



Lilly to Sell Tippecanoe Manufacturing Site to Evonik Industries

Approximately 700 Employees to be Offered Employment with Evonik Deal Includes Multi-Year Supply and Services Agreement

INDIANAPOLIS, Oct 14, 2009 /PRNewswire-FirstCall via COMTEX News Network/ -- Eli Lilly and Company (NYSE: LLY) today announced the sale of its Tippecanoe Laboratories manufacturing facility to Evonik Industries AG, one of the world's largest chemical companies. The manufacturing site, located in Lafayette, Indiana, will remain in operation with a focus on producing high-quality active pharmaceutical ingredients (API) and specialty chemical and animal health products. In connection with the sale of the site, the two companies will also enter into a nine-year supply and services agreement, whereby Evonik will manufacture final and intermediate step API for certain Lilly human and animal health products. Approximately 700 current Lilly employees, representing all full-time non-contracted workers dedicated to the site, will be offered employment with Evonik. Financial terms of the deal were not disclosed.

The sale of Tippecanoe Laboratories is the culmination of Lilly's strategic review of the site that was announced in July 2008. The decision to sell the site is based upon a projected decline in utilization of the site due to several factors, including upcoming patent expirations on certain medicines made at the site, Lilly's strategic decision to purchase, rather than manufacture, many late-stage chemical intermediates, and the evolution of the Lilly pipeline toward more biotechnology medicines.

"Today's announcement represents a positive outcome for employees at the site, the Lafayette community and Lilly," said John Lechleiter, Ph.D., Lilly's chairman and chief executive officer. "We are confident in our decision to sell Tippe Labs to Evonik, as it is a well-established multinational company that will continue to operate the site and more fully utilize its capabilities."

Lechleiter continued, "These actions also support Lilly's goal to reduce our workforce and cost structure over time. At Lilly, we are taking the steps necessary to ensure our long-term success by becoming a leaner, more focused, more customer-oriented and more competitive company."

"Tippecanoe Laboratories has maintained a longstanding presence in the Lafayette community and has produced lifesaving medicines for patients and leading animal health products for more than a half-century," commented Frank Deane, Ph.D., president of Lilly manufacturing operations. "We are pleased to reach an attractive outcome that allows the site to remain in operation, maintains employment opportunities for almost 700 affected employees and allows both Lilly and the state of Indiana to continue to benefit from the site's capacity and technical capabilities," he said.

The deal also ensures continuous supply of API to Lilly through a multi-year partnership. Through this arrangement, Evonik will manufacture final bulk and intermediate-step API for human and animal health products and also provide environmental services for Lilly.

"The acquisition of Tippecanoe Laboratories enables us to meet the growing demand for intermediates and active pharmaceutical ingredients in the pharmaceutical industry and substantially boosts our global exclusive synthesis business," said Dr. Klaus Engel, chief executive officer of Evonik Industries. "The pharmaceutical market is attractive, economically stable, and produces growth rates near the double-digit range every year."

Subject to certain closing conditions, the companies plan for the transaction to close by the end of 2009. Upon closing, Evonik will assume control of the Tippecanoe site and its operations.

As a result of this transaction, Lilly will record a \$.23 per share charge in the third quarter of 2009 related to asset impairments and restructuring. Lilly will provide an update to its 2009 financial guidance, including the impact from today's announcement, as part of its third-quarter financial results press release on October 21, 2009.

About Lilly

Lilly, a leading innovation-driven corporation, is developing a growing portfolio of pharmaceutical products by applying the latest research from its own worldwide laboratories and from collaborations with eminent scientific organizations. Headquartered in Indianapolis, Indiana, Lilly provides answers -- through medicines and information -- for some of the world's most urgent medical needs. Additional information about Lilly is available at www.lilly.com.

About Evonik

Evonik Industries is the creative industrial group from Germany which operates in three business areas: Chemicals, Energy and Real Estate. Evonik is a global leader in specialty chemicals, an expert in power generation from hard coal and renewable energies, and one of the largest private residential real estate companies in Germany. Our strengths are creativity, specialization, continuous self-renewal, and reliability. Evonik is active in over 100 countries around the world. In its fiscal year 2008 about 41,000 employees generated sales of about EURO 15.9 billion and an operating profit (EBITDA) of about EURO 2.2 billion.

This press release contains forward-looking statements that are based on management's current expectations, but actual results may differ materially due to various factors. There are significant risks and uncertainties in pharmaceutical research and development and commercialization that may change the benefit we receive from the terms of this transaction. For additional information about the factors that affect the company's business, please see the company's latest Form 10-Q filed July 2009 and Form 10-K filed February 2009. The company undertakes no duty to update forward-looking statements.

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