



Press Release

European Biotech industry figures show signs of chronic under-funding

Brussels; 30 May 2006:

The latest figures published today compares biotechnology sectors across some eighteen European nations and the USA.

The report finds that the European and the US biotechnology industries both have around 2000 companies, but the US sector 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 revenue.

Despite the right-minded high-level political intentions to transform Europe into an innovation-intensive economic powerhouse, Europe's biotechnology project is in danger of foundering from the relative dearth of that most vital of fuels for innovation: money. There is a good deal of national government enthusiasm for biotechnology, apparent in a myriad of technology transfer initiatives, seed funding schemes, and taxation schemes encouraging bioscience and other high-technology research and development.

According to John Hodgson, Partner at Critical I - a specialist biotechnology consultancy – who authored the study: "Venture capital is a luxury. Less than 10% of European companies win venture funds each year. But it is an indispensable luxury. Only properly capitalised companies can hope to compete globally in knowledge-intensive industries like biotechnology."

The report shows that Europe's science base is inventive, and the establishment of over 100 new biotechnology firms across Europe in 2004 is testimony to the fact that its inventors are entrepreneurial, too. However, the practicalities of funding innovation, whether in science or in business, are currently confounding the good intentions and enthusiasm. "Europe can be a breeding ground for European companies, or it can be a greenhouse for high-technology firms that are acquired by better funded US firms. The development of technology will

follow the money that allows it to develop. Europe needs to ensure that the money is here,” says John Hodgson.

This study identified 2,163 European biotechnology companies whose primary commercial activity was in biotechnology.

Responding to the industry figures published today, Dr Hans Kast, Chairman of EuropaBio, and President and CEO of BASF Plant Science said: “Identifying the problem is the first step to a solution. A second step is providing significant financial and tax incentives to investors and venture capitalists to invest in biotechnology such as the Young Innovative Company (YIC) concept. This was introduced in France in 2004, and gives generous tax and social cost incentives for small companies developing new, science-based products. Making this the norm across all Member States would give a significant boost to attracting more investors to our sector and help to close the yawning competitiveness gap.”

Johan Vanhemelrijck, Secretary General of EuropaBio said: “Europe is extraordinarily entrepreneurial, creating over 100 new small vibrant companies each year. These companies must keep being vibrant, but they must stop being small. More than anything, Europe must ensure that its biotechnology firms grow, and they must do it rapidly and efficiently.”

Link to report www.europabio.org

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About Critical I

Critical I is an industry specialist consultancy for biotechnology. Established only in 2002, Critical I's data is rapidly becoming the gold standard for the biotechnology community. The company provides information for better understanding and better decisions, both for the private and public sector. Our client base includes national governments, regional and national industry bodies, regional development authorities, investment groups, and biotechnology companies. The company works with organisations in the USA, Australia, France, Germany, The Netherlands, Belgium, Switzerland, and the UK, and have undertaken projects in Finland, Denmark, and Spain.

www.criticali.net

About EuropaBio

EuropaBio, the European Association for Bioindustries, has 70 direct members operating worldwide and 24 national biotechnology associations representing some 1500 small and medium sized enterprises involved in research and development, testing, manufacturing and distribution of biotechnology products.

<http://www.europabio.org>

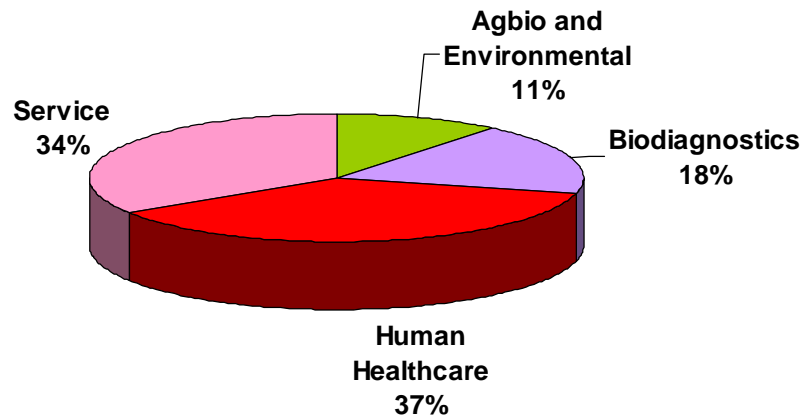
A snapshot of the EU biotech sector

At the end of 2004 the biotechnology industry in the eighteen European countries and US surveyed looked like this:

In 2004	Europe	US
Number of companies	2163	1991
Number of new companies formed	119	78
Number of employees	96,500	190,500
R & D expenditure	€7.6 billion	€21 billion
Revenue	€21.5 billion	€41.5 billion
Venture Capital raised	€1.1 billion	€2.5 billion
Equity raised	€2.1 billion	€5.3 billion
Debt raised	€1.8 billion	€6.6 billion

Source: Critical I

Figure: Distribution of companies by sector - Europe



Source: Critical I

USA - 2004

USA - the typical company				
	<i>(Financial data in €m)</i>			
Age (years)	0-2	3-5	6-10	11-15
Employees	15	28	49	77
Revenue	€0.53	€1.51	€4.67	€7.63
Research strength (personnel)	9	18	27	47
Research strength (R&D budget)	€1.66	€5.16	€8.74	€13.34

Source: Critical I

Europe - 2004

Europe - the typical company				
	<i>(Financial data in €m)</i>			
Age (years)	0-2	3-5	6-10	11-15
Employees	9	17	28	41
Revenue	€0.34	€1.01	€2.6	€6.07
Research strength (personnel)	9	11	17	18
Research strength (R&D budget)	€0.69	€1.7	€3.3	€4

Source: Critical I