



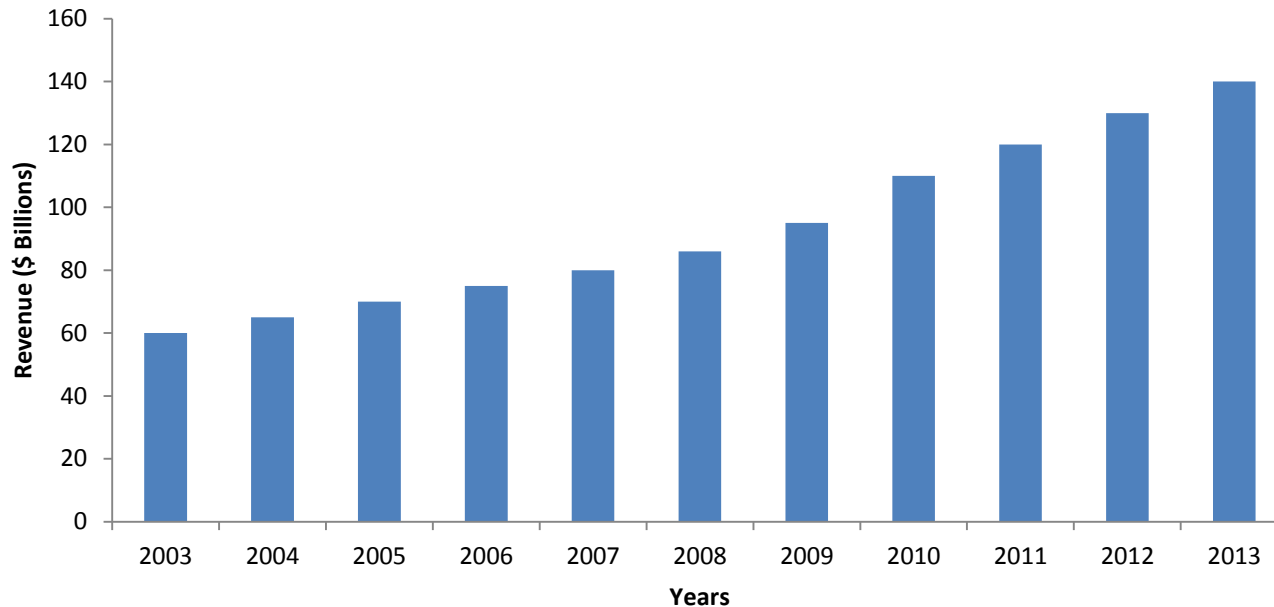
Medical Device Industry in Puerto Rico

Medical Device Cluster Leaders

Agenda:

- **Introduction**
- **Overview of the Medical Device Industry – U.S. & Puerto Rico**
- **Top competitiveness concerns**
- **Top competitive advantages**
- **Site Selection Factors**
- **Path Forward**

**Medical Devices Industry: Revenue Forecasts (U.S.)
2003-2013**



- **Facts**

- US is the world leader with > 50%
- Revenue drivers – aging population, increased medical care, and innovation
- R&D spend – 9% average

Overview of the Medical Device Industry – U.S.

- **Biggest challenges**
 - **2.3 % excise tax on revenues – Jan 1, 2013**
 - **Regulatory environment**
 - **Government cost cutting is putting pressure on GP%**

Overview of the Medical Device Industry – Puerto Rico

- Facts

- Started with Baxter in 1950's
- Spread throughout 21 cities around the island.
- Total of 30 medical devices companies
 - Includes Top medical devices companies in Ortho, Cardio, Neuro, etc.
 - Diversity - From bandages to insulin pumps, hernia patches implants, Combo devices
 - Rich - Technology, knowledge
 - Vibrant – Constant stream of new products and innovations.

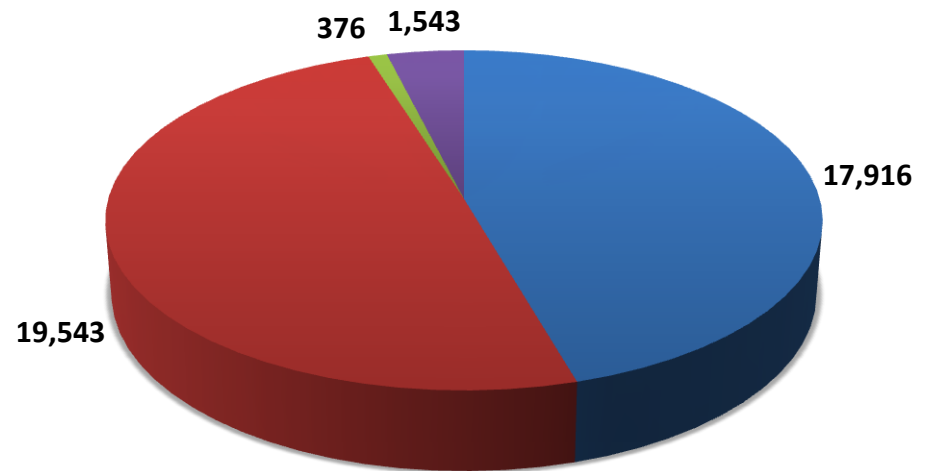
- Companies:

Edwards Lifesciences	Sartorius
Abbott Medical Optics (AMO)	Covidien
Baxter	Lifescan
Cardinal Health Care	Medtronic
St. Jude Medical	Essilor
Fresenius KABI	Angiotech
Stryker	C-Axis
Boston Scientific	MedTech
RD Medical	Classic
Zimmer	Heraus
Becton Dickinson	ProMed
Bard	Biomet
Integra Neurosciences	
Johnson & Johnson	
Pall Biomedical	
NP Medical	
Ethicon	
Coopervision	
Roche Diagnostics	

Overview of the Medical Device Industry – Puerto Rico

- **Contribution to Puerto Rican Economy**
 - Roughly 13% of manufacturing jobs
 - Average compensation = \$33,780
 - Knowledge Base
 - UPR graduates
 - Technology Transfer - Diversity
 - R&D activities
 - Talent mine to Corporate network

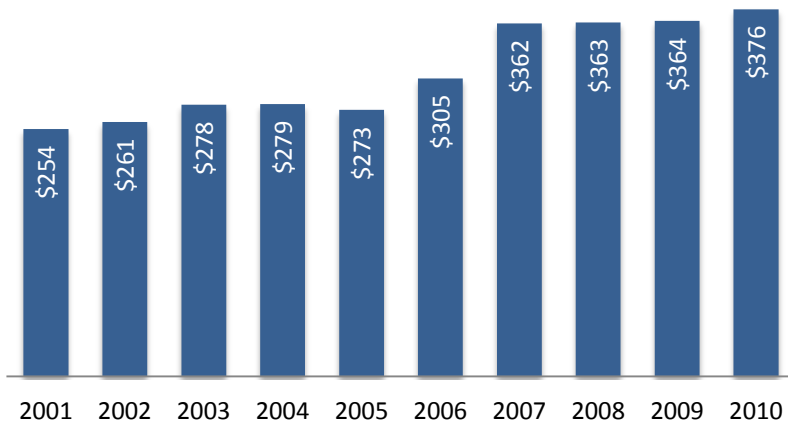
Direct Jobs



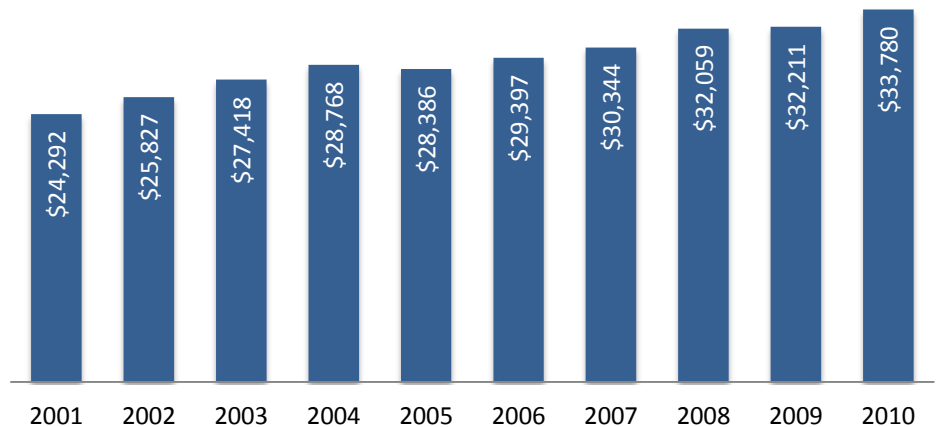
■ Farmaceutica y Biotecnología
 ■ Dispositivos Médicos
■ Biotecnología Agrícola
 ■ Cadena de Suministro

Overview of the Medical Device Industry – Puerto Rico

Total Salaries (\$ millions)

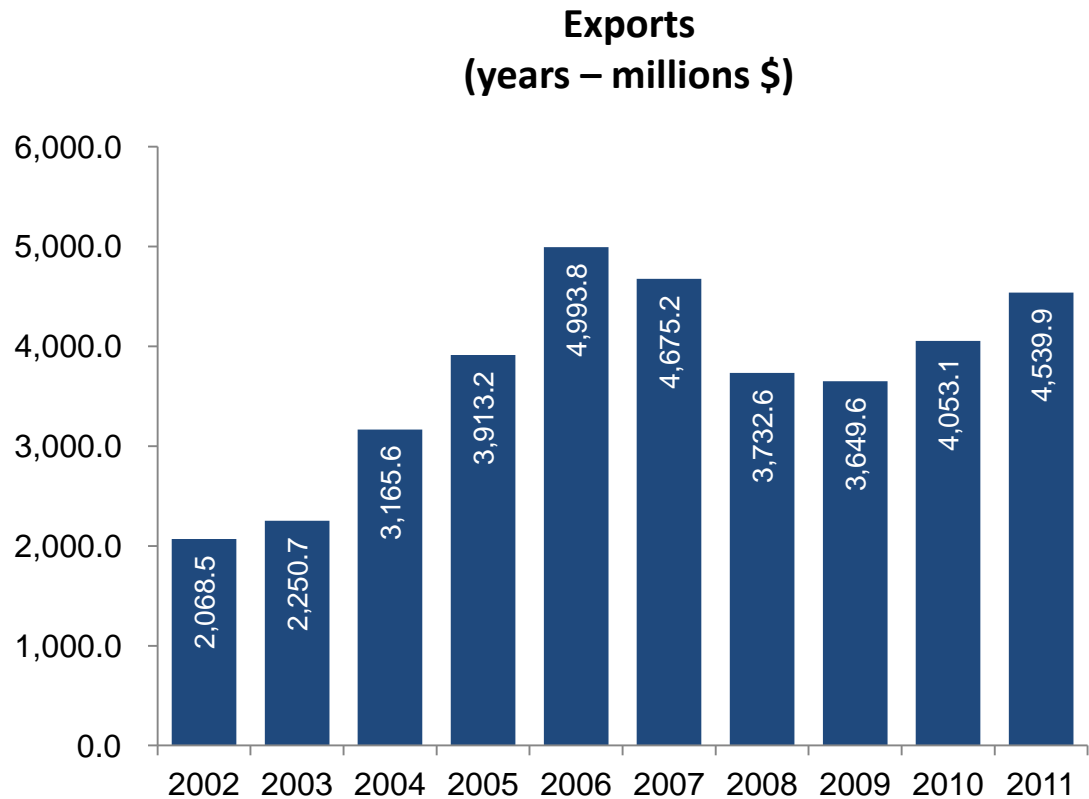


Average Annual Salary (\$)



Overview of the Medical Device Industry – Puerto Rico

- **Contribution to Puerto Rican Economy**
 - **Medical Device companies account for 2.4% GDP and 6.1% of Exports**
 - **Positive growth during past 5 years**
 - **Current Expansions at BD, Bard, Edwards, etc.**



Overview of the Medical Device Industry – Puerto Rico

- **Who are our competitors?**
 - **Costa Rica**
 - **Mexico**
 - **Ireland**
 - **Dominican Republic**
 - **Southeast Asia (Singapore, Thailand)**
 - **United States of America**

Site Selection Factors

- Experienced pool of skilled manufacturing associates that adapt well in a regulated industry, mastering complicated processes, science and engineering.
- Geographic location to support domestic and global markets.
- Competitive tax structure and best total landed cost.
- Having the same U.S. structure promotes simplified business transactions.

Site Selection Factors

- **University programs/curriculum aligned with industry needs.**
- **Strong and diverse network of suppliers to sustain and complement manufacturing operations.**
- **Experience and skilled personnel to meet the ever increasing regulatory requirements.**
- **Utility costs (i.e. electricity)**
- **Labor rates including fringes and site specific government requirements (i.e. housing need to be provided to operators in China)**
- **Transportation Costs**

Top Competitiveness Concerns

- **Stable & Predictable business environment**
 - **Excise Tax of Law 154 (What, How, Ambiguity)**
- **Energy Cost**
- **Transportation**
- **Agile Permit Process**
- **Non robust incentive and business development support packages at a disadvantage with other countries (i.e. Singapore)**

Top Competitive Advantages

- **R&D Tax Credit**
- **Tax Credit on Purchases for products manufactures in Puerto Rico**
- **Industry know how and talent**
- **Synergies with the Pharmaceutical and Biotech Industry**
- **Our People**
- **Infrastructure**
- **The quality of our education**
- **PRIDCO's flexibility to tailor solutions**

Path Forward

- **Short Term**
 - Re-establish the relationship government and industry.
 - Stabilize tax structure. **NO SURPRISES!!**
 - Keep the good things that we already have and not compromise the long term.
 - Building a task force inclusive of all economic sectors to tackle the government financial crisis.
- **Mid to Long Term**
 - Reengineer and strengthen “Fomento” as an effective engine to growth external investment and develop and growth internal worth.
 - Make Puerto Rico the best location for our industry. The end result is of mutual benefit. i.e. job creation and economic growth.

