



FRENCH
PHARMACEUTICAL
INDUSTRY



KEY DATA



2017



KEY FIGURES OF THE PHARMACEUTICAL

➔ € 54,489M

Revenue (expressed as manufacturer's price before tax) generated in France by pharmaceutical companies in 2015, of which EUR 25,787M from exports.



➔ € 4 586M

Amount invested in France by pharmaceutical companies in research and development in 2014.



➔ 9.8%

Share of revenue generated by pharmaceutical companies invested in research and development in 2014.



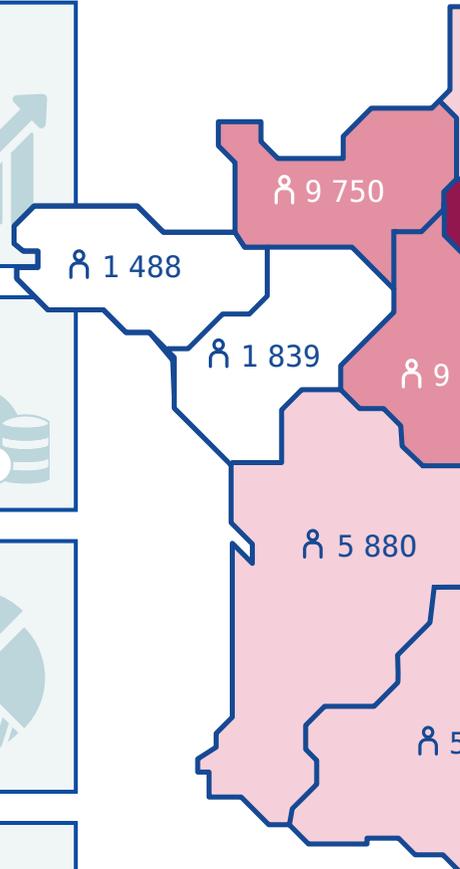
➔ 98,690 people

Workforce directly employed by pharmaceutical companies in France as at 31 December 2015.

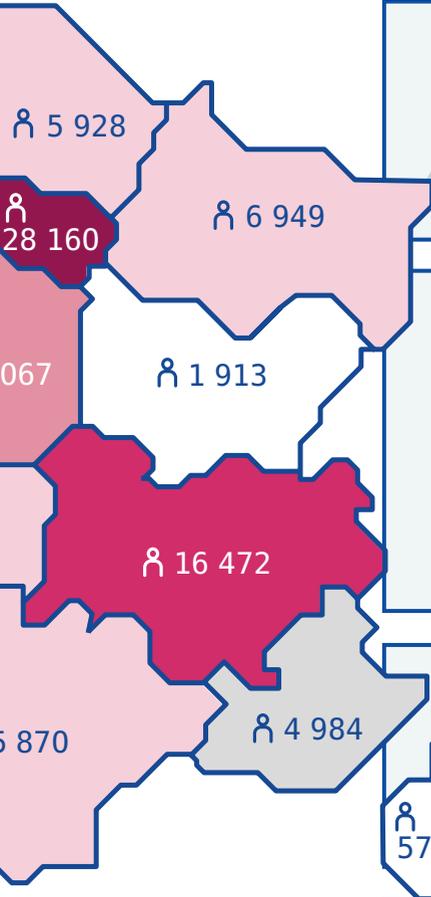


Workforce (place of residence)

- More than 25 000 employees
- From 10 000 to 20 000 employees
- From 7 500 to 10 000 employees



INDUSTRY



- From 5 000 to 7 500 employees
- From 2 000 to 5 000 employees
- Less than 2000 employees



→ 18,768 people
 Research and development workforce in pharmaceutical companies in 2014. 50% of them are researchers.



→ € 7,576M
 Trade surplus (exports - imports) in medicines in 2016, against € 7,553M in 2015. France's balance of trade stands at € -48 billion.



→ € 512
 Average consumption of medicines per year per capita in 2015.



→ 3.4%
 France's share of the global pharmaceuticals market in 2016, against 5.6% in 2006.



REVENUE

In 2016, sales revenue from pharmacy medicines totalled EUR 20.3 billion (manufacturer's price before tax), i.e. +0.1% compared to 2015, hence a very slight upturn after four consecutive years of decline.

- The reimbursable medicines market saw its revenue remain stable between 2015 and 2016, while volumes dipped slightly by 0.2%.
- The non-reimbursable medicines market rose by 1.7% to EUR 2.1 billion, while unit sales fell by 1.3% compared to 2015.

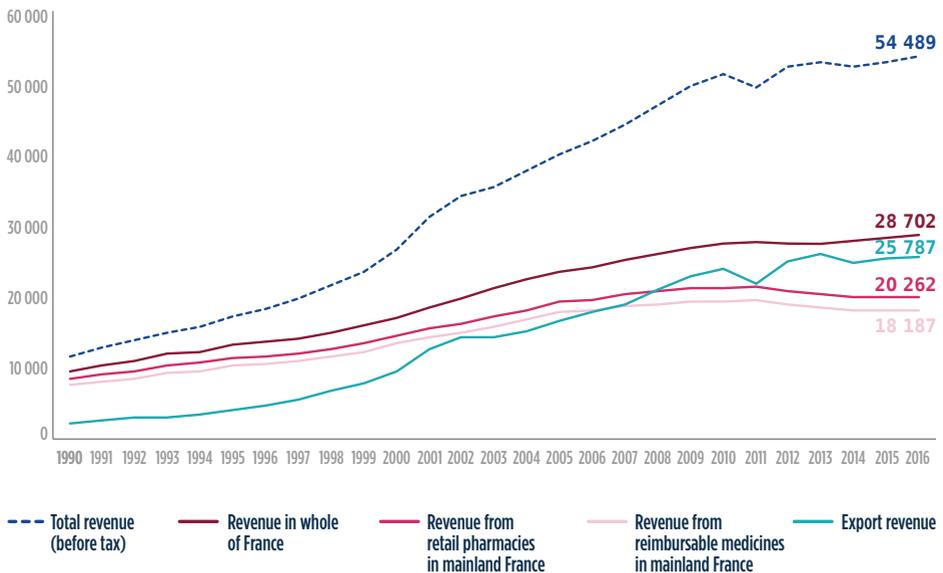
The hospital market grew by 7.5% compared to 2015. This growth was driven in part by medicines granted an ATU (temporary authorisation for use) and a post-ATU, which proved to be a particularly dynamic market segment in 2016, following the introduction of a new wave of innovative therapies, in the field of oncology especially.

Exports of medicinal products grew by 0.8%, totalling EUR 25.8 billion.

1. CHANGING TRENDS IN REVENUE FROM MEDICINES

(Manufacturer's prices before tax and in millions of Euros)

Source : Leem according to Gers (Group for the Development and Production of Statistics) and customs statistics





EXPORTS AND IMPORTS

French exports of medicinal products were up compared to 2015. Exports reached EUR 25.8 billion (+0.8%), following on from the 2.2% growth seen in 2015 against 2014. However, export revenue did not return to 2013 levels (EUR 26.3 billion).

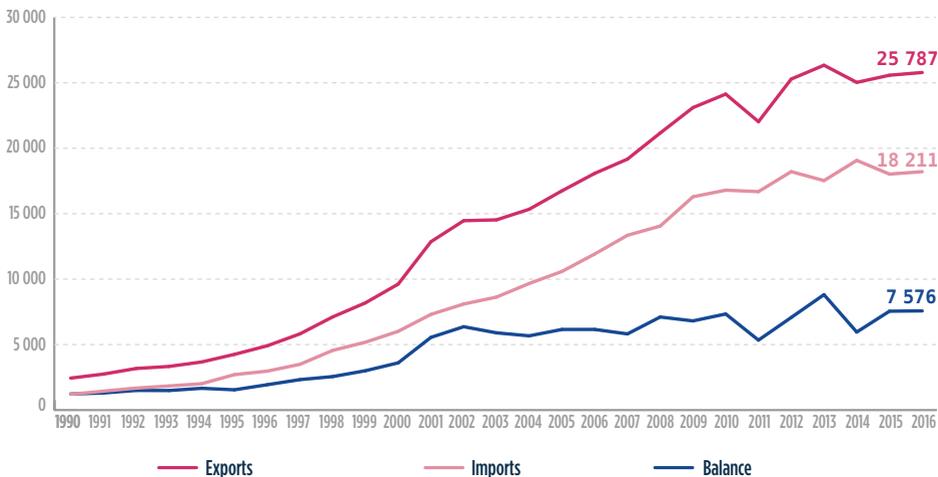
In 2016, France imported EUR 18.2 billion worth of medicinal products, an increase of 1% compared to 2015. These imports came mainly from Germany (16.9%), the United States (16%), Switzerland (12.3%) and Ireland (9.2%). This trend is explained in part by a rise in imports from Switzerland (+43%) and Italy (+12%).

France's overall trade balance was in deficit of EUR 48.1 billion in 2016, i.e. a deterioration of EUR 3 billion compared to 2015. In 2016, exports of pharmaceuticals accounted for 6.6 % of all French exports, behind aeronautics and aerospace (13.1 %) and on a par with automotive products. Pharmaceuticals made up 5% of France's total imports, behind aeronautics and aerospace (7.8%) and automotive products (7.7%) in particular. In the same period, pharmaceuticals⁽¹⁾ recorded the 4th biggest trade surplus among all industrial sectors, excluding military equipment (for the record, the pharmaceuticals sector was ranked 7th in 2015).

2. TREND IN FRENCH EXPORTS AND IMPORTS OF MEDICINES

(in millions of euros)

Source : Customs statistics



(1) Medicines for human and veterinary use, and para-pharmacy products.



After seven uninterrupted years of staff downsizing, the labour market appears to be stabilising. Overall, with a professional sector workforce of 98,690 in 2015, compared to 98,810 in 2014, employment numbers appear to have settled below the 100,000 mark.

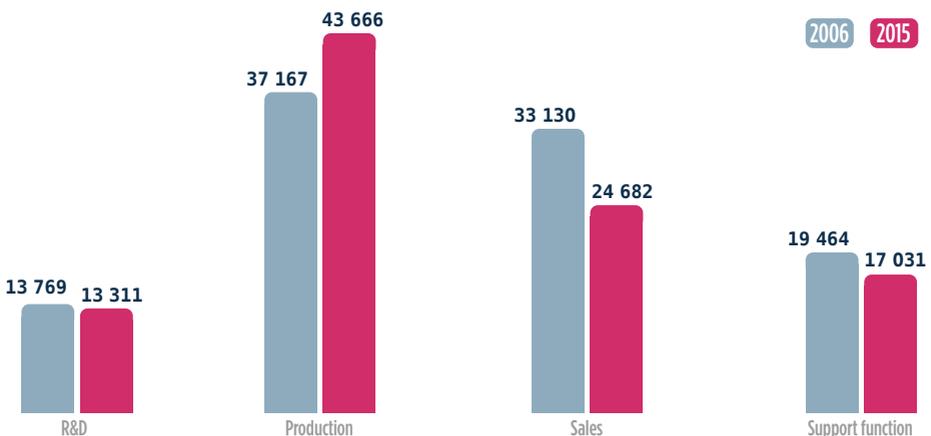
However, the pharmaceutical industry still has 128,300 professionals among its ranks according to data from Dares⁽²⁾ (2013), which include companies that do not deal exclusively in medicines.

As in the previous year, 2015 saw a fall in the number of jobs in the sector against 2014 (-0.1%, i.e. a loss of 120 jobs), although recruitment numbers (permanent and fixed-term contracts) remained dynamic, with around 6,400 people hired in 2015. In 2015, the announcement of 20 reorganisations in France led to the intro-

duction of employment protection schemes (PSE) or voluntary redundancy schemes, i.e. fewer than in 2014 (27 PSE), and impacted 1,560 jobs.

Over 6,000 retirements are expected in the pharmaceutical industry by 2023 (6% of the workforce), in addition to almost 11,000 employee departures (11.1%) arising from natural turnover. This raises the issue of workforce renewal at a later date. The pharmaceutical industry has the ability to bounce back, but the conditions needed to attract and retain staff will have to be met in order to boost employment in France. By encouraging the manufacture of generics, by consolidating biomanufacturing capabilities and by facilitating exports, the industry's presence will increase nationwide in tandem with jobs.

3. EVOLUTION OF THE NUMBER OF EMPLOYEES BY PROFESSIONAL GROUP BETWEEN 2006 AND 2015



(2) Directorate for Research, Studies and Statistics.



RESEARCH AND DEVELOPMENT

The pharmaceutical industry is one of the most research-intensive of the economic sectors. Although its total research budget is lower in absolute terms than that of the automotive and aeronautical/aerospace industries, it accounted

for 9.8% of the revenue generated by pharmaceutical companies in 2014, compared with only 5.4% for the automotive industry. It stands at around EUR 4.6 billion, EUR 49 million of which are public funds, i.e. 1% of the R&D effort.

4. BREAKDOWN OF RESEARCH SPENDING AND DEVELOPMENT OF PHARMACEUTICAL COMPANIES IN FRANCE IN 2014

Source : Ministry of Research - most recent data published in March 2017

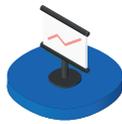
	R&D spending in €m	Breakdown	As % of total revenue*
Domestic spending	3 027	66,0%	6,5%
<i>Fundamental research</i>	294	6,4%	0,6%
<i>Applied research</i>	1 375	30,0%	2,9%
<i>Experimental development</i>	1 358	29,6%	2,9%
External spending**	1 559	34,0%	3,3%
Total budget	4 586	100,0%	9,8%
<i>Public funding</i>	49		

* Total revenue = revenue in France + export revenue of surveyed companies.

** Subcontracts.

In 2014, just under 19,000 people were employed in research and development by pharmaceutical companies in France. However, these data do not fully reflect reality: public employment in universities

or research contracts funded through public-private partnerships - which is currently undergoing a boom in the life sciences - are not taken into account.



ECONOMIC ENVIRONMENT AND SOCIAL WELFARE ACCOUNTS

French growth disappointed yet again at only 1.1%. The favourable conjuncture of a number of factors – the fall in the oil price and the depreciation of the euro, which boosted exports – provided only temporary relief. French growth suffers from a lack of competitiveness, a structurally high unemployment rate (9.8%) – although falling slightly – and public debt levels that remain high. The increase in investment spending by households and businesses might, however, result in a slight acceleration of growth in 2017 and 2018.

The balance of the general social security system and of the old age solidarity fund (FSV) stood at EUR -7.8 billion in 2016, an improvement of 3 billion on 2015 (EUR -10.8 billion).

This result is better than the target originally voted on in the Social Security Finance Act for 2016 (EUR -9.7 billion). Nevertheless, it diverges from the adjusted forecast in the Social Security Finance Act for 2017 (EUR -7.1 billion).

The general social security system showed a deficit of EUR -4.1 billion in 2016, while the healthcare sector was in deficit of EUR -4.8 billion.

The improvement in the healthcare sector is primarily a reflection of better control of spending, after the national healthcare spending target was met.

5. MACROECONOMIC FORECASTS OF THE FRENCH ECONOMY FOR 2016-2017

(rate of volume change, unless otherwise indicated)

Sources : Insee, COE-Rexecode, LFSS 2017

FRENCH ECONOMY	2013	2014	2015	2016	2017*
GDP and its components (% change)					
GDP	0,7	0,2	1,2	1,1	1,3
Household consumption	0,5	0,7	1,5	1,8	1,3
Productive Investment	0,8	2,0	2,7	4,0	2,4
Exports	1,8	2,4	6,0	1,1	3,6
Imports	1,8	3,9	6,4	3,7	4,1
GDP by value					
Amount (€ billion)	2117	2132	2181	2233	2287
Change	1,5	0,7	2,3	2,4	2,4
Consumer prices**					
Including tobacco	0,9	0,5	0,0	0,2	1,2
Savings rate (% of disposable income)	14,7	15,1	14,5	14,6	14,6
Private payroll					
Changes in value	1,2	1,6	1,7	2,6	2,7
Unemployment (as defined by the ILB)					
Rate (%)	9,9	9,9	10,1	9,8	9,4
Trade balance (€ billion)	-62,1	-57,7	-45,7	-48,1	-58,0
General government (% of GDP)					
Government deficit***	-4,1	-4,1	-3,5	-3,3	-3,1
Government debt***	92,2	95,6	96,1	97,6	98,4
Compulsory contributions	44,7	44,8	44,7	44,5	44,5
International environment					
GDP of the European Union (at 28)	0,1	1,4	2,2	1,9	1,7

* Forecasts. / ** Yearly average. / *** According to the Maastricht Treaty norms.



CONSUMPTION

The national health accounts calculate each year the different items of total medical consumption (total value of medical goods and services consumed) and of current health expenditure (sum of expenditure incurred by public and private funding sources of healthcare).

In 2015, EUR 194.6 billion worth of medical care and goods was consumed in France,

i.e. EUR 2,930 per capita. Consumption rose by 1.8 % compared to 2014.

Across the population, the consumption of medicines and other pharmaceutical products averaged EUR 512 per capita in 2015. This average conceals significant variation since it is mainly the elderly and the seriously ill who consume the most.

6. BREAKDOWN OF CONSUMPTION OF HEALTHCARE AND MEDICAL GOODS IN 2015

Source: national health accounts published in September 2016

	Total consumption (in M€)	Consumption per person (in €)	Changes in total consumption 2014-2015
Hospital care and medical wards	90 790	1 367	1,9%
Ambulatory care	50 546	761	2,3%
<i>Physicians, dentists and midwives</i>	30 851	465	1,8%
<i>Medical auxiliaries, analysis, spas and other care</i>	19 694	297	3,2%
Patient transport	4 591	69	4,0%
Drugs*	33 963	511	-0,5%
Other medical goods**	14 677	221	3,9%
Consumption of medical goods and care	194 567	2 930	1,8%

* Including other pharmaceutical products, blood products, magistral formulas, special fees to dispensing chemists, but excluding hospital medicines.

** Optical products, prostheses, orthoses, vehicles for the physically disabled, minor equipment and dressings.



HEALTHCARE SYSTEM

The present social security system was introduced by the ordinances of the 4th and 19th October 1945. The term "social security" encompasses in France all statutory social welfare schemes (sickness, old age, family) affording protection to their beneficiaries in respect of almost all day-to-day risks regardless of age, income, or health status. In addition to these three risks, there are "occupational accidents". These ordinances, reviewed in 1967, 1996 and 2004, established the principle whereby the social security institutions are managed by organisations representing employees and employers. In reality, and even more so since the so-called "Douste-Blazy" reform of 2004, the social welfare system - including health insurance - has been placed under state control.

More than 60% of social security is financed from employer and employee contributions on a full-salary basis. The balance is funded through taxation, most notably the CSG (Contribution Sociale Généralisée, or General Social Contribution), calculated on the basis of total wage and non-wage income, the social debt repayment contribution (RDS), and various taxes and levies which comprise an increasing share of this funding.

Medicines represented 17% of general health insurance reimbursements in 2016. Their share consists of reimbursements of medicines dispensed in non-hospital and hospital settings and is set against total general health insurance benefits, i.e. approximately 85% of the population.

7. GENERAL HEALTH INSURANCE BENEFITS IN 2016

Source : CNAMTS (1st and 2nd column), Leem (3rd column)

	Benefits in 2016 (in €M)	Growth 2015 2016	AAGR* 2006-2016
Payments to public and private hospitals	78 703	-0,5%	3,0%
Private fees	18 450	3,0%	2,6%
<i>Including self-employed doctors</i>	15 070	2,9%	
<i>Including dentists</i>	2 758	1,6%	
Medical auxiliaries	9 178	4,4%	6,3%
Health products	24 808	3,3%	
<i>Including medicines **</i>	19 545	0,8%	1,5%
<i>Including medical devices</i>	5 263	5,7%	
Other ambulatory care	13 650	4,3%	
<i>Including labs</i>	2 761	2,7%	
<i>Including travel costs for patients</i>	3 566	4,8%	
<i>Including benefits in cash</i>	7 054	4,5%	
Other	2 842		
Total general health	147 631	2,9%	3,2%

* Average Annual Growth Rate. / ** Including the onward sale of medicines by hospitals and medicines for exceptional use.

2016 AT A GLANCE

Implementation of the second stage of the reform of retail pharmacy margins. The dispensing fee is now 1 euro before tax per pack of medication.

**JANUARY
1ST**

Signature by Patrick Errard, Chairman of Leem, and Maurice-Pierre Planel, Chairman of CEPS (Economic Committee for Health Products) of a **new Leem-CEPS framework agreement**. This three-year agreement will provide the reference framework for regulating medicines by collective agreement, a core element of transparent medicines policy in France. It has been reworked on the basis of three principles:

- governance and prioritization of contractual relationship,
- predictability,
- clarity.

**JANUARY
11TH**

7th meeting of the Strategic Council for Healthcare Industries (CSIS), which refocuses on four strategic priorities:

- facilitating patient access to innovations,
- enhancing the role of manufacturing,
- developing clinical research and opening up access to healthcare data,
- strengthening dialogue between State and Industry.

**APRIL
11TH**

**APRIL
13TH**

The Alert Committee on Health Insurance Spending delivers its first opinion of 2016: no triggering of the alert procedure.

Signature by pharmaceutical companies of a new social dialogue agreement.

**JULY
7TH**

Publication in the Official Journal of the Social Security Finance Act.

Main measures concerning medicinal products:

- the L growth rate is split in two, with a Lv rate of 0% (for sales of reimbursable medicines dispensed in a non-hospital setting) and an Lh rate of 2% (for sales of hospital medicines),
- the W rate, above which the specific contribution for medicines treating hepatitis C is triggered, is set at EUR 600 million,
- the rate of increase of the National Healthcare Spending Target (Ondam) is set at 2,1% for 2017.

**DECEMBER
23RD**