

## CBI MARKET SURVEY

THE PHARMACEUTICAL PRODUCTS MARKET IN THE CZECH  
REPUBLIC

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**Introduction**

This CBI market survey gives exporters in developing countries information on some main developments in the pharmaceutical products market in Czech Republic. The information is complementary to the information provided in the CBI market survey 'The pharmaceutical products market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from <http://www.cbi.eu/marketinfo>.

**1 Market description: consumption and production**

Data concerning consumption of pharmaceutical products in the Czech Republic are derived from the European Federation of Pharmaceutical Industries and Associations (EFPIA). The latest report from this organisation (The Pharmaceutical Industry in Figures, 2009 Edition) provides data as of 2007. Data for previous years are derived from previous editions of this report. Please note that data are given at ex-factory prices.

**Consumption**

The Czech Republic was the eighteenth largest EU pharmaceutical market in 2007, accounting for approximately 1.1% of the EU pharmaceutical market (about the same size as the Romanian market). Germany and France, the largest pharmaceutical markets in the EU, individually accounted for 18% of the EU market. Between 2004 and 2007, Czech consumption increased by an annual average rate of 11%, amounting to € 1.6 billion in 2007. The Czech Republic's pharmaceutical consumption increased at a higher rate than the average EU pharmaceutical consumption, which grew by an annual average rate of 6.7% between 2004 and 2007.

**Generic medicines**

EFPIA does not report the size of the Czech Republic's generic medicines market but, according to the European Generic Medicines Association (2008), generic medicines accounted for approximately 32% of the total pharmaceutical market in terms of value in 2006.

Since the local production of generics is traditionally strong, the market for generic medicines in the Czech Republic is large (Epicom, 2009). In spite of accounting for a significant market share, prescribing generic medicines is not particularly stimulated in the Czech Republic, where no special incentives are offered to physicians or pharmacists.

**Trends in consumption**

- **Pharmaceutical consumption:** The Czech Republic has a history of high consumption of pharmaceutical products, due to the reliance on cheap generic medicines. In January 2008, however, the government introduced new fees for prescriptions and doctor visits, which may have a negative impact on pharmaceutical sales. One of the reasons for the new fees introduced in 2008 was to increase funding for the healthcare system (Epicom, 2009).
- **Diabetes:** According to PRM Publications (2009), the number of Czech diabetic patients is growing rapidly and is estimated to reach 10% of the population by 2013. The Czech Republic is currently one of the European countries with the highest number of diabetic cases per capita, thus increasing demand for anti-diabetics.

For more information on trends in pharmaceutical products, please refer to the CBI survey 'The pharmaceutical products market in the EU'.

### Production

EFPIA does not provide data on the Czech Republic's production of pharmaceutical products.

The Czech Republic has a strong production of generic medicines, which was enhanced in 2003 by the merger of the country's leading manufacturer, Leciva, with one of Slovakia's leading pharmaceutical companies, Slovakofarma, to form Zentiva. In 2007, the company acquired Turkey's Eczacibasi Generic Pharmaceuticals and boosted its sales growth (Espicom, 2009).

In spite of important mergers involving Czech companies, the Czech Republic's pharmaceuticals industry is characterised by a high degree of foreign ownership, according to PriceWaterHouseCoopers. Pharmaceutical companies operating in the Czech Republic are subject to an extremely strict and complex regulatory environment. The Czech State Institute for Drug Control (Státní ústav pro kontrolu léčiv) regulates every aspect of business, from pricing to packaging, from clinical trials to advertising.

Production of branded pharmaceutical products in the Czech Republic is minimal, since they are easily obtainable from neighbouring countries such as Germany and Austria. In addition, the Czech Republic is forbidden by the EU's accession treaty to parallel low-priced patented pharmaceutical products to high-price EU markets (e.g. Germany and the UK), in the case this product has a patent in the target market (Espicom, 2009).

Leading pharmaceutical companies in the Czech Republic include:

- Zentiva - <http://www.zentiva.cz> - the leading player in the Czech pharmaceutical market
- IVAX (part of Teva) - <http://www.ivax-cz.com>
- Pliva Lachema - <http://www.lachema.cz>
- Farmak - <http://www.farmak.cz>

Some of the multinationals active in the Czech Republic are:

- Merck - <http://www.merck.cz>
- Roche - <http://www.roche.com>
- GlaxoSmithKline - <http://www.gsk.com>

### Trends in production

- **R&D:** Together with Hungary, the Czech Republic is becoming one of the most popular hot spots for pharmaceutical research in Central and Eastern Europe. The country has many universities and research institutes which focus on life sciences. In addition, biotechnology companies such as Clone Star Biotech have started to target the Czech potential (Frost and Sullivan, 2007).
- **Foreign manufacturers:** In 2008, foreign pharmaceutical companies on the Czech market, such as Merck, Roche and GlaxoSmithKline, mostly indicated an increase in sales, indicating that the economic crisis did not affect their performance in the country (PMR, 2009)
- **Regulatory environment:** The Czech Republic's regulatory environment is becoming increasingly unattractive to innovative pharmaceutical companies. New rules implemented by the Ministry of Health require doctors to prescribe drugs by active substance, rather than brand, with pharmacists then dispensing the cheapest version of a medicine (Business Monitor, 2009).

For more information on trends in pharmaceutical products, please refer to the CBI survey 'The pharmaceutical products market in the EU'.

### Opportunities and threats

- + The Czech Republic is an expanding pharmaceutical market. During the review period, the country's consumption increased at a strong annual average rate, which could indicate increasing opportunities for developing countries.
- +/- The current health reforms in the Czech Republic are likely to have a negative impact on manufacturers of originator medicines. However, producers of generic medicines might gain from the reforms, as their pharmaceutical products are generally cheaper.
- Nonetheless, the Czech Republic is one of the most promising sites for investment in R&D in Eastern Europe which, in fact, indicates that the country might be a competitor to developing country actors.

Exporters should take into account that the same trend can be an opportunity for one exporter and a threat to another. Please, review these opportunities and threats according to your own situation. Chapter 7 of the CBI market survey 'The pharmaceutical products market in the EU' presents an example of an analysis of whether a trend/development is an opportunity or a threat.

## 2 Trade channels for market entry

The trade structure for pharmaceutical products across the EU is mostly similar, but reveals slight variations according to the diverse pharmaceutical and healthcare systems existent in each country. These variations hardly affect an exporter's market approach, since they are related to the way pharmaceutical products are domestically dispensed to the end-consumer. Some of the specific characteristics of the Czech pharmaceutical trade channels and trends therein are outlined below:

- In 2007, the Czech Republic was estimated to have 4 full-line **pharmaceutical wholesalers**, which are part of the National Association of Full-Line Pharmaceutical Wholesalers (AVEL):
  - Phoenix Czech Republic - <http://www.phoenix.cz>
  - Alliance Healthcare - <http://www.alliance-healthcare.cz>
  - Pharmos - <http://www.pharmos.cz>
  - Gehe Pharma Praha - <http://www3.gehe.cz>
- Approximately 71% of the pharmaceutical products in the Czech Republic is sold through **pharmacies**, and the remaining 29% is sold through **hospitals** (EFPIA, 2008).
- Regarding **Internet sales** of pharmaceutical products, new laws came into force in 2008, regulating Internet sales of non-prescription pharmaceutical products. Only pharmacies meeting certain requirements (e.g. keeping a database of all pharmaceutical products and prescriptions) can engage in distance selling. They must also make a declaration to the State Institute for Drug Control within 15 days of starting distance selling. The Institute publishes information on its website - <http://www.sukl.cz> - about all registered pharmacies (Mondaq, 2008).

Please, refer to the CBI survey 'The pharmaceutical products market in the EU' for further information on EU pharmaceutical trade channels.

### Price structure

With the exception of non-prescription pharmaceutical products which are not subject to reimbursement, all pharmaceutical products in the Czech Republic are subject to price control. Manufacturers and importers submit their price proposals to the Ministry of Finance, which issues a List of Maximum Prices (based on a therapeutic reference pricing system). The prices of domestic products are set on a basis of a maximum 30% pre-tax profit margin; regarding imported products, importers have to present their price lists and advise the Ministry of Finance on turnover and pre-tax profits.

Different prices apply throughout the various trade channels. The margins applied to pharmaceutical products in the Czech Republic can be expressed in the following manner:

- Wholesaler: eight digressive margin groups (which are cumulatively built up), starting with a 36% maximum common margin for products cheaper than CZK 150 (€ 109) and ending with 5% for those above CZK 10,000 (€ 7280). A zero margin is also possible.
- Pharmacist: the margin is calculated according to the following formula, plus a dispensing fee of CZK 30 (€ 22) per item:  
Regulatory fee (=CZK 30)\*{0.25\*[ARCTG (manufacturer selling price/50-2.5)+1.6]}
- State (Value Added Tax - VAT): a discounted VAT of 10% on the wholesale price (the standard VAT rate is 20%).

For further information on price structure of pharmaceutical products in the Czech Republic, please refer to the Association of European Self-Medication Industry's (AESGP) *Economic and Legal Framework for Non-Prescription Medicines*, which can be purchased at:  
<http://www.aesgp.be/publications/countryProfiles.asp>

### 3 Trade: imports and exports

#### Imports

In 2008, the Czech Republic was the twelfth largest importer of pharmaceutical products in the EU, accounting for 1.6% of total EU imports (about the same size as Ireland's pharmaceutical imports). Between 2004 and 2008, the Czech Republic's imports increased by an annual average rate of 14% in value but decreased by 53% in volume, amounting to € 1.8 billion or 33 thousand tonnes in 2008. The majority of Czech imports (88%, in terms of value) was sourced in EU countries. Imports from other EU member countries increased by 15% annually in terms of value between 2004 and 2008. Germany, which accounted for a 19% imports share in 2008, was the leading supplier of pharmaceutical products to the Czech Republic. Other important EU suppliers of pharmaceutical products were Belgium (11%) and France (10%).

The role of developing countries in supplying pharmaceutical products to the Czech Republic is rather small. In 2008, imports sourced in DCs accounted for 0.6% of Czech Republic's total imports, which was even lower than the EU average of 0.8%. Moreover, imports from developing countries decreased by an annual average rate of 2.4% between 2004 and 2008. India and Croatia were the main DC suppliers in 2008, accounting for 0.5% and 0.1% of imports, respectively. Whereas imports from India increased by an annual average rate of 18% in the review period, imports from Croatia decreased by a substantial rate of 17%.

In 2008, the Czech Republic's imports of pharmaceutical products consisted of packed pharmaceutical products (99%) and non-packed pharmaceutical products (1%).

#### Exports

In 2008, the Czech Republic was only the seventeenth largest EU exporter, accounting for 0.4% of total EU exports. The Czech Republic's exports increased by a significant annual average rate of 29% in value between 2004 and 2008. In terms of volume, however, imports decreased at an annual average rate of 40%. In 2008, total Czech exports amounted to € 538 million or 12 thousand tonnes in 2008. Approximately 77% of Czech exports was destined for other EU member countries, and another 17% to countries outside the EU, excluding DCs. Developing countries accounted for 6.1% of total Czech exports. Slovakia, the leading destination, accounted for 34% of Czech exports, followed by Poland (15%) and Russia (12%).

In 2008, Czech exports of pharmaceutical products consisted of packed pharmaceutical products (99%) and non-packed pharmaceutical products (1%).

#### Opportunities and threats

-/+The Czech Republic is a small importer of pharmaceutical products. Although imports in terms of value increased during the review period, imports also showed a decrease in

terms of volume. This could be an opportunity as well as a threat to developing country suppliers.

- Developing countries play a very limited role in the Czech market for pharmaceuticals. Moreover, in contrast to most other EU countries, imports from developing countries are decreasing. Instead, imports are increasingly sourced in other EU countries.

Exporters should take into account that the same trend can be an opportunity for one exporter and a threat to another. Please, review these opportunities and threats according to your own situation. Chapter 7 of the CBI market survey 'The pharmaceutical products market in the EU' presents an example of an analysis of whether a trend/development is an opportunity or a threat.

#### Useful sources

- EU Expanding Exports Helpdesk - <http://exporthelp.europa.eu>
- Eurostat – official statistical office of the EU - <http://epp.eurostat.ec.europa.eu>
- Understanding eurostat: Quick guide to easy comext  
[http://epp.eurostat.ec.europa.eu/newxtweb/assets/User\\_guide\\_Easy\\_Comext\\_20090513.pdf](http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20090513.pdf)

## 4 Price developments

Pricing systems vary in the individual EU countries, thus this is also the case for price developments. The main price developments observed in the Czech Republic in recent years and forecasted for the coming years are the following:

- In 1997, the Czech Ministry of Finance set the maximum ex-factory prices for pharmaceutical products – which are updated annually. Nonetheless, Dow Jones reports that the price for 80% of the pharmaceutical products present in the Czech market would be cut by the government in late 2008/early 2009. The State Institute of Drug Control says that the decision came as a result of a comparison of prices of drugs with other EU countries (Global Insight and Pharma and Healthcare Insight, 2008).
- On 1 January 2008, VAT on pharmaceutical products, including non-prescription, was increased from 5% to 9% (AESGP, 2009).
- On 1 January 2010, the Czech Republic increased the VAT rates on a number of goods and services, including pharmaceutical products. The discounted VAT rate applicable to prescription pharmaceutical products increased from 9% to 10%, whereas the standard VAT rate increased from 19% to 20%. The change was introduced by means of the so-called "Janota's package" adopted in 2009, which brought about a number of amendments to the Czech budget (PMR Publications – Pharmaceutical, healthcare and medical sector in Central and Eastern Europe, 2010).

#### Useful sources

- ITC market news service (MNS) - <http://www.intracen.org>

## 5 Market access requirements

As a manufacturer in a developing country preparing to access the Czech Republic, you should be aware of the market access requirements of your trading partners and the Czech government.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select 'pharmaceutical products' and 'Czech Republic' in the category search, click on the search button and click on market access requirements.

Detailed information on packaging can be found at the website of ITC on export packaging: <http://www.intracen.org/ep/packit.htm>

Information on tariffs and quota can be found at <http://exporthelp.europa.eu>

## 6 Doing business

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from <http://www.cbi.eu/marketinfo> - go to search publications. For more information on doing business in the Czech Republic, visit the following websites:

### Trade associations

- The Association of Innovative Pharmaceutical Industries (AIPI) - <http://www.aifp.cz>

### Trade press

- Edukafarma - <http://www.edukafarm.cz> (website in Czech only).
- Medical Tribune - <http://www.medical-tribune.cz> (website in Czech only).
- Zdravotnické noviny (Health News) - <http://www.zdn.cz> (website in Czech only).

### Trade fairs

- Pragomedica 2009 - <http://www.incheba.cz/main.php?pageid=857> - is an international medical fair, which takes place once a year in Prague. The next event will be held April 20-22, 2010.
- World Drug Discovery & Development Summit 2010 - <http://www.wddsummit.com> - conference and network event for leading pharmaceutical and biotech professionals to discuss the key scientific and strategic challenges faced by the industry today. The most recent event was held in Prague, 2-3 December 2008. The next event's date has not yet been confirmed.

This survey was compiled for CBI by ProFound – Advisers In Development  
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