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Lilly Announces Strategic Changes to its Global Manufacturing Operations

INDIANAPOLIS, Jan 11, 2007 /PRNewswire-FirstCall via COMTEX News Network/ -- Eli Lilly and Company (NYSE: LLY) today announced several strategic changes to its global manufacturing operations to better support the company's current product portfolio and evolving drug pipeline.

"Lilly is continuing to transform its operations to compete and win in a more challenging business environment," said Scott Canute, Lilly's president of manufacturing operations. "As a part of these efforts, Lilly is making several changes to its global manufacturing operations to ensure the company has the right capacity in the right places. This requires investing in new growth areas and reducing resources in others."

Several decisions will affect the company's manufacturing operations:

- Construction of the planned insulin manufacturing plant in Prince William County, Virginia, will stop, as the company is now able to meet expected growth in insulin demand with existing sites and new insulin capacity that is being built in Sesto, Italy. All of the 120 employees working at the site who wish to stay with Lilly will be given opportunities for jobs at other company sites. Those who choose not to stay will be given a severance package. The assembly operation for Lilly's new pre-filled insulin pen, called Humalog(R) MirioPen(TM), will be placed at Lilly's delivery device assembly operations in Indianapolis, rather than the Prince William County site.

- In response to excess capacity in Lilly's small molecule active ingredient operations, a voluntary exit program is being offered for up to 250 employees at Lilly's Tippecanoe manufacturing site in Lafayette, Indiana. There are about 1,000 employees currently working at the site.

- Significant new investments will be made in Kinsale, Ireland, and Indianapolis parenteral operations to manufacture a new generation of biotechnology products. Lilly expects to launch one biotech product per year, on average, beginning in 2010.

Canute said that Lilly continues to expect growing worldwide demand for its insulin products and insulin delivery devices, but not at levels projected when plans for the Prince William site were put in place in 2003. Other factors impacting this decision are ongoing productivity gains, quality improvements and investments at existing sites currently manufacturing insulin products that allow the company to meet expected demand.

"The decision to cease construction of the Prince William County site is very difficult because of the impact on employees," said Canute. "In addition, we have received tremendous cooperation and support from community and state officials."

Construction on the Prince William site will stop immediately. The company will return all economic development incentives received from state and local entities.

Lilly also will offer a "voluntary exit" program for up to 250 employees at its Tippecanoe Laboratories, in response to excess capacity for small molecule active ingredients. This program allows employees to voluntarily leave or retire from the company with an enhanced severance package based on years of service.

"Both of these decisions, along with the previously announced decision to close our manufacturing site in Basingstoke in the United Kingdom, are based on current capacity needs and an assessment of the future mix of products in our portfolio," Canute

said. "These decisions were made with concern for affected Lilly employees foremost in our consideration."

The estimated restructuring and asset impairment charges will be approximately $155 to $185 million. These charges will be split between the fourth quarter of 2006 and the first quarter of 2007, and will result in a fourth quarter 2006 earnings per share charge of 5 cents.

Lilly also announced plans to invest significant resources to manufacture biotech medicines, which, pending approval, are expected to launch early in the next decade. These investments will support the company's emerging biotech pipeline that is anticipated to produce one new product per year, on average, beginning in 2010. Biotechnology-based programs and drug candidates now make up more than 30 percent of the company's drug portfolio and pipeline.

Specific biotech investments include an expansion to the company's site in Kinsale, Ireland, to manufacture active ingredients for future biotech products. In addition, Lilly will expand its Indianapolis parenteral operations so that the site can convert the biotech active ingredients made in Kinsale into their final dosage form. Both expansions are part of a $1.5 billion investment in the company's biotechnology capabilities announced over the past five years. These investments include a newly completed biotech pilot manufacturing plant and a soon-to-be-completed biotech research laboratory, both located in Indianapolis.

These investments provide Lilly with an industry-leading technology platform that will allow multiple biotechnology products to be developed and manufactured using similar processes, common technology, and shared infrastructure.

An investment also will be made to add a new assembly line at the company's device assembly operation in Indianapolis. One of the first products made on the assembly line will be Lilly's new pre-filled insulin pen, called Humalog(R) MirioPen(TM), which is current being reviewed by the FDA with an anticipated launch in the United States later this year.

Canute noted that these expansions come on the heels of the recently completed $1 billion expansion of its Puerto Rico manufacturing operations (August 2006), which includes new bulk capacity for Humalog(R) (insulin lispro [rDNA origin] injection), Lilly's first-in-class rapid acting insulin analog.

Lilly, a leading innovation-driven corporation, is developing a growing portfolio of first-in-class and best-in-class pharmaceutical products by applying the latest research from its own worldwide laboratories and from collaborations with eminent scientific organizations. Headquartered in Indianapolis, Ind., 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.

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Humalog(R) (insulin lispro [rDNA origin] injection)

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