



Status of the Young Innovative Company (YIC)

Objective

The Young Innovative Company (YIC) status initially conceived and proposed by the Strategic Council for Innovation (SCI) and France Biotech to the President Jacques Chirac and the French government in January 2002 has been in effect since January 1, 2004. This status is making France globally more attractive and competitive for young innovative companies; each of them having decided to choose the YIC status since it reduces, among others, their operational costs.

The YIC status has already been adopted by **1600 French SMEs** from different industries at the end of 2004, with around **20% companies coming from the biotechnology sector**. Researchers and R&D project managers employed in these companies benefit from **social costs exemptions**.

Unprecedented measure in Europe, Former Commissioner Philippe Busquin applauded YIC status as an excellent initiative for innovation when it was adopted, and a similar measure has been adopted by Belgium and could be by other European countries in the near future.

Definition

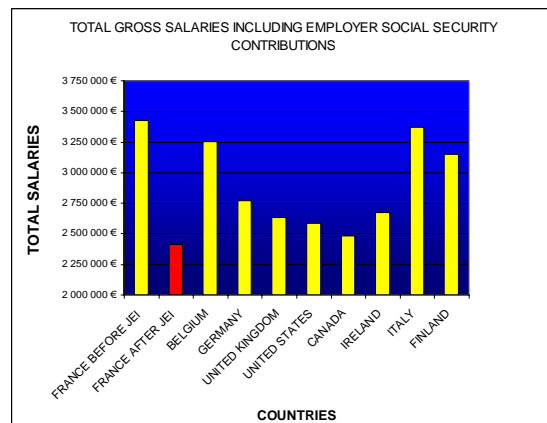
All existing or new SMEs for 8 years after their inception:

- that spend at least 15% of their total annual expenditures in R&D
- that employ less than 250 employees
- and have a turnover inferior to 40 millions euros or a total balance sheet inferior to 27 millions euros

Benefits

- Total and uncapped social security costs exemption for all employees and for legal representatives (affiliated to the general regime of Social Security) involved in R&D projects
- Full and uncapped local business tax exemption for 7 years, providing that local authorities have deliberated
- Total corporate income tax exemption for the first three profitable years and 50% relief for the following two years up to 100,000 euros ("de minimis" rule)
- Full and uncapped capital gain tax exemption for investors of a Young Innovative Company, whenever they keep the shares for at least 3 years
- Fixed-price annual tax exemption

A dramatic impact on competitiveness of French R&D companies



The impact of the Young Innovative Company status can be noted as from the end of 2004: 2/3 of biotechnology companies were able to opt for this status which ensures them, if they spend at least 15% of their total annual expenditures in research and development, exemption from Social Security costs for employees involved in R&D projects, **which represents an average savings of 20% on the wage bill**. These exemptions are **immediately reinvested by biotech companies in research and development: at the end of 2006, 76% recruited R&D employees (an average of 1,7 FTE per company), 71% started new R&D projects, and 64% bought new R&D equipment.**

Case studies

- **Reduction of operational costs and employment increase in a biotechnology YIC in the South of France**

R&D company:

€ 6 millions invested in 2004

Created in 1999

42 employees (39 concerned by YIC)

€40 million raised since inception

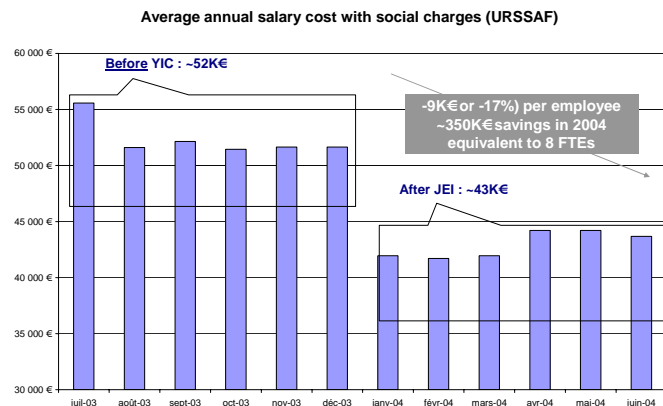
French, European, US and Japanese investors

On a period of 12 months in 2004:

- 9k€ or 17% savings per employee

- 350k€ savings in total

- + 8 FTEs recruited



- **New companies creation and attraction of foreign investors**

A young biopharmaceutical company, spin-out from a big pharmaceutical group, which develops novel drugs against infectious diseases and fungal infections. The spin-out decided to settle in France thanks to the YIC status. The company raised EUR 40 million in a series A round: among the investors were in particular foreign investors who had not yet invested in a single company in France.

Exported in Europe

Thanks to joint lobbying by Europabio, EU national biotech associations and France Biotech, the YIC concept is now integrated at the EU level.

Commissioner for Industry Verheugen urged Member states to study advantages of introducing a YIC scheme.

Young Innovative Enterprise status has been integrated by the DG Competition within the R&D and Innovation State Aid Guidelines.

The status concerns companies under 5 years, which R&D expenses are superior to 15% of their total expenditure. The status will be adopted by the end of November 2006, and in force as of January 2007: only measures going beyond YIE framework will require previous notification with the Commission.

The YIC scheme in Belgium applies to companies under 10 years, with R&D expenses superior to 15% of their total expenditures and with less than 50 employees. The benefits are 50% social costs exemption on R&D.

Other countries, other EU countries, like Scandinavian countries and Hungary for eg (see <http://www.sik.se/yicstatus/Reports/Proposal.pdf>) are actively studying the concept and should be following up in the near future.

About France Biotech

France Biotech is the French biotechnology association and the industry representative. Its mission is to contribute to position France and Europe as leaders in the Life sciences industry.

France Biotech is acting on the four key factors of success for a strong biotechnology industry:

- improving the academic R&D dynamics and funding: France Biotech supported the SCI when it made a series of proposals including the creation of a National Science Agency, project accepted by the French government on June 2004, and the focusing of the Agency's budget on Life Sciences and Nanobiosciences
- ensuring a liquid chain of financing for young biotechnology companies (from seed funding to the stock market): France Biotech has designed and proposed, with the SCI, the status of *Jeune Entreprise Innovante* (Young Innovative Company, YIC). The government implemented this law proposal on January 1st 2004, which now makes France the most attractive country for young research-driven companies and subsidiaries from a tax and social costs standpoint... More recently, France Biotech and a few other organisations of entrepreneurs and investors triggered an initiative that led to the commitment made by the Life insurance companies to invest an additional 6 billion euros in private equity. France Biotech is now proposing the government to provide fiscal incentives for investors that will invest in *Young Listed Enterprises*, in order to prevent the lack of appetite encountered by young technology companies on the European stock markets.
- working on the managerial environment within its members through networking, benchmarking activities, good practices sharing, etc.
- and lastly improving public perception: the association has organised in 2004 BioPicture Festival, the 1st international film and image festival on biotechnology, for conveying a positive image of life sciences among the general public ; France Biotech launched the BioImpact project, that aims at raising awareness of the current value and importance of biotechnologies for public health, together with European and French partners.

France Biotech gathers 150 members, representing most of the French biotechnology investments, pipeline and employees.

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