

**DOW JONES
INDUSTRIALS**

10,015.86



144.80

NASDAQ 2,172.23



32.34

**BLOOMBERG
INDIANA INDEX**

342.10



7.32

S&P 500 1,092.02



18.83

Lilly has buyer for its drug complex

German manufacturer
Evonik plans to offer
jobs to 700 workers

By John Russell

john.russell@indystar.com

A year after announcing that it might close a huge factory near Lafayette, Ind., drug maker Eli Lilly and Co. has found a buyer that plans to offer jobs to all 700 full-time workers and expand operations at the plant.

Lilly said Wednesday it sold the plant to German conglomerate Evonik Industries AG, which will keep it running to make key

ingredients for specialty chemical and animal health products for Lilly and other customers.

Financial terms of the deal were not disclosed. In connection with the sale, Lilly and Evonik will enter into a nine-year supply and services agreement; Evonik will manufacture ingredients for certain Lilly products.

"We're very, very excited and pleased with this," John Lechleiter, Lilly's chairman and chief executive, said in an interview. "I think for the people at the site, for the community of Lafayette, and for our companies, this represents a very good outcome."

For more than 50 years, Indianapolis-based Lilly has used the plant to make active pharmaceutical ingredients for one blockbuster drug after another, including antidepressant Prozac, erectile-dysfunction drug Cialis and cancer drug Gemzar.

But in recent years, the plant has been underused, and the head count has fallen from 1,500 workers in the early 1990s to about half that.

Evonik, a private company with about 41,000 employees, operates major facilities in Europe and Asia. The Lilly plant will become its first U.S. pharmaceutical

manufacturing plant. The company plans to integrate it into its global production and marketing network.

The company said market demand is strong for specialty chemical manufacturing, and it has been seeking additional capacity for some time.

"The pharmaceutical market is attractive, economically stable and produced growth rates near the double-digit range every year," said Dr. Klaus Engel, chief executive of Evonik.

Evonik said it plans to expand

EVONIK INDUSTRIES

» **WHAT:** 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.

» **FOUNDED:** 2007.

» **HEADQUARTERS:** Essen, Germany.

» **CHIEF EXECUTIVE:** Dr. Klaus Engel.

» **OPERATIONS:** Production plants in 28 countries; research and development centers in 35 locations around the world; 350 partnerships with universities and institutions; more than 20,000 patents and pending patents.

» **EMPLOYEES:** About 41,000.

» **2008 SALES:** 15.9 billion euro or \$23.7 billion.

Source: Evonik

» See Lilly, Page A9

business

**30-YEAR
T-BONDS**

4.20%



0.02%

GOLD

\$1,063.00



\$2.00

OIL

\$75.18



\$1.03


ON YOUR PHONE: For updated quotes, send text message with **TICKER** (ibm) to **44636** (4INFO)

Lilly

» Site to make items for Lilly and others.

From A8

the site, which has more than 100 buildings spread across hundreds of acres in Shadeland, southwest of Lafayette. But the company stopped short of saying it would hire additional workers.

“Our intent is to absolutely grow the site,” said Tom Bates, president of Evonik’s North American operations.

Indiana officials praised the sale, saying it attracts another “high-profile, global life-sciences powerhouse” to the state.

“I can’t think of a better outcome for Lilly, its work force, or the state, which continues to be a strong hub for life-science investment,” said Mitch Roob, Indiana secretary of commerce and chief executive of the Indiana Economic Development Corp.

The news also was a relief to plant workers, who have been wondering about the plant’s future since last summer, when Lilly said it was considering closing or selling the complex. All full-time, noncontract workers will be eligible for Lilly severance packages and for job offers from Evonik, both companies said.

Evonik said it would pay workers competitive wages and benefits but declined to be more specific.

Lilly said at the time that the technology at the plant, although state-of-the-art, didn’t match its long-term needs. The patent on Gemzar, the primary medicine for humans produced at the Lafayette plant, expires in 2013. Meanwhile, many products in Lilly’s pipeline are biotech drugs, which require a different technology and manufacturing processes from those at the plant, which makes ingredients for chemical drugs.

Over the past five years, Lilly has reduced staffing at the plant by hundreds of people. The largest single chunk was a voluntary buyout program in 2007, in

which about 200 people, or about 20 percent of the plant’s work force, accepted early retirement packages.

The sale is reminiscent of Lilly’s agreement last year to sell its Greenfield Laboratories, an early-stage drug development center, to Covance of Princeton, N.J. In return, Covance said it would keep all of Lilly’s employees, expand the operation and enter a long-term supply agreement with Lilly.

Lilly has been aggres-

sively selling or outsourcing its support operations in recent years and trimming head count to deal with looming financial pressures. The company faces a big drop in revenues over the next six years, when patents on its top six drugs lose their protection. The drugs account for nearly 70 percent of Lilly’s revenues.

Last month, Lilly said it would slash costs by about \$1 billion by the end of 2011 and cut 5,500 workers worldwide. The 700 jobs in

Lafayette will go toward that figure, Lilly said Wednesday.

The deal with Evonik is expected to close by the end of the year, pending approvals from regulatory agencies. Lilly said it will record a charge of 23 cents a share in the third quarter related to restructuring and asset impairment.

Shares in Lilly rose 1.6 percent Wednesday, closing at \$33.92.

★ Call Star reporter John Russell at (317) 444-6283.