



Press Release

More funds for biotech companies as new State Aid Rules recognize Young Innovative Company Status

Brussels, November 23, 2006:

The European Commission has just published new state aid rules (1) – backed by a communication on tax incentives to stimulate R & D (2). The new rules recognize EuropaBio's Young Innovative Companies (YIC) status as an eligibility criterion for state aid. This will enable Member States – who so wish - to provide extra public funds like tax and other financial incentives to their young innovative biotechnology companies without running into trouble with EU competition rules. The YIC was introduced as a EuropaBio policy by France Biotech who successfully campaigned for it in France. In addition to the R and D tax incentives communication, the new EU rules enable governments to give extra incentives to companies that are less than 6 years old and spend 15% or more of their revenues on R & D. With effect from January 1st, 2007, the new EU rules, which are not sector specific, will benefit research, development and innovation across Europe.

The biotech industry expects that these measures will encourage more private and institutional investors to invest in biotech companies which need to raise substantial sums of money to meet the increasingly high costs of research and development.

“Our industry welcomes the Commission's new state aid rules which will hopefully contribute to create a more attractive environment for research intensive enterprises in Europe,” says Philippe Archinard, Chairman of the Emerging Enterprise Council at EuropaBio – the EU association for bioindustries.

In Europe, there are some 2000 small and medium sized biotechnology companies which are struggling to raise money from private and institutional investors in order to carry out the necessary research and development for the new bioproducts and bioprocesses that are environmentally sound and the revolutionary therapies for often life threatening diseases. These companies need access to finance. A recent comparison between the European and US biotechnology industries shows that both have around 2000 companies, however the US employs nearly twice as many people, spends around three times as much on research and development, has twice the number of employees involved in research and development, raises over twice as much venture capital, and has access to 10 times as much debt finance. It earns twice as much revenues (3).

France adopted the YIC status in December 2004, Belgium has adopted it in 2006 and a project is currently under way with EuropaBio's National Associations to promote the status in the Nordic countries. A major conference in Stockholm will take place in February 28 2007 to discuss how to implement the status.

“Firstly, Young Innovative Companies are living on borrowed money. This measure will help them to become more attractive to investors and play their full role in building the knowledge based bio-economy, creating jobs and growth. The uptake of biotechnologies across European industrial sectors will also be a major boost for Europe’s competitiveness.” says Johan Vanhemelrijck, EuropaBio Secretary General.

For further information, contact

Adeline Farrelly, Tel: +32 2 739 1174 (Direct) Mobile: +32 475 93 17 24
e-mail: a.farrelly@europabio.org

Notes to Editors

(1) European Commission on State Aid

- Commission Press Release
<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1600&format=HTML&aged=0&language=EN&guiLanguage=en>
- The State Aid Communication
http://ec.europa.eu/comm/competition/state_aid/reform/rdi_en.pdf
- European Commission Q and A on State Aid
<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/06/441&format=HTML&aged=0&language=EN&guiLanguage=en>

(2) European Commission on Tax incentives

- Commission Press Release on tax incentives for R and D
<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1598&format=HTML&aged=0&language=en&guiLanguage=en>
- Communication on tax incentives
http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006_0728en01.pdf
- European Commission Q and A on tax incentives communication
<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/06/440&format=HTML&aged=0&language=EN&guiLanguage=en>

(3) Critical I Report for EuropaBio (June 2006)

http://www.europabio.org/ne_criticalI2006.htm

About EuropaBio

EuropaBio, the European Association for Bioindustries, has 70 direct members operating Worldwide, 12 associate members and 5 bioregions as well as 24 national biotechnology associations representing some 1800 small and medium sized enterprises involved in research and development, testing, manufacturing and distribution of biotechnology products. <http://www.europabio.org>