

Pharmaceutical CDMO

Contract Development and Manufacturing Organizations

An excellence of industry in Italy

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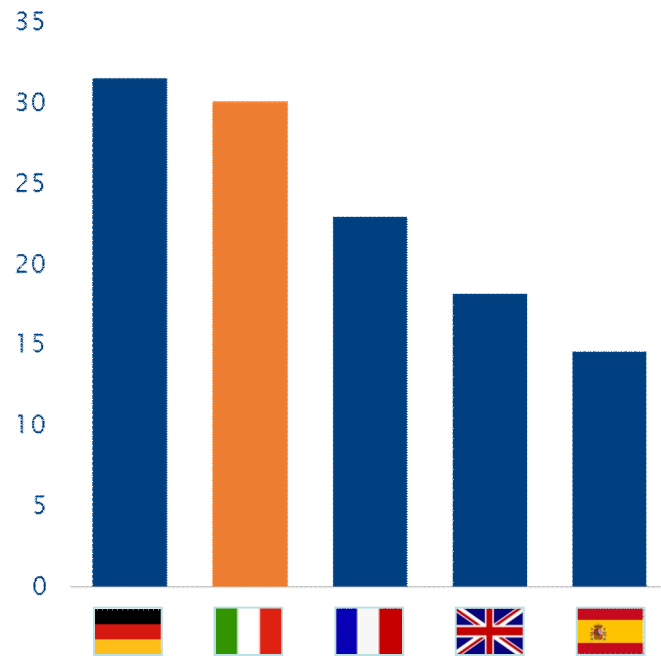
Barcelona, 4th October 2016



FARMINDUSTRIA

The Pharmaceutical Industry in Italy: an asset to the nation

Pharmaceutical production
(€ billion, 2015 estimates)



About 200 companies
producing medicines and vaccines
and 100 more for active ingredients

63,500 direct employees (+1,200 since 2013)
and 65,000 more in upstream sectors

€ 30 billion of manufacturing value,
of which 73% for export (€22 billion)

€ 2.6 billion invested each year,
in R&D (1.4) and hi-tech machinery (1.2)

Worldwide excellence in upstream sectors,
especially in machinery and packaging

40% from Italian-owned companies

60% from Foreign-owned companies

Italy and Germany: Focus on the last years

	ITALY	GERMANY
Turnover 2010-2015	+16.2%	+16.7%
- of which 2013-2015	+7.1%	+6.3%
Export 2010-2015	+31.8%	+26.8%
- of which 2013-2015	+8.0%	+4.4%
Value Added as a % of turnover: 2015 vs 2008	+3.6 percentage points	-2.9 percentage points

From 2010 to 2015 pharma export in Italy has grown
more than all big Eu countries and more than Eu 28 average

Pharmaceutical production in Italy is growing in quantity and quality

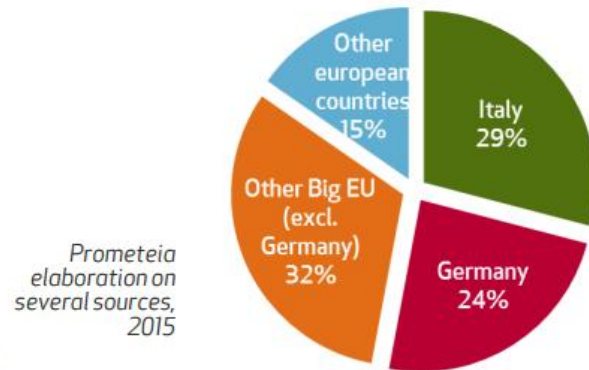


CDMO is a pillar of Italian competitiveness and Farmindustria communication strategy

CDMO in Europe | Italy ranks 1° in terms of manufacturing value



CDMO in Europe: manufacturing value | % share



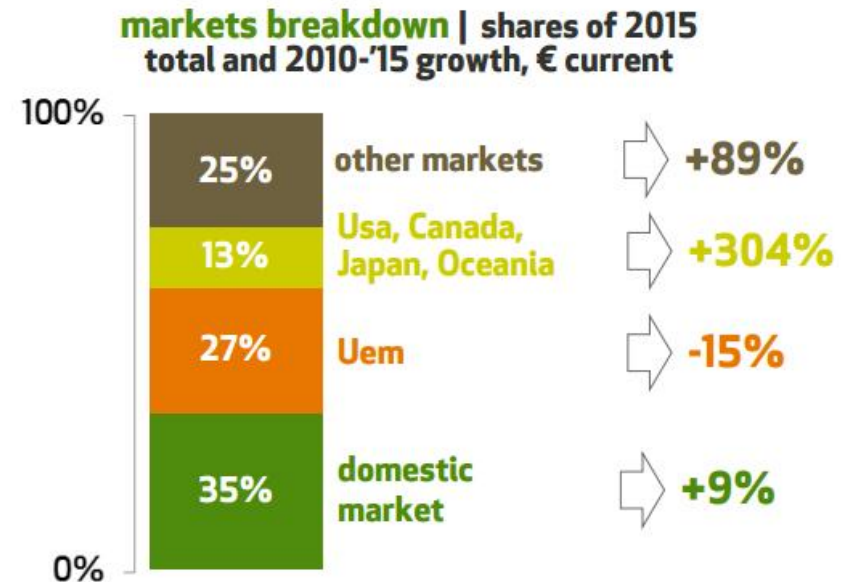
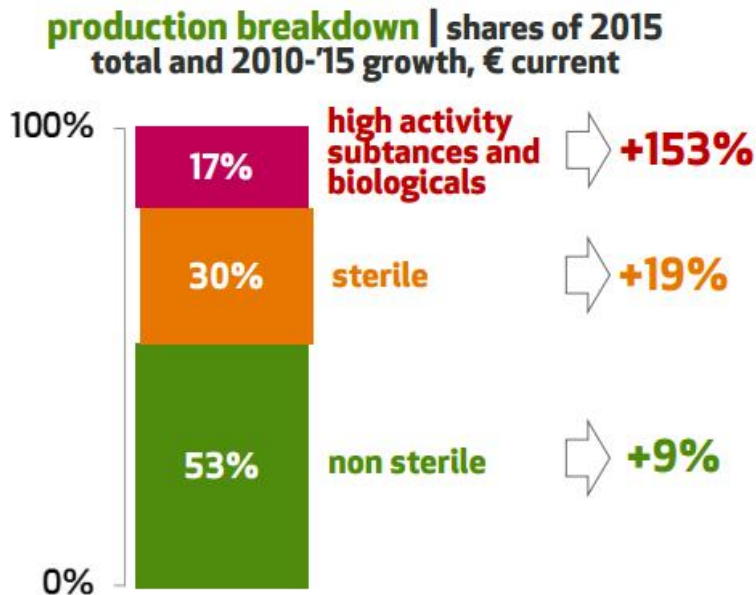
- **Italy strong sector specialisation**
the share of Italy on EU total value of production (29%) is higher than the share of Italy on EU manufacture as a whole (13%)
- **high share of employment**
Italy's share is 30% of total EU, 8 p.p. higher than Germany



CDMO in Italy: the leadership is a consequence of growth in value added and export

- the CDMO value of production in Italy has been increasing without interruptions since 2005, with a positive contribution to the country economy even during the deepest phase of the crisis; this growth has allowed Italy to be leader in Europe, exceeding Germany as well

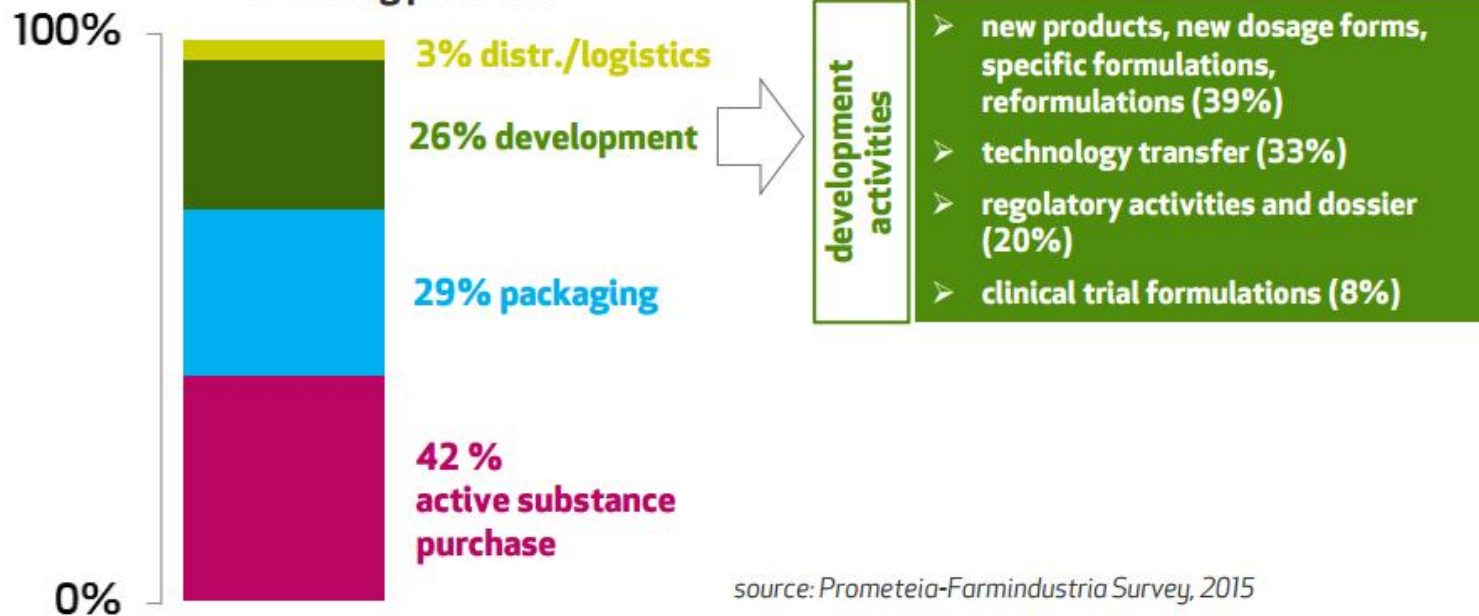
production value growth 2010-'15: + 24%
export value growth 2010-'15: + 34%



Competitiveness: Companies focusing on services to increase value added in supplying customers

- **manufacturing excellence** will be **pivotal** too from now to 2020: for CDMOs companies over half of the supply to customers is linked to manufacture (53%)
- **services** will however become **more important** (47% in 2020)

service offered: breakdown in 2020 | % shares
excluding production

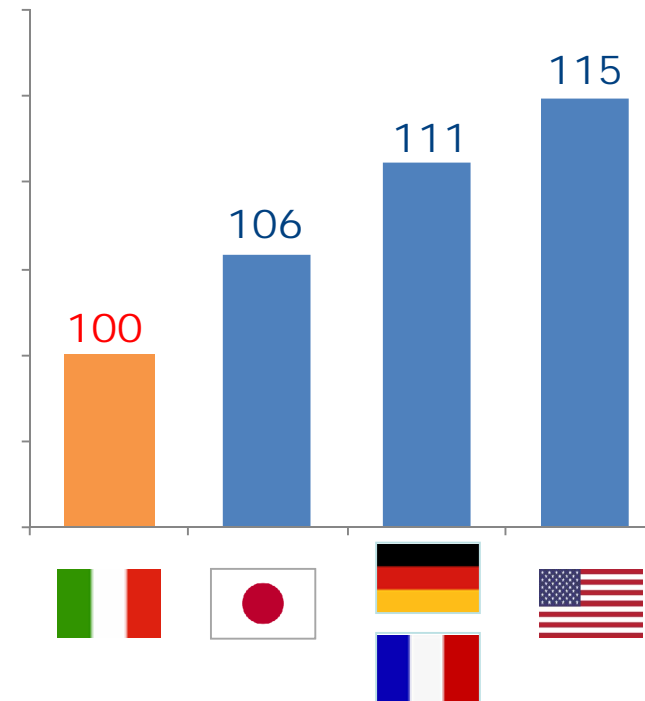


Pharmaceutical Industry: **Why to Invest** in Italy?

Competitive advantages in Italy according to Farmindustria's member companies

1. **Quality of Human Resources, excellent and highly productive (flexibility, problem solving, adaptability)**
 2. Excellence of upstream sectors
 3. Quality of life/environment
 4. Market size and no. of companies
 5. Quality of clinical structures/ access to expertise and skills
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Pharmaceutical Industry:
Labor cost as a % on turnover



A more positive context for production and innovation: measures for investments

CAPITAL GOODS “NUOVA SABATINI”

Art. 2 DL 2013, n. 69 converted with modifications
by the law of 2013, n.98



To facilitate the **purchase or leasing of new machinery, equipment, capital goods and business equipment for business use**, including hardware, software and digital technologies.

BENEFICIARIES

SMEs, as well as SMEs established in another EU Member State, operating in all productive sectors including agriculture and fisheries

INCENTIVES

The incentive covers part of the interests on the bank loans and it equals the total interests calculated at the **rate of 2.75%**, based on a repayment plan, with conventional six monthly installments and lasting five years

AMOUNT

Corresponding to a bank loan (or leasing), up to **80%** of a guarantee fund between **€20,000 and €2 million**



A more positive context for production and innovation: measures for investments

SUPER AMORTIZATION REGIME

Law 2015, n.208 art. 1 c. 91-97

Supporting investments in new capital goods.

BENEFICIARIES

Companies, Trade Professionals and Artisans

INCENTIVES

The incentive is granted in the form of a **tax deduction** in determining taxable income. i.e. Corporate Income Tax (Ires) and Personal Income Tax (Irpef)

AMOUNT

A 40% increase in the tax deduction of the new and leased capital goods. Fiscal amortization charges will therefore increase their value by 40% compared to their book value, for the entire amortization period. The incentive also includes the purchase of any vehicle not exclusively used for the business



Looking ahead: more actions for competitiveness to be discussed in the next budget Law

Super Amortization regime:
confirmed and increased to 250% for Industry 4.0 investments

Tax credit on R&D
From 25% to 50% and increase of the cap from 5 to 20 millions

Tax reduction on companies' income
From 27,5% to 24%

A more positive context to leverage on,
increasing our competitiveness
and readiness to find solutions to costumers' needs
with new hi tech investments

