

LATIN AMERICA'S BEST BUSINESS GATEWAY



BUSINESS OPPORTUNITIES FOR LIFE SCIENCE COMPANIES





high quality +
competitive
costs

WHY URUGUAY?



reliability

- Strong democracy; political, social and economic stability
- Easy for business & free capital or profit repatriation
- Outstanding tax benefits & government support



market & nearshore

- Easy access to Brazil and Spanish-speaking countries
- Convenient time zone and cultural affinity
- World-class facilities and connectivity



talent

- Highly skilled and multilingual: Spanish, English, Portuguese
- Competitive, adaptable and committed labor force
- Free, high-quality public education through college



lifestyle

- Relaxing and enjoyable place to live
- Vast cultural, educational and health amenities
- Friendly and polite people



success

- FDI track record
- Testing ground for innovation and new technologies

Life Science Success Stories



Roche has a Regional Supply Center in Uruguay which coordinates all logistic activities in Latin America. Also, the Center manages goods supply from the production centers to all its affiliates in the region. The main activities of the Regional Supply Center include: orders management, billing, and customer service. Thus, the Center has three different departments: Intercompany Operations, Supply Chain, and Transport. Each department ensures an alignment with regional interests and requirements.



Shimadzu Corporation manufactures analytical tools for precision and measurement, medical imaging systems, aircraft equipment, and other industrial equipment. In Uruguay, the Corporation has a Regional Distribution Center for Latin America, distributing medical and analytical equipment (precision balances, and laboratory equipment). Also, the firm has business offices, warehouse and Regional Headquarters in Uruguay, which they moved from Brazil in 2013.



Merck settled in Uruguay in 1996. The company develops logistic and business services lead by regional and global positions. The operation has grown steadily, following Merck's growth in Latin America, and currently 80 employees work in both platforms. Regarding logistics, Merck packages and distributes biotechnology products manufactured in Europe, which are afterwards sent to various countries in the region. Concerning business services, the firm provides regional and global support in regulatory issues, as well as Supply Chain Management for the region, planning to expand in other tasks.



Mega Pharma is a pharmaceutical company with a product portfolio commercialized in 18 Latin American countries and a total annual turnover exceeding US\$ 1 billion. With a current investment of over US\$ 100 million, in 2011 the company began the process of establishing its new Headquarters together with a state-of-the-art R&D Center and Manufacturing Site in the Free Zone 'Parque de las Ciencias', which provides unique and redundant infrastructure capable of hosting industrial projects of high complexity. The new facilities will allow Mega Pharma to continue its consolidation and expansion with almost unlimited growth capacity and under a stable and trustworthy legal regime.



In 2014, Medifarma, a leading pharmaceutical company of Latin America, acquired a Uruguayan firm investing in a Manufacturing Site highly specialized in oncologics. Medifarma chose Uruguay for its macroeconomic stability and political transparency, as well as for the solid investment promotion scheme, and its strategic geographic location. Today, the company highlight the qualifications of human resources as a driver of success. The manufacturing plant - ANVISA GMP certificated - is situated in Uruguay and exports products to more than 12 countries. The firm employs 250 persons and plans to continue growing its production capacity, as well as developing its own Development Center in Uruguay.



Adium Pharma settled its Regional Distribution Center in 'Zonamerica Business Park', in Uruguay, from where it provides secondary packaging, quality control, and distribution of generic drugs and raw material to most Latin American countries, including Brazil. Currently, the firm employs around 200 persons, combining the RDC and business office which coordinates all commercial and logistic activities.

Regional Headquarters (RHQ) & Shared Services Centers (SSC)

Uruguay is the most reliable country to do business in one of the most economically attractive regions in the world. Its capital city, Montevideo, has become a globally recognized **hub for Captive Centers**.

Samples of renowned companies which have developed RHQ & SSC are: *Finning Caterpillar, Sabre Holdings, Altisource, Willis Tower Watson, Louis Dreyfus Commodities, Cofco Agri, SKF, Trafigura, Arcos Dorados (McDonald's), and BASF.*



"We decided in favor of Uruguay for three main reasons. The first was its government, offering economic and social stability, ease of doing business, minimal bureaucracy and low levels of crime and corruption. The second was the country's quality and uninterrupted Internet connections, which our company needed to transport the data powering our equipment and technology. Most important was human resources, because our services depend on people. Uruguay offers professional and well-educated talent thanks to the country's excellent universities..."

Berthold Ebner, Managing Director, BASF Services Americas

Regional Distribution & Trading Centers

Due to its geographical location and exceptional legal and tax framework, Uruguay is a highly attractive country for logistic and trading activities. The free zone, free port and airport and warehouses regulations provide a completely differential framework for setting up distribution centers to supply goods to the wealthiest cities in Latin America.

The main advantages offered by Uruguay include:

- » Centralized inventories at the heart of Mercosur and flexibility for reallocation of destinations.
- » Extensive benefits for transit, fractioning, packaging and adding value to goods with cold-chain requirements.
- » Reducing lead times to final customers by replacing deliveries directly from the manufacturer with deliveries from a regional center located just a few hours from destination markets.
- » Speed to market: 93% of shipments dispatched in fewer than 8 h. and containers removed from port premises in fewer than 48 h.
- » Cost reduction, namely: financial (deferred costs), economic (stock reduction), operative (efficiency gains), and fiscal (tax incentives).
- » Lower risk, provided that companies have the option of having goods in US dollars.
- » Safe storage during global economic and political uncertainty.

Samples of renowned companies which have developed RDC and Trading are: *Ricoh, Casio, Sony, Lexmark, Shimano, Siera electronics, Airbus Helicopters, SKF.*



“The key milestone for SKF to decide to open the South American distribution center in Uruguay was to reduce the inventory in the region, while having a centralized inventory in Uruguay and only a small operation in other countries for critical demands. The second reason was to reduce the costs of operation and thirdly, and most importantly, was the service for our customers. We wanted to reduce the delivery time to our customers and increase the speed time to market, as well as to improve our customer service and have a better availability of our products for our customers.

Ralph Hendrikx, General Manager, SKF Logistic Services

Manufacturing

Uruguay has a long tradition in the pharmaceutical industry, successful entrepreneurs and human resources with vast experience and knowledge. Over 30 production plants are authorized by the Ministry of Public Health and most of them have the GMP certification.

Several foreign companies have installed manufacturing sites or acquired Uruguayan plants, including: *Opko Health (United States), Greatbatch (United States), Virbac (France), Eurofarma Brazil (Brazil), Roemmers (Argentina), Medifarma (Latin America), and Mega Pharma (Latin America).*



“Mega Pharma decided to develop its operations in Uruguay because of its legal certainty, human resources quality, and the free zone scheme. The decision was final after analyzing Costa Rica, Panama, Dominican Republic, and Colombia. In particular, the free zone scheme provides us the most convenient regulation and stability for a long term investment that implies exporting products. Another critical factor of success is Uruguay’s small distances: the manufacturing site is located less than a mile away from the airport and still very close to the port. This is very important because most of our products are exported through the airport and require cold treatment.”

Gianclaudio Broggi, General Manager, Mega Pharma

R&D and Clinical Research

Uruguay is an attractive innovation hub for research institutes and R&D of international companies. The country offers government support coupled with a synergetic ecosystem that nurtures Life Science firms investing in Uruguay. In addition, Uruguay has a high potential for multicenter clinical research projects.

Among the advantages that foreign investors note for setting up R&D centers or projects in Uruguay:

- » Availability of talented and cost-competitive R&D and clinical workforce. About 1200 surveyed researchers work in areas of interest to the Life Science industry, both in university and specialized R&D institutes. About 40.000 students enrolled in careers related to life sciences. One clinician per 250 inhabitants.
- » Outstanding tax incentives, easiness for trading scientific equipment and grants for training programs.
- » Science and technology parks with cutting-edge infrastructure.
- » Support institutions such as the National Research & Innovation Agency (ANII).

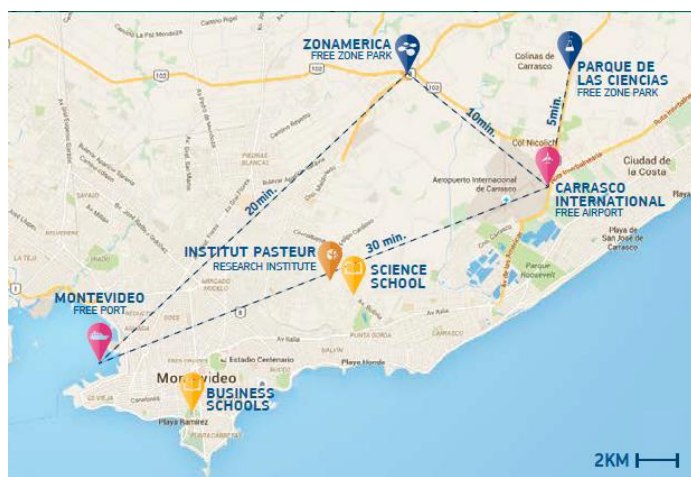


“Institute Pasteur of Montevideo was founded in 2006, as an initiative of the Uruguayan and French governments. Uruguay was chosen for its strategic geographical position between Argentina and Brazil, allowing a leading interaction with the largest scientific and economic players of the region. The country also offers exceptional logistic benefits, providing easiness to import and export chemicals and scientific equipment, (almost) at the original price, which is a big difference with neighboring countries. In addition, there is a convenient ecosystem that promotes the interaction among the companies, the academy, and the government agencies that fund innovation projects, favoring the addition of values. Finally, Uruguay stands out for the quality of their people: researchers and students are very well qualified, and the country effectively attracts foreign talent.”

Luis Barbeito, Executive Director, Institute Pasteur

Uruguay’s Life Science business opportunities are supported by a synergistic ecosystem coupled with time-efficient local distances.

Parks under the free zone scheme (Zonamerica, World Trade Center, Aguada Park, and Parque de las Ciencias), are located five minutes from Carrasco International Airport (a free airport) and 30 minutes from the Port of Montevideo (a free port).



Uruguay | Latin America’s Best Business Gateway

Uruguay’s value proposition relies in four key pillars: reliability, market and nearshore location, qualified human capital, and a unique lifestyle.









Reliability

Uruguay offers a favorable business climate with **social and political stability** (independently of the political party in power), investment grade ratings from the main credit rating agencies (Standard & Poor’s, Fitch Ratings, DBRS, and Moody’s), and sustained GDP growth during the past 12 years.

Investors distinguish Uruguay’s **world class infrastructure** (i.e. Latin America’s fastest Internet speed), and **excellent quality of life** for executives and their families.

Investors also highlight Uruguay’s **attractive tax system** for export operations, qualified and multilingual talent (Spanish, English, and Portuguese) and competitive costs. In addition, foreign investments receive equal treatment to domestic ones, there are no restrictions on capital or profit repatriation, and companies can operate in domestic or foreign currency.

Uruguay consistently leads Latin America rankings relevant to potential investors:

 Democracy Index (Economist Intelligence Unit, 2015)	1	 IT Development Index (International Telec. Union, 2015)	1
 Low corruption (Transparency International, 2015)	1	 Internet download & upload speed (ECLAC, 2015)	1
 Prosperity Index (Legatum Institute, 2015)	1	 E-Gov Development Index (United Nations, 2014)	1
 Rule of law Index (World Justice Project, 2015)	1	 Best place to live (Mercer, 2015)	1

Free Zone Scheme

Free zones have operated in Uruguay for more than 25 years. Companies can use them for all types of activities, but most of them use them for services and logistics.

They are **exempted from ALL taxes** (net income tax, VAT, customs duties, property taxes, etc.). There is no tax or retention on dividends paid to shareholders.

Free Port/Airport



The only free-trade ports on South America's Atlantic coast



The only free airport in South America and the only 7 free airports in world

- » Goods fully exempt from domestic taxes and import surcharges.
- » Free circulation of goods without authorizations or formal processes.
- » Foreign legal entities exempt from Wealth Tax and Corporate Income Tax.
- » Automated operations.

Goods can circulate freely within the country's port/airport terminals, allowing companies to receive ships/aircrafts from overseas without the need of authorizations or special clearance. During their stay in the port, goods are exempted from all import taxes.

Within the port/ airport, goods can be warehoused, repacked, remarked, classified, grouped or ungrouped, consolidated, manipulated, and/or fractioned (as long as the Mercosur nomenclature NCM- of the goods remains unchanged).

Goods can be stored for an unlimited period of time. The destination of the goods can be changed at will, without being subject to restrictions, limitations, permits or previous compliance. In addition, all goods, activities, and services conducted within the port/airport are duty free. Goods stored under the free port scheme are not subject to the Uruguayan Wealth Income Tax. Terminals are available outside ports to supplement port warehouses. Given the limited space of the ports, these terminals, governed by specific laws, prevent saturation and make operations more agile.

Market and Nearshore

Given the country's location, language, business history, shared culture and trade agreements, Uruguay is an excellent platform to access markets such as Brazil and Spanish-speaking countries.

As a MERCOSUR member and its Free Trade Agreement with Mexico, Uruguay has access to a market of 400 million people, which represents 76% and 69% of Latin America's GDP and regional trade, respectively.



Uruguay is a Mercosur member and has a Free Trade Agreement with Mexico. Together, these markets represent:

- » 400 million people
- » 76% of Latin America's GDP
- » 69% of Latin America's trade

Transport times



		
Buenos Aires	1.00 h	24 hs
Porto Alegre	1.30 h	24 – 48 hs
Río de Janeiro	4.00 h	72 – 96 hs
São Paulo	2.30 h	72 – 96 hs
Asunción	2.00 h	72 – 96 hs
Santiago	2.30 h	72 – 96 hs
Lima	5.00 h	72 – 96 hs

Truck transport time includes average customs time.

Talent

Human resources in Uruguay are highly competitive due to a combination of several factors, including the high quality of basic, technical, and university training, and the flexibility of Uruguayan workers to adapt to new production processes and technologies. Also, the Uruguayan workforce has been showing a steady increase in its ability to master other languages, in particular English and Portuguese.

Uruguay has the highest literacy rate in Latin America: 98%. Free public education is provided from kindergarten through university. Also, 6% of the country's GDP is invested in education and 100% of high school students at the age of 15 have already completed at least three years of English and two years of computer science.

The potential of access to talent is complemented by the easiness to getting residence for professionals coming from other Mercosur countries (Argentina, Brazil, Paraguay and Venezuela), who find working and living in Uruguay very attractive.

Long term policies: One Laptop Per Child Program

Uruguay's Ceibal Plan is an initiative promoted by the Uruguayan government since 2007, based on the One Laptop Per Child (OLPC) program of the Massachusetts Institute of Technology (MIT).

Uruguay was the first country in the world to provide laptop computers freely to all students and teachers in public schools and high schools.

This program allowed the country to substantially reduce the digital gap and empower future generations to face new employment challenges. In addition, through Ceibal Plan the following goals have been achieved:

- » Connectivity: 100% of schools, high schools, and technical universities have fiber optic.
- » Digital gap: has been reduced from 35% to 8% of households during the period 2005-2015.
- » English: Ceibal platform is implemented in English, contributing to the bilingualism of the Uruguayan population.

Labor force and education

Around 66% of Uruguay's labor force is concentrated in the Montevideo metropolitan area.

	Country total	Metropolitan Area
Population	3,453,691	2,072,214
Productive Population	63,8%	64,9%
Labor force	1,797,877	944,537
Unemployment rate	7,7%	7,7%

Number of Life Science, Business Services and ICT undergraduate and graduates

Undergraduates and Graduates	Technician or equivalent	Graduate Degree or equivalent
General		
Number of Educational Institutions in the Metropolitan Area	42	36
Total number of students	31,200	152,000
Total number of new students admissions	Not available	29,000
Total annual number of pre-graduates	Not available	7,200
Life Sciences services related Studies		
Total No. of students enrolled	800	40,000
Total annual admissions	Not available	7,800
Total annual graduates	Not available	2,200
Business Services related Studies		
Total No. of students enrolled	10,200	78,000
Total annual admissions	Not available	14,000
Total annual graduates	Not available	5,300
ICT related studies		
Total No. of students enrolled	4,000	10,200
Total annual admissions	Not available	1,800
Total annual graduates	Not available	400

Command of languages

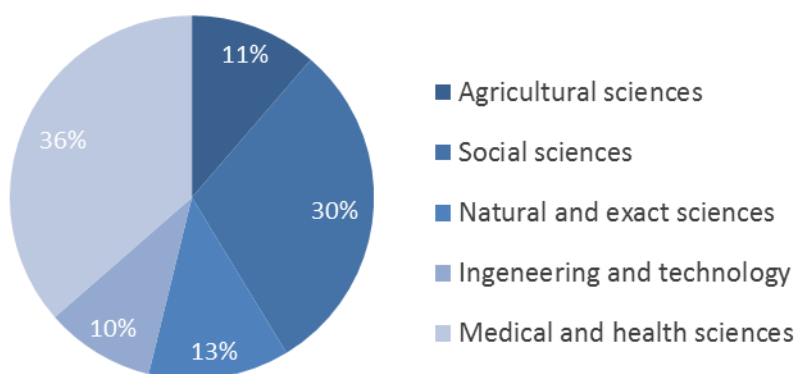
Languages	Reads	Writes	Speaks
English	75%	60%	55%
Portuguese	36%	14%	21%
Others	29%	13%	15%

Distribution of graduates for life science areas

Undergraduates and Graduates	Admitted	Graduates	Enrolled
Medicine	19%	18%	21%
Chemistry	8%	6%	13%
Medical Technology	19%	14%	12%
Veterinary	7%	5%	9%
Nursing	10%	19%	9%
Dentistry	8%	12%	8%
Agricultural Sciences	7%	7%	6%
Nutrition	6%	7%	5%
Biological Sciences	4%	2%	5%
Pharmaceutical Sciences	2%	2%	5%
Food Engineering	1%	2%	3%
Obstetrics	6%	3%	3%
Biotechnology	1%	3%	1%

Researchers registered in the National Agency for Innovation and Research

Of a total of 1,581 surveyed researchers who comprise the National System of Researchers, **70%** work in areas of interest to the Life Science industry.



Finishing Schools and Smart Talent

Since the Finishing Schools Program started operating, 78 projects have been approved, 2500 people have been trained, and a total of U\$S 2,000,000 has been invested (from which U\$S 800,000 were granted by the program).

Following this further, Uruguay offers SMART TALENT, a website for job opportunities focused on global services which offers tests to measure the knowledge of the registered candidates. Through Smart Talent, companies can post their job vacancies and have access to tested profiles without any charge. It also works as a tool to promote the global services industry among young people in Uruguay through a series of awareness activities. The website was launched on March 2015 and today it has more than 200 global services companies, 8,500 registered candidates, and 14,500 performed tests.

Uruguay subsidies up to 70% of job training costs in the specific skills required by companies to establish or expand export operations

finishing schools



Who can access?

Companies requiring staff to install or expand its operations of export services from Uruguay

What kind of support?

Non – refundable contribution up to 70% for the costs of training in soft and technical skills.

How to access?

Once the idea is defined, the company sends its proposals which is evaluated by a specialized committee within 10 days.



smart talent

People

Access to information of the sector, evaluate, apply and share opportunities.

Companies

Post opportunities and access to pre evaluated profiles

Academy

Link their students and graduates with companies of the sector.

Lifestyle

Uruguay’s capital city, Montevideo (1.3 million inhabitants), Punta del Este and other offer excellent living conditions for executives and their families, including quality free health services and education. More and more foreigners are choosing Uruguay as their place of residence.

Residents enjoy Uruguay’s pleasant climate, friendly people, and a relaxed and calm pace of life.

City	Latin America
Montevideo	1
Buenos Aires	2
Santiago	3
Brasilia	6
Asunción	9
Río de Janeiro	10
Sao Pablo	11
Lima	12
Mexico city	13

Uruguay ranks as one of the safest countries in Latin America on the Latin Security Index, developed by FTI Consulting for Latin Business Chronicle. The index measures security for multinational executives. According to the 2014 Legatum Prosperity Index, Uruguay is the best place to live in Latin America. The ranking is based on a variety of factors including wealth, economic growth, and quality of life.

The Economist named Uruguay its first-ever Country of the Year. Namely, Uruguay is one of the most socially progressive countries in the Americas, for instance it is the first country in Latin America to legalize gay marriage and to enact other daring social reforms. In addition, Uruguay’s middle class is the largest in Latin America. This means that besides being a country where you can live in a relaxed and friendly environment, the excellent levels of social equality enhance even more the lifestyle indicators.

Liberal immigration laws are attracting a wave of talented executives who can legally reside and work in the country while their resident visa applications are being processed.



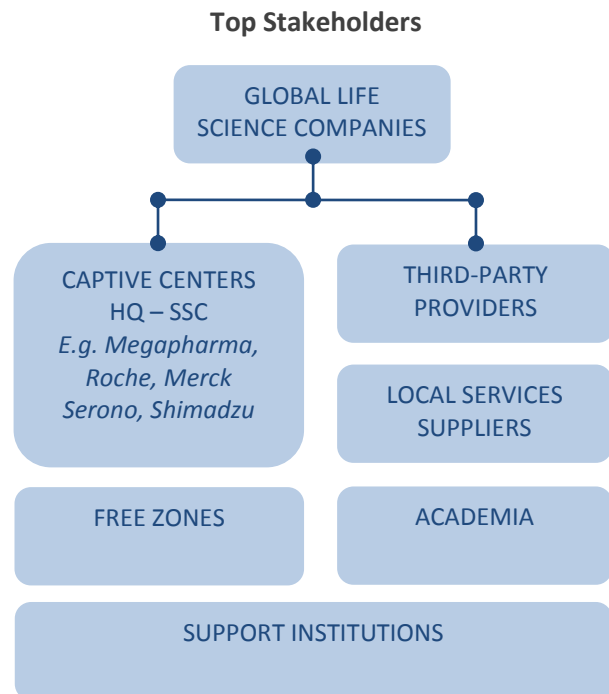
Pocitos Coastline, Montevideo, Uruguay

Annex 1 | About these business segments and stakeholders

Regional Headquarters and Shared Service Centers

Uruguay’s capital city, Montevideo, has become a hub for Regional Headquarters (RHQ) and Shared Services Centers (SSC), which support the core business of global companies, providing trading, supply chain, F&A, HR, contract management, and training services. Over 70% of these operations are in house or captives.

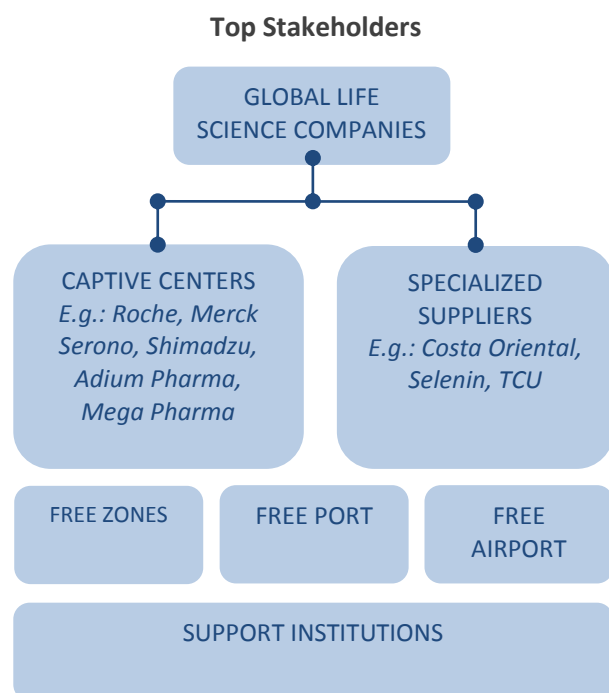
Local service suppliers, free zones, academia, and support institutions complete the ecosystem for RHQ and SSC.



Regional Distribution Centers and Trading

Uruguay has extensive experience in logistics and distribution to the region, for which it has become an ideal hub for setting up Regional Distribution Centers (RDC). The sector includes several activities which are developed in ports, airports and free zones, by both captive centers or specialized logistics companies.

Specialized suppliers, combined with the free zones, free port, and free airport complete the ecosystem for RDC.



Manufacturing

Uruguay has a long tradition in the pharmaceutical industry, for which entrepreneurs and human resources are recognized by their vast experience and knowledge in the field. In addition, companies and laboratories find the regulations required to provide high-quality services to international firms.

Despite its small population, the country has over 30 pharmaceutical facilities authorized by the Ministry of Public Health (MSP). Also, most have the Good Manufacturing Practice certificate.

Furthermore, Uruguay has invested in the development of modern technologies for sterile filling in vials and syringes of biological products, as well as for the production of molecular biology and immunodiagnostic, and recombinant protein kits.

The total offer of pharmaceutical products in the Uruguayan local market, in 2015, was of US\$ 760 million per year¹, and the sector directly employs more than 4,500 people, with a high percentage of technicians and professionals².

Pharmaceutical laboratories for human use are multinational companies which develop global patented products, or local firms that manufacture or sell similar or generic pharmaceutical products. The first are grouped in the Chamber of Pharmaceutical Specialties and Related Products, CEFA for its acronym in Spanish). The second are grouped in the National Association of Laboratories, ALN for its acronym in Spanish).

Production, exports and imports of the Pharmaceutical Industry

The production of the pharmaceutical industry has displayed a process of recovery after a significant shrink during the 2002–2003 economic crisis. As from 2004, the industry began a strong recovery and growth process, which led turnover to be trebled. Thus, in 2015, it is estimated that annual production exceeded US\$ 490 million.

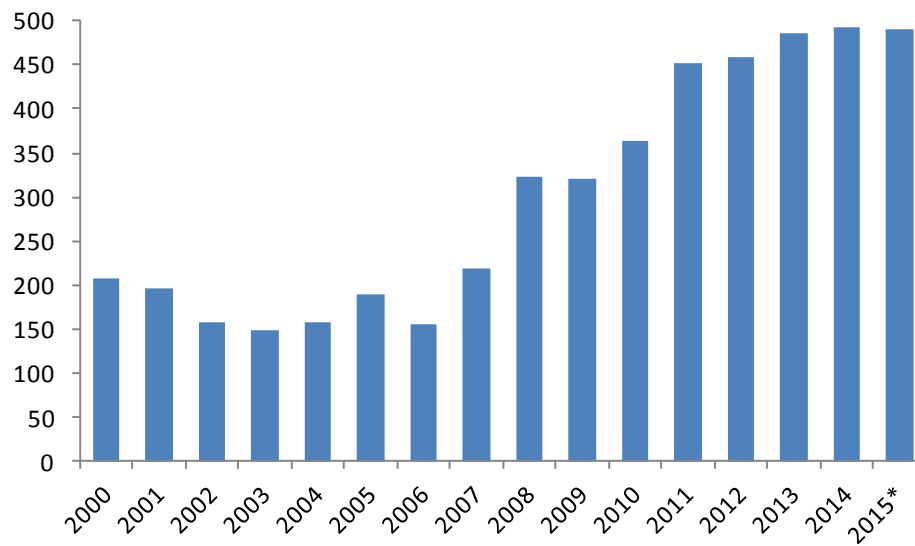
Top Stakeholders



¹ Source: Deloitte.

² Source: Deloitte.

Chart No. 1: Gross Value of Production of Uruguay's pharmaceutical industry (US\$ millions)

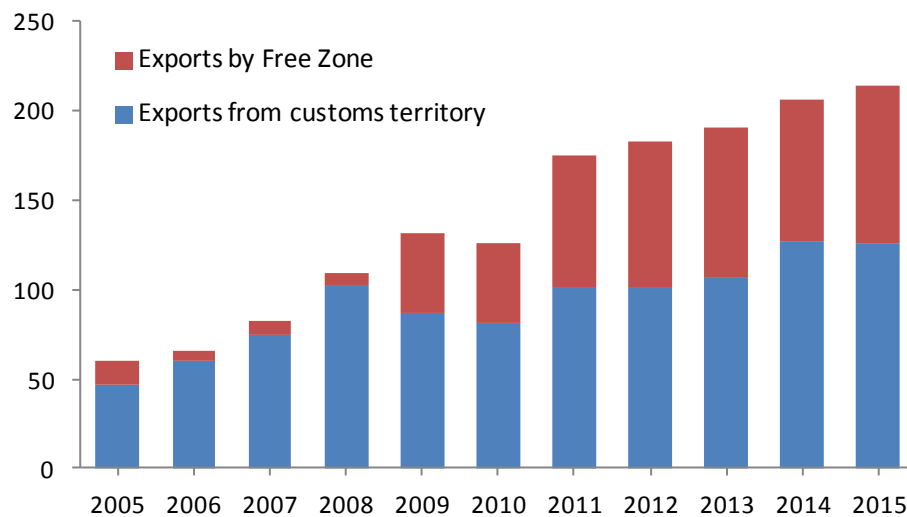


Source: Prepared by Uruguay XXI based on data from BPS. Includes drugs for animal use.

*Estimated

Sector exports recorded an increasing trend as from 2005, reaching US\$ 214 million in 2015.

Chart No. 2: Pharmaceutical industry exports (US\$ millions)



Source: Prepared by Uruguay XXI based on data from DNA. Includes drugs for animal use.

Chart No.2 also shows the increasing importance of goods exported from Free Zones. These products enter Zonamerica and Parque de las Ciencias (Science Park) from Uruguayan customs territory under the transit regime before being exported to other countries.

The sector's main export products are drugs packaged for retail sale, accounting for 70% of exports in 2015, followed by human and animal blood for therapeutic, prophylactic or diagnostic uses, and antisera (see table No.1).

Table No. 1: **Uruguay's pharmaceutical industry exports by product (US\$ millions)**

NCM4	Description	2015	Share
3004	Drugs packaged for retail sale	151	70%
3002	Antisera and immunological products, vaccines for human and veterinary use	36	17%
3006	Preparations and Pharmaceutical goods	16	7%
2937	Hormones and prostaglandins	9	4%
2936	Provitamins and vitamins	2	0,7%
	Other	1	0,6%
Total		214	100%

Source: Prepared by Uruguay XXI based on data from DNA. Includes drugs for animal use.

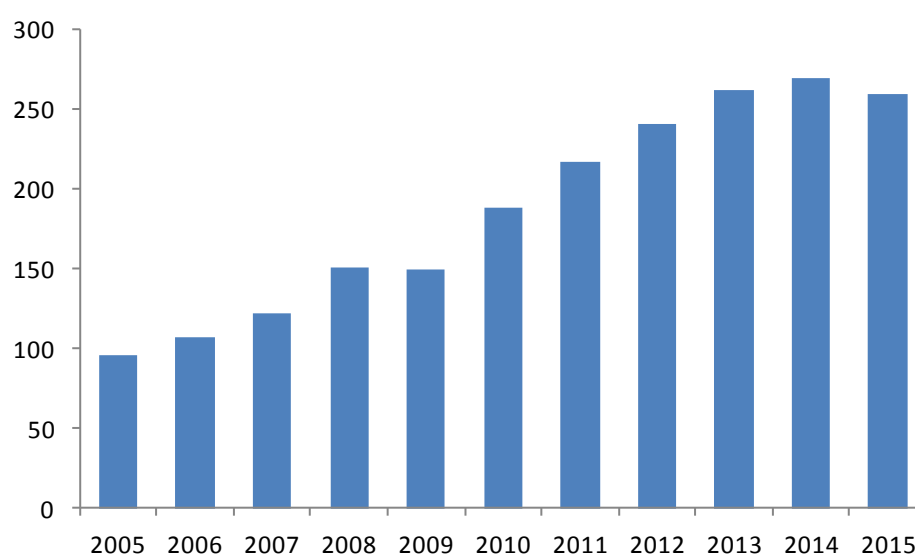
Table No. 2: **Top pharmaceutical industry exporting companies (US\$ millions, 2015)**

Company	Exports (US\$)
Megapharma *	78
Laboratorios Microsules	19
Farmaco Uruguayo	18
Urufarma	16
Laboratorio Libra	11
Laboratorio Clausen	10
Khairi S.A. *	9
Syntex Uruguaya	9
Prondil	5
Abbvie	4
Roche International	4
Merial	3
Others	26
Total	126

Source: Prepared by Uruguay XXI based on data from DNA. Includes exports from customs territory only. Includes drugs for animal use.

Regarding imports, a significant increase has also been observed, reaching US\$ 270 million in 2014.

Chart No. 3: Pharmaceutical industry imports (US\$ millions)



Source: Uruguay XXI based on DNA. Includes drugs for animal use.

Staff employed in the Pharmaceutical and related industries

The pharmaceutical industry directly employed 4,826 people in December 2015, mostly highly qualified. Added to these, we highlight several other positions in related activities such as marketing and sale of products, as well as health related services.

Table No. 3: Staff employed in the pharmaceutical industry and related activities (2015)

Description	Number of people
Manufacturing of pharmaceutical products, medicinal chemical substances and botanical products.	4,826
Manufacturing of radiological, electromedical and electrotherapeutic equipment	233
Retail sale of pharmaceutical and medicinal products as well as cosmetics and toiletries.	10,554
Veterinary activities	1,875
Hospital activities	66,883
Medical and dental practice activities	6,042
Other activities related to human health	20,731

Source: Prepared by Uruguay XXI based on data from BPS at December 2015.

Pharmaceutical Industry Investments

In recent years investments made in the pharmaceutical industry have been considerable. This is mirrored in figures from investment projects recommended by COMAP to be promoted. In the 2006–2015 period 118 investment projects were submitted, for an amount close to US\$ 200 million.

Table No. 4: **Investment recommended by COMAP – Pharmaceutical sector, laboratories and drugs for animal use (US\$)**

Year	Amount in US\$
2006	18,013,873
2007	1,218,965
2008	9,841,688
2009	19,207,592
2010	12,957,960
2011	29,384,009
2012	8,885,649
2013	85,725,811
2014	8,743,363
2015	6,225,168
Total	200,204,078

Clinical research

As a result of stringent regulatory requirements and high R&D costs, life science companies are increasingly seeking to outsource clinical research abroad. Within the site selection process, companies assess a number of factors, including: regulatory framework, qualifications of human resources, scientific experience, infrastructure, academy-company collaboration, and quality of research centers and health care centers.

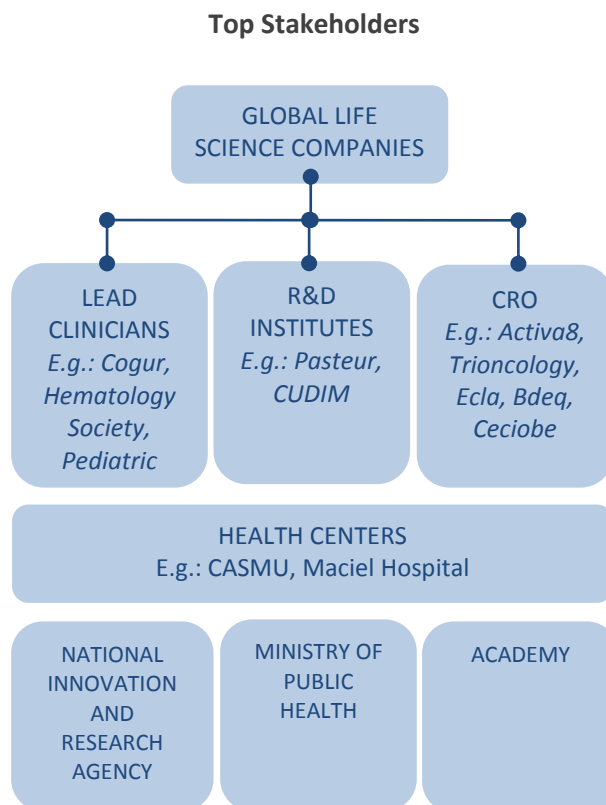
Such subcontracting is mostly done through **Contract Research Organizations (CROs)**, specialized companies who manage clinical research outsourcing (drugs, medical devices and diagnostics). CROs must comply with strict protocols and assure their customers (pharmaceutical and medical devices companies) and regulators that:

- » Clinical trials are conducted in accordance with required standards.
- » Compliance with national and international ethical standards.
- » Data is trustworthy and fraud-free.

Uruguay has several features that make it a suitable country to develop research projects, including:

- » Excellent clinical education and training, as well as research groups in specific pathologies.
- » Historically, medicine has been one of the most traditional knowledge fields: 4,5 clinicians every 1,000 inhabitants.
- » Healthcare institutions accommodate patients with various diseases, thereby it is possible to carry out multicenter trials which require a reduced number of people. Thus, the small number of inhabitants would not be a hindrance to develop this activity.
- » Interest from large global laboratories – with commercial representation in the country – in developing projects in Uruguay.
- » The Uruguayan Centre of Molecular Imaging offers leading technology, highly valued by pharmaceutical companies.

In Uruguay, according to data furnished by the MSP, from 2009 to September 2016, 26 trial-type research protocols were submitted for evaluation, 11 of which were for conducting Phase III studies, 2 for Phase II and 2 for Phase IV studies. The areas of knowledge covered were: Oncology (7 projects) Cardiology (3 projects), Hemato - Oncology (2 projects), Rheumatology (2 project), Surgery



(2 project), Gastroenterology (4 project), Dentistry (1 project) and Gynecology (1 project), Psychiatry (1 project), Neurology (1 project), Nefrology (1 project) and Intensive Care (1 project).

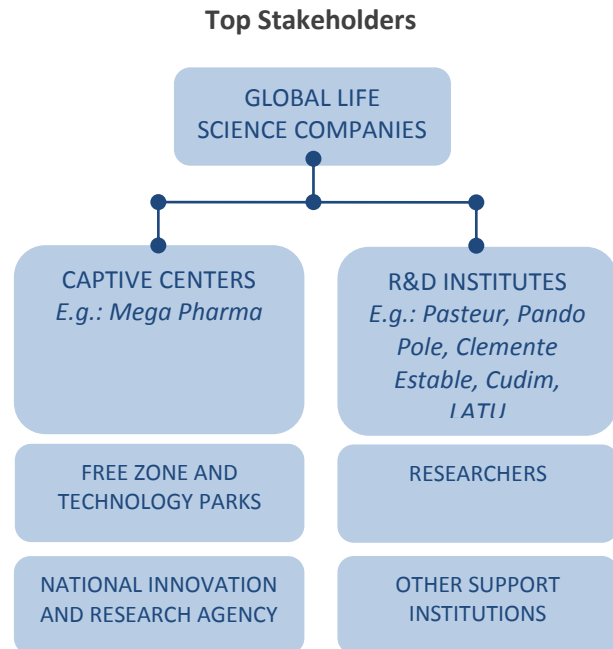
Research and Development

Uruguay promotes the generation and development of international and regional cooperation research projects with R&D institutes based in the country. Such institutes offer world-class technological infrastructure as well as highly qualified human resources. The University of the Republic has multiple research groups, with both basic and applied research approaches.

Furthermore, the establishment of Institute Pasteur in Montevideo – direct affiliate of the Institut Pasteur in Paris –implied a milestone for Uruguay in terms of Research and Development, provided that not only did it promote the incorporation of new technologies into the country, but also the attraction of highly qualified human resources.

These institutes, apart from contributing to industry projects, provide specific training as well as the special equipment and infrastructure to complete it, which would otherwise have to be provided by the company, somehow hindering every-day operations.

Most of these institutions, as well as free zones with specific platforms, technologies, and services for Life Science companies (e.g.: Zonamerica and Parque de las Ciencias) are concentrated in the Metropolitan Area of Montevideo, creating an innovation hub.



Research institutes in Uruguay



The Institut Pasteur is a non-profit foundation, created in 2004 by the Institut Pasteur in Paris and the University of the Republic. It has highly qualified human resources and state-of-the-art equipment available for the entire scientific community and life science companies. The Institut works on integrated projects in biotechnology linked to human and animal health-related sectors, among others. In this framework, it develops biotechnological services for national and foreign companies, including: Biopolis (Spain), Danone (France), Gema Biotech (Argentina), Santa Elena (Uruguay), and Microsules (Uruguay).



The institute 'Polo Tecnológico de Pando' (Pando Technological Pole) of the School of Chemistry (University of the Republic) serves as a research, development and innovation center in the following fields: Chemistry, Biotechnology, Material Science, and Environment. It specializes in Uruguay's most productive manufacturing and services sectors.

This institute works on the promotion and development of R&D activities through:

- » Technological transfer
- » Design, development, and participation in research and innovation projects, both of its own and in conjunction with other companies.
- » Joint projects with companies that seek for funding.
- » Incubation and technical support to entrepreneurs.
- » Courses, seminars, and other training for companies.

Annex 2 | Free Zone Operators

In Uruguay there are 12 free zones, 11 privately owned and one publicly owned. Most global services companies are located in free zone areas, mainly in Montevideo and its metropolitan area. The free zones areas located in the metro area of Montevideo and specialized in global services are the following:

ZONAMERICA



Zonamerica is located in Montevideo, near Carrasco International Airport. Zonamerica is a place where the infrastructure, corporate services and its modern business environment provide its clients with comprehensive competitive advantages for conducting business with the region and the world. Recently, Zonamerica was awarded the prize as Best Free Zone in the Americas for small and medium sized enterprises, by fDi Magazine from Financial Times Group.

Zonamerica also operates as a magnet to attract qualified talents with technical skills and language competency, essential for the global services industry. There are currently more than 10,000 people working in Zonamerica in over 350 companies.

The companies that set up in the Free Zone operate at different business areas: logistics, financial services, information technology, call centers, regional offices, biotechnology, consulting, and trade in general. Some of the companies in the park are: Merck, Sabre Holdings, Trafigura, Assist Card, Ricoh, Tata Consultancy Services, Verifone, PWC, TMF, KPMG, Finning, Despegar.com, RCI, among others.

Zonamerica has 28 buildings distributed according to the specific and particular needs of their clients, including the Best Office Building Project in the world according to The International Commercial Property Awards in Association with Bloomberg Television, 'Celebra', LEED Gold. It has more than 10,000 sq. meters of premium offices built following the most modern and rigorous standards of sustainable architecture, making it one of the top benchmarks of business modernity

Web page: <http://web.zonamerica.com/>

AGUADA PARK



Aguada Park is located at Aguada, opposite to Montevideo's port and very close to downtown and Ciudad Vieja (Montevideo's central business district). The free zone is located between ANTEL Telecommunications Tower (national telecommunications entity) and UTE's Power Supply Plant (national electricity generation entity). It has a world class 30,000 m2 complex, specially designed for services, which is expected to increase substantially due to current extension projects.

Aguada Park's main clients operate in sectors such as: software development, call centers, BPO and shared services, financial services, professional services and trading firms, all focused on the export of services. Some of the main companies operating from Aguada Park are: EGS Expert Global Solutions, Globant, MercadoLibre, Corporación Navíos, Banco Itaú, Teyma, Sabre Holdings, Travel Leaders, among others. Companies operating in Aguada Park facilities employ approximately 2,500 people (March 2015).

Web page: <http://www.aguadapark.com/>

WTC FREE ZONE



WTC Free Zone is strategically located in the city of Montevideo and has a world-class building infrastructure which provides its customers with the possibility to work in the first and only LEED tower in Uruguay. It has 17,000 m2 of offices, from where currently about 100 leading companies offer their services to the world. These include: PwC, Deloitte, TCI Delivery Center, Estudios Energéticos Consultores, Catalent Uruguay, Baker Tilly, Latinbroker, Towers Watson, MVD Consulting, Graco, Bestseller, Galante & Martins Internacional, Trillonario.com, Contract Global Services, G&R Zona Franca, among others.

In addition, three of the four major grain traders, regional leading financial consulting firms, and a variety of professional firms also render services from this FZ.

Web page: <http://www.wtcfreezone.com>

PARQUE DE LAS CIENCIAS (SCIENCE PARK)

PARQUEDELASCIENCIAS Parque de las Ciencias spans over a 55 hectares site in the department of Canelones, on Route 101 and only 1 km away from Carrasco International Airport, which gives it an absolutely strategic location.

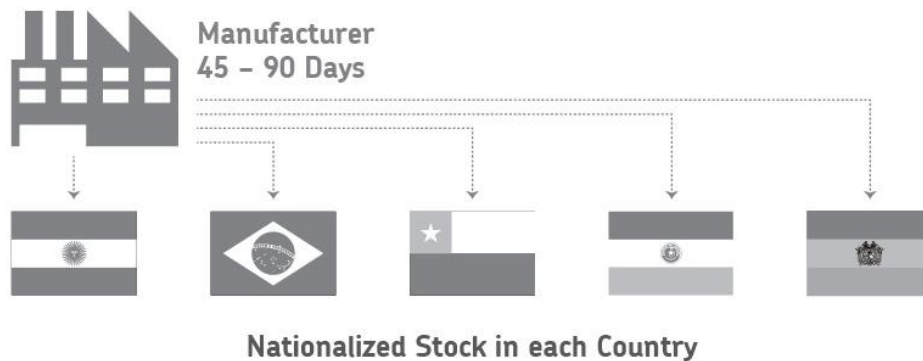
It has capacity to accommodate commercial, industrial and service activities. Parque de las Ciencias boasts a remarkably modern infrastructure and provides a large variety of services. It is all specially designed for enabling the setting up of high-end tech and value-added industrial and scientific undertakings as well as their service providers.

Construction works for Parque de las Ciencias date back to mid 2010. Currently, it has 50,000 m² built. Among its buildings, there are two modern buildings, one of 6,500 m² and another one of 3,500 m², a pharmaceutical manufacturing plant of 23,000m², a leading-edge research and development center with unique characteristics in the country, a logistics building specialized in the handling of pharmaceutical products and medical devices, with fractioning, packaging areas and other services, two buildings destined for logistics and/or industrial activities, among others, stand out. At the end of 2014, construction works begun for a second pharmaceutical manufacturing plant, exclusively dedicated to oncology injectable drugs, and a new building for logistic services. Parque de las Ciencias currently has more than 25 users, including pharmaceutical companies, technology companies, raw material suppliers, medical equipment trading companies, logistics operators and service providers in several areas including, but not limited to, intellectual property, marketing, design and engineering. Web page:

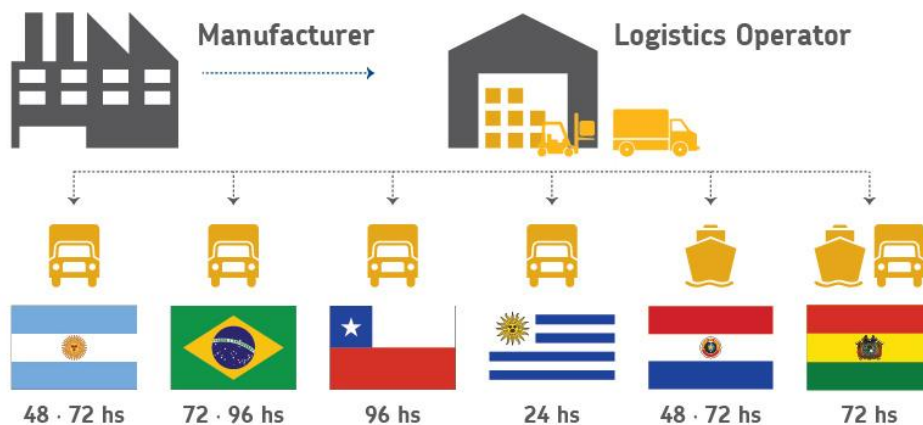
Web page: <http://www.parquedelasciencias.net/>

Annex 3 | Business Models for Regional Distribution Centers (RDC)

TRADITIONAL LOGISTICS



RDC LOGISTICS



Uruguay is a smart choice, with an efficient, agile, non-bureaucratic, and competitive port, with frequent vessel routes to all Brazilian ports.

Ocean freight from Uruguay to Brazil is more economical than Brazilian inland freight. By reducing the CIF value of goods, the Uruguayan – Brazilian freight route reduces the Merchant Navy Tax (Marina Mercante), as well as all duties related to the Brazilian taxation.

For example, a 40-foot container shipped by ocean from Montevideo to Recife costs 20% less than a container shipped inland between Sao Paulo and Recife. Similar savings apply to other Brazilian destinations.

Since the Port of Montevideo is the only free port in South America, Uruguayan storage costs are also more economical than Brazilian ones.

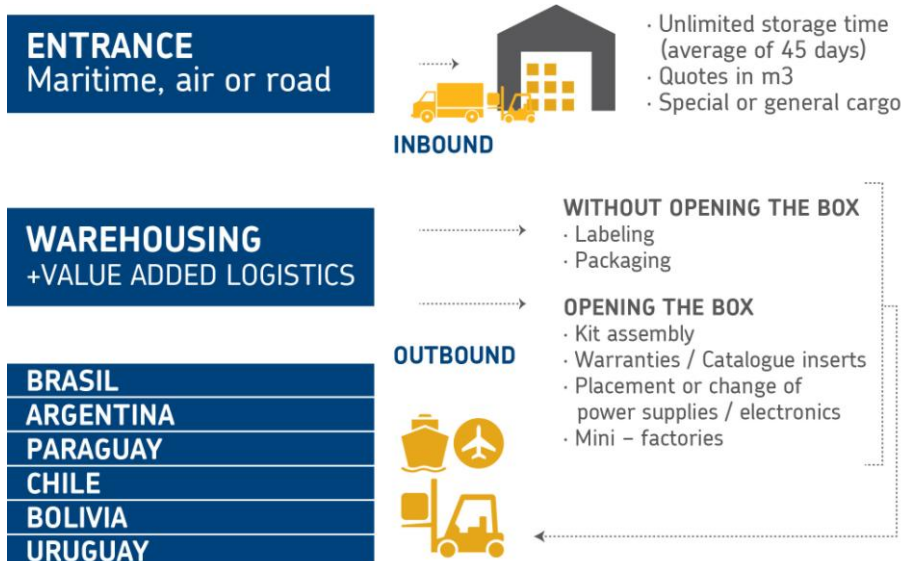
Uruguay as a gateway to the region



Uruguay as a Regional Distribution Center



Uruguay as a Distribution and Customization Center to the region



Annex 4 | Regulatory Framework

2.1. Promotion of Domestic and Foreign Investments

Uruguay is very attractive compared with other countries that receive investments from the rest of the world, and for several years now, it has had an active policy to promote investments in the country.

Investment law - Law 16,906 (1998) declares of national interest the promotion and protection of domestic and foreign investments. One of its main features is that foreign investors are granted the same incentives as local investors and there is no tax discrimination or restrictions for transferring profits abroad.

Decreets 455/007 and 002/012 updated the regulations of said law. For any investment projects submitted and promoted by the Executive Branch, it is possible to compute as part of the tax payment (IRAE - Corporate Income Tax) between 20% and 100% of the invested amount, depending on the type of project and the score attained on the basis of a matrix of indicators. The IRAE nationwide flat rate is 25%. Wealth tax on movable fixed assets and civil works is also exempted, and the VAT included in the purchase of materials and services for civil works can be recovered. Likewise, the law exempts import duties or taxes on movable fixed assets that have been declared non-competitive with the domestic industry.

2.1 Government General Export Incentives

Law on Free Zones

Free Zones in Uruguay are regulated by Law No. 15,921 of December 17, 1987. They can be operated on a private or state basis. Free Zones can be operated by the State or duly authorized private entities. Free Zones under private operation are administered, monitored and controlled through the General Trade Office - Free Zone Area, Ministry of Economy and Finances. This office is the main point of contact for all the regulations, permits and controls regarding Free Zones in the country. As for state operated free zones, this is the area in charge of their management.

Free Zones can operate in trade, industrial or service activities. Moreover, companies in Free Zones can provide services to other countries and, in some cases, to Uruguay.

Businesses authorized to operate from Free Zones may be natural or legal persons under any corporate form. As for legal persons, there are no restrictions on their form but they need to have an exclusive purpose. There is no distinction between domestic or foreign investments and the latter are not required to meet any special process or requirement. Foreign companies are allowed to set up branches. Up to 25% of their staff can be foreign.

Goods can be indefinitely kept in the free zones and their destination can be changed at any time. Benefits granted to companies set up in Free Zones include the following areas:

- » 100% Exemption from Corporate Income Tax (IRAE), Wealth Tax (IP) and any other current or future domestic tax. The State is the guarantor of this exemption.
- » Dividends distributed among shareholders with residence abroad are also tax exempt in our country.
- » Foreign personnel may choose to contribute to social security in Uruguay or in their country of origin.
- » Sales and purchases of goods and services to and from abroad are VAT exempt.

- » Sales and provision of services within Free Zones are also VAT exempt.
- » Non-resident entities are also IRAE exempt regarding activities developed with foreign goods declared in transit or kept within Free Zone, when they are not bound for the national customs territory. They are also IRAE exempt when sales bound for the national territory do not exceed 5% of the total disposals of goods in transit or kept within Free Zone.
- » Goods traded by Free Zones with the rest of the world are exempt from customs duties.

Free Ports and Airports

The Free Port regime represents one of the mainstays for Uruguay to be positioned as a logistic platform in Mercosur and as a distribution center for goods in transit.

In view of Port Law No. 16,246 of May 1992 - Montevideo is the first terminal of the Atlantic coast in South America to operate under a "Free Port" system.

This scheme also applies to the commercial ports of Colonia, Fray Bentos, La Paloma, Nueva Palmira, Paysandú, and Puerto Sauce, as well as Carrasco International Airport.

When operating in a free port, goods circulate freely without the need for permits or formal procedures. During their stay at the port customs area, goods are exempt from all import taxes or import-related taxes. The following activities can be carried out:

Merchandise-related operations. Operations which add value change the presentation or implement the free disposition of merchandise without changing its nature. By way of example, storing, re-packing, remarking, sorting, grouping and ungrouping, consolidating and unconsolidating, handling, and fractioning activities.

Operations related to services rendered to merchandise: loading, unloading, stowage and mobilization of bulk items, transportation, transshipment, reshipment, transit, removal, deposit, storage, disposition, ship supply, ship repairs, and other services related to port activities and the free port system.

Apart from the abovementioned customs benefits, the movement of goods and the rendering of services carried out within the port customs area are all VAT exempt. Moreover, goods placed under free port scheme are not included in the taxable base for Wealth Tax or Income Tax purposes.

Unlike what happens with the Free Zone system, merchandise under the Free Port system does not lose its origin, both if it is reexported in identical conditions as imported and if it was subject to operations which did not alter the nature of the product or its origin. In this sense, several agreements signed by Uruguay, including Mercosur and Israel, include a system of certificates of origin which facilitate the type of operation provided for in the Free Port system.

Temporary admission

The Temporary admission scheme is provided for by Law 18,184 and Regulatory Decree 505/09. This authorizes tax-exempt introduction of foreign goods into the market to be subsequently exported within a set timeframe of five years.

These goods can be reshipped both in the condition they were introduced ("as-is") or after having undergone specific transformation, manufacturing, repair or value-adding processes. Machinery and equipment of any origin, which enter into the country on a temporary basis for its repair, maintenance, update or use, are also protected by this system.

Interested industrial companies may apply for the import of goods under the Temporary Admission scheme with LATU (Laboratorio Tecnológico del Uruguay –Uruguay’s Technological Laboratory), the authorizing entity.

Law 18,184 further offers Stock-taking and Draw-back mechanisms. The Stock-taking mechanism consists of replacing goods imported under the general scheme with the import of similar goods, free from taxes and levies, when they have been used as input for the transformation of exported products in the country. The Draw-back mechanism gives the possibility to claim the refund of taxes and levies paid for the import under the general scheme of goods which, by definition, can be imported under temporary admission and which were used in the country for the manufacture of products bound for export.

Reimbursement of VAT paid when purchasing supplies

VAT paid in purchases is generally recovered by discounting VAT invoiced in sales, paying the State just the difference thereof. Since in exports (of goods and services) said tax is not invoiced, the reimbursement of VAT included in the purchase of materials is authorized directly upon the company’s request. The Tax Administration Office (DGI) issues credit certificates which may be used to pay other taxes.

Decree No 220/998 lists the transactions covered by the concept of services exports. By way of example the following are mentioned: international broadcasting of television material produced in the country, logistics support services to international cinema and TV production companies, consultancy services provided to people abroad, services rendered to people abroad in the design, development and implementation of specific logistics support, services rendered by international call centers provided that their main activity is destined for the external market, data processing, services provided for the design, development and implementation of digital contents, market and social research services, and advertising services rendered by advertising agencies to customers overseas.

2.2 Specific Government Incentives for Life Sciences services

Shared Service Centers: IRAE and Wealth Tax exemptions

Decree No. 251/014 lays down that the activity developed by Shared Service Centers (consultancy and data processing services provided to related parties which are exclusively used overseas) was promoted under Law 16,906. The activities are subject to a 90% exemption of IRAE and Wealth Tax (IP) applicable to assets attached to such activities for a term of five years, provided that:

- » They have created at least 150 new direct qualified jobs by the end of the first three years, which must be kept until the end of the fifth year inclusive. At least 75% of said jobs must be held by Uruguayan citizens (provisional reductions may be authorized).

- » They implement a Training Plan which provides for an outlay (in Indexed Units) by way of training of Uruguayan citizens of at least UI 10,000.000 (approximately U\$S 1,200,000) during the aggregate of the first three years.
- » They boast new undertakings.

The exemption term shall be of ten years when (i) the minimum number of jobs exceeds 300 by the end of the first five years and are kept until the end of the exemption period; and (ii) the outlay in training exceeds the UI 20,000,000 during the first six years.

Promotion of biotechnological activity

Decree No. 011/013³ provides for the promotion of activities that generate biotechnological products, services and processes applicable to different strategic production sectors, prioritizing the agricultural, environmental, human and animal health sectors. The Executive Branch, in consultation with the Biotechnology Sector Council, shall review said prioritization every two years and may include new sectors to be promoted in biotechnological development.

To be eligible for the benefits under the decree, at least one of the following alternatives should be satisfied: implementation of a Program for the Development of Suppliers of biotechnological products and services; the company should be a micro, small or medium sized company in the industry of biotechnological products and/or services; or it should be a new company that will produce biotechnological products and/or services.

Legislation provides for the exemption from Corporate Income Tax (IRAE, for its Spanish acronym) on income derived from promoted activities, according to the following percentages and terms:

- a) Fiscal years beginning between 1 January 2012 and 31 December 2017: 90%.
- b) Fiscal years beginning between 1 January 2018 and 31 December 2019: 75%.
- c) Fiscal years beginning between 1 January 2020 and 31 December 2021: 50%.

Procurement Subprogram for the Pharmaceutical Industry

Decree 194/014⁴ creates the Government Procurement Subprogram for the Pharmaceutical Industry. It is applicable to procurements carried out by the three branches of government, the State Audit Court, the Electoral Court, Contentious-Administrative Court, departmental governments, autonomous bodies and decentralized services, public education bodies and, in general, all agencies, services and government bodies.

³ http://www.mef.gub.uy/unasep_industria_biotechnologia.php

⁴ http://archivo.presidencia.gub.uy/sci/decretos/2014/07/miem_1153.pdf