The goal set by the Ministry of Health is to support the hospitals of the public sector, by creating conditions that will eventually allow them to respond effectively under GeSY. The MoH is taking all actions necessary to facilitate the preparation of the hospitals to be smoothly introduced to the new conditions. For



instance, we are in the process of reforming the Primary Healthcare Sector, by merging the existing Health Centers and expanding the working hours. Through this win-win measure, we offer our patients more alternatives in regard to their healthcare provider and we support our health professionals by creating improved conditions for them to practice medicine. Re-organizing the Primary Healthcare Sector falls within our effort to make the public medical centers "attractive" for Cypriot patients, by placing more services under one roof.

The MoH also promotes collaboration between the public and private health sectors through the implementation of a plan that shortens waiting lists for doctors' appointments.

Although we have already achieved a lot, there are and always will be more to do and our actions are always guided by the same principle: that of the welfare of the patient.

**HCLS:** What are your current priorities to ensure financial sustainability while broadening patient access and increasing the quality of healthcare services?

**CI:** When one sets about reforming a specific sector completely, one should be ready to face opposition. It is only through dialogue and correct argumentation that one can eventually reach one's target. Stakeholders indeed expressed serious concerns, because they viewed these reforms as a possible threat.

Therefore, the MoH, in full collaboration with the Health Insurance Organization (HIO), had to reassure all parties involved of the necessity of proceeding with these reforms. The financing and reimbursement program was the result of an actuarial study which determined the



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**CYPRUS HAS LAID THE FOUNDATIONS FOR THE IMPLEMENTATION OF A NATIONAL HEALTH SCHEME, EQUAL TO ANY OTHER EUROPEAN COUNTRY, DESIGNED ON THE PRINCIPLES OF UNIVERSALITY AND EQUAL ACCESS TO HEALTHCARE SERVICES FOR ALL CITIZENS**

comprehensive budget. The final reimbursement program is currently being negotiated by the HIO together with the Pancyprian Medical Association and I am positive that they will come to an agreement very soon.

**HCLS: How is the MoH supporting the establishment of patient registries and healthcare digitalization?**

**CI:** Electronic health is indeed one of our priorities. We have drafted a new legislation on electronic health, which allows the introduction of the medical file for each resident of the Republic in an electronic form.

At the same time, it is a major challenge for us, as, apart from its introduction at a national level, we are working towards fully harmonizing with our partners at the EU level. All Cypriot citizens, from the first day of their lives, will have their personal electronic health file. Therefore, every healthcare provider will have access to the patient's medical record and data.

Data helps us to understand the needs of our population as regards the healthcare services they should receive and enables us to better formulate strategies and objectives for the future. Also, and more importantly, data is necessary for developing programs for the prevention of diseases and effectively tackling others. Going digital will allow patients to receive their treatment faster and remotely.

**HCLS: How would you assess the level of collaboration between the MoH, its European counterparts and local stakeholders?**

**CI:** Cyprus works closely with its European partners, as well as with neighboring countries, such as Israel. We

have already signed important agreements with some of those countries, such as the one for organ transplants signed with Israel and the Valetta Declaration signed by nine EU countries, strengthening their negotiation value with the pharmaceutical industry as regards to the price of medicines. Furthermore, we have a trilateral cooperation with Israel and Greece in the framework of the high-level cooperation of the three countries. We have a cooperation with Spain in organ transplants and with Greece both in organ transplants and the prices of medicines to name but two countries.

Cyprus is also a member of the World Health Organization, in the context of which we participate in initiatives to help exchange best practices and expertise that can lead us to the adoption of new techniques that could benefit our patients.

Our country, despite its small size, is important in the region of Europe and especially in the Mediterranean. We aim to develop synergies that will be beneficial for our patients. We very often exchange both expertise and best practices with neighboring countries in an effort to upgrade healthcare services.

“

**OUR COUNTRY, DESPITE ITS SMALL SIZE, IS IMPORTANT IN THE REGION OF EUROPE AND ESPECIALLY IN THE MEDITERRANEAN**

**HCLS: What are the main goals you would like to achieve during your mandate to shift the healthcare paradigm in Cyprus?**

**CI:** First and foremost, the main goal is the implementation of GeSY. The framework of the reforms is already in place and what needs to be implemented are the different phases of the roll-out of all these reforms in the next two years. It is about time that Cyprus created the conditions to offer our citizens the universal qualitative free healthcare that many other European citizens enjoy. We had been falling short of delivering this and it was high time we did so.

Furthermore, the second biggest reform in the health sector of Cyprus is the autonomy of the public hospitals. Our hospitals need to be autonomous to be functional and competitive in the GeSY environment. This would be of benefit both to the patients and to health professionals. ✨



# THE PARTNER OF CHOICE

Sotos Jacovides manages M.S. Jacovides & Co. Ltd alongside his three brothers, Aris, Alex and Savvas, continuing the legacy of their father. Now strongly established as one of the leading healthcare companies in Cyprus, Sotos explains the company's partnership strategy and his five-year plan.

“

WE ARE LOOKING FOR LEADING WORLD-KNOWN MANUFACTURERS WITH AN EXCELLENT PORTFOLIO OF HIGH-QUALITY BRANDED PRODUCTS OF INTERNATIONAL CREDIBILITY AND WITH SALES POTENTIAL IN THE CYPRUS MARKET.

**HCLS:** Your partners range from global leaders to family companies. What is your partnership strategy?

**SOTOS JACOVIDES (SJ):** M.S. Jacovides is perceived as a modern, forward looking, progressive, efficient and results-oriented organisation. We are also always working based on a plan, in a professional approach throughout the whole business operations.

Whilst in the past decades, we were able to manage and run the company based on a five-year plan, in this current fast-changing environment, we had to adapt to three-year plans and more recently to one-year plans. We are looking for leading world-known manufacturers with an excellent portfolio of high-quality branded products of international credibility and with sales potential in the Cyprus market.





**HCLS:** Looking forward, what are the objectives that you have set for the company in the upcoming five years?

**SJ:** From early on in our history, we took the strategic decision to focus on importations and trading and not on manufacturing. We have managed to build an excellent reputation in the market by importing, marketing, promoting and distributing high quality products of internationally recognised manufacturers, whilst maintaining years of trusted relationships with healthcare professionals and consumers.

With the current healthcare system in Cyprus being in a phase of constant change and evolution, the upcoming implementation of GeSY, the national health scheme, represents the biggest transformation in the sector so far, which has the potential to provide significant benefits to patients, society and future generations. We see a lot of opportunities opening up both in prescription and OTC products and in the other healthcare sectors that we operate. Moreover, additional funds will be invested in the health system, as the health services to patients and consumers are expected to improve.

**HCLS:** M.S. Jacovides was founded by your father and carries his name. What is the best advice he ever gave you?

**SJ:** There is a saying coming from my father that we have been carrying on to the third generation and to which we attribute the secret of our success. That in

“

**IN ORDER TO BE SUCCESSFUL, YOU HAVE TO WORK HARD WITH PERSISTENCE, DEVOTION, MUTUAL SUPPORT AND HARMONIOUS COOPERATION WITH ALL MANAGERS AND PERSONNEL, TOWARDS OUR COMMON INTERESTS AND GOALS.**

order to be successful, you have to work hard with persistence, devotion, mutual support and harmonious cooperation with all managers and personnel, towards our common interests and goals. These basic principles and values are present throughout the evolution of our business. Indeed, each time another brother joined, there was a “revolution” within the company that contributed significantly to further growth.

Today, in the constantly evolving healthcare sector, it is of utmost importance to keep adapting to new market conditions and market needs with timely and strategic planning and flexibility. We look forward to the future, as the active involvement and contribution of the six members of the third generation, brings diverse skills that offer support to the second generation as well as to managers in the company and enhance the dynamism of the business, whilst respecting the original philosophy and values of the founder. Our vision was, is and will remain to offer products of supreme quality, thus contributing to the strengthening of the health sectors in which we operate and to the overall rise in the quality of life of the Cypriot population. ✨

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# SURVIVAL OF THE FITTEST

George Petrou, a local distributor with a presence in Cyprus dating back to 1965, has had to adapt to numerous challenges throughout its history, but is now set for further growth through an ambitious internationalization strategy.

**P**etros Petrou, the organization's executive director explains that "as Cyprus is a small market, a company needs to consider a lot of factors to be able to survive here, including products and market know-how." Based on his and his father's in-depth knowledge of the Cypriot market, George Petrou therefore took the decision to diversify its portfolio into areas other than pharmaceuticals. Petros notes that, "From 1991 we started looking at everything that could be sold in pharmacies to establish other business lines. Over the years, we have developed a nutritional department, a medical devices department and more recently a cosmetics department."

However, this diversification was not enough to shield George Petrou from the ravages of the global financial crisis, which significantly impacted the economy of Cyprus. Petros admits that "Following the 2012 crisis, the past few years have been a little difficult. It hit us strongly by restricting our growth." However, the company has managed to get back on its feet recently, as Petros elucidates. "For the first time since 2012, our 2017 closing had a positive balance

“**AS CYPRUS IS A SMALL MARKET, A COMPANY NEEDS TO CONSIDER A LOT OF FACTORS TO BE ABLE TO SURVIVE HERE**”

with an increase of two percent of sales and new capital to invest. At the moment, we have 65 employees against 15 employees in 1991 and our revenues each year are around EUR eight million with one third coming from pharmaceuticals.”

Looking to the future, George Petrou is aiming to double down on its original core area – pharmaceuticals. Petros exclaims, "The aim now is to invest again and especially in pharmaceuticals as after the crisis, financial institutions were reticent in granting loans for investments. To do so, we are planning to extent our portfolio with our current partners and to find new products for Cypriot patients. Another upcoming investment that we are looking forward to will be dedicated to the establishment of our own line of products. As we do not have the capabilities to manufacture ourselves, we would like to find a European partner that will respect our values.”

Furthermore, despite the modest size of both the company itself and the Cypriot market, George Petrou is looking to global markets in order to drive the company's future growth. Petros posits that "to ensure the growth of our company, we have to internationalize our activities, but the competition is strong. At the moment, we are distributing one product in Greece and we are planning to expand our presence there. However, due to the Greek economic crisis and their own business characteristics, it has become a difficult market. For example, we managed to register a food for special medical purposes product in Greece after five years while it usually takes around two or three months in other European countries. As a next step, we are extending our international presence agreements with the Middle East area.” 🌐



**PETROS  
PETROU**

executive  
director, George  
Petrou Limited



# AN EXPERT EYE

Pantis Papaloizou, managing director of the family company CG Papaloizou Ltd, has been in position since 1985 and is therefore uniquely placed to give an overview of the development of the Cypriot healthcare environment.

Papaloizou today stands as one of Cyprus' key pharmaceutical distributors, counting Merck, Lundbeck, Mylan, Recordati and AstraZeneca as partners, among others. However, the distribution industry in 2018 is a very different beast to that of 33 years ago, as Pantis acknowledges: "The distribution environment has changed dramatically in recent decades." He continues, "When I started working, every importer/distributor had his own warehouse and distribution network. However, only four or five major wholesalers are currently serving the industry. The consolidation of the sector came with accession to the EU in 2004 and implementation of Good Distribution Practices. To ensure the growth of the company, Papaloizou, along with its partners, invested in the construction of a purpose-built warehouse and distribution centre which houses our wholesaling partner, Marathon Distributors."

The regulatory environment has also shifted since 2004. "With accession to the EU and harmonization of our legislation and practices with those of the European Union, the regulatory environment also changed significantly," notes

Pantis. "Multinationals became more active with the establishment of their own subsidiaries to handle marketing and sales operations in the country. Because of these changes and also changes in the pricing environment many pharmaceuticals with dated regulatory dossiers or low volume of sales or very low prices were discontinued in the few years after accession."

Pantis feels that his company is well placed for further growth and success in the coming years but does have some concerns regarding the implementation of a new healthcare system – GeSY – in Cyprus. He puts forward that "Papaloizou experienced significant growth in 2017 and we expect a similar performance in 2018. However, a question mark hangs over 2019 with the introduction of GeSY. The global budget and cost control measures will influence our performance in the next years."

To counter this potential downturn in performance, Pantis is looking towards new partnerships. "We are looking to attract new suppliers, placing emphasis on the high quality of the services we can provide," he exclaims. "Indeed, we are inspected and audited very regularly by international partners and we perform well, offering stability and

security. We are also efficient and competitive, covering the entire island, both in the public and the private sector."

Pantis concludes, "Our main goal is to successfully introduce innovative products satisfying unmet medical needs and this is my personal motivation. Our strategy is to maintain and enhance the quality of the services we provide to our partners and of the products we offer to healthcare providers for their patients. For us, this is the key to success and growth." ❄️



**PANTIS PAPALOIZOU**  
MANAGING DIRECTOR,  
CG PAPALOIZOU



# AN ACTIVE PARTICIPANT

With more than 25 years of experience, Kyriakos Mikellis is actively involved in the Cypriot healthcare environment as the President of the Cyprus Association of Research and Development Pharmaceutical Companies (KEFEA) as well as the Country Lead Cyprus and Malta for Pfizer. He shares the important the goals of the association as well as Pfizer's key priorities and successes in Cyprus.

**HCLS:** KEFEA is the association for research-based pharmaceutical companies in Cyprus. What are the main activities and current priorities of the association?

**KYRIAKOS MIKELLIS (KM):**

Created in 2006, KEFEA is a rather new association representing the research-based pharmaceutical companies in Cyprus. The organization was established after Cyprus became a member of the European Union in 2004 as we realized that there was a need for innovators to be present in the market as a unified group.

From the start, our priority was to work towards the improvement of the medical treatment that Cypriot patients get. With the knowledge and experience of our European partners, we worked, in collaboration with other stakeholders, in improving access to new medicines. We wanted, and had, an active participation in shaping the pharmaceutical environment in Cyprus. Presently, our aim, and since the country is also in the process of reforming the healthcare system, is to secure a transparent procedure to be followed in entering the system and improving patients' access to new innovative treatments.

“ WE WANTED, AND HAD, AN ACTIVE PARTICIPATION IN SHAPING THE PHARMACEUTICAL ENVIRONMENT IN CYPRUS.

**HCLS:** Looking more at Pfizer's activities in the country, what have been your key priorities since taking over as Pfizer Country Lead in Cyprus?

**KM:** Pfizer's key priority, in line with KEFEA, is to make sure that patients have access to our medicines. We are an innovative company that develops first in class or the best in class, medicines and we want to see our innovation be used and improve patients' lives. This, in my opinion, can only be achieved through collaboration with the interested stakeholders, by putting patients first and improving the quality of their lives.

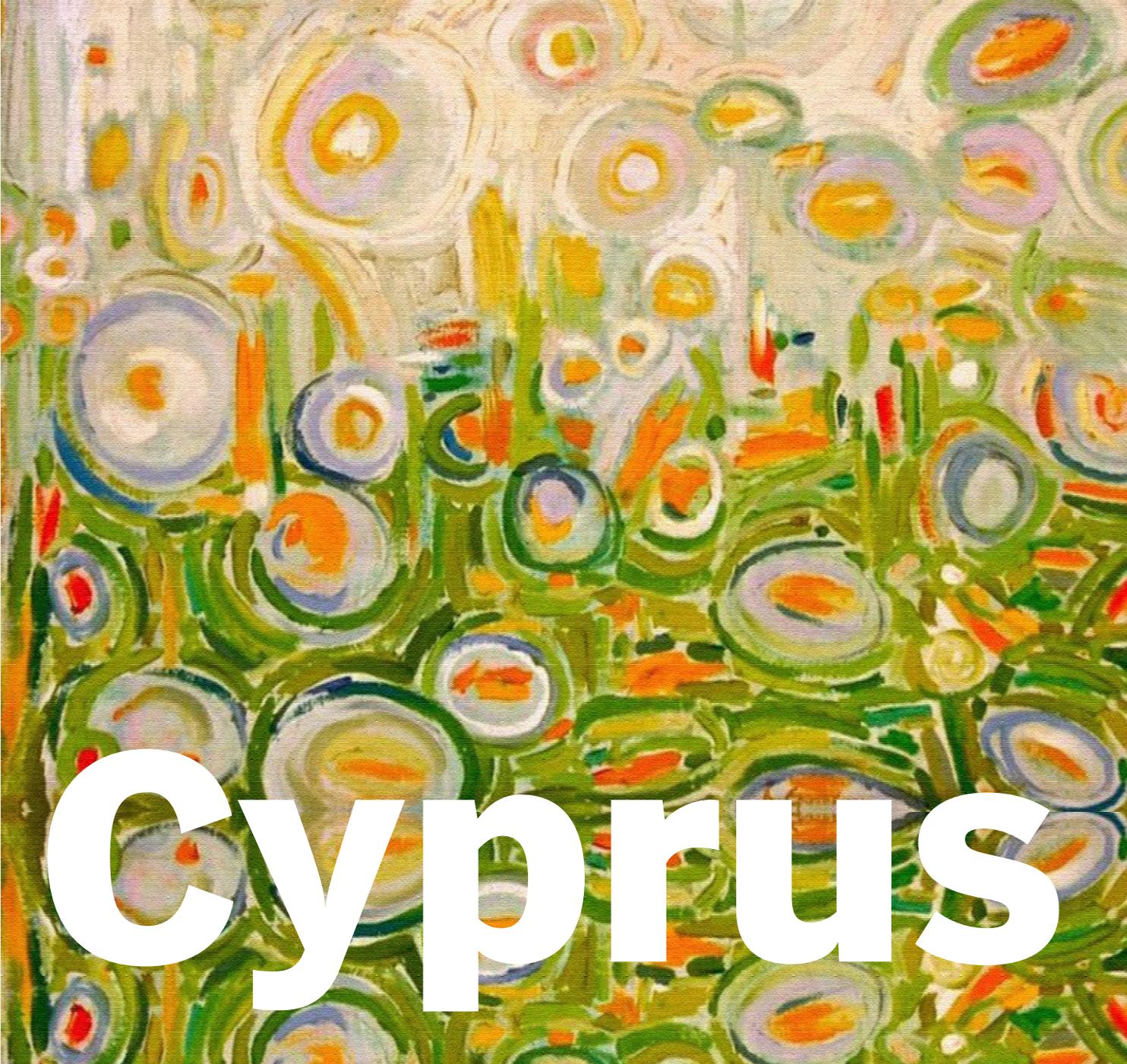
**HCLS:** Globally Pfizer ranks first amongst all MNCs, how would you assess the performance of the affiliate over the last few years?

**KM:** Pfizer is ranked among the top pharmaceutical companies in



**Kyriakos Mikellis**  
PFIZER AND KEFEA

the country. In terms of revenue, because of the way the health system operates in Cyprus, with the two separate sectors, public and private, it is difficult to have accurate data. We have a wide range of products, including small moleculars, biologics, injectables and biosimilars, and we address different disease areas such as cancer, autoimmune diseases, rare diseases, stroke prevention, infections, and smoking cessation. Through our vaccines portfolio serious diseases such as meningitis and pneumonia can be prevented in both children and adults. ❄️



# Cyprus

## The Comeback Kid?

A 9,251 km<sup>2</sup> outpost in the far-flung Eastern reaches of the Mediterranean, strategically straddling the fault-line linking the continents of Europe, Asia and Africa, the culturally diverse and economically dynamic island of Cyprus has long presented an intriguing, but nonetheless alluring prospect for the international investment community.

Recent times have, of course, been somewhat turbulent for the 1.2 million population-strong market. In 2013, the island was controversially subjected to harsh austerity measures including an infamous EUR ten billion bailout deal by the IMF-ECB-EU troika notable for being the first and, to date, only bailout worldwide with a condition to impose a bail-in of bank deposits.



**NICOS ANASTASIADES**  
president of Cyprus



**CONSTANTINOS IOANNOU**  
minister of health

Since then, however, the local economy has rebounded strongly. Not only is the Economic Research Center of the State University of Cyprus projecting robust GDP growth of 3.9 percent and 3.3 percent for 2018 and 2019 respectively, but the national unemployment rate is now registering significantly below the EU average: developments that have not gone unnoticed by the ratings agency Fitch which has correspondingly upgraded its valuation of the investability of the country to a respectable BB+. “It is abundantly clear that we are now well on the path to reclaiming investment grade and the very tangible progress we have been making is now starting to achieve international recognition,” enthuses Finance Minister Harris Georgiades.

Meanwhile, Cyprus’ underlying strong points remain very much in evidence. An EU state since 2004 and member of the Eurozone since 2008, the country not only boasts a common law legal system fully aligned with international norms but possesses many of the core ingredients that render doing business easy. Indeed, the country currently ranks a commendable 45th place out of 190 on the World Bank’s annual ‘Ease of Doing Business’ index. “Whether it is our strategic geographical positioning, the abundant availability of talented human capital, our well-developed infrastructure or favorable tax regime, there is certainly much to excite international investors,” reflects George Campanellas, executive director of the Cyprus Investment Promotion Agency (CIPA).

“The comparatively low cost of doing business here is one of the key attributes that marks us out from the crowd whether we’re talking about average hourly wages, expenses relating to social security and rent or the attractive financial benefits that we extend to those corporations that elect to domicile locally,” he explains. Certainly the island’s low corporate tax rate of a mere 12.5 percent and the fact that dual tax agreements have been concluded with over 60 countries, set Cyprus apart from much of the rest of Europe, and perhaps go some

way to explaining why FDI levels surged by 9.1 percent in 2016, marking a return to pre-crisis levels.

From a life sciences industry perspective, Cyprus’ diminutive market size will always be a somewhat limiting factor. “To be frank, our country’s tiny domestic market doesn’t have much headroom to expand by very much and even in the unlikely scenario that our fractured nation becomes reunited, which would potentially open the door to exporting to Turkey, we are still going to be a minnow in the grand scheme of things,” candidly admits renowned Cypriot entrepreneur, Dr. Andreas Pittas, the founder of homegrown generics and consumer health powerhouse, Medochemie.



**“WHETHER IT IS OUR STRATEGIC GEOGRAPHICAL POSITIONING, THE ABUNDANT AVAILABILITY OF TALENTED HUMAN CAPITAL, OUR WELL-DEVELOPED INFRASTRUCTURE OR FAVORABLE TAX REGIME, THERE IS CERTAINLY MUCH TO EXCITE INTERNATIONAL INVESTORS**

— **George Campanellas** CIPA

That said, pharmaceuticals remain a critical pillar of the national economy especially when it comes to exports. If EFPIA’s 2016 calculations valued the Cypriot internal pharma market at only EUR 180 million at ex-factory prices, last year pharmaceutical exports from Cyprus alone generated some EUR 436 million, up from EUR 392 million the year before according to Central Bank data. This not only renders pharma Cyprus’ lead export industry today, constituting almost half of the total value of the country’s exports, but also marks a feisty 11 percent growth rate, thus hinting at a certain internal momentum and dynamism within the sector. “This positive performance is neither accidental nor the product of conjunctures... It is the result of the focused and coordinated actions of entrepreneurs and the state, which, among others, enabled the penetration of Cypriot products into new third-country markets like China, Jordan and Lebanon,” affirms President Nicos Anastasiades.

Firstly, as an export platform, Cyprus, which manages to concentrate more than 45 pharma production facilities certified by the EMA, FDA or both, offers a slightly different formula to that of many of its European peers. Ranking as one of the most important maritime registries worldwide, the biggest third-party ship management center in the EU, and situated on the crossroads



## GeSY: Lowdown on a Landmark Reform

Major health system reform that would provide universal healthcare coverage has been mooted since the early 1990s. The legislation for the National Health Insurance System was adopted in June 2017. Implementation of the new Healthcare System is expected to be fully complete by 2020.

- The principles of Universality (Universal coverage of the population), Equality (Equal access of beneficiaries to healthcare services), Solidarity (Contributions based on income) and Free Choice (the patients choose freely their healthcare providers) are enshrined in law.
- The system will be financed through large-scale contributions from employees, employers, government, incomes and retirees. Beneficiaries will also pay a small user fee for the services they receive in order to avoid abuse of the system.
- There will be one purchaser, the Health Insurance Organization (HIO), an autonomous public provider and several private providers who will have the option to contract with the HIO.
- The establishment of a National Pharmaceutical Authority in Cyprus will allow for the concentration of expertise in the field of pharmaceuticals & medical devices.
- Administrative and financial autonomy will be awarded to public hospitals through the reorganization of medical & paramedical staff and valid pricing of public healthcare services
- Thorough reorganization and upgrading of public primary healthcare apparatus encompassing cluster-ization of small healthcare facilities, extending opening hours, standardizing procedures and improved synergies and coordination with ambulance services and community care centers.
- Rollout of an Integrated Healthcare Information System (IHCIS) to all public hospitals and health centers in the Republic of Cyprus ensure transparency of transactions and activities.

dividing three continents, Cyprus is undoubtedly strategically well placed to serve a broad array of markets stretching from Africa and the Middle East all the way to the Far East.

Secondly, the island manages to serve up a certain degree of credibility and assuredness. “Cyprus is a contained, but nonetheless interesting market for outside investors. While firms certainly wouldn’t necessarily expect huge turnovers and massive windfalls, this is the sort of market that can be relied upon to deliver the goods at the end of the day... Business here is decidedly less risky compared to many European countries thanks to the dependable systems in place, high levels of predictability and the low risks to operate in the current ecosystem,” attests George Limbouris, managing director of pharmacy third party logistics service Pharmalink and distributor, Novagem.



**GEORGE LIMBOURIS**  
managing director,  
Pharmalink

Some analysts point out that Cyprus actually offers an appealing combination of incentives juxtaposed with security. Unlike high-risk, high-reward markets that provide little in the way of protection for investments, or safe-bets that fail to excite, Cyprus would appear to successfully square the circle. “This is the sort of marketplace where you can benefit from 80 percent tax relief for intellectual property and yet it still adheres to English common-law, which adds fluidity and certainty to the system, harnessing a strong sense of legality,” muses CIPA’s George Campanellas.

### HEALTHCARE PROVISION: ON THE ROCKS

Overall increases in life expectancy over the past decades have kept Cyprus among the top European performers in terms of wellness. In 2015, life expectancy at birth was 81.8 years: well above the EU average of



**PETROS AGATHANGELOU**

president, Cyprus Medical Association (CyMA)

80.6 and seventh highest among all EU countries. When it comes to healthcare provision, however, the market appears astonishingly underdeveloped and embryonic. “It may well surprise you to hear that Cyprus holds the dubious distinction of being the only European country still without a fully-fledged universal healthcare system... We are peculiar for possessing some of the highest out-of-pocket expenditures in the EU, coming in at

approximately 50 percent of total health spending, and simultaneously having one of the lowest allocations of healthcare spending in ratio to GDP,” laments Christos Vasiliou, deputy-managing director at KPMG.

Indeed, according to Euro Health Consumer Index (EHCI) data, in 2016, Cyprus spent a mere EUR 1,592 per capita on healthcare, compared with an EU average of EUR 2,797. Meanwhile total health spending was a lowly 6.8 percent of GDP with the portion paid from private insurance companies coming in at about 11.4 percent, while out-of-pocket household spending on a fee-for-service basis made up a whopping 44 percent! Overall, total health expenditure as a share of GDP has increased or remained stable since 2004, but this obscures the considerable decline in GDP during the financial crisis.

“The rather unusual healthcare landscape that you encounter in Cyprus today is comprised of parallel

public and private systems of comparable size that operate in isolation and are almost completely disconnected from one another... and this in turn leads to a predicament in which only about one-fifth of the population enjoys coverage through voluntary healthcare insurances,” explains Dr. Petros Agathangelou, president of the Cyprus Medical Association (CyMA).

Thomas Antoniou, chairman of the Health Insurance Organization (HIO) very much concurs. “The need for the reform is imminent and is underlined by various factors,” he warns. “In particular, out-of-pocket expenditure is currently approximately 50 percent of the total health expenditure, when we know that anything over 15 percent is catastrophic, whilst the healthcare sector is fragmented into the public and the private sector, which operate completely separately to each other. As a result, the public sector is overloaded as it struggles to serve the needs of approximately 75 percent of the population whilst its capacity can only serve 50 percent, leading to long waiting lists and other significant problems in the provision of services to patients. At the same time, the private sector is expanding in an unregulated manner leading to an endemic supplier induced demand and the beneficiaries paying out of pocket to cover their healthcare needs.”



**THOMAS ANTONIOU**

chairman, Health Insurance Organization (HIO)



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Unsurprisingly such a state of affairs leads to lopsided infrastructure and inefficient healthcare provision. According to the European Observatory on Health Systems and Policies, examples of poor resource allocation abound. For example, Cyprus boasts a very high number of scanners for computed tomography (one for every 30,000 inhabitants) and magnetic resonance imaging (one for every 50,000 inhabitants) compared with other EU Member States, with most of these scanners concentrated in the private sector, and so are largely inaccessible to patients within the public system. The public sector has only one magnetic resonance imaging scanner, whereas there are 17 in the private sector, and public sector magnetic resonance imaging waiting lists are long.

These sorts of discrepancies even extend to personnel staffing: In 2017, the island possessed more than 3.6 physicians per 1,000 population, well above the EU average, however, the number of nurses per 1,000 population (5.2) was well below the average, resulting in a ratio of 1.5 nurses for every doctor – the lowest of any EU member state.

“We have tried all these years to convince other stakeholders and the decision-making bodies that the new system must provide better services in comparison to what the people get today. I hope that this message got through and decisions will be taken towards that direction. We know that different committees will be established and we would appreciate seeing them work in a transparent

way with specific regulations, clear timelines and procedures. If this can be achieved, we believe that patient access to innovation will be easier and faster,” appeals Kyriakos Mikellis, Pfizer’s country lead for Cyprus and Malta and president of the Cyprus Association of Research and Development Pharmaceutical Companies (KEFEA).

“Cyprus sorely needs a modern universal healthcare system. Indeed, our current system dates back to the British colonial times and it is now reaching its breaking point,” concludes Pantis Papaloizou, managing director of Papaloizou Limited.



**KYRIAKOS MIKELIS**  
country lead Cyprus and Malta, president, KEFEA

## GAME-CHANGER?

Help would belatedly appear to be at hand. After three decades of squabbling and stalling, parliament, in June 2017, finally put the finishing touches to legislation to enact a General Healthcare Scheme (GeSY), providing universal access to care, that will be implemented by the autonomous entity, the State Health Services Organisation (OKYY), before 2020. According to the

## A Proud History



**PETROS PETROU**

—  
executive director,  
George Petrou  
Limited

George Petrou Limited was established in 1965, when, as current executive director Petros Petrou notes, “At the time, my father, George Petrou was a medical representative working for the American company, Winthrop. He was the one to introduce Panadol to the island and after its very successful results on the market, the company offered him a position in Greece. However, he refused it as he believed it was the moment for him to start his own company in Cyprus.” George Petrou’s crisis moment came in 1991 when, as Petros describes,

“we parted ways with Bristol-Myers Squibb, who we had originally partnered with, as they decided to establish

their own offices in Cyprus. Considering that we lost 75 percent of our business overnight, it led to a significant crisis for our company and there was a need to redefine our business strategy to survive.”

Petros, who returned to the company during this period after graduating from university in the UK, explains that he and his father “decided to invest and managed to retain all of our employees who believed that the business will grow again.” This faith in its employees has served George Petrou well; indeed, the Petrou family values extend throughout the company. Petros concludes, “George Petrou is a family business, so my father and I consider our employees part of our own family. As we continuously invest in people, we are proud to see area managers working with us for more than 30 years and not a lot of employees leave us.”



**MARIO SCIBERRAS**

general manager  
Cyprus, Malta &  
Gibraltar, GSK

newly approved law, the first step in this flagship healthcare reform to provide a fully-functional national health system to Cypriot citizens will consist of awarding administrative and financial autonomy to public hospitals, while the reimbursement segment will be executed in two stages starting with out-of-hospital care and continuing with hospital treatment until full implementation.

Under the government roadmap, contributions for the GeSY will begin being collected as of March 2019. The initial stage of the scheme is to be rolled out on June 1 of the same year and concerns outpatient care provided by personal physicians, specialists, pharmacies and labs. The system will subsequently come into full swing as of the first of June 2020 when it is extended to inpatient care. As stipulated by the terms of the agreement, a mix of contributions from employees and pensioners, employers and the self-employed, in addition to the state budget will fund this new health system representing a sweeping diversification of the public health revenue base. Beneficiaries will further pay a small user fee for the services they receive in order to avoid abuse of the system, though the maximum co-pay for patients has been capped at EUR 300 per year. Once that threshold is exceeded, citizens will continue to receive full care regardless.

Unsurprisingly most pharma MNCs are delighted by the prospect of a more highly capitalized healthcare environment that ensures a minimum of quality care for each and every citizen. “Cyprus is on the cusp of entering a hugely exciting phase. Firstly, GeSY, will allow for an increased budget which will improve access to innovative drugs. Secondly, and perhaps even more thrilling, is the prospect of unification, which offers a unique prospect. The estimation is that EUR 20 billion will immediately be injected into the system, a massive amount, providing industry and pharmaceuticals great opportunities... This is also fantastic news for the country’s prospects as a whole: health has an economic value in that a healthy population buttresses a healthy economy,” affirms general manager Cyprus, Malta & Gibraltar, GSK, Mario Sciberras.



**HEALTH HAS AN ECONOMIC VALUE IN THAT A HEALTHY POPULATION BUTTRESSES A HEALTHY ECONOMY — Mario Sciberras GSK**

Others are quick to draw attention to the tranche of positive by-products triggered by GeSY and the willingness of the private sector to muck in and make sure that the new system delivers upon its objectives. “Primary care will be the first focus of GeSY and we can already see signs of great progress such as the roll out of the first ever public vaccination program in this country and a slew of reforms allocating budget for specific therapeutic

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areas or diseases such as the Hepatitis C elimination all of which have been undertaken in the run up to this landmark reform,” notes MSD’s managing director, Jacqueline Anastassiades. “I can see the key role of pharmaceutical companies, healthcare providers and laboratories in collaborating with GeSY to identify solutions and ensure that this system is functional and sustainable,” she says.

Certainly the new system will have a big impact on the operating models of the pharma industry. For a start, the reform includes the establishment of brand new National Pharmaceutical Authority and lays the groundwork for alternative mechanisms of procurement. “The agency will deliver countless benefits for involved stakeholders such as patients, the pharmaceutical industry, pharmacists and other healthcare professionals. It is expected that the pharmaceutical regulatory services in Cyprus will be enhanced in such a manner as to allow for cost-efficient operation, improved turnaround times and elimination of bureaucratic red-tape in key procedures

for the regulation of medicines for human use, medical devices, cosmetics and food supplements,” reasons Cyprus’ “businessman” health minister, Constantinos Ioannou, who is pressing ahead with his steadfast desire to rationalize the provision of healthcare.

Certain structural shifts in the provision of medicines will occur. “Out-patient pharmacy services within public hospitals and health centres, in locations where private pharmacies operate, will be discontinued and the public will instead obtain their medicines from their convenient local neighbourhood pharmacy and the role of the pharmacist in hospital will be correspondingly upgraded,” explains Ioannou. “What you’re actually going to see is a move away from out-patient dispensing to providing ward and clinical pharmacy services, thereby enhancing the quality of service received by the patient within the newly autonomous hospitals,” he reveals.

How will this affect the business models of the pharma companies? “Considering that all hospitals will be autonomous, we are bracing ourselves for considerable

## The Valletta Declaration: A United Front

Following the example of Belgium and the Netherlands, in May 2017, the health ministers of Cyprus, Malta, Greece, Italy, Spain, and Portugal assembled in the Maltese capital city to sign the ‘Valletta Declaration,’ an alliance of southern EU member states, which aims to explore strategies to jointly negotiate prices with the pharma industry.

Now also counting Ireland, Croatia, Romania and Slovenia as members, along with France and the European Commission as observers, the Valletta Declaration covers 160 million citizens, representing 32 percent of the total EU population. The Valletta Technical Committee aims to work on candidate products for joint assessment and negotiation and explore new areas of activity such as negotiation on products already assessed.

Although Cyprus is somewhat of a laggard within Europe in terms of the implementation of universal healthcare, the country already seems to be playing an active role in multiple-state collaboration on assessment and negotiation of medicines prices. At the inaugural meeting of the Valletta Technical Committee, held in Nicosia in June 2017, then Cypriot minister of health, George Pamboridis stated, “We cannot stand idly by and watch patients go without key innovative medicines due to

accessibility and affordability issues, whilst these medicines are available to other patients fortunate enough to reside in member states that are preferred by the pharmaceutical industry.” Pamobiridis lamented, “The EU is about solidarity and equality, yet when it comes to affordable innovative medicines, not all EU patients have access.”

Yannis Natsis, policy manager at the European Public Health Alliance (EPHA), feels that “Momentum is building for a coordinated strategy in facing down exorbitant drug prices... governments are finally getting organized and pushing back against the longstanding divide-and-rule strategy of the pharmaceutical industry. The Valletta Declaration is really quite emblematic of this shift.”

However, the diverse nature of the signatories of the Valletta Declaration mean a diversity of goals. Speaking to POLITICO, one official noted that bigger countries want to set a range of prices and have national authorities negotiate them, because they already have the expertise, while smaller countries without that domestic expertise want fixed prices. He said, “We are sailing in uncharted territory both politically and technically, legally. One cannot really predict what’s going to happen.”



**MICHAEL  
NEOPTOLEMOS**  
managing director,  
Remedica

change,” admits Remedica’s managing director, Michael Neoptolemos. “Essentially, we are waiting to see the new distribution system in place and how the public tenders will be organized, as we assume the distribution will start directly from the manufacturers’ warehouse,” he reveals. Moreover, there is some consternation that the policymakers directing this reform process are not considering the fact that prices

given in tenders cannot be the same as prices given on the private market for the main reason that the volumes sold between the private and the public sector are significantly different. “In public sector tenders, the price is always made following the economy of scale and it is not possible to compare the two sectors. We have concerns that the reimbursement will be made by therapeutic areas and the reference product will be the less expensive of the offering. However, two products from the same category cannot necessarily be compared as there are important differences in manufacturing costs in between two medicines. The real risk is that there could be a serious downward push for the prices,” worries Neoptolemos.

Many are predicting disruption in the distribution part of the value chain. “In terms of infrastructure, we will be undoubtedly investing more as the business volume within GeSY will be much greater. Nowadays, a full 60 percent of medicines by volume are handled directly by the Ministry of Health. After the implementation of GeSY, most of this volume will be handled by the private sector. To cope with more than double the volume, we certainly will have to increase storage space and distribution capabilities,” predicts Pantis Papaloizou.

PharmaLink’s George Limbouris very much concurs. “We believe the distributors will take a bigger share of the market considering that with the upcoming system, the public sector and government pharmacies will only supply the hospitals through tenders and all external patients will be supplied through the private market. As we are expecting an important growth in the distribution business, we are preparing ourselves for the impact of GeSY by increasing our warehouse’s space as well as updating our car fleet. Our strategy is to take full advantage of the changes and use it as an launchpad to grow,” he explains.

Others are looking to future-proof their businesses against any possible upheaval wrought by GeSY. “M.S. Jacovides has always been at the forefront of the trends in the country and we are now the leading healthcare company in Cyprus by supplying more than 20 percent of prescribed pharmaceuticals to the Ministry of Health and in the last five years. We have recently diversified out into lifestyle products such as OTC pharmaceuticals, food supplements and baby food. Our bet is that these areas will grow steadily as we foresee that with the implementation of GeSY, prescription products might challenge our financial position,” candidly admits Sotos Jacovides. “The fast money is certainly on there being unprecedented opportunities for the OTC segment in the wake of reform,” predicts Papaloizou.



### **THE FAST MONEY IS CERTAINLY ON THERE BEING UNPRECEDENTED OPPORTUNITIES FOR THE OTC SEGMENT IN THE WAKE OF REFORM**

— **Pantis Papaloizou** PAPALOISOU

Not everyone is expecting the implementation of GeSY to be smooth, however. “GeSY should be sustainable which the current strategy doesn’t allow yet as the funds needed are not allocated. The devil will always be in the detail of the implementation, so we mustn’t take anything for granted yet,” counsels Anastassiades. So too will there be certain interest groups to placate. Soteris Koumas, head of the state doctors’ union Pasyki, speaks of “growing turmoil and uncertainty” amongst the profession due to confusion over their future pay under the scheme. “Many state doctors are contemplating whether they should go into private practice once the GeSY kicks in because under the proposed system all members of the public will their personal physician. General practitioners in the private sector would be able to enter into a contract to provide services to the GeSY. If they do so, they would be classed as personal physicians in which case initially they must have a minimum number of 300 patients on their list for the first three years but would be restricted to a maximum of 2,500 patients, for which they must keep records and inform the GeSY... what we are trying to ascertain is whether our members stand to gain or to lose from such a transition,” he explains.



## The Falsified Medicines Directive (FMD): More Harm than Good?

Falsified medicines – fake products that mimic authentic medicines – are on the rise globally, bolstered by the growth of unregistered online pharmacies. Many such drugs contain ingredients of bad or toxic quality, or in the wrong dosage and, as they have not been properly checked for quality, safety and efficacy, can pose a real risk to patients' health. As falsified medicines become more sophisticated, the risk of them reaching patients in the EU has increased, prompting the European Commission to launch a legal framework to counter their spread in January 2013, the Falsified Medicines Directive (FMD). The FMD's measures to counteract fake medicines include stricter record-keeping of wholesale distributors, tougher inspections of pharmaceutical producers, an EU-wide quality mark to identify online pharmacies and obligatory safety features on packages.

With the FMD set to be implemented in Cyprus in 2019, industry insiders are warning that its impact on the island's pharmaceutical industry may not be wholly positive. Petros Petrou of George Petrou warns that "There is a lot of uncertainty regarding the implementation of the FMD for two main reasons. First, the final cost of the system is unclear, despite it being one of the most im-

portant aspects for all key stakeholders. Therefore, we cannot start planning for the next few years." Petrou continues, "The other challenge is the size of the Cypriot market and its strategic location close to very different markets which can offer products that are of lower quality but which are available at much lower prices."

George Limbouris of PharmaLink is similarly circumspect, noting that the implementation of FMD "will be a big challenge for pharmacists, who will see an increase in their workload and will have to significantly up their investment prior to the change." Limbouris boasts that "In Cyprus, PharmaLink is one of the most advanced companies ready for this change. We are part of a group of companies that have been selected as a testing group for its implementation in the island," but cautions that FMD may disproportionately affect the operations of other smaller players and ultimately restrict patient access to medicines. He posits, "Multinationals will have the resources to be ready but smaller companies and the ones coming from countries such as Greece, which is not included in the first round of countries implementing the FMD, will have some trouble which may lead to patients having difficulties sourcing specific products in the future."

### KEEPING IT IN THE FAMILY

One notable aspect of the Cypriot pharma market is the important role played by family-run domestic companies. Set up by entrepreneurial locals in the 1940s, 50s and 60s, companies – predominantly distributors – such as M.S. Jacovides, Papaloisou, George Petrou and Pharmaceutical Trading, have had to overcome a variety of significant crises and are now being run by the second generation.

Pantis Papaloizou of Papaloisou – a local distributor which experienced significant growth in 2017 and expects the same for 2018 – highlights the long history and experience of his family-run organization as a key factor in its success. "The company was founded by my father in 1950 and I took on the management of the company in 1985," he notes. "We have been in existence for nearly 70 years."

Sotos Jacovides, managing director of M.S. Jacovides, explains his company's origins thusly: "My father, Michel Jacovides, opened his first pharmacy in 1944 after working for more than ten years as a pharmacist. At the time,

pharmacies had their own small drug laboratory with all the necessary equipment for preparing the medicaments of doctor prescriptions. Michel was characterized by his perceptiveness and foresaw the potential of distributing ready-made pharmaceuticals. He therefore started seeking an opportunity to secure exclusive partnership agreements in the health sector. In 1949 he signed his first major contract and started cooperating with the US pharmaceutical company MSD (Merck Sharp & Dohme) in the Cyprus market. Until the 1960s, he was operating a chain of three pharmacies and was focused in expanding the retail business. At the same time, Michel was looking for more imported products to sell through his pharmacies. Meanwhile, he saw the opportunity to grow further the sales of the imported products through promoting to Doctors and then distributing to all pharmacies in the island, and not only through his own pharmacies."



**PANTIS  
PAPALOIZOU**  
managing director,  
Papaloisou



Disaster struck for M.S. Jacovides in 1974 when, as Sotos reminisces, “we suffered a major blow in our business from the Turkish invasion in Cyprus. The business lost more than half of its merchandise which was of a significantly great value from its warehouse in Famagusta, as well as from the city’s port. The Nicosia Airport closed as it was located in the buffer zone and the company was not able to import medicines, as there were no other airports in the island.” This crisis did, however, push M.S. Jacovides into new areas. Once he and all of his brothers had returned to Cyprus in the 1980s, Sotos explains that, “We decided to extend our wholesaling activity in healthcare horizontally by opening new business lines, in addition to pharmaceuticals, into dental health, medical equipment and devices and medical disposables, animal health, and agrochemicals.”

## Northern Cyprus: Over the Wall

In 1974 Turkey invaded the northern part of Cyprus, establishing the self-declared, Turkish Republic of Northern Cyprus, a political entity only recognised by Turkey. A UN buffer zone currently divides the north from the south, cutting through the capital, Nicosia, or Lefkosa as it is known by Turkish Cypriots.

According to the US State Department, “the standard of medical care in the area administered by Turkish Cypriots is improving, but still falls below that found in the government-controlled area.” The small population of Northern Cyprus is one of the reasons for the lack of specialist care available in the region. With a population of only 200,000, it is not considered cost-effective to offer complex treatments. Often Turkish Cypriot medical graduates study in Turkey, and do not return to Cyprus. As a result, both medical technology and specialist doctors are scarce, forcing Turkish Cypriots to seek treatment south of the border or in Turkey.

Since 2003, following the partial relaxation of crossings along the ‘Green Line’ dividing the island, an increasing number of Turkish Cypriots have been seeking care in the south. The Republic’s government has provided medical treatment to Turkish Cypriots with Cypriot nationality, even though they pay neither social insurance nor taxes to the south.

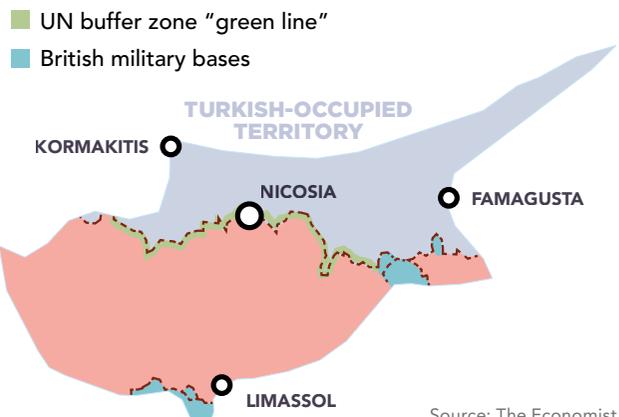
One such company involved in the provision of treatment to Northern Cypriots is Pharmaceutical Trading. According to Managing Director Nicos Karoullas, “the healthcare situation in Northern Cyprus is critical as the Turkish invasion has led to a total dependency on Turkey. Most players in the local pharmaceutical business think about the financial gain or the political implications. We believe that the first priority should be the patients’ health. If somebody believes in a united country, then he has to care for both parts. We do care for the health of all Cypriots and we support the treatment of Turkish-Cypriot patients if needed. Some people may suggest that we are traitors to Greek Cypriots but for me, Cyprus is the entire island

and if any patient needs a treatment, we will help them no matter where they live on the island.”

The North has also garnered a reputation as a source of cheaper pharmaceuticals. Like mainland Turkey, pharmacies in Northern Cyprus sell over the counter many drugs that are available in the UK and EU only on prescription, such as tranquillisers like diazepam and temazepam. As a result, it is common for residents of the South to purchase pharmaceuticals in the North, and at a lower price.

It is hoped that the reduced costs for pharmaceuticals resulting from the GeSY reforms may address the issue of Cypriots purchasing cheaper pharmaceuticals from the North. The Cyprus Association of Pharmaceutical Companies (CAPC) has previously warned the public of the risks of this phenomenon, given the lack of regulation in the territory. The CAPC adds that, “the public should ask themselves why prices are lower and about the quality of the medicines sold there. No one can be sure if the pharmaceuticals in the north meet the correct preservation and safety criteria. Pharmacies in the North have not been checked by the EU, and it is not possible to know if pharmacists in the north are correctly trained.”

### A COUNTRY DIVIDED





Another company deeply affected by the events of 1974 was Pharmaceutical Trading. As Nicos Karoullas, the company's managing director points out, The company started with my father, a pharmacist by education who had a special talent in helping ordinary people with simple cases. He began importing some OTC products and also manufacturing himself a variety of medicines especially for dermatology problems, like most pharmacists in that period. He started as a pharmacist and continued by building a distribution company. When I joined the business, we made a turn focusing on hospital products, mainly in oncology, as I saw better opportunities in the tender business. Indeed, I started my career as a medical representative, dealing with hospitals and clinics. Following a few partnership decisions, we entered the blood products segment, making our product portfolio very attractive in a small country like Cyprus."

Karoullas continues, "The first years of the company were very successful and by 1974, we had the biggest pharmacy in the island and a big percentage in the wholesale business. Indeed, in Cyprus, networking is highly important in the industry and 1973 and 1974 were actually the best years the company ever had. Unfortunately, as the Turkish invasion struck in 1974, Pharmaceutical Trading, originally located in Famagusta, relocated to Larnaca which meant that we had to start over our business. I arrived a few years later in the company, and the business wasn't in good shape. We had to rebuild our infrastructure, our team and most importantly our network. "

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## HOMEGROWN MANUFACTURERS

Not only does Cyprus play host to a wide network of distributors and wholesalers, but also boasts three homegrown manufacturers, providing affordable Cyprus-made treatments for both the domestic population as well as international markets.

Medochemie, a generics and OTC manufacturer with an annual turnover of around EUR 175 million (USD 204 million), accounts for 28 percent of the country's exports and one percent of the entire national GDP. The company has shown a strong commitment to Cyprus, despite the lure of relocating headquarters or production facilities abroad to south-eastern European countries

with lower wages and electricity costs. As Andreas Pittas, the company's founder and CEO, stated boldly in 2016, "We stay here." Pittas continued, "Besides, the reason I set up this company was to serve Cyprus."

“

**ECONOMICALLY, THE VITAL ROLE OF REMEDICA WITHIN CYPRUS CAN BE SEEN THROUGH ITS LEADING POSITION IN THE COUNTRY, ACCOUNTING FOR AROUND 50 PERCENT OF ALL CYPRUS'S PHARMACEUTICAL EXPORTS**

— Michael Neoptolemou REMEDICA

Originally founded as a manufacturer of carbon dioxide in 1960, Remedica has grown to become one of the nation's leading producers of pharmaceuticals as well as healthcare supplements and nutritional products. Michael Neoptolemou, the company's managing director, outlines the organization's significant status thusly: "Economically, the vital role of Remedica within Cyprus can be seen through its leading position in the country, accounting for around 50 percent of all Cyprus's pharmaceutical exports." Neoptolemou is keen to foreground the company's international footprint, noting that "While Cyprus remains one of our important markets, exports represent 97 percent of our revenues."

Remedica received a significant boost in 2016 when it was acquired by South African outfit, Ascendis Health. Neoptolemou feels that under the Ascendis umbrella, Remedica – as well as Cypriot pharma manufacturing more generally – can blossom. He posits, "The objective is to ensure doctors can have access to a full product range under a brand they trust, and Ascendis could help in this regard. Their offering completes our business lines well as shown by our antibiotics line filled with probiotic options, so our doctors can have everything they need within Remedica. Therefore, we are moving towards the vision we established while retaining our independent operational control. This strategic approach also brings more brand awareness of the company."

Delorbis is another Cypriot manufacturer that has been bolstered by an international acquisition. Established in 1989 under the name Aegis Pharmaceuticals, the company was a small contract-manufacturing organization (CMO) mainly producing technical products until 2010, when it was sold to the German company AET. Deciding



**VAKIS  
FRANGOS**

managing director,  
Delorbis

to maintain CMO activities on site, which still make up over 50 percent of turnover, the company invested in the manufacture of its own pharmaceutical brands in Cyprus for export to emerging markets. With the strategic shift came the new company name in 2014.

Vakis Frangos, managing director of commercial operations at Delorbis, feels that local manufacturers such as his are “critical to the sustainability of the overall healthcare system,” especially given the potential withdrawal of larger, international operators after the rollout of GeSY in 2019. He opines, “many bigger players may be leaving the Cypriot market, which is small in size at only EUR 180 million, following the decrease in prices next year.”

Despite his company’s successes, Medochemie’s Pittas is highly critical of the level of support from the

Cypriot government and does not feel that a sufficient enabling infrastructure currently exists for the development of local manufacturers. He articulates that “At no time has the Cyprus government services supported us, neither with subsidies nor with legislation and in fact no government until now believed that we could achieve so much in a complicated and dynamic sector like pharmaceuticals.” Pittas laments, “I do not want to be bitter, but we found rather a lot of obstacles from some governmental departments. Civil servants in Cyprus are somewhat suspicious of manufacturers and businesspeople in general.”

**INTERNATIONAL HORIZONS: IT’S ALL GREEK TO ME**

Cyprus is uniquely well placed – geographically, culturally and politically – to trade with both Europe and

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**Your partner of choice  
for the Cypriot market**



the Middle East. Although a European Union member since 2004, the island nation is situated closer to Beirut than Brussels and has been variously under Assyrian, Egyptian, Greek, Roman, Turkish and British rule before gaining independence in 1960.

With Greece the major import and export partner for Cyprus, it is no surprise that some Cypriot pharmaceutical companies have tended to first look to their larger western neighbor when expanding internationally. M.S. Jacovides expanded into Greece in the 1980s and the far greater size of the Greek pharma market (EUR 4.058 million compared to EUR 185 million in Cyprus in 2015 according to EFPIA statistics), meant that M.S. Jacovides has had to adjust its market entry strategy accordingly and find the geographic areas where it could add value. Sotos explains, “Initially, we believed that expansion into Greece wouldn’t be as challenging as we speak the same language. However, the market was similar in some aspects, but quite different in many others. The Greek market, in those days, was 15 to 20 times bigger than that of Cyprus and our business approach had to adapt to this important factor.”



**WE ARE THE EASTERNMOST BORDER TO THE EUROPEAN UNION, IN CLOSE PROXIMITY TO THE MIDDLE EAST, AND NORTH AFRICAN COUNTRIES WHICH HAVE HUGE POPULATIONS—ALL ACCESSIBLE THROUGH CYPRUS**

— George Campanellas CIPA

Additionally, M.S. Jacovides targeted specific areas in which Greece demonstrated significant potential or which lacked competition. Sotos notes, “It was a learning experience and we had to struggle particularly the first few years by focusing on a small number of products and a limited list of customers initially in few business segments... After establishing a strong reputation in the market, we started expanding our portfolio by offering additional specialized products to Blood Banks in Greece and our business grew.” He continues, “In 1995, when we realized that there was a potential in Greece and Europe for biotechnology, we further extended our offering by establishing, in partnership with Costas Evripides, a second company in Greece, Genesis Pharma SA, that specializes in the marketing,

promotion and distribution of biotechnology pharmaceuticals, coming from globally leading biotechnology companies. Today, our business operations in Greece, with Genesis Pharma and M.S. Jacovides Hellas, represent an important part of our total operations.”

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## INTERNATIONAL HORIZONS: LOOKING EAST

Cyprus has long held significant ties to the Middle East and Africa. As Andreas Savvides, CEO of the Curis Network, points out, “Throughout history, Cyprus has regularly played the role of a country between three continents [Europe, Asia and Africa].” George Campanellas of the Cyprus Investment and Promotion Agency (CIPA) develops this point, noting that “We are the easternmost border to the European Union, in close proximity to the Middle East, and North African countries which have huge populations—all accessible through Cyprus. We have two direct flights to Jordan a day, which are only an hour long and at times, cost less than EUR 20. It’s 50 minutes to Cairo, 50 minutes to Israel; we are well placed to access the Middle East.”

Campanellas explains Cyprus’s potential role within the region thusly: “we nurture excellent relationships with these Middle Eastern countries, which is particularly exciting, considering their potential. Israel has recently found oil, Egypt too, and now Lebanon is exploring the potential of internationalization more deeply. However, crucially, these countries do not have good relations amongst themselves. We try to leverage this as our strength, promoting Cyprus in this environment as a relationship enabler.” He adds, “Cyprus is also the first European port that is met from the Suez Canal on the way to Europe. As a result, we could be a regional hub.”

The Middle East has also proven a profitable stomping ground for Cypriot life science companies such as Medochemie and Remedica. Delorbis, another, more recently-established, manufacturer is now also targeting the region. Vakis Frangos, the company’s managing director of commercial operations, concedes that “Except for Cyprus and Malta, we do not see the EU as prospective for us as this region is too crowded to welcome small players like Delorbis.” Delorbis is therefore moving into the Middle East with the ‘Made in



## CYPRUS FLIGHT CONNECTIONS



Cyprus’ brand already established. Frangos opines, “we are lucky to have the two Cypriot success stories, Medochemie and Remedica, which opened these markets more than 20 years ago and established the Cypriot product quality there. Countries in the Middle East with significant entry barriers are requesting EU-certified products. Considering Cyprus’ close location

to such markets, we can fulfil their requests whereas it would be more complicated for them to ask bigger EU countries.”

### MNCS – WHY CYPRUS?

In such a small market with a well-established network of distributors, what then is the benefit of

multinational pharmaceutical companies establishing footprints on the ground in Cyprus? Mario Sciberras, general manager for GSK in Cyprus, Malta and Gibraltar, foregrounds the importance of an in-country presence for his organization. He notes, “We want to be in control of our own future, therefore we must be present on the ground employing local people. Being present in Cyprus creates a framework for a sustainable business rather than depending on a third-party which may only be interested in furthering its own interests.”

For MSD’s Jacqueline Anastassiades, who also serves as vice president of KEFEA, a full local presence ensures that Cypriot patients can better access the company’s innovative treatments. She posits, “MSD’s presence in Cyprus is valued because we are bringing such innovative treatments to the country. I am most proud when patients send us emails thanking us for providing them with a needed treatment.”

Anastassiades foresees even more opportunities for her affiliate once universal healthcare is implemented



and even sees her affiliate as playing a vital role in the construction of this system. She highlights that “Cyprus offers great opportunities to the industry with the implementation of GeSY. The country went through a harsh recession in 2012 but it managed to come out of it in less than three years and, with the upcoming changes, MSD has to ensure we can participate in the building of a great system appreciated by all stakeholders and that will bring equality and change people’s lives.

Kyriakos Mikellis of Pfizer – which has some success in recent years introducing innovative new medicines into the Cypriot market such as tafamidis for familiar amyloidosis, palbociclib for breast cancer and a meningitis B vaccine – is similarly upbeat on the opportunities that the implementation of GeSY will foster

and the role that Pfizer can play in the system’s construction. He states that “with the current changes to the healthcare system, we are eager to continue to play the key role we have set as a strong and positive contributor to the healthcare environment.” He adds, “Personally, I am proud to work in this industry as we are improving people’s lives. I believe that as Pfizer, we can have a positive input in the development of healthcare in Cyprus.”

## LOOKING TO THE FUTURE

With promising economic indicators and universal healthcare on the horizon, the future for the Cypriot

## Brexit: Uncertain Times

The UK and Cyprus are inextricably linked, both economically and politically, thanks in large part to the island’s history as a British colony. However, with the UK’s decision to leave the EU due to come into force in 2019, the future of ties between the two nations remain unclear. The UK is Cyprus’ second largest trading partner, and a key source of service jobs and foreign investment. Cyprus also welcomes over 1.3 million British tourists every year, roughly half of all visitors to the island. Furthermore, the 1960 Treaty of Establishment for the Independence of Cyprus created two UK military bases, Akrotiri, and Dhekelia, on Cyprus, which today operate more like small towns with factories, schools, and agricultural areas.

Opinions on the impact of Brexit on the Cypriot life sciences industry are divided. Many companies in Cyprus have oriented their business towards the United Kingdom and Brexit could prove problematic. One such concern represents certifications should EU and UK regulations diverge. Nicos Karoullas of Pharmaceutical Trading voices concern over the future of his company’s blood product line, a UK import with UK certification. “Following Brexit and the UK becoming a third country, MAH should move from the UK and certificates of Analysis and Release should be issued from an EU country and not the UK. This will eventually lead to a number of difficult issues and we may not be able to access the product line.” Karoullas is also wary of the Cypriot government’s stance in the Brexit negotiations. “Cyprus is

very much dominated by the UK, and our government seems to have forgotten that the patients should come first,” he bemoans. “The Cypriot government tends to blindly follow orders that negatively impact its own population without questioning their logical validity.”

Moreover, trade frictions such as tariffs are likely to affect the Cypriot pharma industry. Exports to the UK constitute eight percent of all Cypriot exports, around four percent of which are pharmaceuticals. The British pound has already encountered volatility, with fears that a lower exchange rate post-Brexit will further weaken the competitiveness of Cypriot exports.

However, as the saying goes, when one door closes, another may open, and Brexit is no exception. According to Nathanael Antis, secretary of the Cyprus Association of Pharmaceutical Companies (CAPC), several Russian companies are considering relocation to Cyprus to continue their European operations after Brexit. If UK-based companies need to relocate to retain access to the EEA, Cyprus, with a legal system based on English law, a low tax environment, a high level of proficiency in the English language and high quality of human capital, is well placed to attract this new business. Antis optimistically notes that, “Despite many people thinking that Cyprus is only a touristic place, it is also a great place to do business. Our accounting and legal systems work well, and we have great quality of life here, with low levels of pollution and crime.”



## OUR VISION IS TO EVENTUALLY TURN CYPRUS INTO A REGIONAL CENTER FOR R&D

— **Constantinos Ioannou** MINISTER OF HEALTH

life sciences industry looks bright. Indeed, key stakeholders are highlighting several niches in which the island can make a name for itself.

Minister of Health Constantinos Ioannou outlines that “our vision is to eventually turn Cyprus into a regional center for R&D. Towards this direction, we promote the establishment of University Clinics, and the collaboration of academics and health professionals, to improve the provided services, invest in human resources and obtain EU funding to develop the sector of medical research.” Ioannou is also keen to foster greater public-private collaboration. He notes that “We facilitate the development of private initiatives in healthcare sector specialized in treatments for severe or chronic diseases, also taking advantage of the weather conditions in the island that contribute in the treatment of several illnesses.”

Pfizer’s Mikellis strikes a similar chord, noting that Cyprus holds potential to further develop its clinical research activities. He posits that “Cyprus is far behind in terms of clinical trials compared to other European countries. It is not easy for a small country to establish a research and an environment favorable to attract clinical trials. Hopefully with the presence

now of four medical schools an improvement will be seen in this area as well. As Pfizer and as KEFEA, we would like to further develop this segment by creating stronger collaborations with health centres and medical schools.”

For Andreas Savvides of the Curis Network, Cyprus can be used as “an incubator of ideas, to test out concepts, and deliver on new plans,” especially in the emerging field of homecare. Savvides expands, “Given the nature of the size of the market, it is good to have these expansion plans, because the cost of infrastructure is lower here and, due to economies of scale in larger markets, investments could go either way.”

Savvides also points to the nation’s geostrategic location as a boon in the future development of its healthcare industry. He asserts that “Cyprus can generate the resources that are usually flexible, taking advantage of our connections to the Middle East. For example, it is complicated for a US doctor to travel to the Middle East, but because of Cyprus’ culture and proximity, resources can easily move between these locations. Cyprus could become an incubator of these resources which would also build up the country’s reputation as a medical center.” ❁

### Partnering Strategies



**NICOS KAROULLAS**

—  
managing director,  
Pharmaceutical Trading

*Nicos Karoullas, managing director of domestic distributor Pharmaceutical Trading, explains his company’s successful partnering strategy.*

“Over the years, we have been building strong partnerships to ensure the success of our company. We have partners from the UK, France, Greece, Belgium and Italy.

In recent years we have been investing in a large array of products from innovative medicines to OTC and food supplements. We are growing

every year and we ensure that our portfolio is consequent enough for our salesforces to be working efficiently. Last year, our turnover amounted to around EUR 4.5 million while we are estimating reaching EUR five million this year. Considering that our business was built on partnerships, we are open to more collaboration. In this regard, we have established ourselves as a very reliable company in the country. Whatever we promise to our partners will be done and if we are suggested an unachievable goal, we will respond very clearly that it is not possible.

My personal approach sometimes may be not 100 percent financially correct, as we care first about the patient and then the financial gain. This is our philosophy, our way of life: We are a team, We care, We support.”



# A DEEP TALENT POOL

Despite boasting a population of only 1.17 million, the level of human resources in Cyprus is a major selling point for the country, especially for its healthcare and life science industries.

**G**eorge Campanellas, executive director of the Cyprus Investment Promotion Agency (CIPA), proudly declares that “human resources on the island are exceptional!” He continues, “We have an excellent talent pool with one of the highest percentages in the European Union for tertiary education—those with university diplomas. 80 to 90 percent of Cypriots have studied or worked abroad and therefore have international experience. Historically, the island has been an international center and we have operated an open market structure for decades.”

This same trend holds true within the healthcare spectrum. Polis Peratikos, executive secretary of the Cyprus Health Services Promotion Board, points out that “The standard and quality of staff is very high across the island. As a matter of fact, the first medical school established in Cyprus was in 2013 [the School of Medicine at the European University of Cyprus – Ed.]; therefore, the vast majority of our medical professionals were trained abroad, whether that be the UK, Greece, Germany and the USA. As a result, we also indirectly attract foreign patients to Cyprus.”

For those medical students that choose to train domestically, the European University is working to offer a course that matches those of its international competitors and provides its students with a global outlook. Christoforos Hadjikyprianou, the institution’s CEO, proclaims that “We are very selective when it comes to the staff and the students. It is in the university’s DNA to make the real difference and as we are a service provider, the people make the

difference.” He continues, “We are also working with German, Greek and Israeli hospitals so our students can have an international perspective when it comes to their clinical rotations. We are also able to provide international internships with more than 50 partners around the world.”



**80 TO 90 PERCENT OF CYPRIOTS  
HAVE STUDIED OR WORKED  
ABROAD** — George Campanellas CIPA

In addition to the strong domestic human resource pool, Cyprus has also worked to bring greater numbers of international professionals and experts to the island. CIPA’s Campanellas posits, “we offer visa-free access to European talents from countries like Greece and through the start-up visa [a pilot scheme which allows talented entrepreneurs from outside the EU to enter, reside and work in Cyprus in order to establish, operate or develop a startup with a high growth potential – Ed.], we provide access to an even broader pool of human talent.”

Peratikos notes a similar trend in healthcare, helping bolster the island’s emergent medical tourism sector. “We observe a steady stream of foreign doctors coming to Cyprus to operate on foreign patients,” he asserts. “We have made several contacts within the Ministry of Health and have managed to simplify the procedure for foreign medical doctors coming to Cyprus to acquire licenses to operate on international patients given that they are not allowed to provide medical services on Cypriot patients.” ❄️



# THE TRAILBLAZER

Philippos Patsalis, CEO and founder of NIPD Genetics, tells the story of the creation of Cyprus's first ever biotech company and outlines its accomplishments after seven years of existence. He also expands on the necessity to bring more innovation into the Cypriot market.

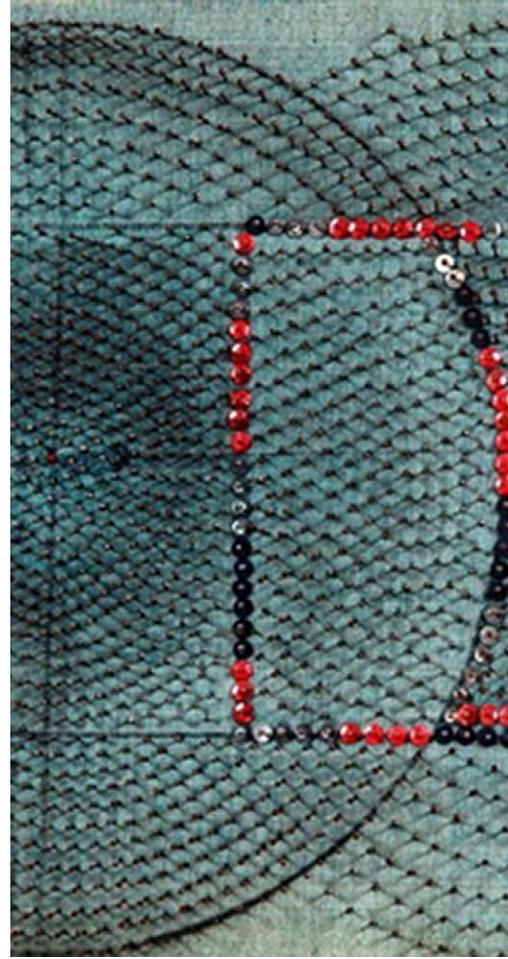
**HCLS:** Can you introduce the history behind NIPD Genetics' foundation as well as the current focus of the company?

**PHILIPPOS PATSALIS (PP):**

NIPD Genetics is a spin-off of the Cyprus Institute of Neurology and Genetics, established in 2011. It was at the time I served as professor and chief executive medical director of the institute. It was developed after our team's major breakthrough: the discovery of a new non-invasive prenatal test for Down syndrome. We founded the company with a vision to develop innovation in the field of genetic diagnostics and provide services in that field globally. In 2011, we received funding from national and international investors and investment funds which helped up grow the company through the years, from a spin-off to an emerging company. We managed to develop several innovative technologies on making diagnosis from cell-free DNA which has implications mainly in non-invasive prenatal testing, cancer and other areas of diagnostics. We also filed new patents internationally and started offering services using our proprietary technology. Our own technology and patent portfolio give us a competitive advantage over our compet-

itors and we have our centralized diagnostic laboratories accredited internationally by the College of American Pathologists as well as CLIA. We are tremendously proud and excited about these new developments and the fact that the company has a steady growth of sales. Indeed, in the last couple of years, we reached more than 300 percent growth.

Initially, we offered our services in Cyprus and expanded to Greece in 2015. The following year, we expanded to seven other countries and in 2018, we offer services in 26 countries. Our next target is the EMEA region and in the long term, we are looking to enter the USA and the rest of the world through strategic partnerships, either through product licensing or technology transfer. The facilities here employ 50 people. Most of them are PhD graduates which allow us to carry research and development activities, create new innovations and provide diagnostic services. Of course, we are expanding towards new technologies and new diagnostic services. We are transforming the company as we speak from the first ever biotech company in Cyprus to a very well-known biotech worldwide, offering unique services.



**Philippos Patsalis**  
NIPD  
GENETICS

**HCLS:** Looking at your portfolio, Veracity seems to be your flagship solution for pregnant women. Can you expand on the benefits this technology can bring to patients' lives and why it is so unique?

**PP:** Veracity is a group of non-invasive prenatal tests which covers several syndromes and genetic diseases. We will soon expand our portfolio with the pioneer state-of-the-art product which will be called Veragene. The R&D validation was completed successfully, and we first offered it to our loyal local customers. On September 1st 2018 the service was extended to our audience worldwide. This



value of the company is that it continuously creates its own technology and advances on this technology, leveraging our competitive advantage. It is also a versatile technology meaning that we can develop several applications of the same technology in different fields of diagnostics and biomedical sciences. NIPD Genetics also has the proprietary, state-of-the-art and innovative products in the field of non-invasive pre-natal testing which are probably the best products in the world. NIPD Genetics' greatest added value is the fact that we are getting into new fields which have great market potential such as the field of non-invasive testing in cancer, as well as post-natal, neo-natal, pre-implantation and transplantation areas. NIPD Genetics is a unique company that shows steady and high increase of sales with a strong intellectual property portfolio and the goal to establish itself as a competitive player worldwide.



**NIPD GENETICS HAS THE BEST TEAM IN THE FIELD. THIS IS THE ONLY WAY WE CAN COMPETE INTERNATIONALLY AS WE COME FROM A SMALL COUNTRY.**

**HCLS:** Looking ahead and as founder of the company, where would you like to bring NIPD Genetics' footprint in the next five years?

**PP:** We want to achieve leadership in the field of genetic diagnostics worldwide. In other words, we are aiming to become a company that is considered by experts in the field of biotech and genetic diagnostics as the leaders in the field of genetic diagnostics, having a portfolio of innovative products in the field that provides advantages to pregnant patients who will use this testing. We also want to establish ourselves as an innovation-driven company which continuously advances through R&D, not only in its service offering but also in the technology and in the field in general.

As the founder, I am personally driven by the fact that our company and our team can create knowledge and translate it into a product that will impact people's lives. This is a drive beyond recognition, respect or money as it comes from inside you. It cannot be controlled or explained to other as it is this fantastic feeling that allows you to enjoy every moment and makes your life full of passion. ❁

is a new test using our technology for non-invasive prenatal testing to multiple single-gene disorders and genetic diseases such as thalassemia, cystic fibrosis, amongst many others. It offers the advantage for any pregnant woman to take one non-invasive prenatal test that will not only provide a result for the Down Syndrome and other very common genetic diseases, but also for 100 rare but severe genetic diseases. This screening test gives the opportunity to the couple at the time of the pregnancy to know if the foetus is carrying one or more of these many and various genetic diseases with a cumulative risk for any pregnancies. This pioneer test was not available in the market at the time, so we ensured pregnant women's need for genetic screening would be answered in the safest and most reliable way during their pregnancy by offering them this unique solution.

**HCLS:** What other areas do you see growing in the future and what is your competitive advantage?

**PP:** First of all, NIPD Genetics has the best team in the field. This is the only way we can compete internationally as we come from a small country. Indeed, our differentiating factor is our team which has the ability to create new knowledge through R&D activities and succeed in translating it into a product. The great



# MEDICAL CANNABIS: JUMPING ON THE BANDWAGON

In a move to capitalize on a global market projected to exceed USD 60 billion by 2024, Cyprus has joined a growing number of European nations in legally permitting the cultivation and provision of medical cannabis.

**T**he Republic will grant two 15-year licenses to private medical cannabis cultivators to grow and process the plant before distributing it to pharmacies. The two licensees stand to make a massive turnover; it has been estimated that the state revenues alone from taxing these operations will amount to around EUR 45 million every five months. Prior to the implementation of GeSY, the product will only be available from state pharmacies, but once the new healthcare system is in place, private pharmacies can also get involved. It is hoped that this new investment will have a symbiotic effect on the Cypriot pharmaceutical sector; helping boost homegrown R&D on the island.

Giorgos Pamborides, minister of health from July 2015 until February 2018, was suitably ambitious on the nation’s prospects in this emergent niche upon the announcement of these two licenses. He stated, “I believe that Cyprus can be a pioneer in the region due to the favourable weather conditions” required to cultivate medical cannabis. Current MoH Constantinis Ioannou is similarly ebullient on the potential for the medical cannabis industry on the island, noting that, “we are in the process of regulating the cultivation, production and

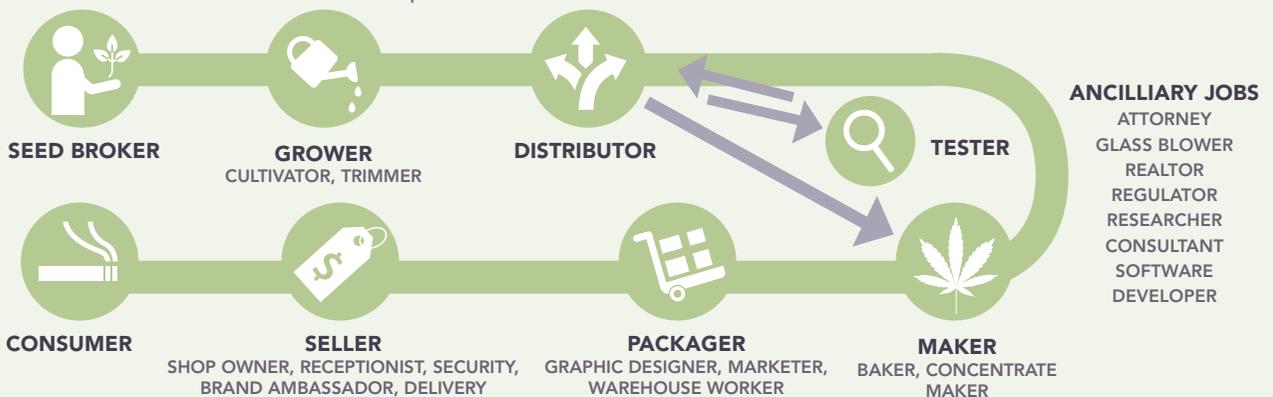
export of medical cannabis, to, inter alia, attract medical tourism and foreign investments, thus creating beneficial conditions for businesses and development.”

Not all stakeholders are quite as overjoyed at the news. Giorgos Georgiou, a member of parliament from Akel, the main left-wing opposition party, raised concerns that the production and distribution of medical cannabis in Cyprus was an attempt to import drugs through the back door and would promote the interests of large companies on the back of patients. Some pressure groups have also criticized the legislation for not going far enough. The bill specifies that doctors may prescribe medical cannabis to patients suffering from specific ailments “only where no alternative treatment exists or, if an alternative treatment does exist, it has been tried without results,” in effect only prescribing medical cannabis as a ‘last resort’ and strictly for palliative care – ignoring the plant’s multiple documented health benefits.

The bill is currently in the process of being reviewed in parliament and, with a mountain of regulation needed to ensure the process of cultivating and distributing the cannabis is properly controlled and not corrupted, it seems that it could be some time before the law is enacted. ❄️

## WEED WORKERS

As public support and legalization of cannabis spreads, more jobs are being created to meet the demand for its production, distribution and sales.





# SUN, SEA AND...SURGERY?

Cyprus is capitalizing on its well-established tourism infrastructure to stake a claim for itself as one of Europe's premier medical tourism destinations.

**B**lessed with a favourable climate and myriad sandy beaches, Cyprus has long stood as a favoured travel destination for holidaymakers from Northern Europe and beyond. Indeed, travel and tourism are cornerstones of the island nation's economy, contributing EUR 3.8 billion (USD 4.3 billion) or 21.4 percent of the entire national GDP in 2016 according to the World Travel and Tourism Council. This contribution is forecast to rise by 3.4 percent per annum to EUR 5.6 billion (USD 6.2 billion), or 26.6 percent of GDP by 2027. This acts as a boon to the local pharmaceutical industry – Vakis Frangos of Delorbis notes that “Cyprus welcomes more than three million tourists per year who will need medicines while on holiday” – but the fundamentals are in place for Cyprus to welcome more and more tourists traveling to the island specifically for medical attention. As Christoforos Hadjikyprianou, CEO of European University Cyprus, declares, “I believe Cyprus can become a really important hub for medical tourism thanks to our welcoming culture, great weather and educated talent pool.”

Recognizing the significant opportunity that medical tourism represented, in 2006 the Cyprus Chamber of Commerce and Industry took the initiative to form the Cyprus Health Services Promotion Board with the principal aim of accommodating stakeholders across the private health industry and founding a cluster that would have at its core an intention to promote the island's healthcare capabilities. Polis Peratikos, the organization's executive secretary, points out that “health tourism is crucial for the island's success— as with every other special interest segment of tourism. We are trying to enlarge the touristic period in Cyprus because currently, we are only busy from April to October.

We need to extend that period across the year.”

In terms of the key therapeutic areas being served, Peratikos notes that “there has been an increase in the number of tourists coming to Cyprus for health purposes in general, but mainly for the areas of dental care, IVF, and cosmetic surgery.” The majority of those seeking medical treatment on the island “are from Russia and the UK because these have been the countries most promoted to in the past five years,” articulates Peratikos.



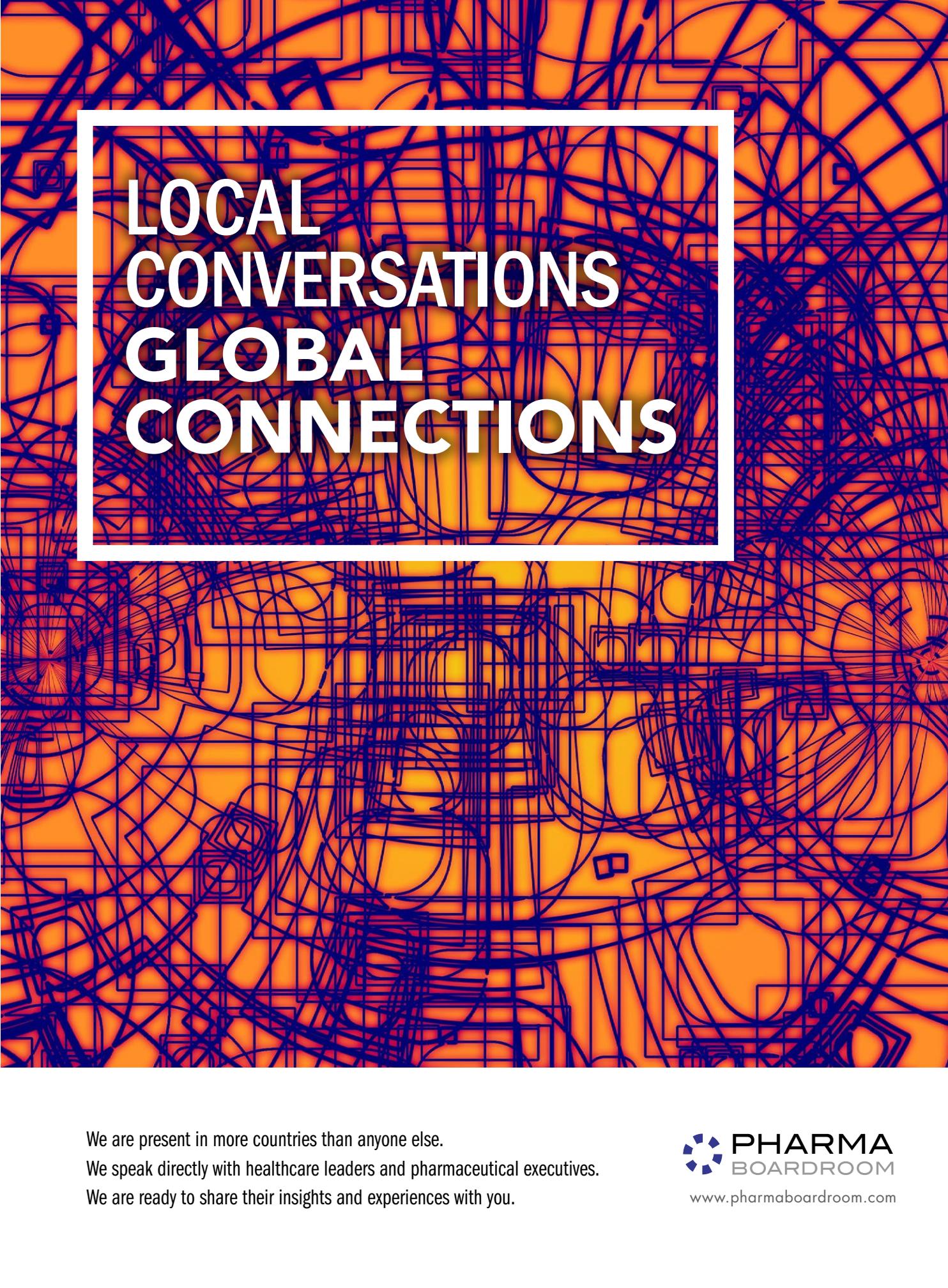
“**WE SEEK TO CREATE COMPLETE PACKAGES FOR THE MEDICAL TOURISM INDUSTRY**

— Polis Peratikos  
HEALTH SERVICES PROMOTION BOARD

Looking to the future, Cyprus aims to up its game and offer more comprehensive healthcare packages for international patients; capitalizing on its well-developed traditional tourism infrastructure. Peratikos pronounces, “we seek to create complete packages for the medical tourism industry. The entire package would include the whole journey of the patient, from arrival at the airport, transfers, accommodation, equipment, rehabilitation, return travel and follow-up.” He continues, “Concerning new projects for the Health Promotion Board, we have several big ideas that await government approval—they center around healthcare villages. Healthcare villages is the term we use to describe locations that will accommodate hospitals, cooperation and rehabilitation centers, hotels and spas.” ❄️

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