Lilly

Lilly unites caring with discovery to create medicines that make life better for people around the world.

Lilly

To our Lilly shareholders



I am pleased to report that 2019 was a strong year for Eli Lilly and Company. We delivered solid financial results, developed and launched important new medicines, and made progress on our productivity agenda. The most meaningful metric for Lilly – the number of people our medicines are helping – totaled more than 40 million in the past year alone.

While this figure is remarkable, the ease with which people can access innovative medicines varies widely around the world. In the U.S., broad access to the latest treatments can be constrained by complicated or narrow insurance benefits that reduce affordability. In other advanced economies, countries sometimes ration new treatments to fund the obligations of government-run health programs. And in developing countries, nascent health systems struggle to allocate limited resources between care for acute and chronic diseases.

These issues are complex, but we have solved difficult challenges before. As a company that has been in business for 144 years and invests more than \$5 billion annually in research and development (R&D), we are in this for the long haul. We understand the importance of adapting, evolving and improving while remaining firmly grounded in our core values: integrity, excellence and respect for people. With these standards as our guide, we will continue to find effective ways to partner within and across health systems with the aim of facilitating patient access to the latest treatments, regardless of income level or geography.

We have made progress, but we know there is still much to do. As we transition to a new decade, our pipeline and commercial successes will serve as a springboard for sustained growth and productivity. With strong new product growth and limited patent exposure, upcoming data readouts for key growth drivers, and additional potential approvals and productivity improvements in the works, it is an exciting time for Lilly and the people we serve.

DELIVERING RESULTS

Thanks to the work of our more than 33,000 employees, Lilly's revenue grew 4% to \$22.3 billion in 2019, driven by volume. Despite the lingering impact of the loss of exclusivity for Cialis, sales volume rose 8% while net selling price declined 3%. Our key growth products, including Trulicity, Taltz, Verzenio, Jardiance and Emgality, continued to drive impressive worldwide volume growth.

During the past year, we've made strides toward leadership in each of our therapeutic research areas: diabetes, oncology, immunology, pain and neurodegeneration. We continued our unprecedented pace of launching new medicines and improved manufacturing productivity. We're on track to meet our goal of 31% non-GAAP operating margin by the end of 2020, even as we increase investments in R&D.

To this end, we are focused on strengthening the efficiency of our R&D engine. 2019 produced significant advancements, as we:

- received U.S. approval for two new medicines, Reyvow and Baqsimi;
- obtained new indication approvals for Trulicity, Taltz, Emgality and Cyramza;
- added four new Phase 3 clinical programs to our pipeline, all with potential to be first-in-class or best-in-class;
- reported 12 positive Phase 3 or registrational trial readouts, including a mix of new molecular entities (NMEs), new indications or data for launched products; and
- submitted 12 NMEs or new indications for regulatory review in geographies around the world.

In 2019, Lilly invested more than \$13 billion to drive our future growth through a combination of business development, capital expenditures and after-tax investment in R&D. We returned approximately \$7 billion to shareholders via dividends and share repurchases and announced a 15%

dividend increase for the second consecutive year. And over the past five years, our annualized total shareholder return has averaged 16.7%, compared to 11.7% for the S&P benchmark.

SUSTAINING PROGRESS

From our company's earliest days, we have actively engaged with our partners in health systems around the world to ensure that our medicines can reach the people who need them. One way we do that is through value-based contracts, in which the price we receive depends on how much our medicines help patients. In the U.S., 20% of revenue flowing through access-based contracts has a value-based component, and we have more than 300 alternative access contracts in other global markets, many of which are value-based.

In the U.S., our success in working with payers and government entities to expand access to insulin and other therapies has been tempered by the realization that the widening difference between list and net prices is not sustainable. Of particular concern are high-deductible insurance plans, which can financially burden patients with chronic diseases. For people who use insulin, we've launched lower-priced versions of Humalog, complementing our comprehensive patient assistance programs that seek to lower out-of-pocket cost for people with diabetes like Doug Liebman. You can read his story on page 20.

While these programs are helping, it's clear that broader, system-wide changes are needed to shift costs away from patients. A potential first step in resetting the financial incentives for each entity in the pharmaceutical supply chain would be to increase the transparency of net pricing and explore its use as the basis for all transactions, including patient cost sharing. The Transparency section of this report contains further insight into how we're addressing this issue, especially for people with diabetes.

In Europe and Japan, we're partnering with governments to gather evidence of our medicines' value to support appropriate use and a fair price. We're accelerating availability, cutting months to reimbursement in major European markets by more than 50% since 2017. In developing countries, we're actively enhancing existing health systems while supplying our most essential products in ways that ensure affordable access. You can read more about our important initiatives to improve global health, including Lilly 30x30 and our health worker training program, in the Corporate Responsibility section on page 26.

LOOKING AHEAD

2020 is shaping up to be another exciting year at Lilly. We expect to achieve high single-digit revenue growth, exceeding our five-year goals, with more than half of our sales driven by volume of our newer products. We remain committed to further margin expansion while we continue to invest in our innovation-based strategy.

In addition to Reyvow for the acute treatment of migraine, we expect to launch two more new medicines this year: URLi, a fast-acting mealtime insulin for diabetes, and selpercatinib for non-small cell lung cancer and thyroid cancers. Selpercatinib, part of our 2019 acquisition of Loxo Oncology, shrank tumors in the vast majority of study participants, like Tanner Noble, whom you can read more about on the next page.

We're closely tracking the potential breakthroughs represented by other late-phase assets, including tirzepatide, which has generated encouraging data for blood glucose control and weight loss in people with diabetes, and mirikizumab, which we're studying in ulcerative colitis, Crohn's disease and psoriasis. Our early phase pipeline provides a good foundation for future growth, highlighted by new cancer medicines such as our BTK inhibitor (LOXO-305) and our KRAS G12C inhibitor.

Given the life-changing potential of medicines, we consider breakthroughs that lead to greater access just as critical as those that lead to innovative treatments. We bring a strong sense of urgency to ensuring that our medicines are available and affordable for patients who need them.

As we enter the next decade, we see an exceptional opportunity to create new standards of care and accessibility in some of the world's most serious diseases, advance the boundaries of possibility in biopharmaceuticals, and deliver extraordinary value to patients, other health care customers, shareholders, employees and communities. We will do all we can to realize that potential.

With sincere appreciation for your ongoing interest and support,

La A.R.

David A. Ricks, Chairman and CEO

LIZ MCFADDIN

SCIENTIST, LOXO ONCOLOGY AT LILLY



Liz McFaddin with Tanner Noble, thyroid cancer survivor

Tanner Noble should have been a growing boy. But as he began his 8th grade football season, the 14-year old couldn't keep food down and kept shrinking. He lost nearly 100 pounds. For a year, doctors couldn't tell him why.

Finally, he received a diagnosis of thyroid cancer and began chemotherapy.

But Tanner struggled, and nothing his doctors tried worked. His parents watched him waste away, preparing themselves for the end. Then his oncologist at Cleveland Clinic helped him enroll in a clinical study of an experimental precision cancer medicine developed by Loxo Oncology.

Within a month, Tanner's feeding tube was removed, and he was back to eating chicken parmesan, his favorite meal. Now 18, he's a freshman in college, inspiring his Ohio hometown that rallied to his cause.

"What I want to do in life is write my story and bring the same gift that people have given to me," Tanner said, "and that's another chance at life."

Liz McFaddin, a medicinal chemist at Loxo Oncology at Lilly, understands the personal impact of her work.

"Many of us have family members who have been affected by cancer, and we know they deserve better," Liz said. "But I didn't know it was going to lead to Tanner."

Liz recently met Tanner and his mother, Demetra, during a visit to Lilly's headquarters in Indianapolis.

"That's why I come to work every day, because there's a patient at the end of it. But I couldn't have ever imagined meeting someone who was so dramatically affected by the work I contributed to," Liz said. "I'm so happy that he gets to go and enjoy this time and go to college. It's remarkable."







SCIENCE OVERVIEW

Speed Life-Changing Medicines

Lilly has always pushed the boundaries of science in order to make conditions that are incurable today, treatable tomorrow.

In 2019, we received regulatory approval for two new medicines – Baqsimi, which launched last year, and Reyvow, which launched this year. We've brought 11 new therapies to patients since 2014 and expect to introduce nine more by the end of 2023, achieving our goal of 20 new medicines in 10 years.

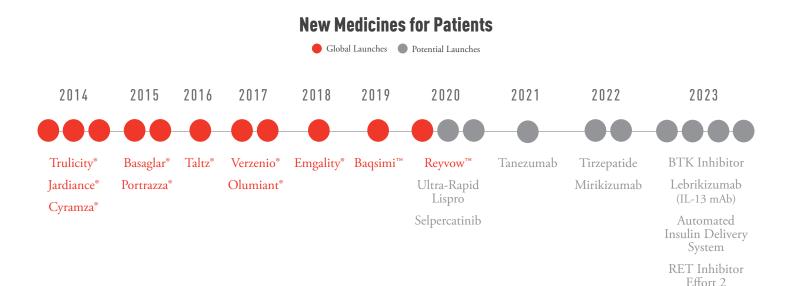
Our pipeline continues to be cited as one of the most promising in the industry across our core therapeutic areas of diabetes, oncology, immunology, pain and neurodegeneration. We're moving medicines to patients faster. The number of molecules starting clinical trials in 2019 rose by nearly 50% versus the previous year. To accomplish this, we're using creative methods to access innovation – investing in advanced technologies and looking beyond our walls for emerging scientific ideas.

An example of this new thinking is how we approach early phase oncology research. We created Loxo Oncology at Lilly, a combined organization that marries the speed and agility of Loxo with the scale and capabilities of Lilly. We acquired Loxo Oncology in 2019, adding potential medicines tailored for patients with cancers

caused by specific gene mutations. One of these new medicines, selpercatinib, has been submitted to regulators for approval to treat medullary thyroid cancers and non-small cell lung cancer and received U.S. priority review designation.

With technology partner Strateos, we opened a first-of-its-kind, robotic laboratory in San Diego. The Lilly Life Sciences Studio physically and virtually integrates several areas of the drug discovery process together into a fully automated platform. The lab enables research scientists to remotely control their experiments via a web-based interface. This technology was designed to decrease the amount of time it takes scientists to receive critical data, thus accelerating the drug discovery process.

Lilly created a new shared innovation lab in South San Francisco, designed to speed the discovery of innovative medicines through collaboration with other biotech companies. Lilly Gateway Labs provides companies the potential opportunity to collaborate with Lilly on projects of mutual interest and exposure to Lilly's scientific and drug development expertise. They also have the potential for financial investment from Lilly, venture funds or both.



PIPELINE

Phase 1



Angiopoietin 3/8 mAb CVD DACRA-089 Diabetes **GDF 15 Agonist** Diabetes **GGG** Tri-agonist Diabetes **GLP-1 Receptor NPA** Diabetes Diabetes Oxyntomodulin Diabetes GIP/GLP Co-agonist Peptide BAFF/IL-17 Bispecific Immunology BTLA mAb Agonist Immunology CXCR1/2L mAb Immunology IL-2 Conjugate Immunology



D1 PAM II O-GlcNAcase Inhibitor



PD-1 mAb Agonist

IL-33 mAb



Aurora A Kin Inhibitor Cancer **BTK Inhibitor** Cancer Cancer (undisclosed) Cancer CD226 Agonist Cancer **ERK Inhibitor** Cancer **KRAS G12C Inhibitor** Cancer PD-1/PD-L1 Bispecific Cancer **SERD** Cancer

Phase 2

Basal Insulin-FC



Automated Insulin Diabetes **Delivery System**



CD200R mAb Agonist Immunology

D1 PAM Dementia Alzheimer's Donanemab (N3pG Aβ mAb) Alzheimer's Zagotenemab (Tau mAb)

Abemaciclib



Nonalcoholic Tirzepatide steatohepatitis

> (NASH) Pancreatic

Diabetes

Olaratumab Cancer

> Prostate Cancer

PACAP38 mAb SSTR4 Agonist Pain

TrpA1 Antagonist

Pain

Immunology

Immunology

Dementia

Alzheimer's

Alzheimer's

Pain

KEY ADVANCES IN OUR INNOVATION STRATEGY

Tirzepatide

A dual GIP and GLP-1 receptor agonist with the potential for game-changing reductions in A1C and body weight in people with type 2 diabetes. It's also being studied in obesity and NASH, an inflammatory condition caused by liver fat.

Lebrikizumab

An IL-13 antibody added via the acquisition of Dermira joins baricitinib, an oral JAK 1/JAK 2 inhibitor, as a second approach being studied to help people suffering from atopic dermatitis.

Phase 3



Tirzepatide Diabetes Lebrikizumab (IL-13 mAb) Atopic Dermatitis

Mirikizumab **Psoriasis** Solanezumab Alzheimer's



Chronic Kidney Empagliflozin Disease

Empagliflozin Heart Failure Obesity

Tirzepatide

Alopecia Areata Baricitinib Baricitinib Systemic Lupus

Erythematosus

Mirikizumab Ulcerative Colitis Mirikizumab Crohn's Disease

Abemaciclib Adjuvant Breast

Cancer

Selpercatinib 1L NSCLC 1L Medullary Selpercatinib

Thyroid Cancer

Tanezumab Cancer Pain

Regulatory Review



Ultra-Rapid Lispro

Flortaucipir Tau Imaging, diagnostic

Selpercatinib RET fusion & RET mutant

Diabetes

Tanezumab Osteoarthritis

Pain



Dulaglutide 3.0/4.5 mg

Connected Care Prefilled Insulin Pen

Empagliflozin

Baricitinib

Ixekizumab

Ixekizumab

Diabetes

Diabetes

Type 1 Diabetes

Atopic Dermatitis Non-Radiographic

AxSpA

Pediatric Psoriasis











Ultra-Rapid Lispro (URLi)

A novel, fast-acting mealtime insulin lispro for adults with type 1 and type 2 diabetes. It's designed to more closely mirror the way insulin works in people without diabetes. Lilly has received a positive opinion from regulators in Europe and has submitted URLi for regulatory approval in the U.S. and Japan.

Mirikizumab

An IL-23 antibody that could transform the treatment of ulcerative colitis and Crohn's disease and is also being studied to advance the treatment of psoriasis.

JEFF YANG

GLOBAL DEVELOPMENT LEADER, MIGRAINE



For Lilly's migraine team, pushing the boundaries of science started with asking bold questions.

"We listened to patients and external advisors to learn how we could reset treatment expectations. Could we push ourselves to demonstrate the medicine can help patients be migraine free?" said Jyun-Yan (Jeff) Yang, M.D., global development leader for migraine. "It allowed us to design the Phase 3 studies to raise the bar on what a migraine treatment could deliver."

In 2019, that preventative migraine treatment – Emgality – became the U.S. leader in new-to-brand prescriptions and received FDA approval for episodic cluster headache. In 2020, Lilly launched a second new medicine, Reyvow, to stop migraine attacks when they happen – the first new class of acute migraine treatment approved by the FDA in more than two decades.

"These new medicines are bringing new optimism for people living with migraine," Dr. Yang said.

Merle Diamond, M.D., president and managing director of the Diamond Headache Clinic in Chicago, said new classes of medication have made life better for her patients.

"Having these medications has changed my 30-year practice of headache," said Dr. Diamond. "These are the first doors that we have been able to walk through to help our patients achieve a life without disability."





BUSINESS OVERVIEW

Financial Performance

Lilly medicines are helping to make life better for tens of millions of people around the world. Our newest medicines are launching in some of the fastest growing categories, and we're focused on driving adoption and volume growth of our products.

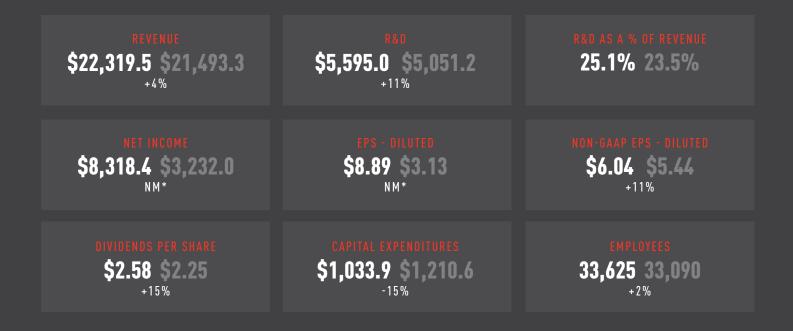
With limited patent exposure through the first half of this new decade, we're well positioned to deliver sustainable volume-based revenue growth driven by an expanding portfolio of innovative new medicines.

In 2019, our revenue increased 4% to \$22.3 billion, despite headwinds from the loss of U.S. exclusivity for Cialis® and the withdrawal of Lartruvo®. Revenue growth was driven by our newer medicines, including Trulicity, Taltz, Jardiance, Verzenio,

Olumiant, Emgality, Basaglar and Cyramza. Together, our newer medicines represented approximately 46% of total revenue in 2019, and we expect they will represent more than half of our 2020 revenue.

Volume grew 8% last year, while net selling prices actually declined 3% both in the U.S. and on a worldwide basis. We're committed to working for greater affordability and access to our medicines and have been restrained in our list price increases even while providing higher discounts and rebates to our customers. In 2020, we expect low-single digit net price declines in the U.S., driven primarily by rebates and legislated increases to Medicare Part D cost sharing.

2019 Financial Highlights • 2019 • 2018 *N



We continue to advance our productivity agenda and control operating expenses while investing in key brands and our late-stage pipeline. We made targeted, strategic investments across our commercial portfolio and pipeline, which we believe will enhance our opportunities for future growth. We expect ongoing productivity improvements that will lead to further operating margin expansion, and we're on track to achieve our operating margin target in 2020.

We also delivered solid earnings per share growth and generated strong cash flow in 2019. Our capital allocation priorities remain unchanged. We focus first on funding our promising pipeline and our recently launched medicines. We then look to leverage business development to access external innovation and augment our future growth opportunities, as we did with the acquisition of Loxo Oncology in 2019 and Dermira, Inc. in early 2020.

Finally, we return cash to shareholders through our dividend, which increased 15% in 2019 and will increase another 15% in 2020, as well as through further share repurchases.

As we enter this new decade, we have an opportunity to deliver meaningful value to our shareholders, customers, employees and communities by creating new standards of care and advancing the boundaries of what's possible in some of the world's most serious diseases.

RECONCILING ITEMS BETWEEN EPS-DILUTED AND NON-GAAP EPS-DILUTED

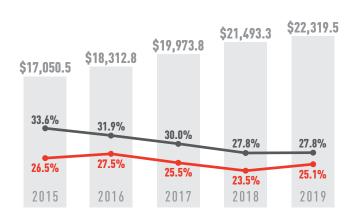
Discontinued Operations from disposition of Elanco ¹	-3.93	-0.08	Amoritization of intangible assets	0.18	0.28
Asset impairment, restructuring, and other special	0.58	0.24	Charges related to withdrawal of Lartruvo	0.14	
charges ¹ Gain on sale of China antibiotics business ¹	-0.26		Impact of reduced shares outstanding for non-GAAP reporting ²	0.07	0.20
Charge related to repurchase of debt ¹	0.22		Income taxes ³	-0.05	-0.27
Acquired in-process research and development ¹	0.21	1.96	Other, net		-0.02

¹ For more information on these reconciling items, see the Financial Results section of the Executive Overview in Management's Discussion and Analysis in the company's latest Form 10-K filed with the U.S. Securities and Exchange Commission. 2 Non-GAAP earnings per share assume that the disposition of Elanco occurred at the beginning of all periods presented and, therefore, exclude the approximately 65.0 million shares of Lilly common stock retired in the Elanco exchange offer. 3 For 2019, amount relates to a tax benefit from a capital loss on the disposition of subsidiary stock. For 2018, amount relates to adjustments to the 2017 Toll Tax for U.S. tax reform proposed regulations and tax expenses associated with the separation of Elanco. 4 Numbers may not add due to rounding.

Operating Expenses

Revenue Marketing, Selling and Administrative R&D

(\$ millions, percent of revenue)



Over the past five years, Lilly has maintained relatively flat operating expenses while growing revenue, resulting in steady improvement in operating expense as a percent of revenue.

Total Shareholder Return

Value of \$100 Invested in Lilly, S&P 500 Stock and Peer Group*





Over the past five years, Lilly's annualized total shareholder return has averaged 16.7%, compared to 11.7% for the S&P benchmark, due to the increase in the stock price and increasing dividend stream.

Recently Launched Products



Baqsimi is the first and only dry nasal spray to treat low blood sugar emergencies. This is a significant improvement in user experience, exemplifies the type of innovation we strive to deliver to patients and has the potential to grow the overall glucagon market.



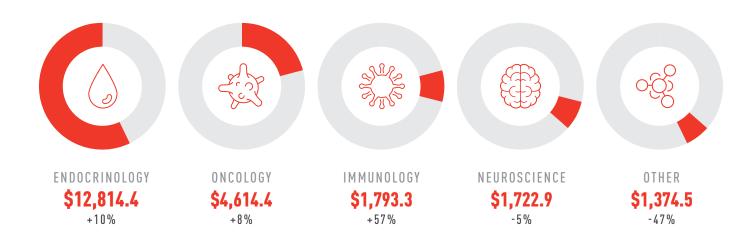
Reyvow is the first new class of acute treatment for migraine approved in more than two decades.

Reyvow has shown the ability to provide fast and complete pain freedom and allow adult patients to get back to their lives. Together with Emgality, we now offer treatments for both acute and preventive care of migraine.

^{*} The graph measures total shareholder return, which takes into account both stock price and dividends. It assumes that dividends paid by a company are reinvested in that company's stock. See Item 5 of the company's latest Form 10-K filed with the U.S. Securities and Exchange Commission for those companies included in our peer group.

Revenue Growth Across Therapeutic Areas

(\$ millions, percent growth)



Revenue in Endocrinology increased 10% primarily driven by growth of Trulicity, Basaglar and Jardiance. Oncology revenue increased 8% due to Verzenio launch in the U.S. Taltz drove the 57% revenue increase in Immunology. Neuroscience experienced a 5% decrease due to lower volume for Strattera as a result of loss of patent protection, offset in part by the launch of Emgality. Other Pharmaceutical revenue decreased 47% driven by lower volumes for Cialis, due to patent losses.

Product Revenue Growth

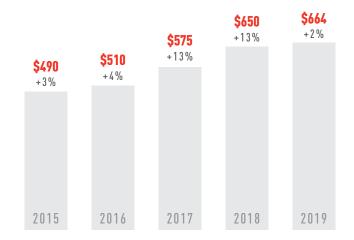
(\$ in millions represent growth in revenue excluding foreign currency impact)



Seven products – Trulicity, Taltz, Verzenio, Basaglar, Jardiance, Olumiant and Emgality – together generated revenue growth of \$2.8 billion excluding the impact of foreign currency, driven primarily by volume increases.

Revenue Per Employee

(\$ thousands, percent growth)



In 2019, revenue per employee increased 2% to \$664,000, primarily due to higher revenue driven by volume growth from Trulicity and other new products.

ANGELA MCDANIEL

ASSOCIATE BRAND MANAGER, LILLY DIABETES CONNECTED CARE



Modern innovations in insulin have fundamentally changed the lives of people like Angela McDaniel, who works on Lilly's diabetes team.

Angela, who has type 1 diabetes, has been able to work full-time while having three kids because modern rapid-acting insulin for mealtimes and once-a-day insulin glargine kept her blood glucose under control, even when her schedule wasn't.

"If I had been born 20 years earlier," Angela said, "I wouldn't have been able to have this life with children."

Angela and the millions of people with diabetes inspire us to fulfill our purpose every day.

This is the power of innovative medicines, including Lilly's modern insulins. They help people like Angela live healthier, more productive lives.





TRANSPARENCY

Innovation

Lilly has been working for almost a century to develop medicines that save and improve the lives of people with diabetes – from the manufacturing and distribution of the first animal-based insulin in 1923 to discovering the first biosynthetic form of human insulin.

Nearly 100 years ago, insulin was a new invention, but production was crude. To produce a vial of insulin, pancreases from livestock were ground up to extract the life-saving substance. Today's modern biotech insulins are a scientific marvel nearly unrecognizable compared to the insulins of a century ago.

Making modern insulin is complex and requires significant investment. It takes several months, start to finish, to create the insulin that people use today. Thousands of scientists and engineers work every day on the production of Lilly insulin, and we have plants all over the world. In Indianapolis, our manufacturing facilities employ hundreds of highly skilled technicians. Since 2012, we've invested \$2 billion to keep our facilities state-of-the-art and able to supply the world with insulin.

Before the discovery of insulin, a child diagnosed with type 1 diabetes at age 10 typically died less than three years after being diagnosed. Insulin was literally life-saving: for someone with type 1 diabetes in the U.S., it extended life expectancy into their early 40s. Today's modern biotech insulins have extended life expectancy another 20 years – into the late 60s. That's good, but still a decade less than the average American lives. That's why Lilly scientists are developing non-insulin drugs and therapies that, if successful, could put diabetes in remission or even cure it for some. At Lilly, we're not just treating diabetes, we're trying to stop it.



10,000 lbs. of livestock pancreas glands produces 1 lb. of pure insulin crystals (1926)



Lilly's modern day insulin manufacturing facility in Fegersheim

Life Expectancy of People with Diabetes

AFTER INSULIN DISCOVERY



BEFORE INSULIN

40 yrs old

60+ yrs old

WITH TODAY'S INNOVATION



DOUG LIEBMAN

HUMALOG PATIENT BENEFITTING FROM ONE OF OUR INSULIN AFFORDABILITY PROGRAMS



Doug Liebman has type 1 diabetes, so his body needs Lilly's Humalog[®] insulin to convert food into energy.

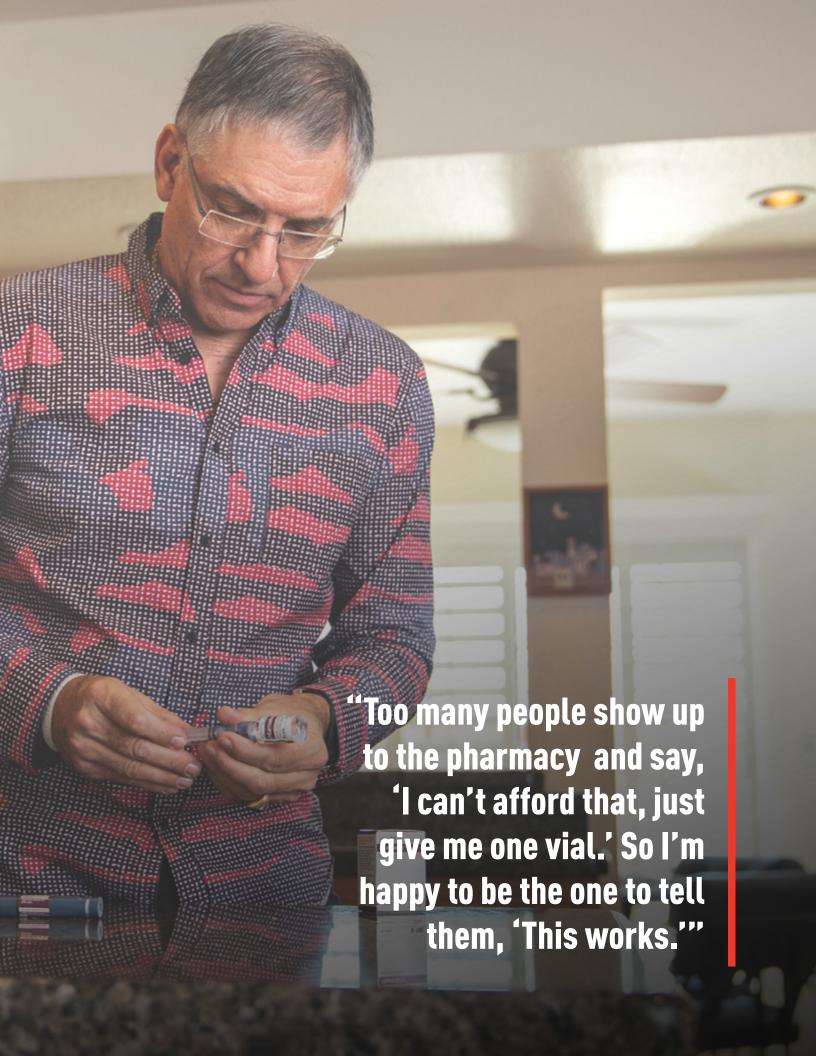
Doug's health insurance plan has a high deductible, requiring him to pay \$3,500 out of pocket before any insurance coverage kicks in. His bill for insulin at the start of the year is more than \$1,000. But last January, Doug went to the pharmacy and his bill for four vials of Humalog was just \$95.

"I told the pharmacist that there was a mistake," said Doug, 62, a gemologist in Arizona.

But it wasn't a mistake. Lilly had automatically capped Doug's costs at \$95, paying the remaining bill to Doug's health insurance plan.

The money Doug saved can help him buy new glasses more regularly, keeping his vision sharp so he can continue working.





Affordability

We know innovative medicines are only helpful if patients can afford them. No one should have to ration insulin when managing their diabetes. To fill gaps in the current U.S. health care system, Lilly has introduced several insulin affordability programs (referenced below) for people who are most likely to pay higher out-of-pocket costs. This includes those in high-deductible insurance plans, the uninsured and seniors in the Medicare Part D coverage gap.

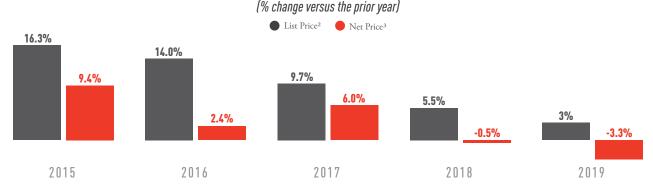
Our programs are helping. In 2019, the average out-of-pocket spend among people using our savings programs decreased more than 65%. Today, 95% of Humalog prescriptions at the retail pharmacy cost patients \$95 or less, and 43% cost nothing at all. From the first half of 2018 to the last half of 2019, the average patient out-of-pocket cost for Humalog at retail pharmacies decreased by 15% to \$33.57 per prescription.

Changes in the U.S. health care system, such as the increase in use of high-deductible health plans, are an ongoing challenge. While these plans prioritize lower premiums, they have shifted a greater burden of cost-sharing to consumers who need medicines – effectively causing the sick to subsidize the healthy.

The rebates and discounts we pay to pharmacy benefit managers, insurers, the government and other supply chain entities have continued to grow over the years, not just for insulin but for our entire U.S. portfolio. We need to restructure the financial incentives of the entire pharmaceutical supply chain to ensure that patients directly benefit from those rebates and discounts at the pharmacy counter.

You can read more at Lilly.com/access.

Comparison of Lilly List and Net Price Changes for U.S. Product Portfolio¹



1. U.S. Product Portfolio includes all human pharmaceutical products marketed in the U.S. for which Lilly is the holder of the new drug application (NDA). This represents approximately 94% of our total U.S. human pharmaceutical revenue. 2. List Price represents the weighted average year-over-year change in the wholesale acquisition cost (WAC). 3. Net Price represents weighted average year-over-year change in net price, which is WAC minus rebates, discounts and channel costs.



CAPPING OUT-OF-POCKET COSTS*

Lilly offers savings programs designed to limit out-of-pocket costs for Lilly insulins. The vast majority of commercially insured and uninsured patients can expect the out-of-pocket cost for their prescription to be \$95 or less at the retail pharmacy.

*Pharmacies must participate and uninsured patients must enroll; offer invalid for patients whose prescription claims are eligible to be reimbursed by any governmental program; some limitations apply.



LOWER-PRICED INSULINS

In 2019, Lilly launched Insulin Lispro Injection at a list price 50% lower than Humalog U-100. As of January 2020, monthly prescriptions for Insulin Lispro injection had reached more than 98,000, and Insulin Lispro made up nearly 14% of the Humalog family prescriptions. In January 2020, Lilly announced two additional half-priced insulins – Humalog Mix75/25 KwikPen and Humalog Junior KwikPen (expected availability in April 2020).

Humalog List and Net Price Per Vial⁴

Humalog List Price Per Vial Insulin Lispro List Price Per Vial Humalog/Insulin Lispro Net Price Per Vial

\$275 \$275 \$268 \$246 \$216 \$137 \$70 \$61 \$62 \$59 \$60 2016 2015 2017 2018 2019

The last list price increase for Humalog vial was May 2017. The net price in the chart represents the revenue Lilly realized per Humalog and Insulin Lispro vial after rebates and discounts. Increases in list prices do not always create increases in net prices.

Average Lilly Net Price (As a % of List Price) After Discounts Across the U.S. Product Portfolio⁵



4. The average net price per vial, the amount Lilly receives after rebates and discounts, is calculated by dividing the total net vial sales (Humalog and Insulin Lispro vials), by the total vials sold. 5. The average net price percentage is calculated by dividing net sales, the amount Lilly receives after rebates and discounts, by the annual gross sales (total sales at list price, prior to all discounts).

Average Cost of Humalog Prescriptions Filled at Retail Pharmacies⁶

	\$0		\$1 - 95		
0 %	25%	50%	75%	100%	

6. Humalog is the most broadly used Lilly insulin product.



FREE INSULII

Lilly also donates medicines to charitable organizations that provide free medicine, including insulin, to patients meeting program eligibility requirements. In the last five years, Lilly has donated more than 7 million insulin vials and pens to U.S. charitable organizations, including Americares, Direct Relief, Dispensary of Hope and the Lilly Cares Foundation*.



LILLY DIABETES SOLUTION CENTER

People who use Lilly insulin can learn about all options that may reduce their out-of-pocket costs by calling the Lilly Diabetes Solution Center.

Medical representatives are available at (833) 808-1234.

BRANDON MARISCAL

LIFE FOR A CHILD INSULIN RECIPIENT



As a 5-year-old in Bolivia, Brandon Velarde Mariscal was fighting for his life. "My son was dying. He didn't eat. He couldn't walk," said his mother.

After more than a year, Brandon was diagnosed with type 1 diabetes. Even then, he was given too little insulin, and he continued to lose weight. Finally, Brandon's mother found a doctor who stabilized his condition and connected them with a program to get him the insulin he needed – Life for a Child. Lilly has supplied more than 2 million vials of insulin to the program, which helps young people with diabetes in developing countries. Last year, Lilly insulin helped 19,000 young people in 31 countries.

Now 24, Brandon recently graduated as a dentist and now helps improve health for others. "I want to prove that diabetes hasn't been an impediment for me. People with diabetes, we can do it."





OPERATING RESPONSIBLY

Corporate Responsibility

We work every day to grow our business in responsible and sustainable ways that improve people's lives, benefit society and generate positive returns for our shareholders.

Our approach to social impact starts with increasing access to our medicines and extends to improving health for people who otherwise might not be reached by Lilly's traditional business model. We expand our reach by strengthening communities around the world and helping our employees give back.

IMPROVING GLOBAL HEALTH

Lilly is committed to reducing human suffering – regardless of an individual's or nation's economic status. We leverage our resources and collaborate with leading health organizations to increase access to Lilly medicines and address complex global health challenges.

Through Lilly 30x30, we've set a goal to improve access to quality health care for 30 million people living in settings with limited resources, each year, by 2030. We focus on three key areas: pipeline, programs and partnerships.



Discovering new medicines and repurposing internal assets and legacy products for diseases that disproportionately affect people living in resource-limited settings



Programs

Strengthening and creating new programs that help improve access to Lilly medicines



Building partnerships that strengthen health systems, increase access to medicines and improve care



GLOBAL HEALTH IMPACT

Pipeline Asset Review

In 2019, we turned to our asset library in search of options to address priority global health diseases. Our researchers examined more than 350 molecules and medicines alongside a list of diseases in need of better treatments. They identified about a dozen of these for further review and will make recommendations to a research governing committee in 2020.

Increasing Access to Lilly Medicines

Lilly offers more than 150 patient support programs across 50 countries that reach nearly 2 million people annually. These programs, including new insulin affordability efforts in the U.S., support people who are taking Lilly medicines as well as their caregivers and loved ones.

Africa: Health Worker Training Initiative

Lilly joined four other health companies and the Bill & Melinda Gates Foundation to fund community health workers in up to six African countries. The funding will help deploy 2,500 community health workers equipped with digital tools. These workers will reach an estimated 1.7 million people by 2022. Community health workers can reduce national health expenditures.

Mexico: Diabetes and Pregnant Women

Lilly is collaborating with the Carlos Slim Foundation to test a new, less expensive screening process for pregnant women who may be at risk of type 2 diabetes and gestational diabetes. The data will increase the understanding of both diseases within the Mexican population and inform future public policy. If fully scaled across the country, the program could reach 1.2 million women and children by 2030.

Contributions at a Glance

\$32.6M 2019 CASH DONATIONS ¹	\$1.3B TOTAL PRODUCT DONATIONS	\$90M TOTAL COMMITTED TO GLOBAL HEALTH EFFORTS THROUGH 2022
2.1M INSULIN VIALS RECEIVED BY LIFE FOR A CHILD AS OF 2019	\$13.4M 2019 UNITED WAY CONTRIBUTIONS ²	1.2M LILLY GLOBAL DAY OF SERVICE EMPLOYEE VOLUNTEER HOURS ³

COMMUNITY IMPACT

Beyond the impact of our medicines, Lilly has a long history of strengthening communities. We collaborate with organizations that have proven track records of social impact, and we create meaningful opportunities for our employees to give and volunteer.



Disaster Relief Programs

When disaster strikes, Lilly and the Lilly Foundation® respond with donations of products and cash, including matched contributions from Lilly employees. In advance of major storms, we partner with Direct Relief to pre-position insulins and other medicines. The supplies help hospitals and clinics respond to immediate health needs while longer-term relief efforts are assessed.



Connecting Hearts Abroad

More than 1,200 employees have volunteered in communities with limited resources through our global service program, now in its 10th year. They work on health-related projects like supporting people with diabetes in South Africa and assisting refugees in Greece. Beyond the impact they make in local communities, our employees gain first-hand experience with global health challenges and Lilly's role in addressing them.



United Way

During our 100-year relationship with United Way, contributions from Lilly employees and retirees, plus matching gifts from the Lilly Foundation, have totaled \$315 million. Together, we work to address complex societal challenges and create lasting change in the areas of health, education and financial stability.



Global Day of Service

Every year, more than 20,000 Lilly employees volunteer worldwide to improve health, education and communities. We collaborate with local organizations in 65 countries to increase our impact. Together, we've completed thousands of projects – from assembling cancer care packages to teaching in classrooms to improving local community centers.



Environmental Highlights

Our promise of making life better includes protecting and preserving the world we live in through our environmental sustainability efforts. As our product portfolio evolves, we search for new and better ways to minimize our environmental footprint.

We have already exceeded two of our 2020 environmental goals - 15% reduction in phosphorous emissions and 20% improvement in waste efficiency. At the end of 2018, we had reduced phosphorous emissions in wastewater by 34.4%. This progress reflects significant efforts to phase out or minimize the use of phosphorous-based agents used to clean our manufacturing process equipment. We're now challenging ourselves to cut an additional 10% of phosphorous emissions by the end of 2020, using 2018 as the new baseline. We've also improved our waste efficiency by 34%, and we will now focus on achieving our recycling and waste-to-landfill targets.

Lilly recognizes the potential impacts associated with climate change and the risks of severe weather events. We set aggressive targets for improving energy efficiency and, as a result, reducing our greenhouse gas emissions intensity.

Through 2018, we decreased our greenhouse gas emissions intensity by 12.7% compared to our 2012 baseline. Since 2012, eight of our 11 largest energy-consuming sites have increased production, which required additional resources. At the same time, several of these sites improved energy performance as measured per unit of production. Overall, total energy consumption was flat compared to 2012, while our energy efficiency improved by 0.7%.

Data for our 2019 performance will be shared on Lilly.com in mid-2020 in our detailed sustainability report. In 2020, we will establish our next wave of environmental goals and start tracking our progress toward them.

In 2019, Lilly scored a rating of B on climate change and B on water from CDP. CDP is the world's largest repository of environmental management information. It allows companies and their stakeholders to assess environmental performance.

Lilly's 2020 Environmental and Safety Goals

Progress through 2018 Goal



PHOSPHORUS EMISSIONS IN WASTEWATER¹

34.4% REDUCTION

15% REDUCTION



WASTE EFFICIENCY²

34% REDUCTION

20% REDUCTION



GREENHOUSE GAS EMISSIONS^{3,4}

12.7% REDUCTION

20% REDUCTION



ENERGY EFFICIENCY5

0.7% REDUCTION

20% REDUCTION

^{1.} Following World Resources Institute guidance, progress toward environmental goals is reported on an adjusted basis accounting for mergers, acquisitions and divestitures, as appropriate, to ensure comparability, unless stated otherwise. 2. Per square foot of site space. 3. This goal covers Lilly's Scope 1 and Scope 2 emissions related to site-purchased energy (e.g., electricity, steam, chilled water) and on-site fuel combustion. 4. Per unit of production or site-relevant index. Lilly's waste goals do not include materials that are deemed "beneficially reused" without extensive processing. Examples include coal ash reused for mine reclamation or road base, and mycelia and urea reused for fertilizer. 5. In absolute terms

Diversity and Inclusion

To solve the toughest challenges in medicine, Lilly is committed to a diverse, agile workforce of top talent from around the world. Everything we do comes down to our people. All of them.

Diversity and inclusion (D&I) are built into the fabric of how we work – because having people with different backgrounds and different voices makes our company stronger. To fulfill our purpose, we must look at challenges from multiple viewpoints and must understand the diverse experiences of the patients who depend on us.

In 2019 we launched a number of D&I initiatives including programs focused on people with disabilities and veterans. We're working to improve accessibility for employees with visible and invisible disabilities – earning a #2 ranking from DiversityInc in that category. We've also expanded efforts to hire and support veterans, who bring valuable skills to our business. Alongside these efforts, our employee resource groups for people with disabilities and for veterans have added new programming and extended community outreach efforts.

Diversifying management ranks is also a priority, and we measure progress and strive for continued improvement. From the end of 2015 to the end of 2019, we increased the number of women in

management globally from 41% to 45%. For racial and ethnic minorities in the U.S., we increased management representation from 18% to 24% of total management.

In addition, six of the 14 members of our Executive Committee (43%) are women, including one woman of color. Our 13-member board of directors includes four women (31%) and five members of underrepresented groups.

With strong leadership commitment, we approached D&I as a business-critical challenge. We conducted in-depth employee research that yielded important insights about women and racial/ethnic minorities. We're using these insights to build more accountable leadership, more transparency in talent management and greater cultural literacy across the workforce.

Similar in-depth research is in progress to understand the experience of LGBTQ (lesbian, gay, bisexual, transgender and queer/questioning) employees at Lilly.















2019 Awards and Recognitions

CATALYST AWARD For Our People Strategy	WORKING MOTHER 100 Best Companies, 25th year in a row	NATIONAL ORGANIZATION ON DISABILITY Leading Disability Employers
DIVERSITYINC Top 50 Companies for Diversity: #5	BLACK ENTERPRISE 50 Best Companies for Diversity	ETHISPHERE World's Most Ethical Companies
SCIENCE MAGAZINE Top Employers: #9	HUMAN RIGHTS CAMPAIGN FOUNDATION Best Place to Work for LGBTQ Equality, 100% score	FORBES America's Best Large Employers: #3, and Best Employer for Diversity



GOVERNANCE

Board of Directors Q&A

WITH JUAN LUCIANO, LEAD DIRECTOR



Juan, what were some of the company's major accomplishments in 2019?

In 2019, the company made major strides in implementing our long-term strategy. We made significant pipeline advances. We also had significant business development engagement: we completed the divestiture of Elanco Animal Health Inc., enabling Lilly to focus solely on its human pharmaceutical business, and acquired Loxo Oncology, which is the largest in a series of transactions the company has conducted to broaden its oncology portfolio.

We also introduced Insulin Lispro, a lower-priced version of Humalog®, in the U.S., providing patients with diabetes an insulin option with a list price 50% lower than the current Humalog list price. We've continued this approach in 2020, adding two versions of the Humalog KwikPen® to our lower-priced insulin solutions. Going forward in 2020, pricing and the dynamic health care environment, particularly in the U.S., will continue to be of particular focus to the board. Also, the board will continue to focus in 2020 on ensuring a robust pipeline, through both internal and external innovation, and execution on our key business priorities.

What has the board done in response to shareholder engagement this year?

The board believes engagement with our shareholders and other key stakeholders is central to how we govern the company. In 2019, we spoke with a number of investors on topics such as proxy access; eliminating the company's classified board and supermajority voting requirements; environmental, social and governance topics including drug pricing and product quality and safety; our board and corporate culture; litigation and key enterprise risks; and the company's executive compensation. As a result of input from our shareholders, we recently amended the company's bylaws to include proxy access provisions. Once again, the board is putting forward management proposals to eliminate the classified board structure and supermajority voting provisions.

Why is Lilly's current governance structure best suited to drive innovation?

We're dedicated to effective oversight of our business and believe that governance is key to the board's effective oversight of our long-term performance, strategy, key risks and compliance. Our board believes independence is key to strong corporate governance. The dual roles of an executive chair and a strong, independent lead director are important in balancing inputs to the board. As our Chairman and CEO, Dave Ricks provides strong operational leadership coupled with a long-term strategic agenda. This is vital to our innovative research and development business, which has prolonged product development cycles. Further, leveraging my experience as the CEO for a Fortune 100 company, I lead the independent directors in their analysis of company decisions and performance and in the other elements of our important oversight function for the company.



Congratulating Nobel Laureate Dr. William Kaelin, Jr.

Lilly Board member William G. Kaelin, Jr., M.D., never had to look far to see the purpose in science.

As one of the preeminent medical researchers at Harvard Medical School, Dr. Kaelin's lab sits in the heart of the Dana Farber Cancer Institute and its waiting rooms of patients desperate for healing. Dr. Kaelin's late wife, Carolyn, was a beloved breast cancer surgeon, and he has said he would often find her holding the hands of her patients, "sometimes while they were in tears, and she would be in tears as well."

"You're reminded daily that there are people counting on us," Dr. Kaelin said after winning the 2019 Nobel Prize in Physiology or Medicine. "It's not about awards and accolades. It's about trying to get to the truth, to generate new knowledge and to have that knowledge eventually help our patients."

Thanks to Dr. Kaelin and his colleagues, the world better understands how cells sense and adapt to changes in oxygen. Their transformative discovery has been integral to the development of new therapies across a range of fields, including anemia, heart disease and cancer.

"Like most scientists, I did occasionally allow myself to dream that maybe one day this would happen," Dr. Kaelin said. "I was overwhelmed with a sense of the moment, a sense of great appreciation for the life I've been able to lead in science, and to share this wonderful recognition with the many people who have been a part of that life."

We're grateful that Dr. Kaelin is a member of our board of directors. With profound curiosity and passion for solving complex scientific challenges, he both informs and inspires our work at Lilly.



Board of Directors

CAROLYN R. BERTOZZI, PH.D.

Professor of Chemistry, Stanford University

MARSCHALL S. RUNGE, M.D., PH.D.

Executive Vice President for Medical Affairs and Medical School Dean, University of Michigan

JUAN R. LUCIANO

Chief Executive Officer, Archer Daniels Midland Company

WILLIAM G. KAELIN, JR., M.D.

Professor of Medicine, Harvard Medical School

JACKSON P. TAI

Former Chief Executive Officer, DBS Group and DBS Bank

MICHAEL L. ESKEW

Retired Chief Executive Officer, United Parcel Service, Inc.

KATHERINE BAICKER, PH.D.

Dean, Harris School of Public Policy, University of Chicago

KAREN WALKER

Senior Vice President and Chief Marketing Officer, Intel Corporation

DAVID A. RICKS

Chairman and Chief Executive Officer, Eli Lilly and Company

J. ERIK FYRWALD

Chief Executive Officer, Syngenta

KATHI P. SEIFERT

Retired Executive Vice President, Kimberly-Clark Corporation

RALPH ALVAREZ

Operating Partner, Advent International Corporation

JAMERE JACKSON

Chief Financial Officer, Hertz Global Holdings Inc

Board Qualifications

The Board of Directors and the Corporate Governance Committee assess director candidates by considering board experience, tenure and diversity.

EXPERIENCE

Our directors are responsible for overseeing the company's business. This fiduciary duty requires highly-skilled individuals with various qualities, attributes and professional experience. We believe the board is well-rounded, with a balance of relevant perspectives and experience, as illustrated in the chart to the right.



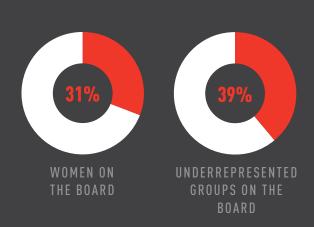
BOARD TENURE

As the chart demonstrates, our director composition reflects a mix of tenure on the board, which provides an effective balance of historical perspective to understand the evolution of our business with fresh perspectives and insights.



DIVERSITY

The board strives to achieve diversity in the broadest sense, including geography, gender, ethnicity, age and experiences. Although the board does not establish specific diversity goals or have a standalone diversity policy, the board's overall diversity is an important consideration in director selection and the nomination process. The Directors and Corporate Governance Committee assesses the effectiveness of board diversity efforts. The company's 13 directors range in age from 49 to 71 and include four women and five members of underrepresented groups.



Board Committees of the Board of Directors

All six committee charters are available online at **Lilly.com/who-we-are/governance**, or upon request to the company's corporate secretary. Key responsibilities of each committee are set forth below.

AUDIT COMMITTEE

Reviews the company's financial reports, systems of internal control, and internal and external audit processes. It has sole authority to appoint or replace the company's independent auditor and assists the board's oversight of compliance and risk assessment and management.

Members: Jamere Jackson (Chair), Katherine Baicker, Michael L. Eskew, Jackson P. Tai, Karen Walker

COMPENSATION COMMITTEE

Oversees compensation policies; establishes compensation and administers benefits programs for executive officers; and administers the deferred compensation plans, management stock plans and incentive bonus plan. It also oversees succession management for the CEO and senior executives.

Members: Ralph Alvarez (Chair), Michael L. Eskew, J. Erik Fyrwald, Kathi P. Seifert

GOVERNANCE COMMITTEE

Identifies and recommends to the board candidates for membership on the board and board committees and oversees matters of corporate governance, director independence, director compensation and board performance.

Members: Michael L. Eskew (Chair), Juan R. Luciano, Kathi P. Seifert, Jackson P. Tai

FINANCE COMMITTEE

Reviews capital structure and strategies, including dividends, share repurchases, capital expenditures, investments and borrowings. It makes recommendations to the board on major business development and mergers and acquisitions. It also oversees financial risk management policies and practices.

Members: Juan R. Luciano (Chair), Jamere Jackson, William G. Kaelin, Jackson P. Tai

PUBLIC POLICY AND COMPLIANCE COMMITTEE

Oversees the company's non-financial compliance and ethics policies and programs. It also reviews, identifies and, when appropriate, brings to the attention of the board political, social and legal trends and issues that may have an impact on the business operations, financial performance or public image of the company.

Members: Katherine Baicker (Chair), Carolyn Bertozzi, Marschall S. Runge, Karen Walker

SCIENCE AND TECHNOLOGY COMMITTEE

Reviews and makes recommendations regarding the company's strategic research goals and objectives and pipeline of potential new medicines. It also reviews new developments, technologies and trends in pharmaceutical research and development and oversees matters of scientific and medical integrity and risk management.

Members: William G. Kaelin (Chair), Ralph Alvarez, Carolyn Bertozzi, J. Erik Fyrwald, Marschall S. Runge

For more information on the Board of Directors, please see the 2020 Proxy Statement.



Executive Committee

JOHNA L. NORTON

Senior Vice President, Global Quality

MICHAEL B. MASON

Senior Vice President and President, Lilly Diabetes

MYLES O'NEILL

Senior Vice President and President, Manufacturing Operations

AARTI SHAH, PH.D.

Senior Vice President and Chief Information and Digital Officer

LEIGH ANN PUSEY

Senior Vice President, Corporate Affairs and Communications

STEPHEN F. FRY

Senior Vice President, Human Resources and Diversity

DAVID A. RICKS

Chairman and Chief Executive Officer

JOSHUA L. SMILEY

Senior Vice President and Chief Financial Officer

DANIEL M. SKOVRONSKY, M.D. PH.D.

Senior Vice President and Chief Scientific Officer, and President, Lilly Research Laboratories

MELISSA S. BARNES

Senior Vice President, Enterprise Risk Management and Chief Ethics and Compliance Officer

ALFONSO ZULUETA

Senior Vice President and President, Lilly International

ANNE E. WHITE

Senior Vice President and President, Lilly Oncology

PATRIK JONSSON

Senior Vice President and President, Lilly Bio-Medicines

Not Pictured

ANAT HAKIM

Senior Vice President and General Counsel



Our Global Brands

ENDOCRINOLOGY



















IMMUNOLOGY





NEUROSCIENCE











ONCOLOGY









OTHER



HELPFUL LINKS

Lilly News

Lilly.com/newsroom

Lilly's Commitment to Corporate Responsibility and Social Impact

Lilly.com/caring

Lilly's Commitment to Transparency in Our Relationships with **Health Care Professionals and Health Care Organizations**

Lilly.com/caring/operating-responsibly/transparency

Information on Lilly's Clinical Trials

Lilly.com/discovery/clinical-trials

Information on the Lilly Grant Registry

Lilly.com/who-we-are/lilly-grant-office

Information on the Prices of Our Medicines

Lillypricinginfo.com

Information About Insulin Affordability

LILLY DIABETES SOLUTION CENTER Insulinaffordability.com, or call toll-free (833) 808-1234 (Monday–Friday, 9 a.m.–8 p.m., Eastern time)

Resources Available Via Pharmaceutical Industry Programs

PHRMA'S MEDICINE ASSISTANCE TOOL MAT.org

Information About Patient Assistance from a **Separate Nonprofit Organization**

LILLY CARES FOUNDATION, INC. Lillycares.com, or call toll-free (800) 545-6962







