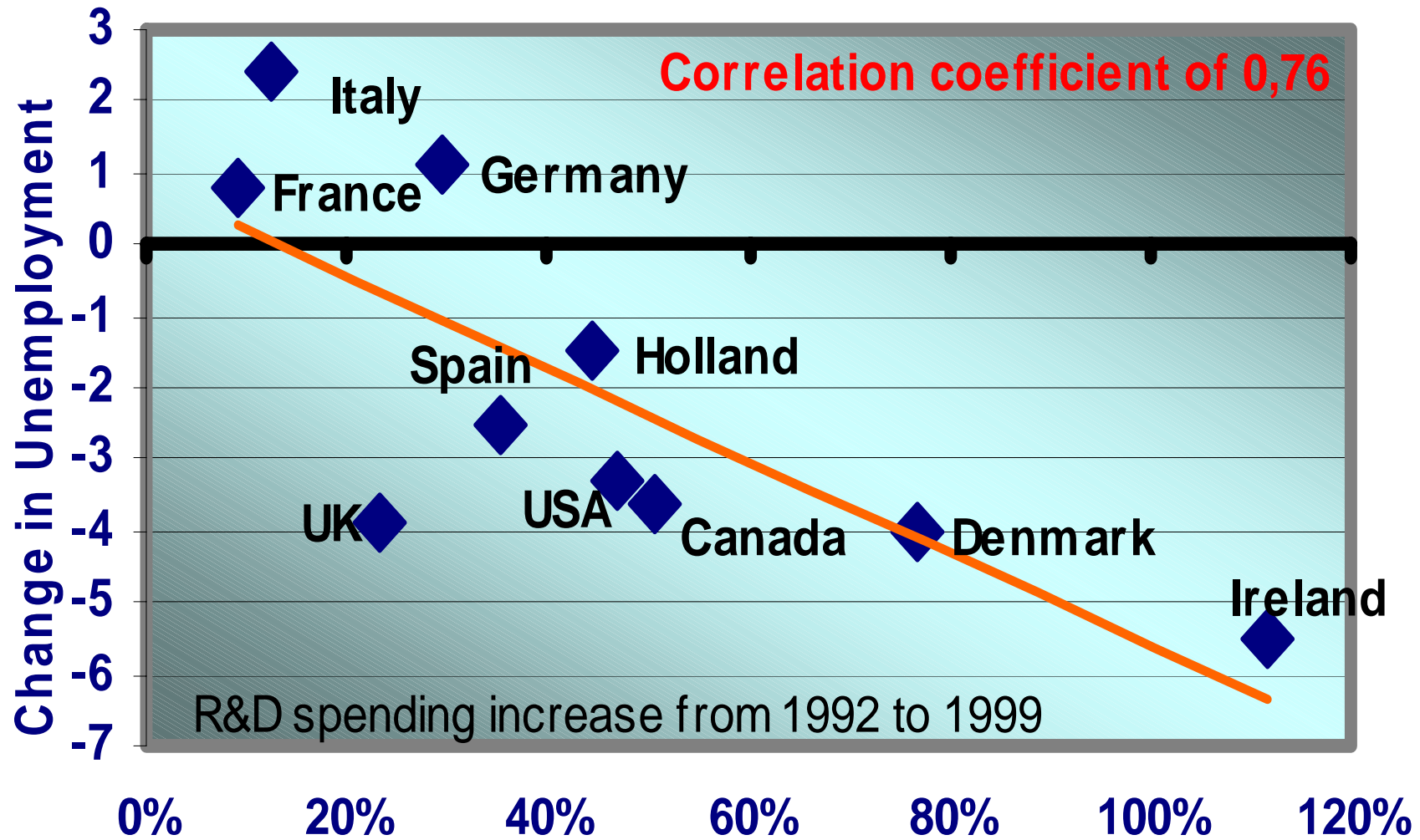


# Young Innovative Company: Made in France

*Innovative Companies Conference,  
Budapest, Nov 20th, 2007*



# R&D Expenditures: fuel growth



Research and Innovation = 50% of growth  
Key success factors are clear

- Improve biotech image among the European public
- Improve academic R&D
- Improve tax and regulatory environment
- Improve financial environment
- Governments to fulfill 3% GDP promise

# Young Innovative Company Status

## To attract investors and entrepreneurs

Effective 01/01/2004

SME < 8 years

R&D expenses > or = to 15% total  
expenditures

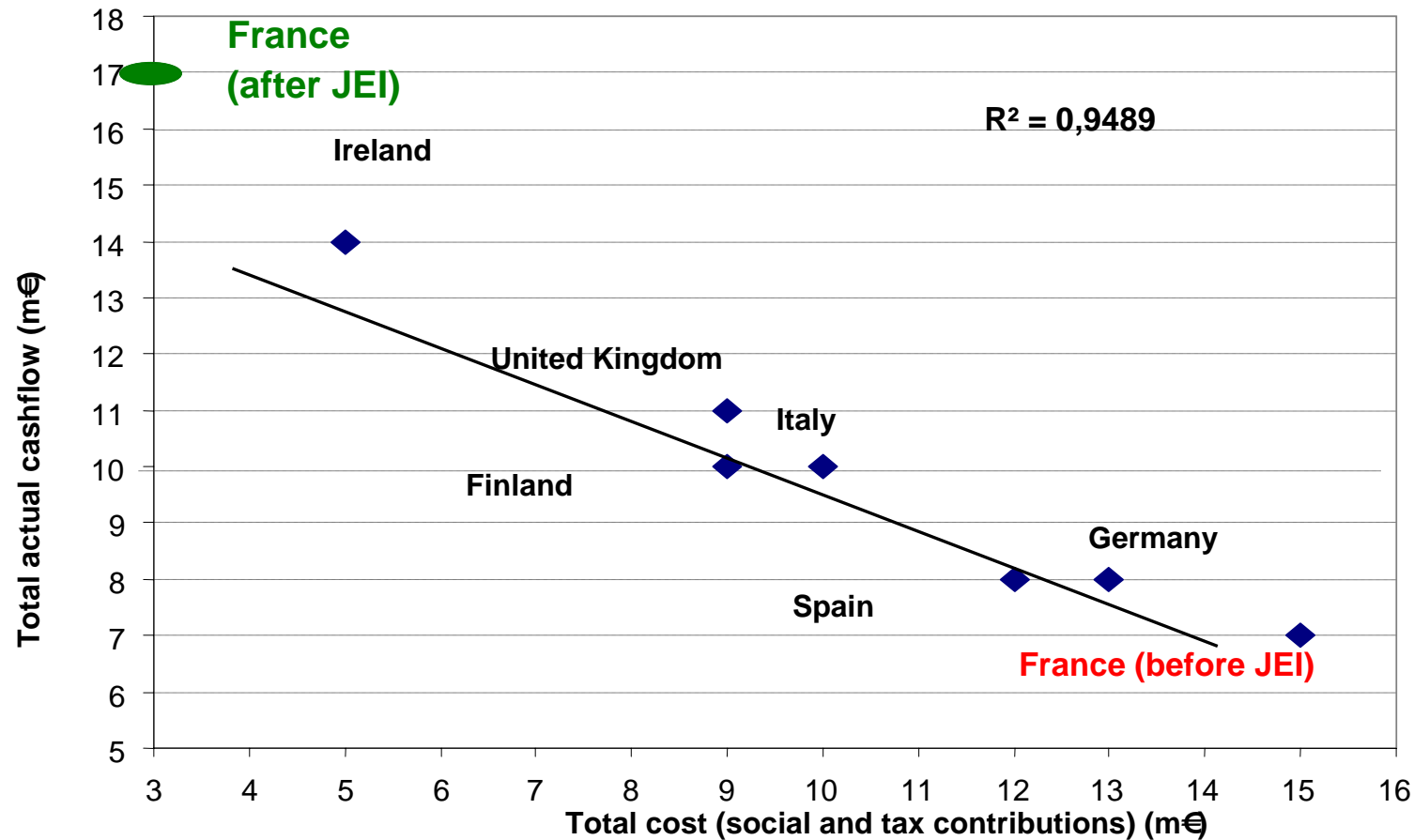
No social security costs

No local taxes

No capital gains tax

No income tax

# Impact of the YIC Status on French competitiveness



Source : Ernst & Young for France Biotech, Feb. 2003

# How to qualify to YIC?

- SME (EU definition)
- Less than 8 years old
- Need to spend more than 15% of budget in “qualified” R&D
- Need to have more than 50% of shares in the hands of:
  - VCs, French or foreign
  - Individuals
  - Academic institutions or foundations

# What does YIC means for biotech? (1/3)

- Exemption of social security costs for employees (scientists or not) involved in R&D projects
- Exemption and/or rebate in annual income tax, within the limits set by EU regulator (€200 k€ within a 36 months period = “de minimis” rule)
- Exemption of certain local taxes, with the same limitation
- For investors, exemption of capital gains tax

# What does YIC means for biotech? (2/3)

## Example 1

	2003	2004	2005
Average R&D headcount R&D	22.5	28.5	36.5
Average headcount SG&A	7.5	8.5	11.0
<b>Average headcount</b>	<b>30.0</b>	<b>37.0</b>	<b>47.5</b>
Staff costs	€2.0m	€2.0m	€2.8m
Staff cost / average headcount	€66k	€54k	€58k

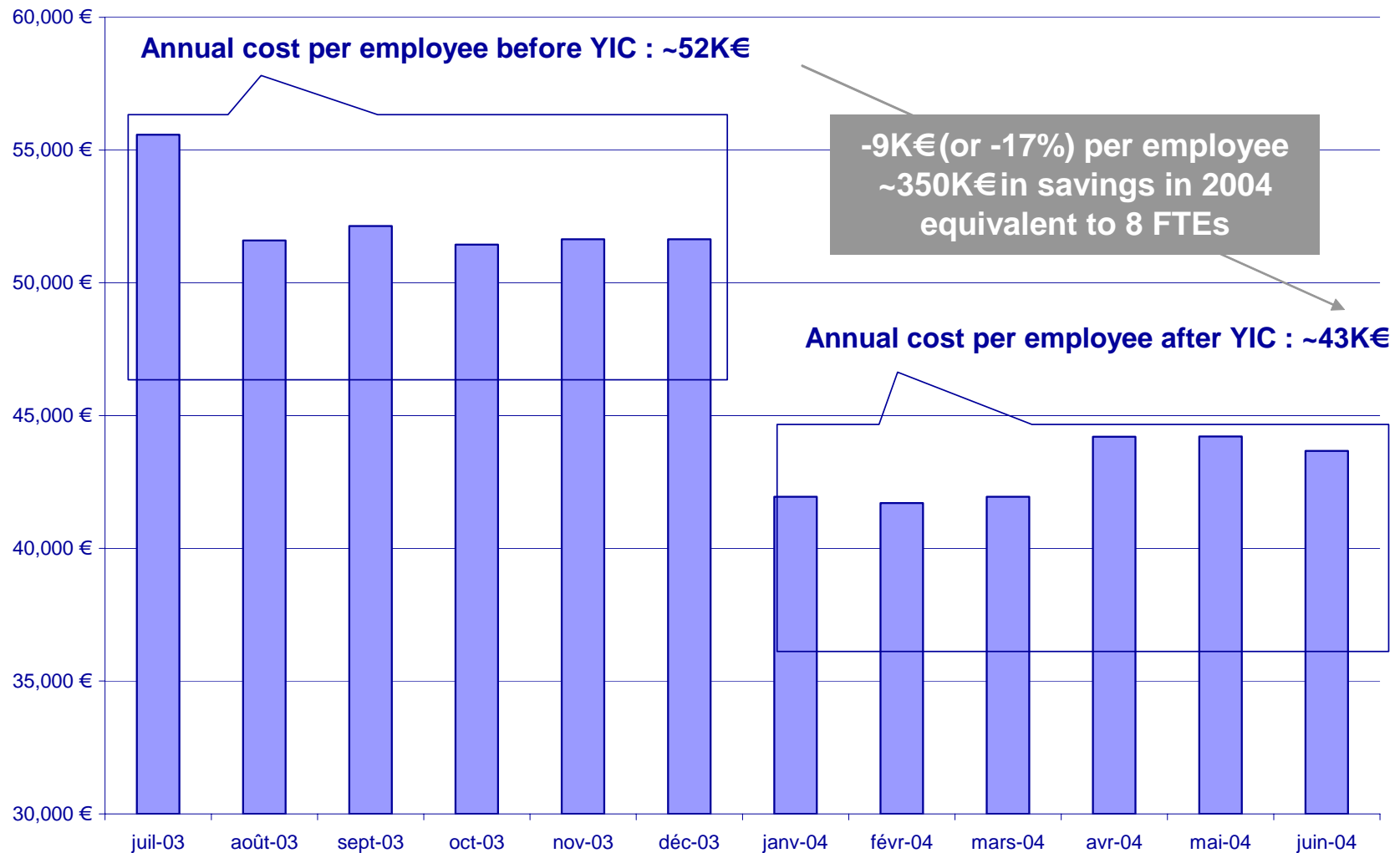
*Average pay rise in 2004  
(compared to 2003): + 9%*

*Headcount rise between  
2003 and 2004: + 7 FTEs*

*Average cost per employee decreased by 18%  
between 2003 and 2004 ; €600k in annual savings  
for a 50 FTEs company, equivalent to 12 new FTEs*

# What does YIC means for biotech? (3/3)

## Example 2



# Impact on French biotech companies

*(France Biotech annual survey 2007)*

- 1700 YICs since 01/01/04 (20% biotech)
- *Savings in biotech companies:*
  - 74% of biotech companies qualify
  - 20,7% average savings on total gross salaries  
(10k€/employee/year)
- *Immediately reinvested in*
  - 76% hired more R&D personnel
  - 72% launched R&D projects
  - 74% bought new R&D equipment

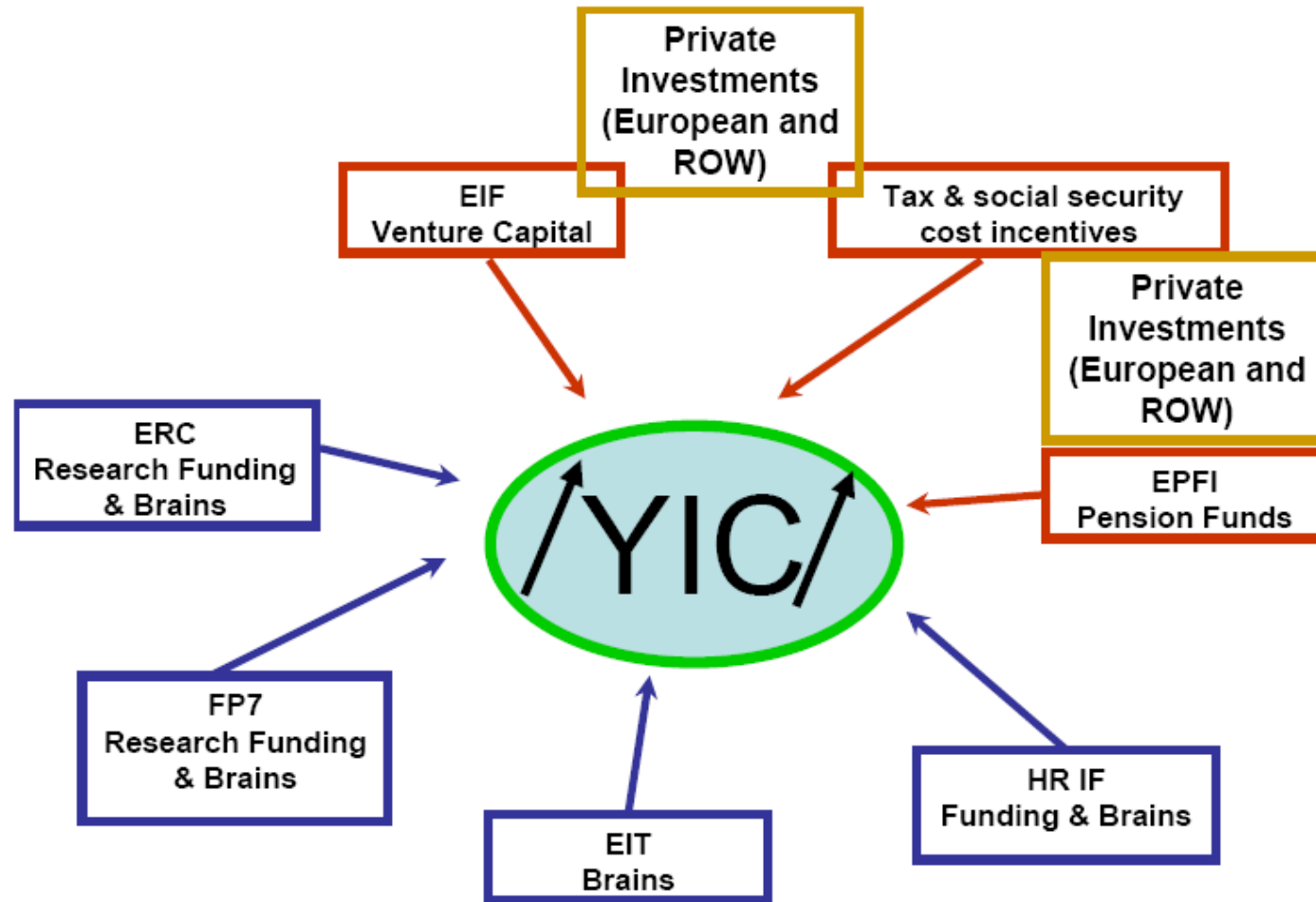
# Then lobbied at European levels

- Through Europabio, France Biotech & national biotech associations
- Commissioner Verheugen invited Member States to study advantages of introducing a YIC scheme
- Belgium, 2<sup>nd</sup> country to adapt YIC-based scheme (July 2006)
- Jan 2007, adoption of a YIC status in the European State aid guidelines for R&D&I (DG Competition)
- Other countries to follow ?  
(Scandinavia, Hungary, Spain...)

# What remains to be done? (in France)

- Increase the duration to 15-18 years (= time necessary to reach profitability for a biotech company)
- Introduce a 6/12-month grace period for the qualifying criteria
- Have the immediate refund of RTC based on YIC status (done now)

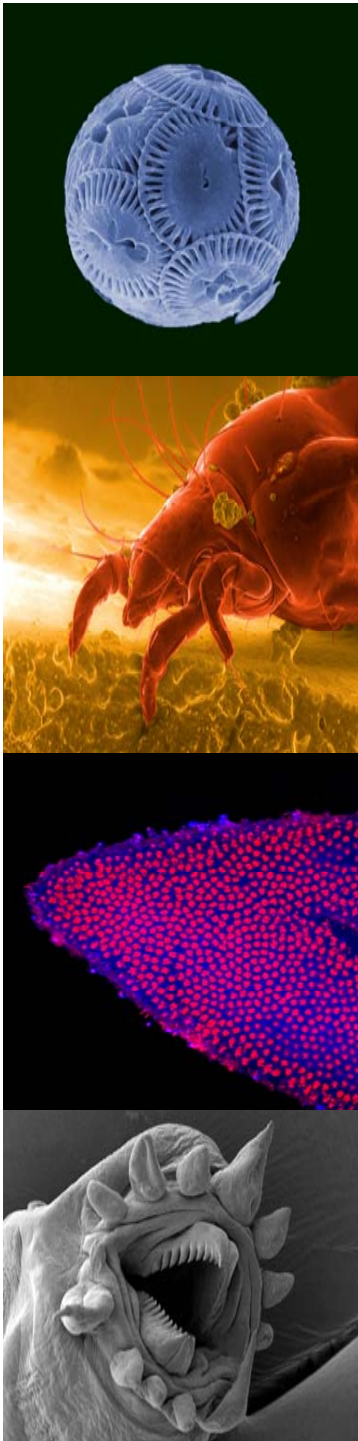
# Policies convergence towards critical target



# Research & Innovation in France

## Interesting reforms

- Financing public & private R&D
  - Tax-Research Credit reforms in 2006 & 2007
  - Private Foundations
  - National Agency for Research
  - Industrial Innovation Agency
  - Competitiveness clusters (7 in biotech)
- Life insurers commitment to invest more in Private Equity
- France Investissement:  
€3 billion in funding to be injected into innovative, high-growth SMEs

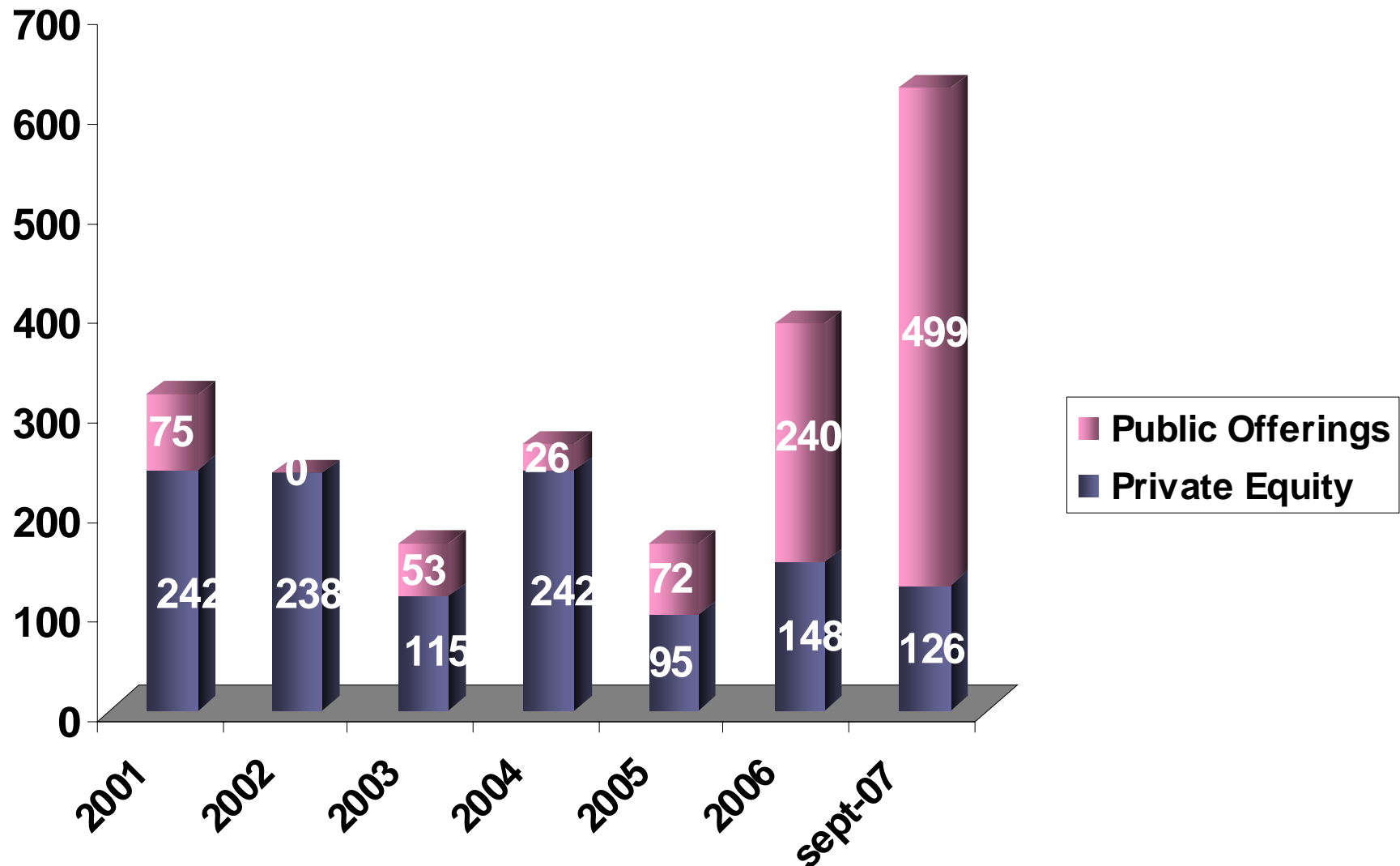


# European Venture Capital Association EVCA

## Benchmarking of European tax and legal environment 2006

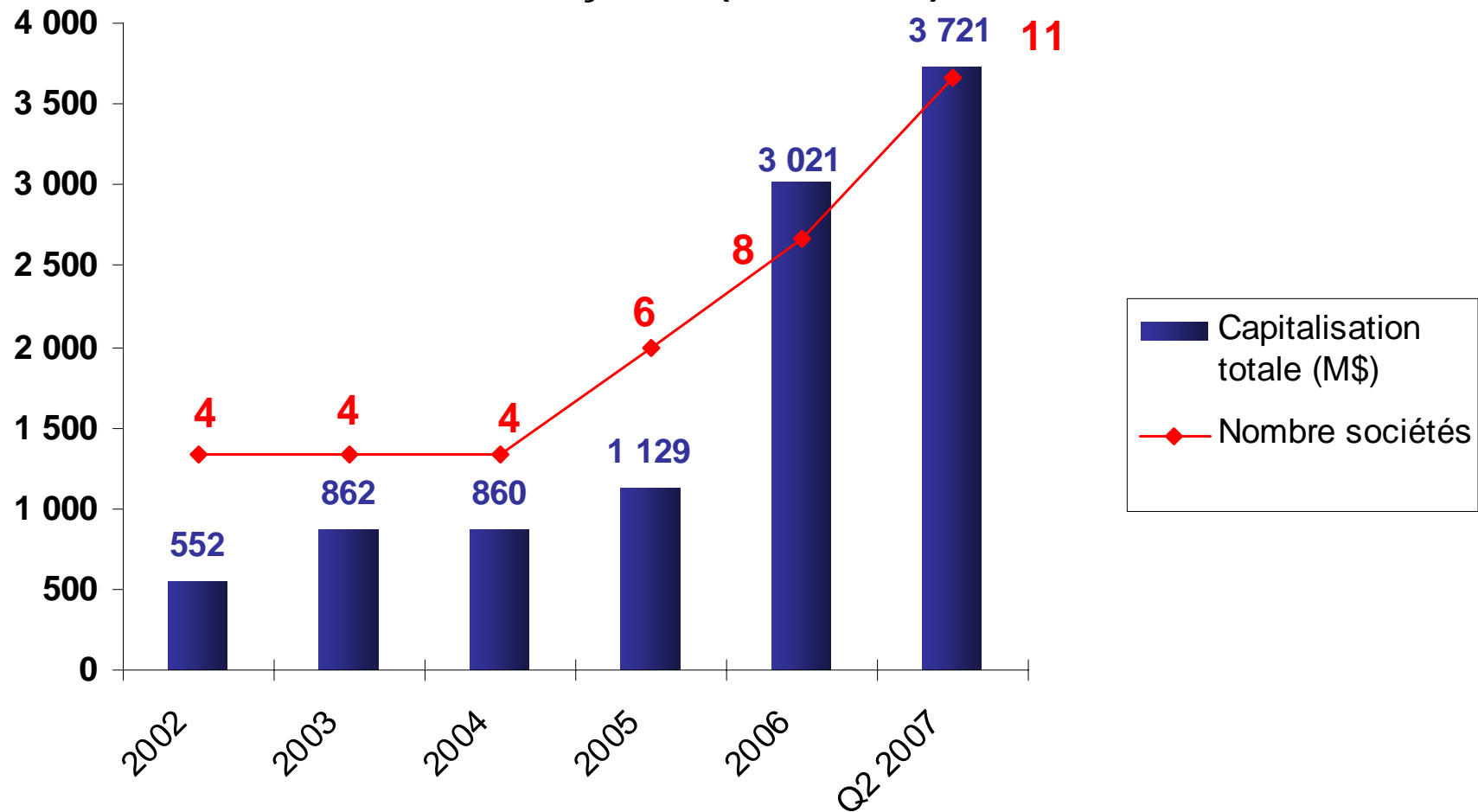
- France jumped from 10th to 2<sup>nd</sup> position in  
2006 ranking

# Investment in French Biotechnology Companies (2001-2007)



# French biotech companies market cap

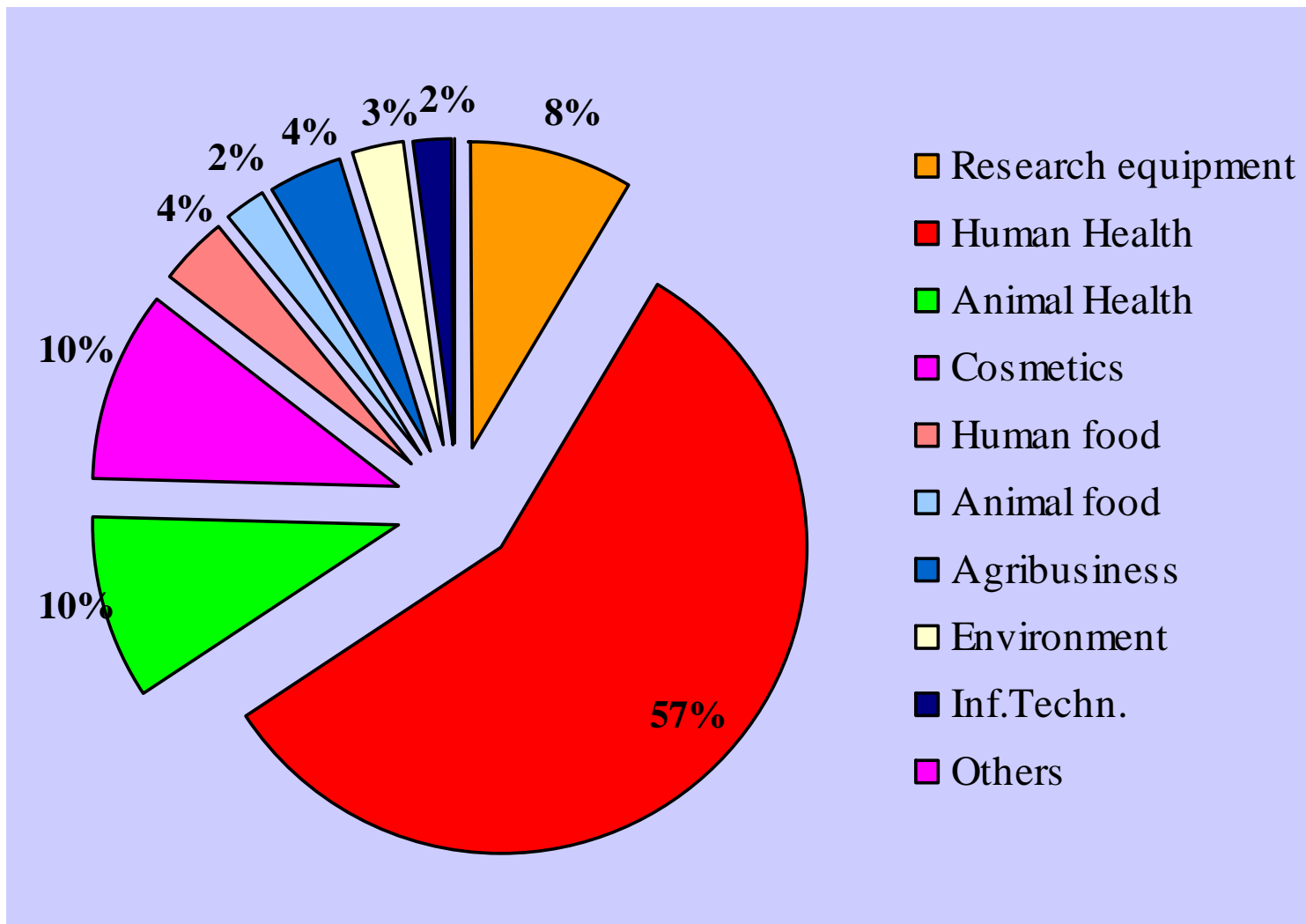
Capitalisation boursière des entreprises de biotechnologie françaises (2002-2007)



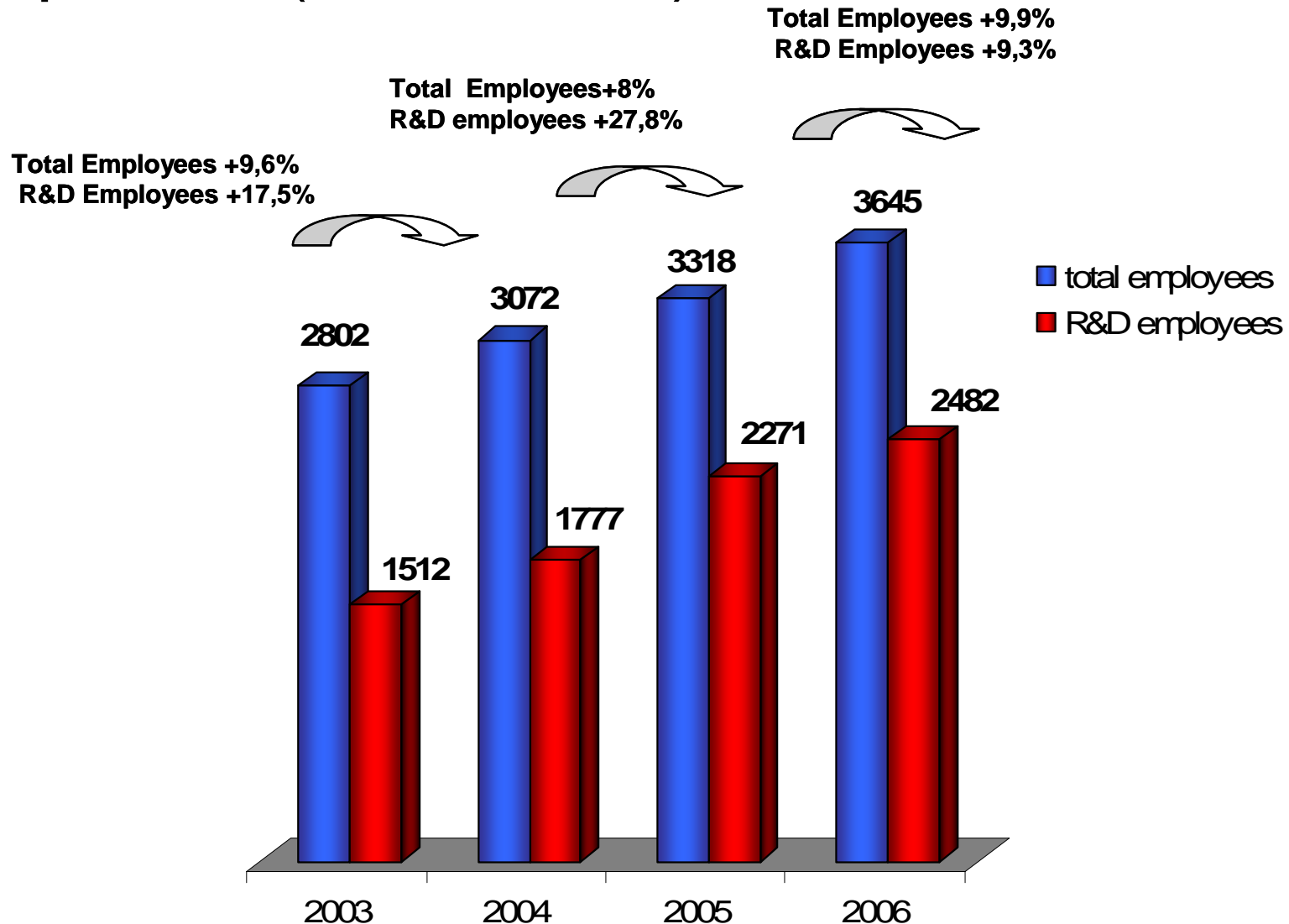
Source : Biocentury (22 06 07)

# Main domains of application

*France Biotech (Annual survey 2007)*

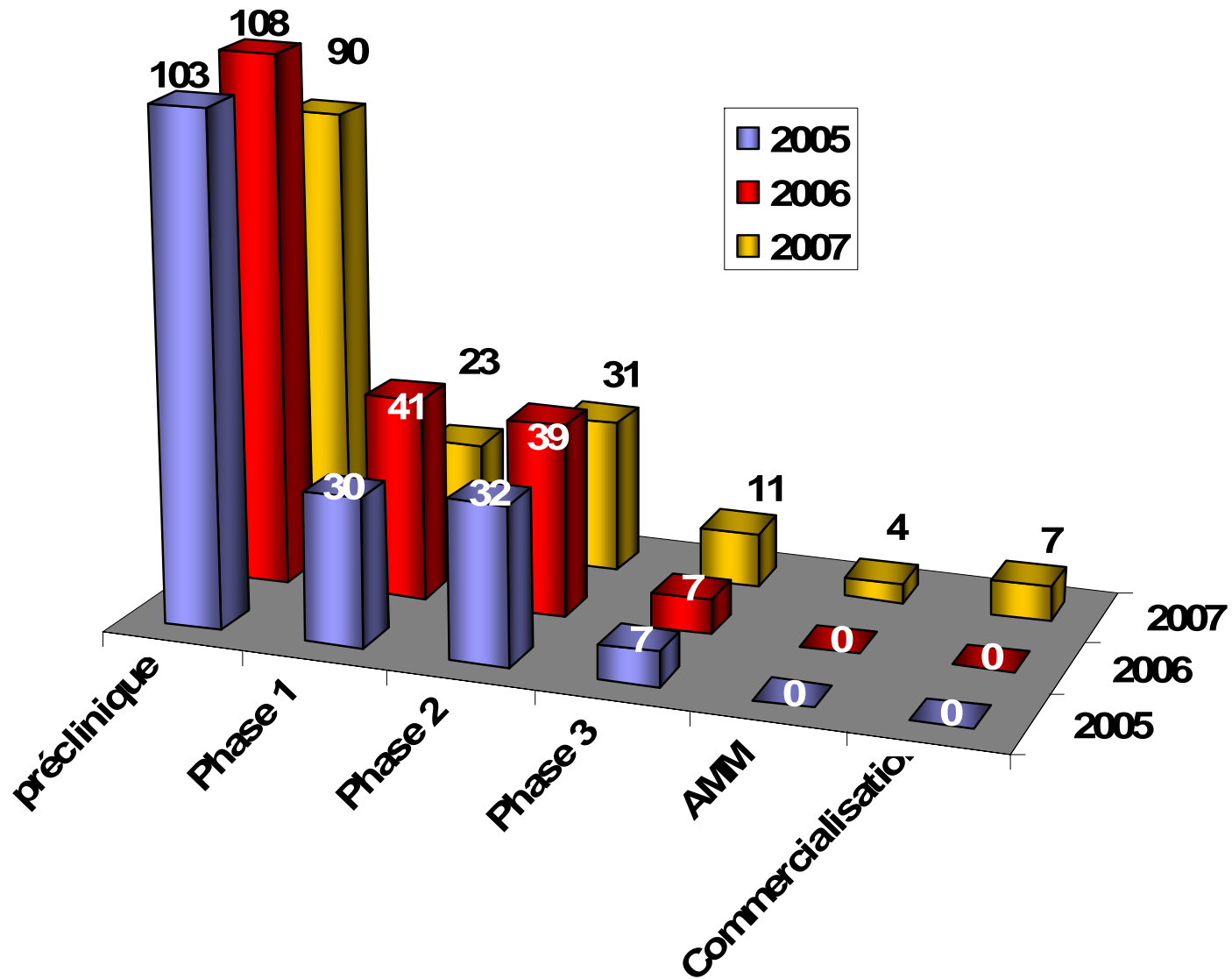


# Employment growth in French biotech companies (2003-2006)



# Therapeutic products pipeline

*France Biotech (Annual survey 2007)*



# Financing biotechnology US/UE comparison 2005

The US/UE gap slightly reduced in 2005

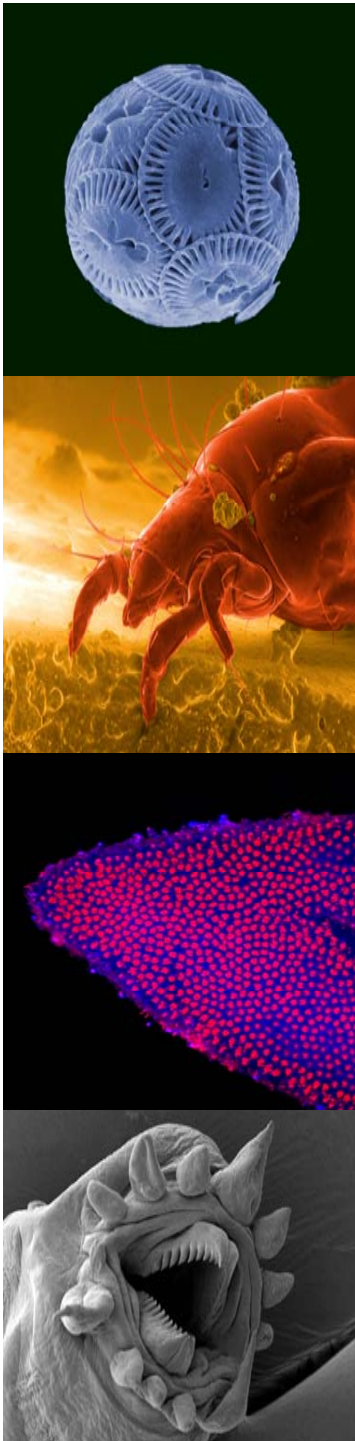
However, US biotech companies

- Receive 4 to 5 X more money than the UE cies

- Raise 7x more money in SPOs

European VC supports 43% of total (23% in US)

The main obstacle is on the stock markets

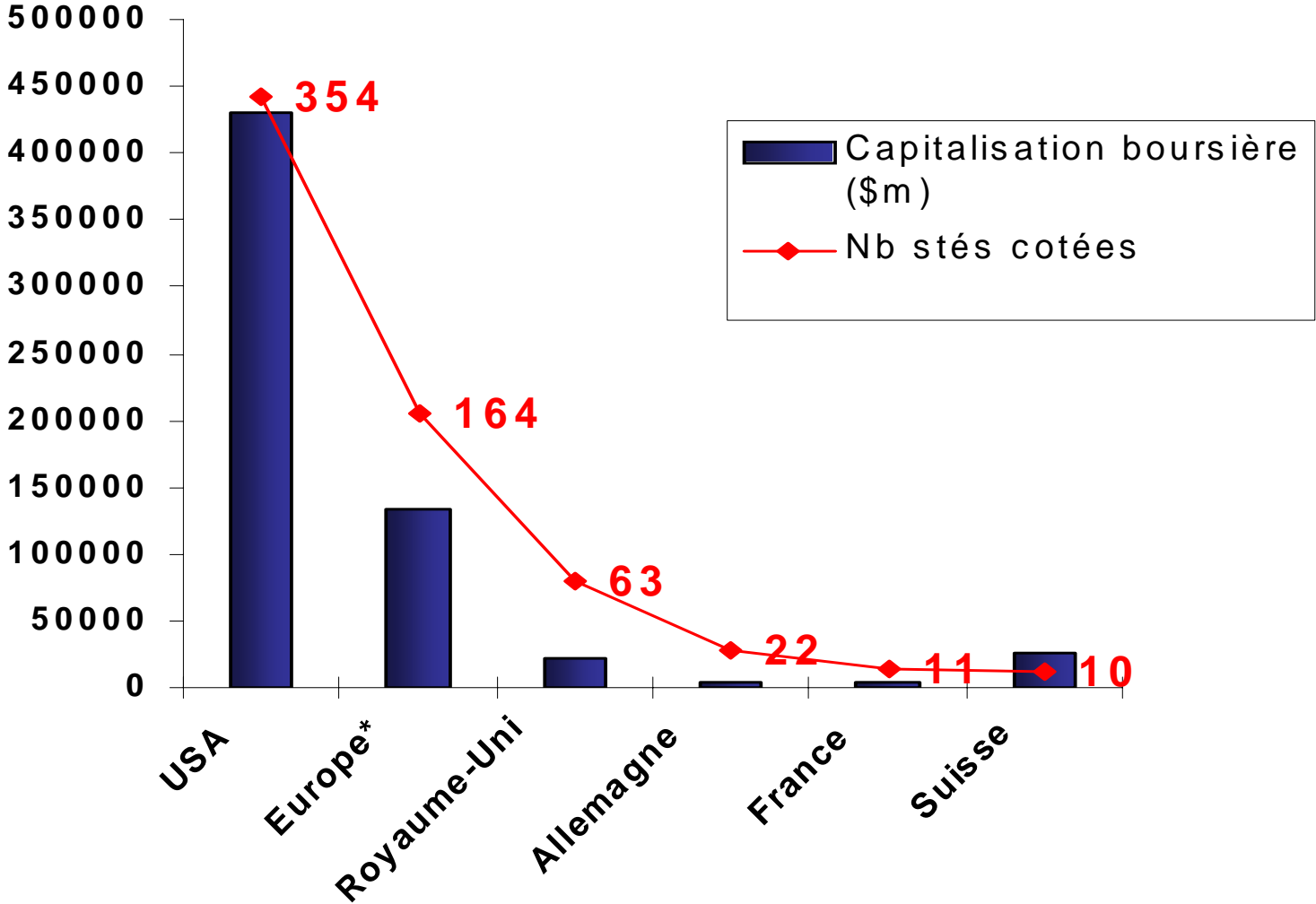


# US-Europe comparison

	U.S.		Europe
<b><i>Number of companies</i></b>			
Public companies	336	<b>2:1</b>	156
Public and private companies	1452	<b>1:1</b>	1621
<b><i>Public companies data</i></b>			
Revenues (\$b)	55	<b>5:1</b>	11
R&D expenses(\$b)	23	<b>6:1</b>	4
Net Loss (\$b)	3	<b>3:1</b>	1
Number of employees	130 600	<b>3:1</b>	39 740
<b><i>Financing (US\$m)</i></b>			
IPOs	944	<b>1:1</b>	907
Follow-on and other offerings	16 067	<b>5:1</b>	3 069
Venture financing	3 302	<b>2:1</b>	1 907
Total	20 313	<b>4:1</b>	5 883

Source : Ernst&Young 2007

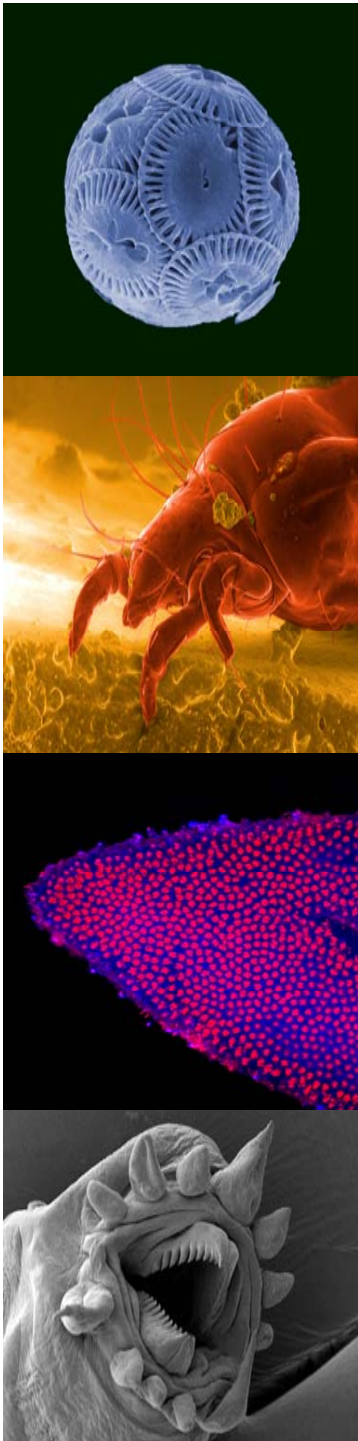
# US-Europe Comparison



Source : Biocentury (13 06 07)

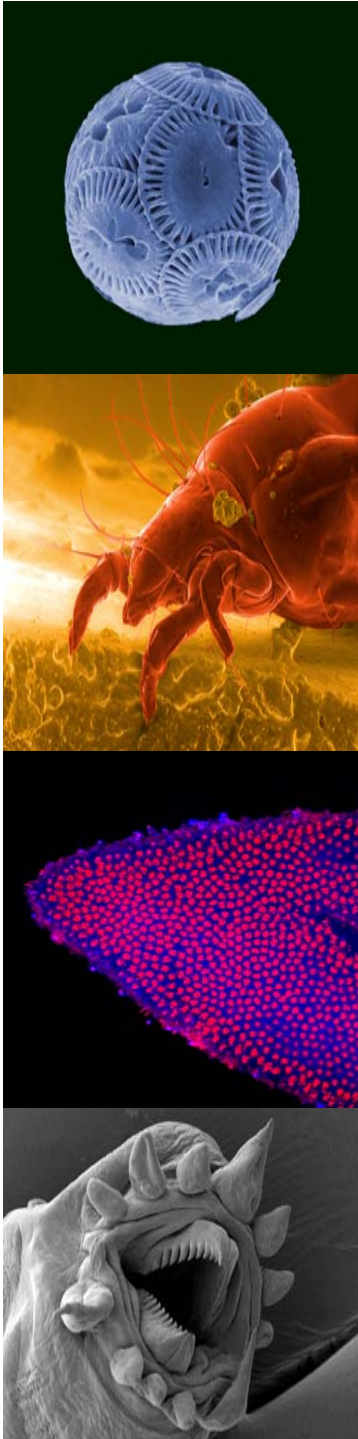
# France research & innovation plan: France Biotech & Strategic Council for Innovation proposals

- ***Boosting French academic research***
  - National Agency for Research**
  - Competitiveness Clusters**
  - European Institute of Technology of Paris**
- ***Strengthen and attract venture capital***
  - Young Innovative Company Status**
  - Life insurance, France Investissement**
- ***Stimulate the stock exchanges***
  - Young Listed Enterprise status**



# France Biotech: a catalyst for change in biotechnologies and innovation

- **Mission** : to contribute to position France and Europe as leaders in the Life sciences industry
- The French biotechnology association and the industry representative is a recognized and listened partner to political, economic, industrial and financial decision-makers on various subjects related to Life Sciences, and moreover, Research, Innovation and France's attractiveness
- 150 members, representing most of the French biotechnology investments, pipeline and employees.



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