

Securing Supply Chains and Strengthening Partnerships

US Pharmaceutical Company Lilly Invests Heavily in European Expansion

In the dynamic landscape of the pharmaceutical industry, Lilly emerges as a catalyst for change. With a commitment to securing supply chains and fostering partnerships, Lilly International embarks on a European expansion that promises a bright future. This expansion encompasses a new location in Alzey, Germany, alongside strategic investments in Sesto, Italy; Fegersheim, France; and Limerick, Ireland. As the pharmaceutical giant navigates uncharted waters, it seeks to forge strong alliances and leverage innovative practices. By bridging visionary science with practical implementation, Lilly aims to revolutionize the pharmaceutical industry landscape. In an interview for CHEManager International, Christene Smith sits down with Edgardo Hernandez, President of Lilly Manufacturing, to delve into the intricacies of this bold endeavor.

CHEManager: How do you plan to enhance manufacturing capabilities within Europe to strengthen supply chains and ensure timely delivery of medications?

Edgardo Hernandez: Our purpose is to improve the lives of people worldwide. We research and develop innovative medicines in indications such

as diabetes, obesity, oncology and Alzheimer's disease. Our most important goal is to provide a safe and reliable supply of our medicines to the people who rely on them. Germany's role in this is growing and from 2027, our new facility will further expand Lilly's global parenteral—injectable—product and device manufacturing network, helping meet increased demand



Edgardo Hernandez,
President Manufacturing, Lilly

for Lilly's medicines, including our diabetes and obesity portfolio. The new plant at Alzey will produce medicines for the German market, for Europe and worldwide.

Can you elaborate on the strategic significance of the new German location for Lilly in Europe?

E. Hernandez: Every investment in manufacturing capacity around the world renews our commitment to patients today—and to those who may need our medicines tomorrow. Germany is strategically important for Lilly and the planned plant in Alzey brings us to a total of six major production sites in Europe, including sites in France, Italy and Ireland. This new facility in Alzey, alongside our site in Fegersheim, near Strasbourg in France, will create a cluster of manufacturing sites, providing operational synergies, strengthening links to academia and government, and diversifying our growing Lilly presence in the area.

Did you compare different countries for this investment? What led to the decision to build up a new greenfield site in Germany?

E. Hernandez: We look at multiple factors when considering where to locate new manufacturing sites; these are long-term decisions and major investments; and we've announced €10.2 billion—\$11 billion—of investments in the last three years. First, the right infrastructure—roads, services, and the



Preliminary design of Lilly's high-tech production facility in Alzey, Germany.



ability to build the facility itself. We look at the political and fiscal context; we value stability, a workable planning framework and support and incentives for innovation. And of course, we need access to a skilled workforce, which we know Germany can offer.

What specific improvements have been made to the facilities in Italy and France as part of the expansion efforts?

E. Hernandez: Lilly recently announced a capital investment of €150 million in Sesto, Italy, and an investment of nearly €160 million in Fegersheim, France to expand production of innovative medicines in Europe.

Could you share insights into the job creation initiatives resulting from this expansion, particularly in terms of local employment opportunities?

E. Hernandez: The site in Alzey will employ up to 1,000 highly skilled workers such as engineers, operators and scientists, who will leverage state-of-the-art technology, including automation and high-speed manufacturing lines, to produce life-changing medicines. In addition, an estimated 1,900 jobs will be created during construction, which is scheduled to begin in Q2/Q3 2024. We are already recruiting future Lilly employees.

What collaborative efforts are being fostered between Lilly and European research centers to drive innovation and advance medical breakthroughs?

E. Hernandez: In November, we announced an investment of up to €92.2 million—\$100 million—to dramatically increase our footprint in Germany's early-stage biotech ecosystem. These investments will focus on biotech and the life sciences venture capital funds—expanding Lilly's incubator and accelerator engagements and strengthening Lilly's ties and activities with world-renowned academic and innovation partners.

Our search and evaluation teams are focused on discovering and building partnerships that will drive our future pipeline of medicines, augmenting our external innovation efforts through Lilly's different partnership models. Specifically, our enhanced external innovation in Germany will include capital and/or equity investments to support funds or companies; support to establish world-class lab

space; and leveraging the best R&D capabilities and expertise (including internal Lilly resources) to help accelerate innovative medicines.

We are invested in advancing science, and we want our industry leading capabilities to drive additional impact for patients by supporting assets beyond our immediate pipeline and partnerships.

concerning environmental impact and resource utilization?

E. Hernandez: Making medicines requires the use of valuable resources including energy, water, and raw materials. Sustainability is a key consideration in the design of our new manufacturing facilities. Our new Alzey site

and adjust avoid production disruptions and mitigate the impact of natural disasters or other public health emergencies.

Are there any specific challenges or regulatory considerations unique to each country—Italy, France, and



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Given the competitive landscape, how does Lilly differentiate itself in the European pharmaceutical market?

E. Hernandez: We are committed to working with stakeholders and governments across Europe to build a more prosperous environment for R&D and find sustainable solutions for challenges within the healthcare systems.

An average Lilly product, from procurement of raw materials through production, may use about 800 different ingredients, components, and materials which are procured globally across about 150 vendors. Because our supply chain is global, we can be flexible and adapt resources and supplies to ensure our medicine is available at the right time for each patient. Our global monitoring and risk mitigation systems allow us to determine the supply of medicines to meet our obligation to patients.

What role does sustainability play in your expansion strategy, especially

will use the very latest manufacturing technology to support advancements in science, productivity and sustainability which will help achieve our goal of continually reducing our environmental footprint.

How do you envision the long-term impact of these expansions on patient access to Lilly's medications across Europe?

E. Hernandez: This investment will increase our capacity to support increased demand for our existing medicines, including our diabetes and obesity treatments, and well as playing a critical role in bringing Lilly's future pipeline to patients around the world.

Expanding EU advanced manufacturing capabilities, while maintaining a diverse and secure global supply chain helps deliver flexibility in supply chains that protects against shortages. Geographic diversity is key, enabling us to access the resources we need

Germany—that you've encountered during this expansion process?

E. Hernandez: The European Union's pharmaceutical legislation must ensure patients across the EU have timely and equitable access to safe, effective, and affordable medicines while also providing a collaborative environment for innovation, R&D, and production of medicines.

However, we have fundamental concerns about some components of the proposed changes to this legislation, in particular the reduction and modulation of intellectual property. This risks accelerating the decline in Europe's competitiveness to attract investments in innovation, while failing to deliver on the goal of accelerating patient access to medicines.

We are committed to working with the German government to build a more prosperous environment for R&D and find sustainable solutions for challenges within the German healthcare system.

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