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Press Release

Contact

Gaëlle Vilatte

02 600 61 64

gvilatte@deloitte.com

INCREASING ECONOMIC AND BUSINESS RISKS WILL TRANSFORM THE GLOBAL LIFE SCIENCES INDUSTRY

Largest Companies Require Most Dramatic Changes

Brussels, April 21, 2009 — Mounting pricing pressures, expiring patents, high cost of research and development and in some cases and plummeting stock prices have plagued the industry for the past decade, forcing life sciences companies to dramatically rethink their business models to survive in the next decade. To thrive in the long run, companies cannot simply depend on future returns from new products in their pipelines. As they wake up to new market realities, they must tackle their challenges and address risk in a fundamentally different way, frequently requiring significant transformation.

According to new research “The Future of Life Sciences Industries: Transformation Amid Rising Risk”, conducted by the Deloitte Life Sciences and Health Care Industry Practice Group in collaboration with The Economist Life Sciences Industries, life sciences companies are now realizing that their business models must change.

The increasing cost of innovation and the growing hurdles to gain adequate compensation for brand leading products have made businesses far more risk-averse. Executives agree that new alternatives must be considered to bridge the gap in their innovation pipelines.

Developed in collaboration with The Economist Intelligence Unit, the DTT white paper, “The Future of Life Sciences Industries: Transformation Amid Rising Risk,” (www.deloitte.com/lifesciencesurvey) is based on a global online survey of 360 senior executives in the life sciences industry conducted in 2008. The survey asked executives to predict the level of change their companies will undergo in the future to address growing risk and what areas would face the highest growth in risk. The survey also examined how companies will increase proficiency and deal with rising risks in these areas, as well as how they would manage internal and external risk.

Belgium is currently one of the “Pharma valleys” in Europe; most of the top 30 life sciences companies have set up a European Headquarter and/or some local operations on the country; three Belgian firms (UCB , Solvay Pharma and GSK Biologicals) are part of the top 30 global life sciences companies; overall, 11% Belgium’s exports are generated by life sciences firms, 5% top 100 global medicines are developed in Belgium, about 5% of the Belgian’s workforce is working for Pharmaceutical companies, and about 17,5% total employment works in R&D.

Eric Nys, Deloitte Belgium Life Sciences and Health Care Industry leader , indicates: *“The presence of so many multinational life sciences companies in Belgium, the importance of their export activities from Belgium and the international nature of the industry challenges stress the need to clearly understand the global evolution of the life sciences industry, as it will undoubtedly impact the Belgium economy”*.

Deloitte regularly interacts with the different stakeholders of the Life Sciences universe in Belgium (Life Sciences companies, European Union, government and other regulatory agencies, and even doctors and patients organizations), but also scrutinizes the global evolution of the life sciences industry.

According to the survey results:

- In Western Europe, where markets have experienced slow growth since 2001, 31 percent of responding executives call for a complete makeover of their companies.
- One in four respondents believes that their entire company will have to change to face future risks; more than three-quarters recognize that their companies will have to undergo a major transformation, at least in some parts of the organization.
- Eighty-two percent of executives surveyed from biotechnology companies say that major changes will be needed in some or all parts of their company to address future risk.
- Outsourcing will also become more critical with 44 percent of surveyed executives saying that over the next decade, most discovery and early-stage research will be conducted outside large life sciences companies.
- When asked to identify where they believe risk will rise most sharply in the next 10 years, respondents highlighted the areas of pricing and sales, marketing, regulatory affairs, talent management and R&D.

“Most creative industries have encountered challenges when facing disruptive technologies”, says Eric Nys, Deloitte Belgium Life Sciences and Health Care Industry leader. “In the case of life sciences, these companies will survive and prosper by addressing new customer needs, whether economic, health or both. Companies have to be willing to move away in some cases from past things that made them great to the new realities of delivering innovative medicines and devices within the economic realities of today’s markets.”

“The results of this survey clearly indicate that life sciences companies are now realizing that their business models must change,” says Sophie Janssens, responsible for Consulting in the Life Sciences Sector of Deloitte Belgium. “The full implications of these shifts have yet to be wholly understood; however, life sciences companies may be facing the prospect of strategic transformation as an ultimatum rather than an option. They will be challenged to work together with regulators and payers over the next decade to find new approaches that work for everyone in order to thrive.”

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Survey Demographics

* Of the 360 executives responding to the 2008 survey,

- 40 percent came from North America
- 24 percent from Western Europe

- 22 percent from Asia-Pacific
- 7 percent from Eastern Europe
- 7 percent from the rest of the world.

* Participants represented different sectors within the life sciences industry, including

- Healthcare services (23 percent),
- Pharmaceutical research and development (22 percent),
- Biotechnology (11 percent),
- Pharmaceutical manufacturing (11 percent),
- Medical devices (9 percent)
- Contract research (6 percent).

* Thirty-eight percent of respondents' organizations had annual revenue greater than US\$500 million and

* 38 percent had revenues less than US\$100 million.

* Board members and chief executive officers comprised 19 percent of respondents.

* Chief financial officers, chief technology officers and other C-level executives made up 12 percent of the panel.

* Senior vice presidents, vice presidents, directors, heads of business units and departments and managers made up the remainder of the respondent panel (69%).

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