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Puerto Rico's Pharmaceutical Industry Remains Strong Despite End of 936/30A

The island faces the challenge of remaining competitive as other jurisdictions court the industry

Marialba Martínez

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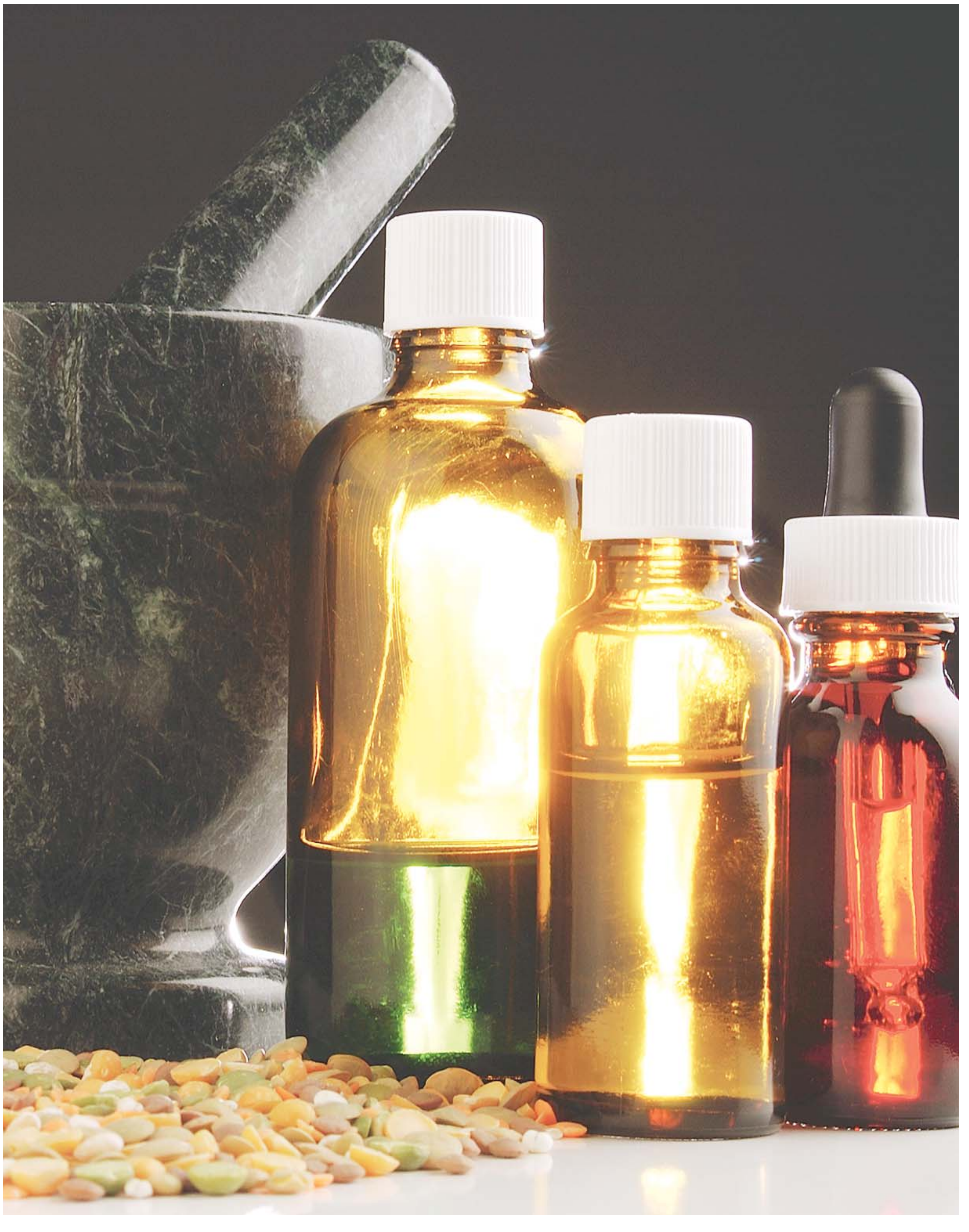
SPECIAL REPORTS

Despite Loss of Federal Tax Incentives Puerto Rico Remains the Pharmaceutical Capital of the U.S.



BY MARIALBA MARTÍNEZ

On January 1, 2006, a 10-year phaseout of Internal Revenue Code Sections (IRC) 936 and 30A will come to end, with U.S. multinationals losing a federal tax credit created in 1954 as Section 931 and revised in 1976 against taxes for income derived by a corporation from the active conduct of a trade or business in a possession and on qualified possessions source investment income (Section 936) or on wage compensation (Section 30A).

When the elimination of Sections 936 and 30A was announced in 1995, public- and private-sector members panicked, believing this was the end of big business, such as the manufacturing industry's pharmaceutical sector in Puerto Rico. Something like the story of Chicken Little, who ran around crying "The sky is falling! The sky is falling!" when an acorn fell on his head.

The truth is Puerto Rico's manufacturing industry, particularly its pharmaceutical sector, has benefited greatly from 51 years of federal tax incentives provided for the island's economic development—that is, until this year. The original tax-incentive Section 931 attracted large multinational corporations from the U.S. and other countries to establish their operations on the island due to its federal tax incentive. The U.S. General Accountability Office (GAO) estimates that by 1996, tax incentives provided $11.3 billion, or 63% of Puerto Rico's $18 billion payroll, of which $3.6 billion came from the pharmaceutical sector alone. Corporate tax-exempt earnings invested in Puerto Rico's banks reached more than $14 billion.

However, it was the runaway growth in the rate of corporate tax benefits compared with the number of jobs created and the employee compensation that brought about the initial rumblings of Section 936's repeal. While U.S. Congress' original intent was to expand the island's workforce and replace jobs lost in the agricultural industry, a 1992 GAO report stated

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that tax benefits per manufacturing industry employee were two to five times greater than employee compensation in sectors such as electrical/electronic, and five to seven times greater in all other industries.

The elimination and initial phaseout of Section 936 accelerated the departure of low-capital, labor-intensive companies which already had started to leave the island since the mid 1970s. It eventually caused the almost total disappearance of the apparel, textile, and electrical/electronic sectors to countries that could offer them lower wages and better cost-effective operations. But Puerto Rico's pharmaceutical industry remains a healthy sector today, generating approximately 30,000 direct jobs or 25% of the island's 120,000 manufacturing industry jobs and representing 26% of the island's Gross Domestic Product.

"Pharmaceutical and medical-devices manufacturing companies found Internal Revenue Code Section 901 (tax credits as a controlled foreign corporation) which they could adopt," said Puerto Rico Manufacturers Association (PRMA) Executive Vice President William Riefkohl. "Even though it didn't have as many tax incentives, it allowed the pharmaceutical sector to remain in Puerto Rico. Not all manufacturing sectors were able to do so since pharmaceutical companies have major international investments and presence and protection of their intellectual property."

Puerto Rico Industrial Development Co. (Pridco) statistics show that even though there was a small decrease in the number of leading pharmaceutical corporations on the island from fiscal 1995 to 2005, this was due mostly to mergers and acquisitions. Pharmaceutical manufacturing plants decreased 10%, from 69 pharmaceutical manufacturing plants in fiscal 1995 to 62 plants in fiscal 2005, but jobs continued to increase from 23,616 jobs in fiscal 1995 to 27,884 jobs in fiscal 2005, an 18% rise. Most important, in 2004, 17 of the top 20 prescribed medications sold in the U.S. were manufactured in Puerto Rico.

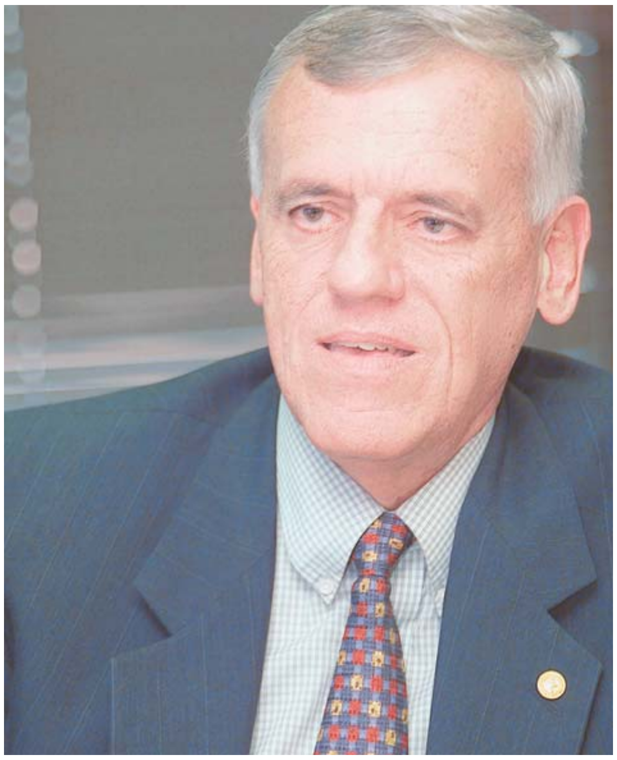
Puerto Rico's pharmaceutical sector still considers Puerto Rico a solid investment. However, the most recent uncontrolled legislation, alarmingly increasing the costs of doing business on the island, is making industry representatives wary about how the island will fare against its two principal competitors in the pharmaceutical industry, Ireland and Singapore, now that the island has lost its unique tax advantage over foreign operations.

Miles D. White, Abbott's chairman & CEO, recently said before the Pharmaceutical Industry Association of Puerto Rico's (PIAPR) annual conference, "I speak for all the companies here when I say that we have enjoyed a great relationship with Puerto Rico. This has been a great place to do business. And it got that way because of a very successful partnership between the government and our industry. Today that partnership is more important that ever because Puerto Rico is at a crossroads.

"Its ongoing status as the world's pharmaceutical maker is, frankly, less than certain…based on three major factors. First, Section 936, the catalyst for a great amount of investment and development on the island is expiring. Second, the business environment on the island is becoming more challenging. And third, the world is increasingly global and interconnected, and Puerto Rico faces competition for manufacturing operations in ways it hasn't seen before," said White.

Dozens of studies, sponsored by past administrations, multinational corporations, and business organizations as far back as the mid '70s, have come to these same conclusions and recommended specific courses of action. Mainly that the island has to compete globally, following the same international benchmarks considered by hundreds of corporations to select new sites, and against two young but extremely aggressive developing countries—Ireland and Singapore—that are looking to attract Puerto Rico's pharmaceutical sector to their countries.

However, Gov. Aníbal Acevedo Vilá feels that Puerto Rico is already on the right path to remain competitive with these countries. "First of all, it is very important to be clear that [Puerto Rico is] competitive today. I have made some decisions that I understand don't affect our competitiveness, like increasing the Christmas bonus. Also, I don't think that raising the minimum wage by 20 cents [annually until 2010 and then 25 cents until 2030] will have a negative effect [on the island's competitiveness]. I know [there is] no full agreement [about this] but that is what democracy and



Puerto Rico Manufacturers Association (PRMA) Executive Vice President William Riefkohl

leadership is about. You have to make decisions and you can't expect to have everybody happy all the time.

"I do recognize that in some areas like electricity we have to be more competitive. We have put forward a plan for the first time with investment from the Puerto Rico Electrical Power Authority (Prepa) that eventually will reduce the cost of electricity in Puerto Rico and we are exploring other alternatives. We want to have an environment that is good for business. [Abbott CEO Miles] White's message is that since Puerto Rico is competitive today, we must assure everybody that we will be competitive tomorrow. And that is what we are doing by coming up with a plan to reduce the cost of energy, investing in science and technology, and for the first time having a real partnership between the private sector, government, and academia. That is what we have to do in order to be competitive in the future and that is my vision of the future," said the governor.

INCREASING LABOR LAWS AND COSTLY UTILITIES A CONCERN

According to Pfizer's Vice President for Global Manufacturing in Puerto Rico, Carlos Del Río, the equation for corporations to operate successfully is quite simple. "A company must balance its total net costs in an environment that promotes a stable financial, human resources, and business environment," said Del Río. "When companies are ready to make multimillion-dollar decisions what they look at is the business stability of a region. If the rules begin to change, it affects the decision-making process."

Recently, and in the face of the approval of dozens of bills by Puerto Rico's Legislature that will increase the cost of doing business on the island, the PRMA and P.R. Chamber of Commerce (PRCC) censured the consideration of

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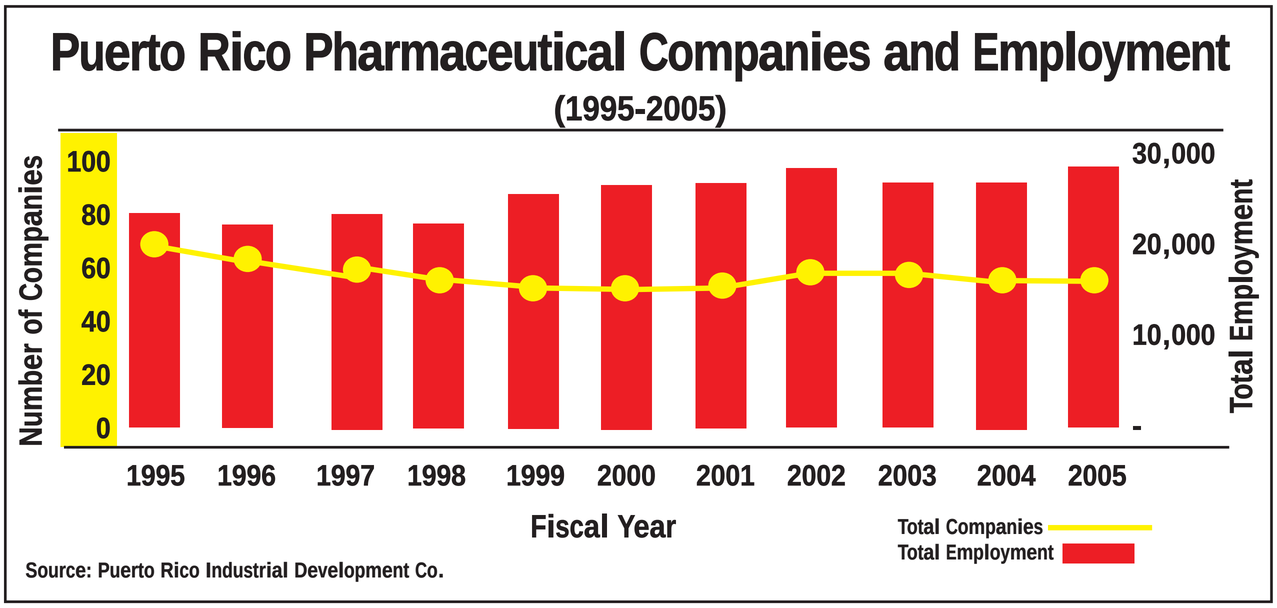

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more than 100 additional legislative measures that could complicate the island's already-confusing labor regulations. Among the bills approved are the approximately 300% increase on employees' Christmas bonuses; recent 7% to 10% increases in land-transportation fees; 5% increase in royalties; 50% increases in capital gains; and 50% increases for unjustified dismissals. In addition, the island's residents face a 200% increase in water rates; close to 100% increase in electricity costs; plus another 50% across-the-board increase in highway tolls, and a 200% increase in bus fares.

Referring to what were companies' most serious concerns, PRMA's Riefkohl said, "First, there is the continuous rise in operational costs. The government just can't continue to increase irresponsibly labor costs. Second, Puerto Rico must establish a better relationship between industry and academia so that industry can find the workforce it needs for the next stage of the island's industrialization plan. And third, we need to try to unravel the unsolvable permit process, especially the construction permits.

"We will continue to oppose any and all increases in labor costs. Perhaps the bills that already have been approved cannot be reversed. But we are looking for other legislation that represents fixed costs for corporations and can be lowered or eliminated. We have already found many alternatives and have started to work on them," said Riefkohl.

Failure to See the Writing on the U.S. Tax Incentive Wall

Despite continuous signs coming from the U.S. Congress and GAO about concerns for the financial condition of the federal government, Puerto Rico public and private-sector representative have continued trying to come up with new federal incentives for the island.

During the Calderón administration, four valuable years were wasted pushing an amendment to Section 956, which contemplated allowing controlled foreign corporations (CFCs) under Section 901 to repatriate a majority of their earnings and dividends with 90% and 15% tax exemptions, respectively. In addition, it provided a safe harbor rule to allow the transfer of manufacturing intangibles to CFCs in Puerto Rico. The amendment was eventually considered by the U.S. Congress to be too costly to implement and was eliminated from consideration.

Governor Aníbal Acevedo Vilá

Carlos Del Río,
Pfizer vice president for
Global Manufacturing in Puerto Rico

The amendment to Section 956 contemplated no extension of Sections 936 or 30A.Waiting for a report commissioned by the GAO about Puerto Rico's state of the economy, the local government should have lobbied instead for extensions to Sections 936 and 30A until the report was made public (the report has now been delayed from 2005 to 2006).

Last year, nothing was done to prevent Puerto Rico from being excluded from a 9% tax cut on domestic manufacturing with the amendment of Section 199 of the American Jobs Creation Act of 2004. The tax cut is worth $137 billion and represents the largest federal tax cut in 20 years to U.S. manufacturing firms operating on the mainland. As a result, and for the first time in more than 100 years, income from local manufacturing operations of U.S. manufacturing companies will be taxed at 35% while stateside counterparts are taxed 32%.

This tax disincentive to manufacturing investment in Puerto Rico is one of the first actions that Puerto Rico Resident Commissioner Luis Fortuño has attempted to correct since his election in 2004. So far, two bills have been submitted (H.R. 2181 and S. 1816) to amend the American Jobs Creation Act and allow U.S. companies with local operations to be taxed at 32%. U.S. representatives Phil English and John Linder with Senator Rick Santorum, chairperson of the Senate Republican Conference, among others, are cosponsoring the bill's amendment.

Said Johnson & Johnson PSGA Manufacturing Operation Vice President for Latin America Edgardo Fábregas, "[Puerto Rico] has been far too complacent with what it has. We have to come up with a strategy and move forward. The PIAPR, PRMA, PRCC, and Puerto Rico Alliance have all agreed on the same strategies. We can work together but we have to be focused on the end result."

On Jan. 1, 2006, Puerto Rico will be fully responsible for laying out a new strategy to attract new companies and encourage expansions to create jobs. The current business model demands that Puerto Rico come up with competitive global incentives that appeal to new and existing corporations from a variety of sectors.

What has kept pharmaceutical corporations in Puerto Rico despite rising costs and other jurisdictions' rising competitiveness? Why didn't this sector move out to low-labor-cost jurisdictions as did apparel, textiles, and electronics? And what is the outlook for the pharmaceutical manufacturing industry in Puerto Rico now that federal incentives of Sections 936 and 30A will end this year?

Why Are Pharmaceutical Companies Still in Puerto Rico?

Puerto Rico's pharmaceutical sector is still strong on the island for a number of reasons. Pharmaceutical representatives told CARIBBEAN BUSINESS that two main reasons are the high productivity of our workforce and the superior quality of the products that are manufactured here. But the number one reason why pharmaceutical

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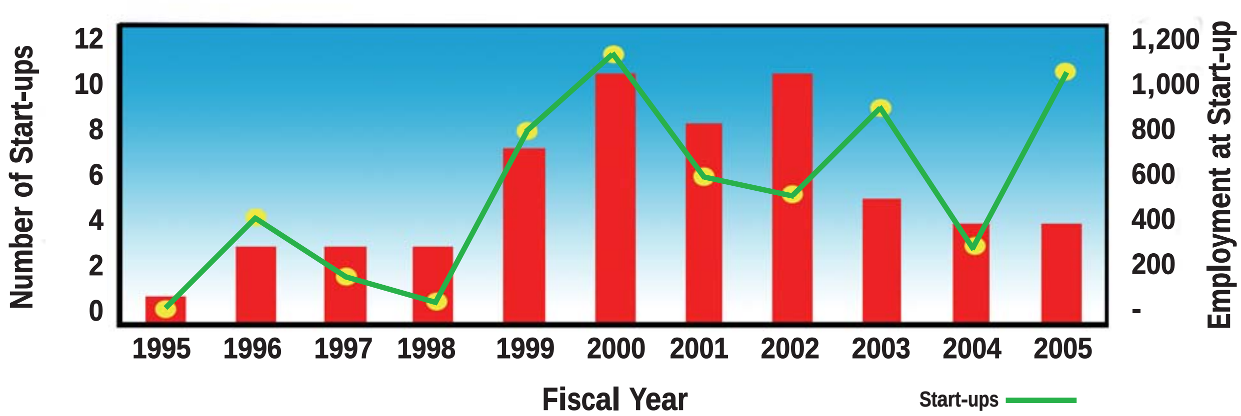
P.R. Pharmaceutical Sector's Start-ups and Employment
(1995-2005)



Source: Puerto Rico Industrial Development Co.

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manufacturing corporations were able to retain their operations on the island after the announcement of the elimination of Section 936 was being able to switch their tax status to Section 901, or as a controlled foreign corporation (CFC).

In a CFC, U.S. shareholders own more than 50 percent of the total voting power or total value of the stock on any day during the taxable year. For U.S. tax purposes, Puerto Rico and other U.S. possessions are considered foreign countries. Under Section 901, a CFC receives a tax credit for taxes it pays to a foreign country in which it operates.

"The pharmaceutical industry's decision-making cycle tends to be long term, stretching about five years into the future," said Pfizer's Del Río. "Section 936 was a tremendous tax benefit and placed [Puerto Rico] and us in a strong position versus other competitors. Many decisions about where to place a new site favored us due to the Section 936's tax incentives because there wasn't another country that could profit from that benefit. But when the phaseout began, many companies began incorporating their products as CFCs, and this ameliorated the impact [of losing Section 936], which still placed us in a leveled playing field with other countries."

Added IPR Pharmaceuticals General Manager Rubén Freyre, "Although the best tax strategy in the world for multinationals used to be Section 936 because it was a tax exemption, what we now have is parity with Ireland and Singapore through CFC regulations. Even though it is not a tax exemption, we do have a tax deferment. The fact that these multinationals could switch to controlled foreign corporations is the reason why most of them are still here. Otherwise they would have gone to Singapore or Ireland."

Most companies also have negotiated sizeable local tax incentives with Puerto Rico's central and municipal governments that are effective and/or renewable for up to 25 years. Companies that relocate to or expand their operations on the island are eligible for income-tax rates of 7% to 2% (some companies have negotiated 0%). There are 2% to 0% income-tax rates for pioneer industries; no income tax on dividend distributions; a

Jorge Silva, secretary of the Economic Development & Commerce Department

200% deduction for research and development expenses and job training costs; and accelerated depreciation on the cost of buildings, new manufacturing equipment and machinery.

Companies operating on the island also can negotiate 100% exemptions on excise taxes for raw materials, manufacturing machinery and equipment, fuels for power cogeneration, and chemicals to treat wastewater. The 100% tax exemption also holds for municipal-license taxes or patentes during plant construction (60% tax exemption for the next three quarters). In addition, real and personal property taxes during initial construction and the first year of operation are 100% tax exempt, and 90% tax exempt thereafter. Taxes on passive income derived from Puerto Rico investments and any property tax on intangible taxes (patents, production licenses, and trademarks) are also 100% tax exempt.

Another attribute the island offers to pharmaceutical manufacturers is the "Made in USA" label required by U.S. Food & Drug Administration (FDA) to distribute pharmaceutical products stateside, which distinguishes it from other competitive jurisdictions. The island's telecommunications network, modern air and maritime port facilities with global access, highway system, and electrical and water networks are Puerto Rico's best assets. And given the more than 30 years that the pharmaceutical manufacturing sector has operated in Puerto Rico, its supplier network is nonparalleled to similar sectors worldwide.

As to electricity, Gov. Acevedo Vilá committed his administration to reducing the cost of electricity for residential, commercial, and industrial customers by 14% by investing in new, more efficient internal-combustion turbines over the next two years. Prepa will also invest in new natural-gas lines, heat recuperators, and transmission lines that will increase efficiency as well.

Secretary Jorge Silva, of the Economic Development & Commerce Department (EDCD), is giving particular attention to the development of private electricity cogeneration plants in Manatí and Barceloneta, in concert with a group of pharmaceutical companies that have been working on a model for several years.

"A private electricity cogeneration plant makes sense financially and can be achieved because there is such a need from at least four pharmaceutical companies in the region," said Silva. "They even could have their own distribution line since the plants are barely miles apart. Companies are paying up to 19 cents per kilowatt-hour and something must be done about this. But first, Prepa must accelerate its plans for the intra-island gas pipeline and have Prepa's organic law amended so that the manufacturing industry only pays for the electricity used. As the law stands, if a private company has a private electricity cogeneration plant, it must pay Prepa a stand-by fee of $3 million annually."

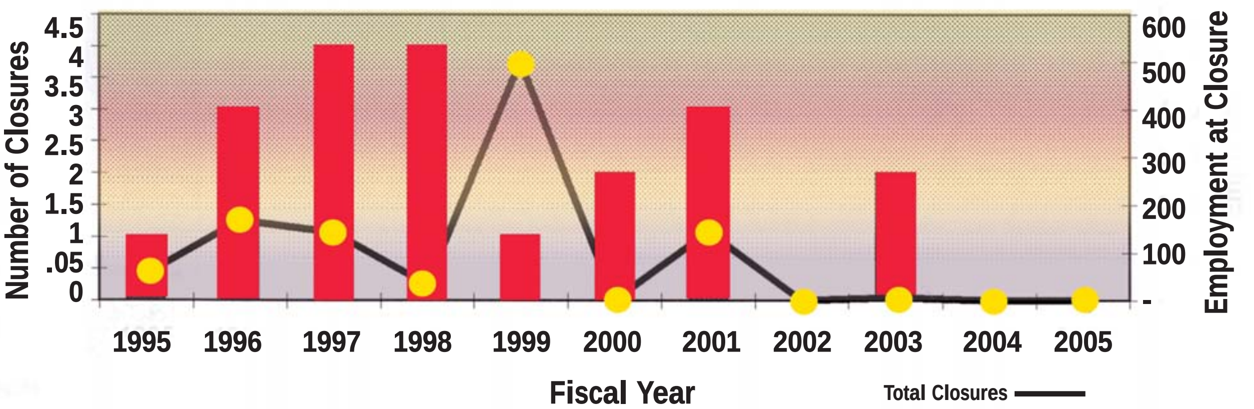
INDUSTRY AFTER 936 AND 30A

Today most pharmaceutical members agree that Puerto Rico's global competitiveness must be enhanced. In October, EDCD's Silva, with the backing of Puerto Rico's major business organizations, such as the PRMA, PRCC, P.R. Products Association, and P.R. Hotel & Tourism Association, announced the reorganization of Pridco. By Jan. 31, Pridco's 365 management and union employees must choose a voluntary-separation package or an early-retirement window. Those employees who are chosen to stay will be eligible to retire at a later date and their selected retirement package honored.

"Since 1980, the number of new [business] promotions has gone down," said Silva in a statement before the Puerto Rico House of Representatives and Labor Relations Commission. "Each year, the promotional model has become more expensive and inefficient, while the average annual wage of a Pridco employee is more than $61,000. The new Fomento will be faster, more competitive, and less expensive. It will have a group of promoters that will be eager to generate jobs, who will be committed, proactive, and dynamic. We will need promoters that are experts in modern industries and understand that it depends on them to find jobs for Puerto Rico families."

Puerto Rico Pharmaceutical Sector's Closures and Employment Losses

(1995-2005)



Source: Puerto Rico Industrial Development Co.

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Pridco also is working on two bills for the U.S. Congress that would improve our competitiveness vis a vis foreign countries. "In selling Puerto Rico to U.S. or foreign investors, the controlled foreign corporation (CFC) tax incentives are no longer limited to the island since corporations can establish CFCs in foreign countries such as Ireland and Singapore as well. So we have no particular advantage at this time. Our idea is to offer CFCs established in Puerto Rico treatment as a U.S. domestic corporation under certain circumstances," said Silva.

The first bill is to amend Internal Revenue Code (IRC) Section 243, which the PRMA and the pharmaceutical industry have been lobbying for since 2004. Section 243 provides a special 70% to 80% tax deduction on dividends received by a domestic corporation that is subject to U.S. income taxes. Corporations must derive at least 80% of their income from active conduct of trade or business within a U.S. possession. The amendment would treat certain corporations doing business in U.S. possessions as domestic only for the purpose of allowing their stateside stockholders to take the dividend-received deduction. We also must protect the federal incentive that offers U.S. corporations in Puerto Rico a 20% tax credit on all research and development (R&D) investment.

"We need to remain competitive, and being able to offer U.S. domestic status to corporations in Puerto Rico would be an advantage for the island," said Silva. "These two federal tax incentives are positions that bring us nearer and make us more neutral to the U.S. We have discussed these measures with Puerto Rico Resident Commissioner Luis Fortuño and local pharmaceutical corporations, and are all in agreement that this would be a positive measure. Currently we are scoring the measures (calculating how much they will cost the U.S. in tax contribution) and hope they cost less than $1 billion, which would make the measures more attractive to and approvable by the U.S. Congress."

Procter & Gamble Pharmaceuticals Puerto Rico Inc. Plant Manager Dave Carberry added another element to Puerto Rico's competitiveness process. "Cost is only an element [of the competitive process]. The ability to meet with compliance and environment regulations is important. The capability of your supply chain to meet and continually improve is another aspect. Another aspect is your ability to assure supply so you operate in a stable environment, such as the site's political environment.

"Also, you are not subject to some of the variability here that there could be if you were sourcing from Asia. Sourcing from Puerto Rico, you are part of the U.S. and that is an advantage. So I think there are many aspects of the supply chain that are important. Value or cost is one of them and it is very important and becoming more important, but it is just one element," said Carberry.

Johnson & Johnson, with seven manufacturing plants in Puerto Rico including one biotechnology operation in Manatí, has a long history within the island's manufacturing industry. To Edgardo Fábregas, manufacturing operation vice president for Latin America, Puerto Rico's recognition that now it is playing in what most pharmaceutical manufacturers refer to as a leveled playing field is key to its success as the global pharmaceutical hub it is.

"The issue now is not that companies are going to leave because of the end of Section 936 since a CFC is basically the same," said Fábregas. "But there is no jurisdiction that is any better than we are. Now the playing field is leveled and everyone competes on the same terms. Before, if you had investments here there was no sense to move them. What we are fighting right now is for new investment.

"The real issue is not the 20 major pharmaceutical companies that compose the pharmaceutical industry. It is the 300 companies that provide services and supplies and are outside that frame, the 90,000 indirect jobs provided by [pharmaceutical companies]. As products' patents expire and technology changes, we are going to be challenged to fight the retention. Puerto Rico wants to be a biotechnology center, but we have 30,000 pharmaceutical jobs that we have to protect. We have to be proactive in protecting the portfolio of industries that we have, and at the same time look for additional investment. And right now, I don't see a balanced strategy or approach to protecting what Puerto Rico has at the same time that we look for new investment," said Fábregas.

According to Fábregas, there are aspects Puerto Rico needs to improve, among them promotions, academia, and infrastructure. While the island is making advances in joint academia, industry, and government alliances, as well as investing in lifesciences and biotechnology projects, other jurisdictions have been working on these areas longer that we have. And it is just a matter of time before they catch up, unless Puerto Rico finds unbeatable advantages to offer corporations.

"Ireland has a guaranteed 11% tax rate for European Union corporations and no one questions or audits it," said IPR Pharmaceutical's Freyre. "The rest of us are constantly watching out for the IRS and tax authorities. Ireland has some very well educated scientists, chemists, and pharmacists and although they still don't have the four generations of managerial personnel that we have, in 10 years they will catch up. And Singapore has put all their money on R&D, starting from the front end of the pharmaceutical process while we started in the middle with manufacturing. Although they are not still competitive, we have to be very careful right now.

Puerto Rico has the wonderful capability of people and assets, and we have to make sure that we are attractive enough to get the biotechnology products and investment here. We have to leverage the strengths of our people and the ability to get to the marketplace. Because once the industry changes to biotechnology and future sciences, it will be a slippery slope. This is a very critical two or three years from now and we can't miss the boat and lose the billions of dollars of investment that are out there," said Freyre. n

Edgardo Fábregas, Johnson & Johnson PSGA vice president for Latin America Manufacturing Operation

Leading Pharmaceutical Companies with Manufacturing Operations in Puerto Rico

Employment 2,500 and over

1 PFIZER PHARMACEUTICALS LLC
2 BAXTER INTERNATIONAL, INC.
3 WYETH
4 ABBOTT LABORATORIES
5 ZIMMER HOLDINGS, INC.

Employment 1,000 to 2,499

6 MERCK & CO. INC.
7 ELI LILLY & COMPANY
8 AMGEN, INC.
9 SCHERING-PLOUGH CORPORATION
10 GLAXO SMITHKLINE

Employment 500 to 999

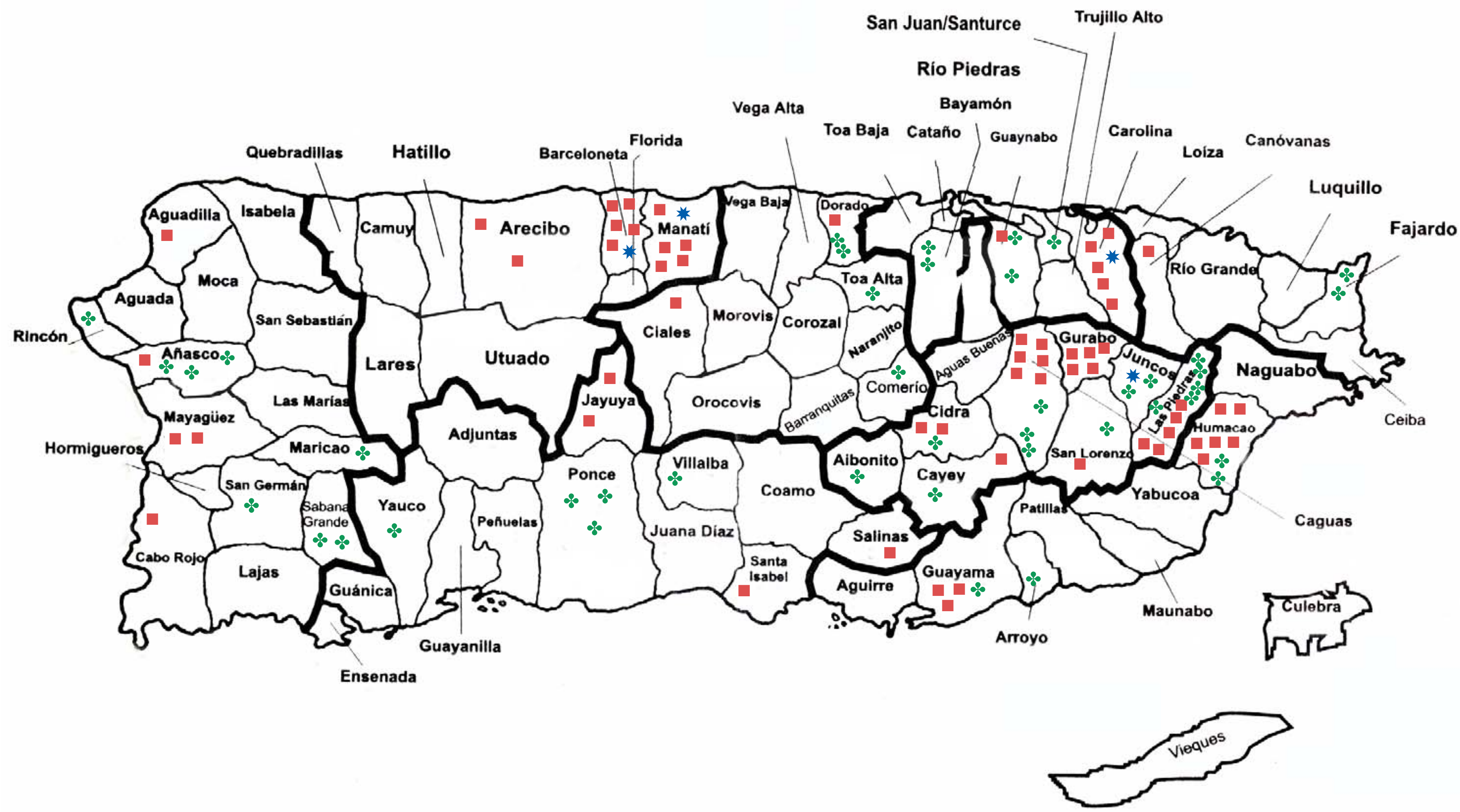
11 PATHEON, INC.
12 ASTRA ZENECA PLC
13 IVAX PHARMACEUTICALS CARIBE, INC.
14 PROCTER & GAMBLE COMPANY

Employment 200 to 499

15 BIOVAIL CORPORATION INTERNATIONAL
16 ESPACE EUROPEE DE LENTERPRISE
17 WARNER CHILCOTT PLC
18 I C N PHARMACEUTICALS, INC.
19 WATSON PHARMACEUTICALS INC.
20 MYLAN LABORATORIES, INC.

Based on the last employment figures reported by each company to PRIDCO.
Source: PRIDCO, Economic Analysis and Strategic Planning Area

Life Sciences and Medical Devices Corporations Operating in Puerto Rico



PHARMACEUTICAL OPERATIONS ■

Abbott Laboratories – Barceloneta, Jayuya
Accupharma Research Scientific Consulting – Gurabo
Agropharma Laboratories Inc. – Salinas
Alba Lab. Inc. – Gurabo
Allergan Inc. – Añasco
Astra Zeneca Plc (IPR Pharmaceuticals Inc.) – Canóvanas, Carolina
Aventis Pharmaceuticals P.R. Inc. – Manatí
Baxter Healthcare Corp. – Jayuya, Guayama
Becton Dickinson & Co. – San Lorenzo, Cayey
Biovail Corporation International – Dorado
Bristol-Myers Squibb Co. – Manatí, Mayagüez, Humacao, Barceloneta
Cardinal Health Inc. – Humacao, Las Piedras, Guaynabo, Manatí
Caribbean Nutraceticals Inc. – Las Piedras
Ceph International Corp. – Carolina
Clariant Lsm (Puerto Rico) Inc. – Humacao
Eli Lilly & Co. (Lilly del Caribe Inc.) – Carolina, Guayama, Mayagüez
GlaxoSmithKline – Cidra
Herbal Manufacturing Group Corp. – Las Piedras
ICN Pharmaceutical Inc. – Humacao
Ivax Corp./API Industries Inc. – Cidra
Johnson & Johnson – Caguas, Las Piedras, Gurabo, Cabo Rojo
Mayne Pharma Puerto Rico Inc. – Aguadilla
Mays Chemical Co. Inc. – Gurabo
Merck & Co. – Arecibo, Barceloneta
Monsanto Co. – Santa Isabel
Mova Pharmaceutical Corp./Patheon – Caguas, Carolina, Manatí
Mutchler Chemical Co. Inc. – Gurabo
Mylan Laboratories Inc. – Caguas
Natural Paradise Corp. – Ciales
Novartis Consumer Health Inc. – Humacao
Pfizer Inc. – Barceloneta, Caguas, Arecibo*, Barceloneta (Cruce Dávila)*
Procter & Gamble Co. – Manatí
Respi-Care Group of Puerto Rico Inc. – Caguas
Sachs Chemical Inc. – Caguas
Schering-Plough Corp. – Las Piedras, Manatí
Syntex Puerto Rico Inc. – Humacao
Wyeth – Carolina, Guayama

BIOTECHNOLOGY OPERATIONS ✷

Abbott Laboratories – Barceloneta**
Amgen – Juncos
Eli Lilly & Co. – Carolina**
Johnson & Johnson/Ortho Biologics Inc. – Manatí

MEDICAL DEVICES OPERATIONS ✤

Alpha Omega Wound Care Products – Caguas
B. Braun of Puerto Rico Inc. – Sabana Grande
Bard Shannon Ltd. – Las Piedras
Baxter Healthcare Corp. – Aibonito (Alaska), San Germán (Biotech Group), Maricao
Becton Dickinson Caribe Ltd. – Juncos, Las Piedras
Caguas Orthopedic Center Inc. – Caguas
Cardinal Health – Añasco, Las Piedras
Caribbean Dental Products Corp. – Bayamón
Ceramco Manufacturing Co. – Las Piedras
Cooperativa Industrial de Comerío – Comerío
Customed Inc. – Fajardo
EBI Patient Care – Guaynabo
Edwards Lifesciences Corp. of Puerto Rico – Añasco
Electro-Biology P.R. Inc. – Guaynabo
GEM Laboratories Inc. – Humacao
Guidant CPI del Caribe Ltd. – Dorado
Horizon International Mfg. Corp. – Ponce
Integra Neurosciences P.R. Inc. – Añasco
Johnson & Johnson/Cordis LLC – San Germán
Johnson & Johnson/Ethicon LLC – San Lorenzo
Medisearch P.R. Inc. – Guayama
Metronic Puerto Rico Operations Co. – Villalba, Juncos, Humacao
Millipore Cidra Inc. – Cidra
Nazareno Services Inc. – Bayamón
Nypro Puerto Rico Inc. – Cayey
OR-PRO Medical Industrial Laboratory Inc. – San Juan
Ortho-tain Enterprises – Toa Alta
Pall Biomedical Inc. – Fajardo
RD Medical Manufacturing Inc. – Las Piedras
Sartorius Inc. – Yauco
St. Jude Medical P.R. – Caguas
Stryker P.R. Ltd. – Arroyo
Surgical Specialties Puerto Rico Inc. – Rincón
Synovis Caribe Inc. – Dorado
USSC Puerto Rico Inc. – Ponce
Zimmer Caribe Inc. – Ponce

* Will close by the end of 2005.
** Are under construction.