



Lilly Sells its Greenfield, Indiana, Operations to Covance; Expands Existing Collaboration Between the Two Companies

Lilly to Lease New Elanco Global Headquarters in Hancock County, Indiana R&D restructuring aimed at increasing productivity and reducing drug development costs; U.S. clinical trial monitoring work and data management also to be transferred

INDIANAPOLIS, Aug 06, 2008 /PRNewswire-FirstCall via COMTEX News Network/ -- Eli Lilly and Company (NYSE: LLY) today announced that Covance Inc. (NYSE: CVD), one of the world's leading drug development services companies, will buy and operate Lilly's Greenfield Laboratories located in Greenfield, Indiana. In addition, Lilly is finalizing plans to lease a new worldwide headquarters for its animal health division, Elanco, in Hancock County, Indiana. The announcement is part of a series of actions the company is taking to restructure its research and development organization in order to compete in a dramatically changing environment.

These moves will help improve productivity by gaining speed to market and lowering drug development costs, while supporting the continued growth of Elanco.

"For nearly a century, Greenfield Laboratories has been an important Lilly site, currently housing Elanco's worldwide headquarters and a significant portion of Lilly's toxicology testing, as well as other R&D support functions," said John Lechleiter, Ph.D., Lilly's president and chief executive officer.

"These actions reflect Lilly's determination to take the necessary steps to compete in a very challenging marketplace, in which our customers are demanding innovative, high-quality, affordable medicines. These are difficult but necessary decisions we must make in order to compete successfully as an independent Indiana-based company," Lechleiter added.

Covance to buy Lilly's Greenfield Laboratories

Lilly will sell its Greenfield Laboratories site and transfer operations to Covance for an up-front payment of \$50 million. The two companies also will sign a 10-year service agreement. Under this agreement, Lilly and Covance will broaden their existing strategic collaboration, with Covance assuming responsibility for Lilly's toxicology testing and other R&D support activities at the site. Covance currently conducts significant preclinical toxicology and early-stage clinical work for Lilly. This collaboration, which also includes expanded early-stage clinical work and Phase II/III clinical trial support, will help Lilly to lower drug development costs and speed the flow of new medicines.

Joe Herring, Covance chairman and chief executive officer, added, "Our longstanding relationship with Lilly has delivered innovation in the safety and efficacy testing of new prescription drug candidates, and it sets the stage for this landmark agreement. Through the years, we have demonstrated significant success in expediting early development timelines and improving efficiency."

"This expanded agreement creates a new strategic paradigm at a time when the pharmaceutical industry needs to challenge traditional thinking in order to improve its R&D productivity. We are confident that this alliance will help create strategic competitive advantages for Lilly and allow Lilly to strengthen its focus on its core competencies," Herring said.

"We are also very pleased to expand our employee base in Central Indiana, which has a strong life sciences talent pool and has long been a successful home for our global central laboratory and bioanalytical businesses," he said.

Upon the deal's closing, Covance will assume control of the Greenfield site and most of its operations. About 260 Lilly employees are impacted by the sale of the site. These employees will receive an offer of a position with Covance or will have the opportunity to apply for limited roles within Lilly. Employees who depart Lilly will each receive a competitive severance package. An additional 225 Lilly employees currently based in Greenfield will move to Lilly sites in Indianapolis.

New Elanco Worldwide Headquarters

To support Elanco's business needs, the company plans to lease a new, expanded headquarters in Hancock County, Indiana.

Construction will commence upon final site selection, completion of plans with the developer, and receipt of local government approvals. The facility is scheduled to be completed in late 2009 or early 2010.

While the facility is being built, Lilly will lease most of Elanco's current space from Covance. Elanco's more than 350 employees will move to the new global headquarters when construction is complete.

"In recent years, Elanco has expanded in both sales and product offerings, posting record revenues of nearly \$1 billion in 2007. Elanco also recently launched the Lilly Companion Animal Health division and acquired Ivy Animal Health," said Elanco President Jeffrey N. Simmons. "As we've grown, however, the current configuration of Greenfield Laboratories no longer supports Elanco's needs. The new Elanco headquarters will centralize the division's operations, while offering significant savings in annual operating expenses."

Lilly Center for Medical Science at Indiana University Medical Center

As a part of the agreement with Covance, Lilly has committed to conducting additional Phase I clinical trials with Covance. Because Covance operates a clinic in Evansville, Indiana, that is similar to the Lilly Center for Medical Science (formerly the Lilly Clinic) the volume of work at the Lilly Center will be substantially reduced and it will most likely be closed. The Center's 48 employees will have the opportunity to apply for roles within Lilly or receive a competitive severance package.

U.S./Puerto Rico Clinical Trial Monitoring; U.S. Data Management

In addition to the Covance arrangement, other restructuring activities are also being announced. Lilly will transfer its clinical trial monitoring work in the United States and Puerto Rico to Quintiles, the world's largest pharmaceutical services company, and the majority of its data management work in the United States to i3, a full-service, global clinical research organization.

Approximately 265 Lilly employees, some of them based outside Indianapolis, will be affected by these changes. Lilly has new positions for about half of these employees; the remaining impacted employees will receive a competitive severance package from Lilly and can also pursue employment opportunities with Quintiles or i3.

Financial Impact

Inclusive of all of these actions, Lilly expects to incur asset impairment and restructuring charges that likely will be significant; however, it is premature to estimate the size or timing of these charges at this time.

About Lilly's Transformation

Over the past several years, Lilly has been transitioning to a new, more networked business model by increasing collaboration with organizations outside the company's walls to generate ideas and build capabilities, sell products, reduce costs, manage risk, and accelerate productivity. These collaborations include many businesses and academic institutions in Indiana.

"What we call Years YZ -- the period beginning in late 2011 when patents for several medicines begin to expire -- requires a thorough transformation of our company that includes reduced cycle times and lower R&D costs," said Lechleiter. "As we act decisively, we aim to implement these changes with utmost respect for our employees and continued support for the communities in which Lilly operates."

Consistent with Lilly's transformation strategy, restructuring of research and development operations will reduce fixed costs and increase Lilly's ability to speed innovative medicines to patients. Specifically, the sale of Greenfield Laboratories to Covance underscores Lilly's commitment to growing the life sciences sector in Indiana by partnering with a knowledge-based bioscience company and keeping jobs in the state.

"Nowhere is Lilly's network strategy more pronounced than in Indiana, where more than 3,000 firms support the company's work in both national and global markets," said Lechleiter. "Through this collaboration with Covance and others, Lilly will help enhance the region's life sciences sector, expanding Lilly's economic footprint in Indiana as never before. Specifically, these partnerships will result in no net job reductions in the state -- and they will offer the potential for new jobs in the future. Throughout this process we have worked to put Lilly employees and Indiana first."

About Lilly

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, 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 Covance

Covance, with headquarters in Princeton, New Jersey, is one of the world's largest and most comprehensive drug development services companies with annual revenues greater than \$1.5 billion, global operations in more than 20 countries, and more than 9,000 employees worldwide. Information on Covance's products and services, recent press releases, and SEC filings can be obtained through its website at www.covance.com .

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