

Importance of the pharmaceutical industry for Polish economy

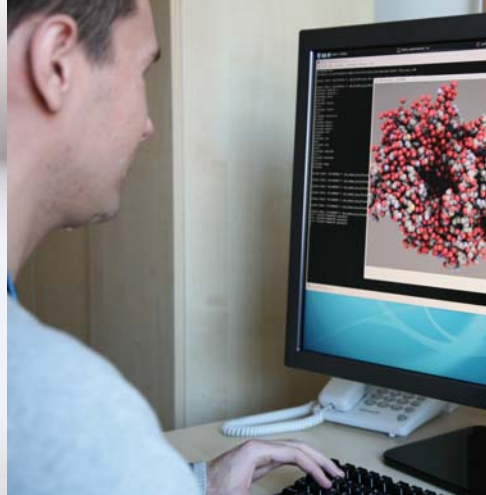
The domestic pharmaceutical industry plays an important role in the Polish system of healthcare. It provides patients with medicines used in most therapies at affordable prices. Moreover, it is of great significance for the economy as it provides 55% of drugs sold in Poland.

An industry with history

The origins of Polish pharmaceutical industry date back to the 19th century. Already between the two world wars (1918–1939) production was developing most vibrantly in central Poland. In 1939, there were already 487 laboratories and institutions

that covered three quarters of the entire national demand for medical products. It was then that a powerful serums and vaccines producing industry originated to satisfy all national needs and selling surplus abroad. Beginning with 1935, also insulin produced in Poland was exported. After the



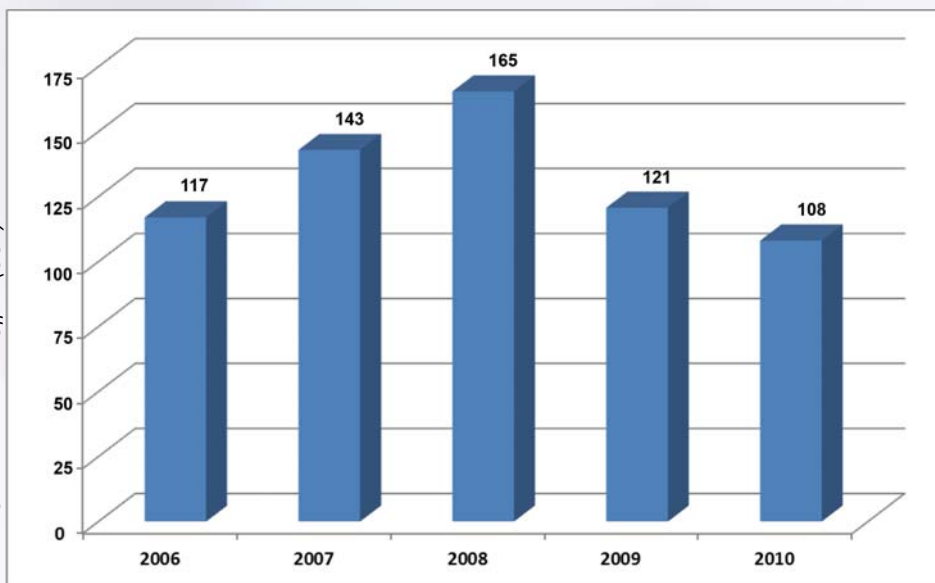


ADAMED sp. z o.o.

second world war, the facilities were taken over by the state. In 1961, state production plans were united into the Polfa Union of the Pharmaceutical Industry with centralised management. In the 1970s the Polish pharmaceutical industry was second largest among the socialist countries in terms of the volume of production, yielding only to the Hungarian. After the transformations in 1989, most of the production facilities

underwent privatisation. Polfa Poznań went into the hands of the international Glaxo-SmithKline group, Polfa Rzeszów was purchased by the Canadian-American Valeant (former ICN), Polfa Kraków was privatised by the Croatian Pliva, and Polfa in Grodzisko – by the Hungarian Gedeon Richter. Polfa Kutno was taken over by Teva and the production facilities in Starogard Gdański – by a domestic investor, Jerzy Starak. Polfa Pa-

Investment outlay in production of pharmaceuticals, 2006-2010
(in millions of Euro, 1 Euro = 4 PLN average)



Source: Central Statistical Office (GUS)



ropean leader in terms of modernity of the production facilities.

In 2006–2010, the investments of the Polish pharmaceutical industry exceeded PLN 2.6 billion, with additional ones caused by the process of harmonisation of registration documentation estimated between PLN 500 million and PLN 1 billion. Domestic pharmaceutical companies earmark over 60% of their net profit to investments. These were to a great extent caused by the need to meet the growing EU requirements concerning modernisation of the production base. These investments let the businesses, among others, complete the process of introducing quality management systems and principles of the Good Manufacturing Practice (GMP), adjust drug documentation to EU requirements, restructure employment, develop programmes for collaboration with the academia, increase the number of patents, develop biotechnologies, and adjust the production to the high levels of environmental protection. The high profitability of the sector in Poland, besides being a characteristic feature of the industry, is to a large extent a result of profound restructuring.

When it comes to corporate R&D expenditure, the pharmaceutical industry is at the very top of the list. More funds are earmarked to it only by the industries producing transport equipment and machines.

Polish pharmaceutical companies spend 13% of their profit on research & development (GUS

bianice found itself in the hands of another private investor – Adamed.

Similarly, the herbal industry has had centuries of tradition in Poland. Herbal medications account for approximately 30% of all pharmaceuticals available over-the-counter (i.e. without prescription). Here, the largest producers are Herbapol – Wrocław, Herbapol – Poznań, Herbapol – Lublin, Herbapol – Kraków. The biotechnological industry is likewise developing dynamically in Poland. The major names besides Bioton include Celon Pharma, Mabion and others.

Innovation leader

Thanks to the high investment outlay, the Polish pharmaceutical industry was modernised in the recent years and is currently a Eu-

GEDEON RICHTER sp. z o.o.





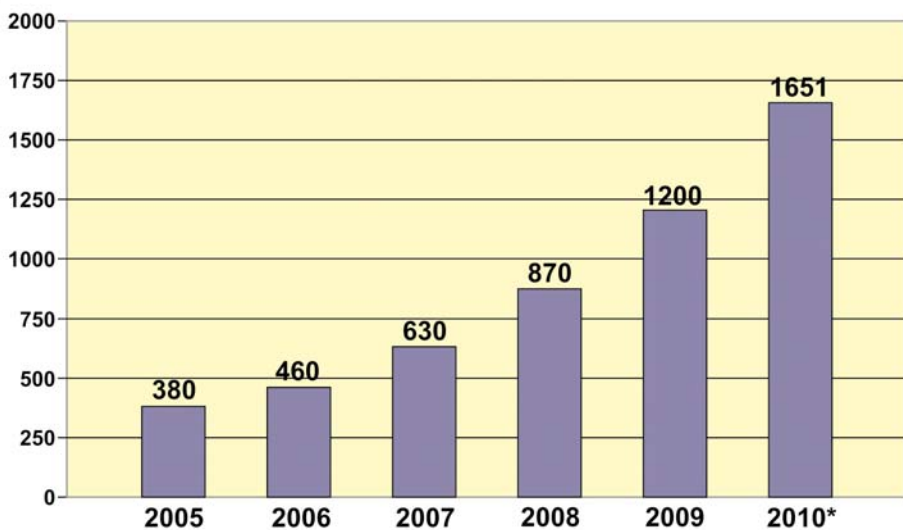
..... POLFA S.A. Warszawskie Zakłady Farmaceutyczne

Polish Central Statistical Office, Annual Report for Industry 2010, Warsaw 2010), beating Polish producers of computer, electronic and optical products, who earmark only 11% to R&D, and also producers of machinery and equipment with 4.6% R&D expenditure. The

average value in Polish manufacturing industry is 3.5%.

The pharmaceutical sector aids the growth of the general level of innovation of Polish economy, and generates most of high technology pro-

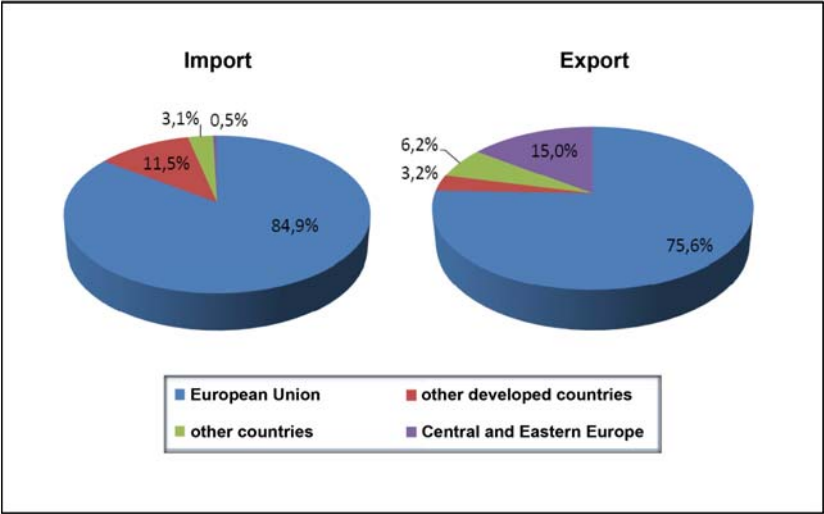
**Export of the products of the Polish pharmaceutical industry
(in millions of Euro, 1 Euro = 4 PLN average)**



* - preliminary data

duction and export. Moreover, it continuously creates the increasing demand for the services of research and development units, and indirectly also for highly qualified personnel. To conduct research and development works, the industry uses also, though to a low level, funds from the state budget. Their share remains at around 2%, while in the processing industry it is around 8%, and the average for the Polish economy is nearly 12%.

Geographic structure of Polish foreign trade in drugs in 2009



Source: Handel zagraniczny I-XII 2009, GUS

Polish companies patent their own manners of producing drugs, prepare innovative technological solutions, and design and market new generic drugs.

Polish export potential

Export of the products of the Polish pharmaceutical industry is characterised by high growth dynamic. With relatively low prices when com-

..... POLPHARMA S.A. Zakłady Farmaceutyczne



pared to foreign competitors, Polish businesses offer their clients products whose quality does not diverge from the highest world standards. In 2005–2009, the average real rate of export growth was 36% by value, and nearly 22% when recalculated into tons of the exported goods. The analogous volumes for import were lower, and amounted to 8.6 and 7.2% respectively.

Most of Polish foreign trade in drugs is with EU states. In terms of the export of pharmaceuticals, EU countries account for 75.6% of the market. The countries that imported most combination drugs from Poland were Germany (15.5% of Polish export), and the United Kingdom, France and Russia (each receiving approximately 9% of the Polish export).

Major employer and taxpayer

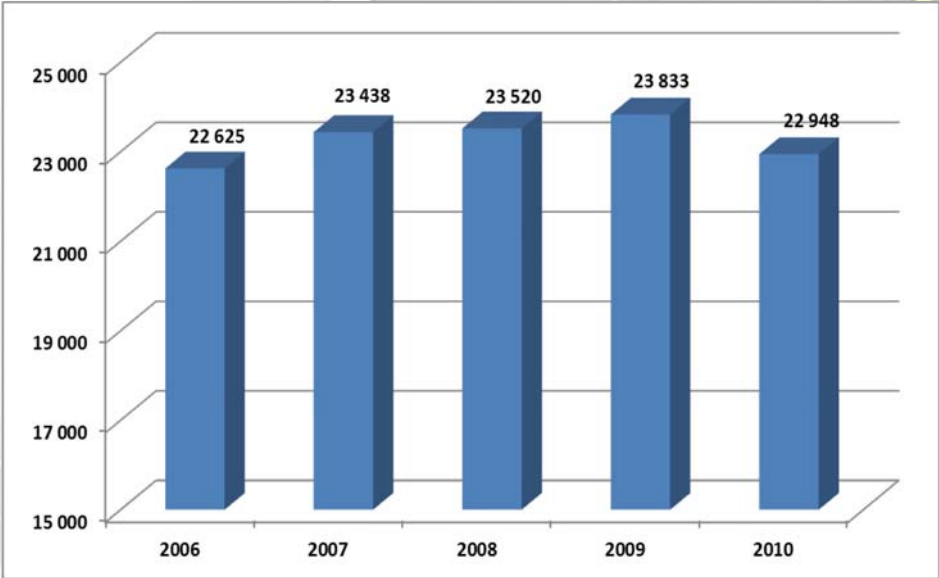
The domestic pharmaceutical industry employs around 23,000 people. The levels of education and productivity of labour are higher than average for the remaining part of the economy. Higher productivity goes hand-in-hand with higher salaries. In 2010, an average monthly remuneration an employee of the pharmaceutical industry was by nearly



..... SANDOZ POLSKA sp. z o.o.

64% higher than the average remuneration in the processing industry.
The total amount of taxes (CIT+VAT) paid by

**Number of people employed in pharmaceutical industry in 2006–2010
(number of people employed, as of 31st December each year)**



Source: GUS, F-01

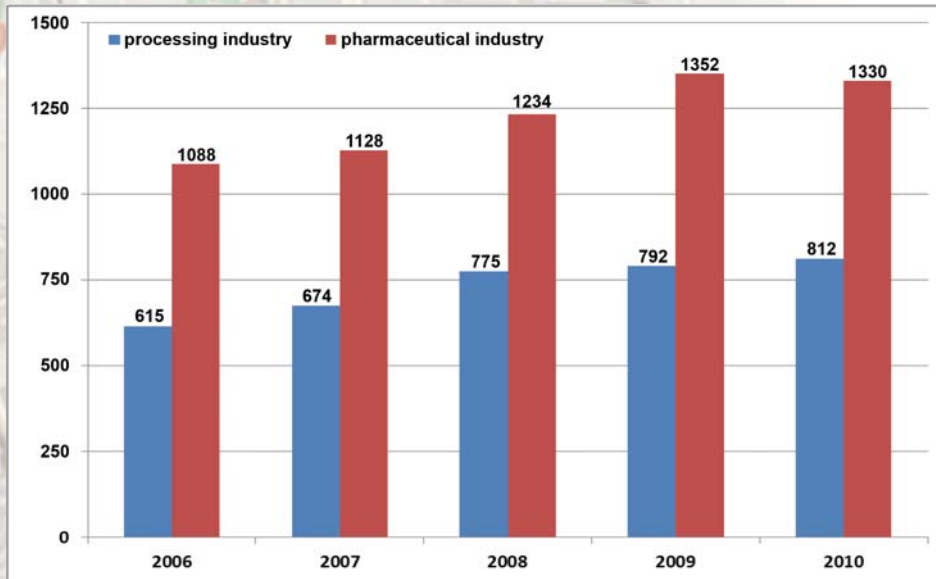


..... TEVA Pharmaceuticals Polska sp. z o.o.

the Polish pharmaceutical industry in 2010 exceeded PLN 2.1 billion. In nominal categories this means an increase by 9.2% as com-

pared to the previous year. In the five-year period, i.e. since 2006, the amount of the taxes paid grew by 60%.

Chart Average monthly employee salary in the processing and pharmaceutical industries in 2006–2010 (in Euro, 1 Euro = 4 PLN average)



Source: IBnGR listing based on the data from the GUS, F-01

PZPPF MEMBERS

-  **Actavis sp. z o.o.** - Warszawa
-  **Adamed sp. z o.o.** - Czosnów, Łódź
-  **Biofarm sp. z o.o.** - Poznań
-  **Bioton S.A.** - Warszawa
-  **Celon Pharma sp. z o.o.** - Łomianki
-  **Curtis Health Caps sp. z o.o.** - Poznań
-  **Gedeon Richter sp. z o.o.**
- Grodzisk Mazowiecki
-  **Herbapol Poznańskie Zakłady Zielarskie S.A.**
-  **Herbapol Wrocławskie Zakłady Zielarskie S.A.**
-  **Herbapol Lublin S.A.**
-  **Instytut Farmaceutyczny** - Warszawa

-  **Lek S.A. (SANDOZ)** - Łódź
-  **Medana Pharma S.A.** - Sieradz
-  **Mylan sp. z o.o.** - Warszawa
-  **Polfa S.A. Tarchomińskie Zakłady Farmaceutyczne** - Warszawa
-  **POLFA S.A. Warszawskie Zakłady Farmaceutyczne** - Warszawa
-  **Polfa Pabianice S.A. Pabianickie Zakłady Farmaceutyczne** - Pabianice
-  **Polpharma S.A. Zakłady Farmaceutyczne** - Starogard Gdański
-  **Polski Holding Farmaceutyczny S.A.** - Warszawa
-  **Sanfarm sp. z o.o.** - Nowa Dęba
-  **Teva Pharmaceuticals Polska sp. z o.o.** - Warszawa, Kutno, Kraków



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