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Pharmintech 2010 Opening conference

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An industry at the core of the Economy of Expertise

Key figures of Italian pharmaceutical industry in 2009

- 67,500 employees (-3%), 90% university or specialized high school graduates, plus 60,000 working in pharmaceutical-related industries
- 4.5 billion invested on pharmaceutical personnel , 1.9 in personnel of related industries
- 6,150 researchers (-1.3%), 9% of total (1% on average in the industry)
- 22.6 billion worth of production (-1.8%), of which over 50% exported (12.2 billion)
- 38 international acquisitions by Italian companies since 2000 (for a total of 220 takeovers)
- 233 biotech projects under development (144 under clinical testing, 89 pre-clinical), 31 are orphan drugs
- Clinical studies grew by 47% from 2003 to 2008, especially in phases I and II (+69%)
- 2.3 billion investment (+1.3%) in production (1.1) and Research (1.2)



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Source: Farmindustria

Performance of Italian pharmaceutical companies

In Europe Italy is:

- 2nd by number of companies
- 3rd by number of employees
- 4th by investment in production
- 4th by industrial value added
- 4th by personnel expenses
- 1st by number of small and medium size companies

In 2009 major national and international companies invested hundreds of million Euros (e.g. Boehringer Ingelheim, Chiesi, Eli Lilly, Merck Serono)

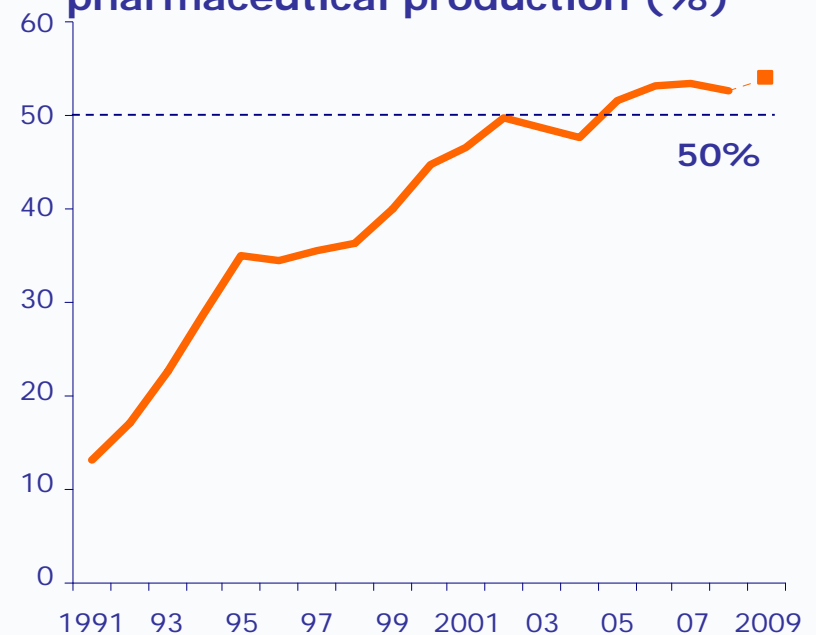
Average annual exports growth 1999-2009

Pharmaceuticals	+7.5%
Other manufacturing industries	+2.2%



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Exports of Italy-based pharmaceutical production (%)

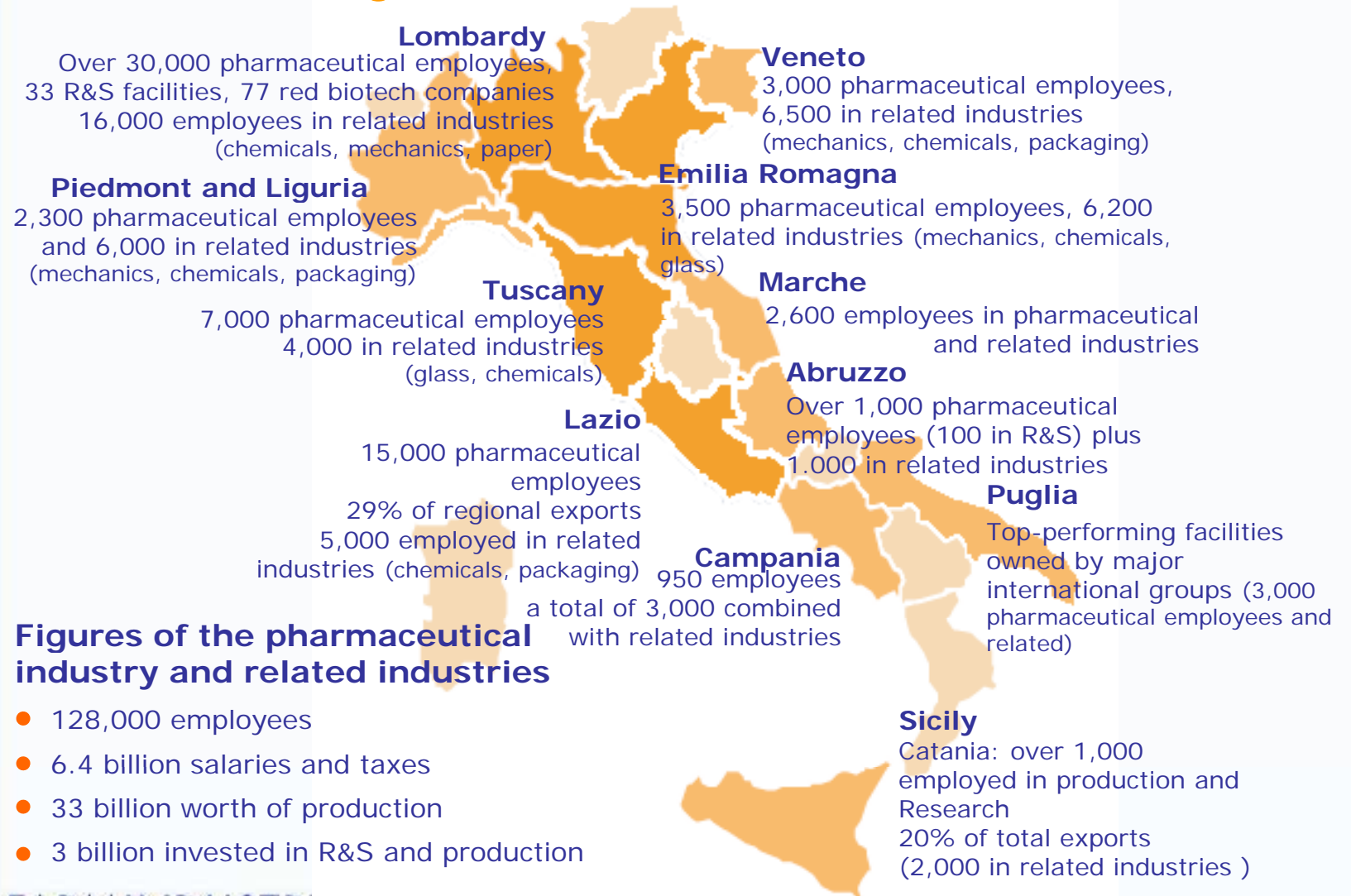


2009 Italian exports

Pharmaceutical industry: +2.3%,
Manufacturing industry total: -21.4%

Source: processing of data supplied by Istat

Pharmaceuticals create value for Italy's hi-tech industry



Figures of the pharmaceutical industry and related industries

- 128,000 employees
- 6.4 billion salaries and taxes
- 33 billion worth of production
- 3 billion invested in R&S and production

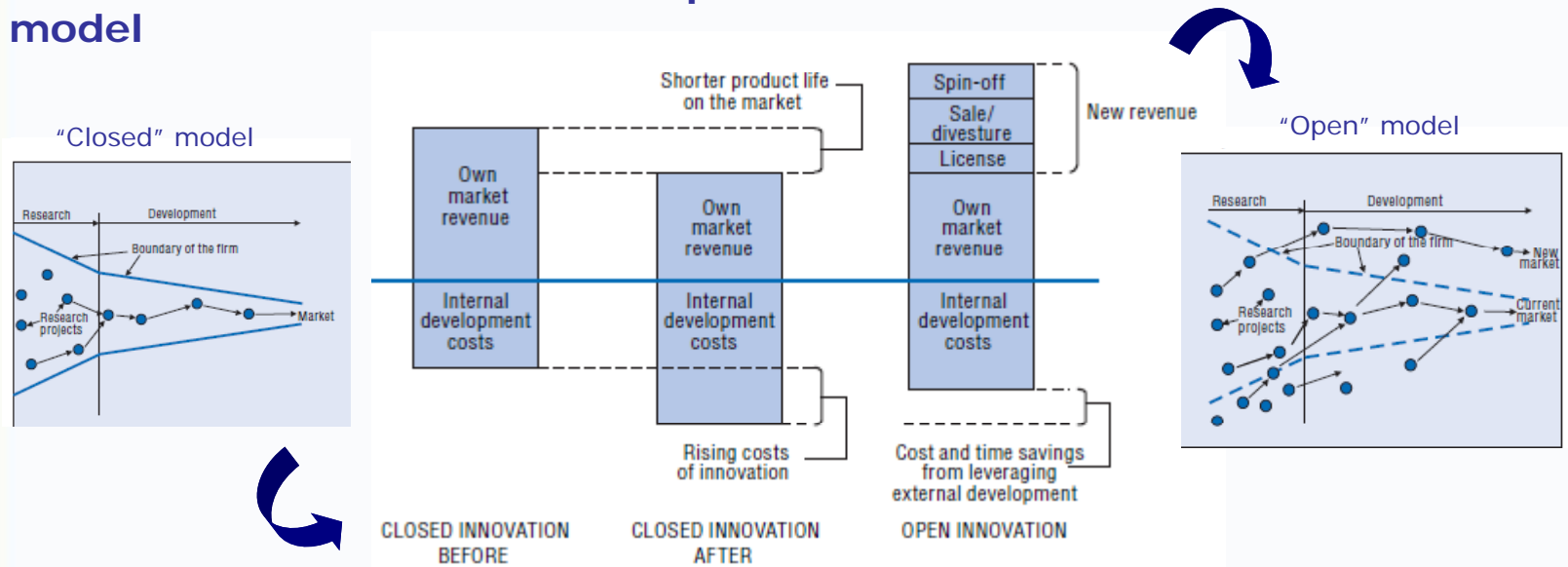


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Source: Farmindustria

Networks increasingly responsible for creating industrial Research and Innovation

Changes in Innovation:
from a “closed” model to an “open” model



Relationships between customers and suppliers are a major source of innovation (in 60% of cases on industry average)

Due to their high processing and production standards, pharmaceutical industries **drive supplier quality and innovation** and contribute to their growth (exports can reach 90% of total turnover)

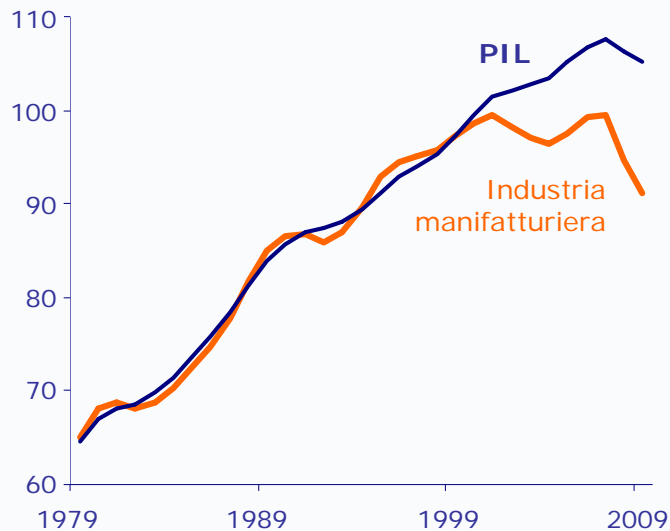


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Source: Oecd

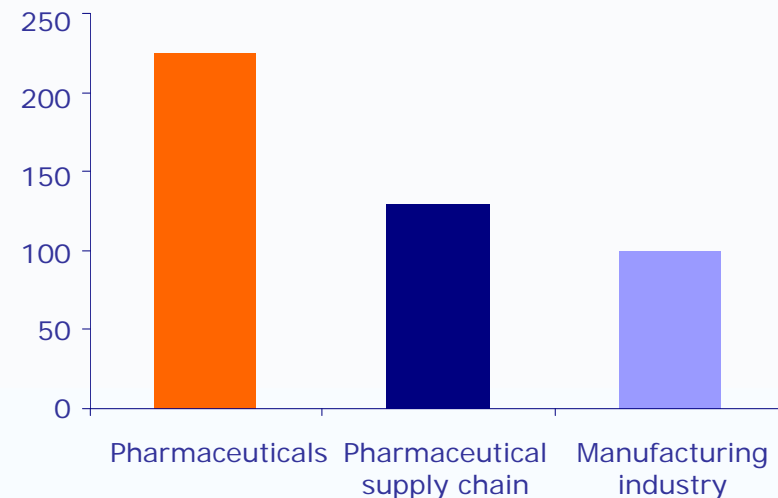
The pharmaceutical industry and its supply chain: key strategic sectors for industrial growth

Italy: value added at consistent prices (index 2000=100)



Italy cannot grow without manufacturing companies, especially those making up the Expertise Economy, better equipped to keep up with competitors from emerging countries

Typical parameters per sector
(average turnover, value added, exports, retribution, investment per employee, Manufacturing Industry Index=100)



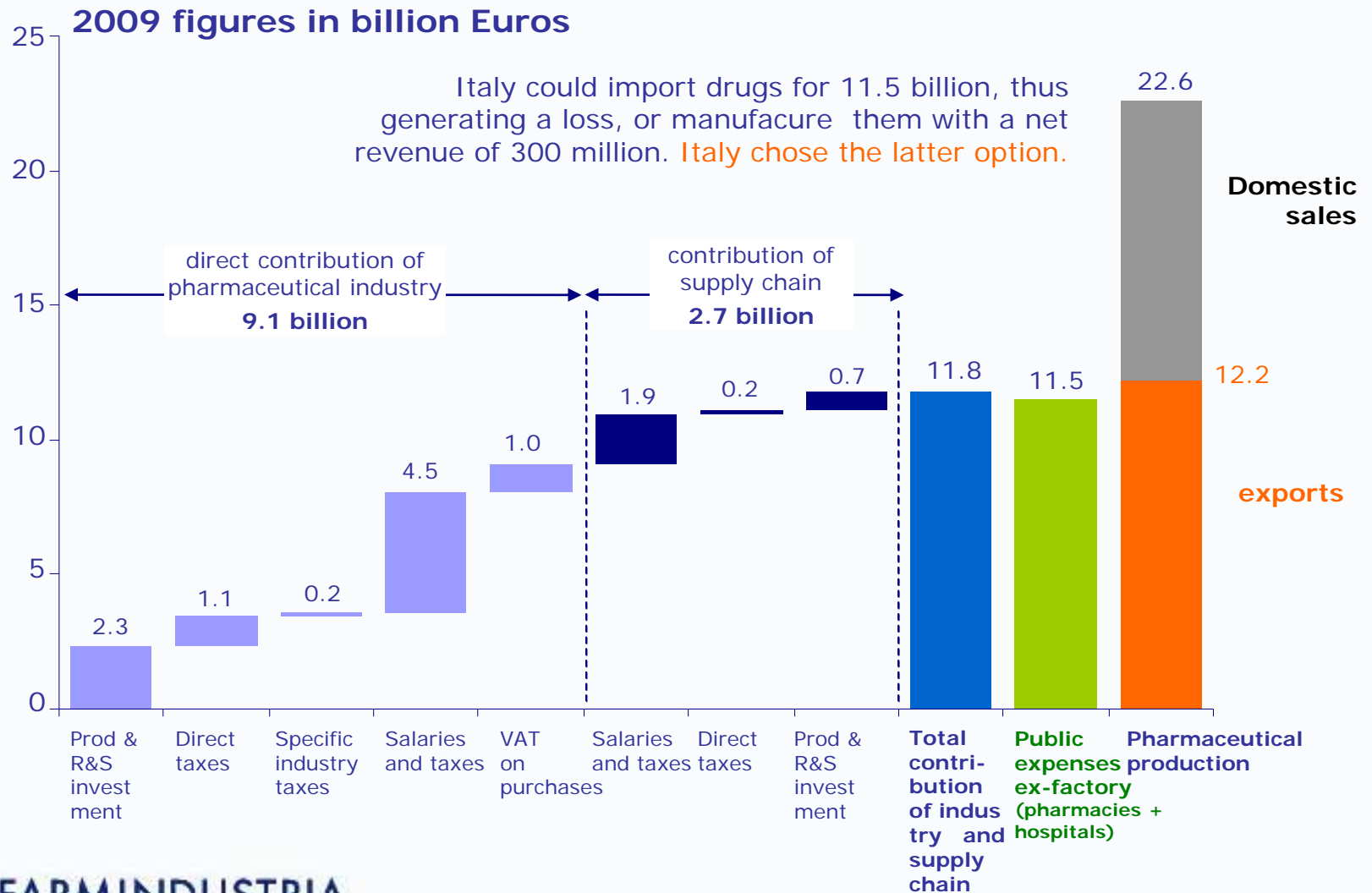
The pharmaceutical industry and its supply chain display above-average performance in value added, turnover, exports, investment and retribution per employee



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Source: Istat, Farmindustria

The pharmaceutical industry and its supply chain: crucial sectors for Italian economy

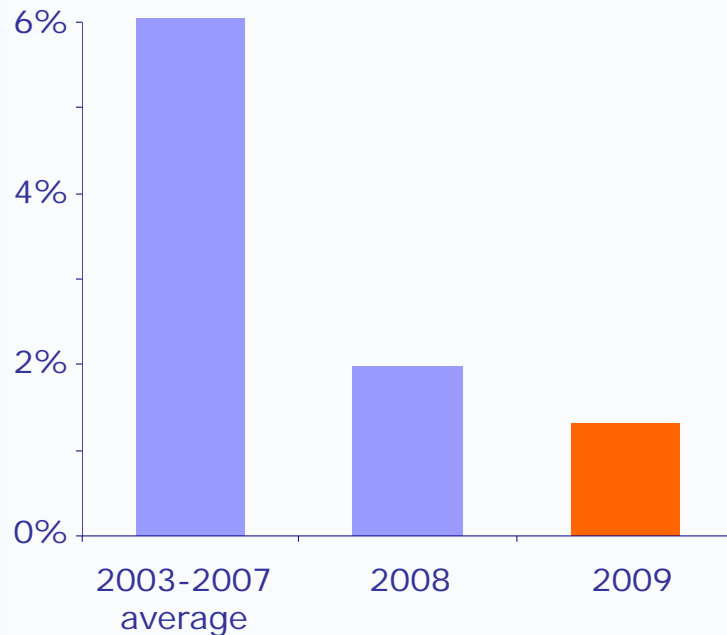


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Source: processing of data by Aifa, Farmindustria, Istat

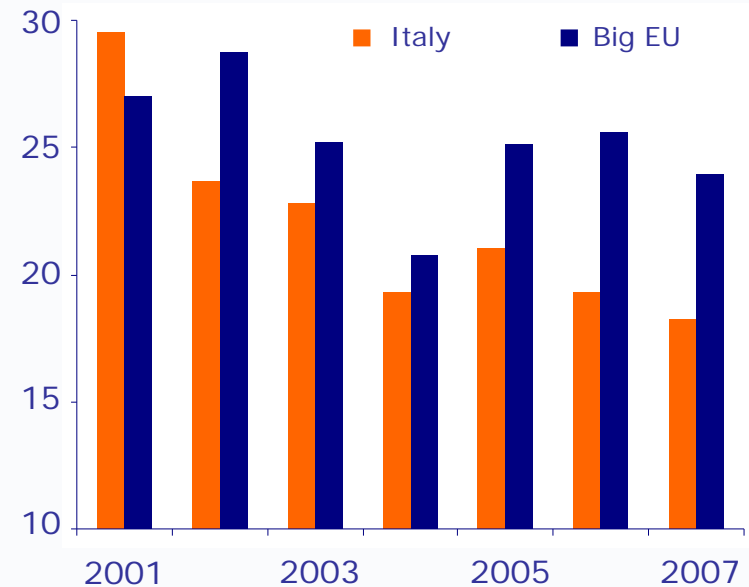
A crucial sector. Concerns about growth sustainability

Production and R&S investment in Italian pharmaceutical industry (% var)



1.8% drop in pharmaceutical production value in 2009

Profitability in pharmaceuticals (ROIC, percentage points)



Difference with Big EU (%)

+9%	-9%	-17%	-24%
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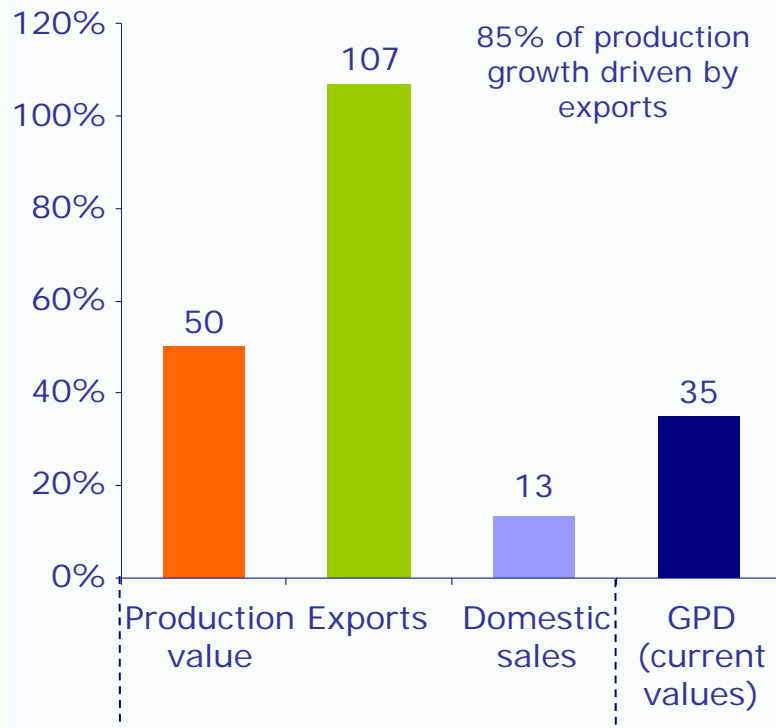


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Source: processing of data by ISTAT, Cergas Bocconi

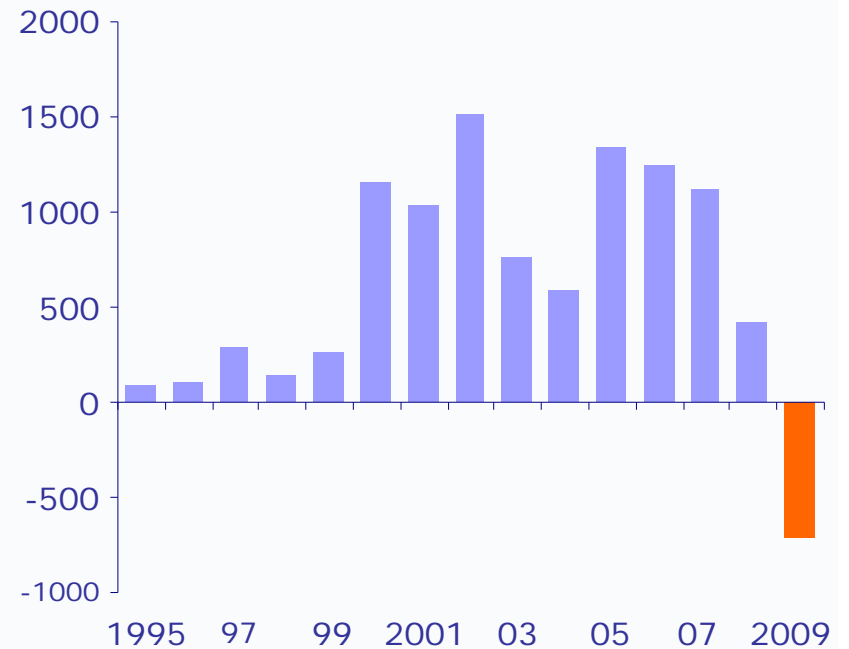
After a decade, drug imports exceed exports: the worst performance in the EU

Total growth of pharmaceutical production in Italy 1999-2009 (var %)



Pharmaceuticals

Drug balance of trade in Italy (million of Euros)



Performance on international markets shows companies are competitive, but 90% of margins depend on export-driven growth and could drop or increase only slightly



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Source: Farmindustria on Istat data

The pharmaceutical production network: a critical asset for Italian economy

- The new scenario demands more efficiency on all levels and a re-engineering of the entire economic system (companies, industries, territories, public bodies)
- Italian pharmaceutical and pharmaceutical-related industries are world leaders and a major strength for Italy's economy
- However there are strong **reasons to be alarmed** about competitiveness and growth sustainability (drop in employment, reduced investment, balance of trade in the red, decreasing prices, generally higher costs and longer payment terms compared to the rest of the EU, insufficient incentives on investment, heavy bureaucratic burden)
- The industry is undergoing restructuring on an international level and there is a growing risk that Italy's industrial system may cease to be competitive (both in terms of balance of trade and in attracting investment) with possible consequences on the supply chain
- The Italian pharmaceutical industry is considered a leading network worldwide. However there is a strong need for adequate industrial policies to keep this status in the future (no privileges but the same conditions as in other European countries)



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