



# To Our Lilly Shareholders

2020 was a year like no other, as COVID-19 impacted the way we live, the way we do business, and most importantly, the health and wellness of millions of people.

**Powered by our purpose** – to create medicines that make life better – Lilly responded with urgency, resilience and the full force of our scientific expertise to combat the pandemic and its devastating effects on our most vulnerable communities and health systems around the world.

With patients at the center of everything we do, we found new ways to collaborate across industry, governments and research institutions to discover and deliver new COVID-19 antibodies in record time. We moved quickly to protect the well-being of our workforce, initiate local testing support, and maintain a steady supply of medicines for about 45 million people who rely on us.

And despite the year's many challenges, our scientists made steady pipeline progress across our core therapeutic areas, advancing discoveries with the potential to transform diabetes care, slow the progression of Alzheimer's disease, relieve chronic pain without addictive drugs, advance immunology and turn hard-to-treat cancers from fatal to manageable. As a pioneer in the development of life-changing medicines for almost 150 years, we look forward to bringing greater hope and better health to more people around the world.



## Investing in Breakthroughs

In 2020, Lilly invested 25% of our revenue in R&D, more than nearly every other company in our industry. To help patients with COVID-19, we studied and received Emergency Use Authorization for three therapies to date: baricitinib, bamlanivimab, and bamlanivimab and etesevimab administered together. Additional highlights from 2020 and early 2021 include:

Donanemab, an investigational medicine for Alzheimer's disease, showed significant slowing in patients' clinical decline in a composite measure of cognition and daily function in patients with early symptomatic Alzheimer's disease.

Studies of pirtobrutinib (LOXO-305) in oncology, tirzepatide in type 2 diabetes and Verzenio in combination with standard adjuvant endocrine therapy for early breast cancer generated promising data.

Trulicity was approved for additional doses and cardiovascular event reduction, and Jardiance was submitted for heart failure for reduced ejection fraction.

Retevmo launched for non-small cell lung cancer and certain thyroid cancers, and Lyumjev rapid-acting insulin launched for diabetes.

New indications and line extensions were approved for Taltz, Cyramza and Olumiant.

This progress adds to a sustained period of R&D productivity that has seen Lilly launch 16 medicines since 2014. We'll continue to replenish our pipeline, as 17 new candidates entered clinical testing in 2020, surpassing 2019's total of 16, the highest in a decade.

We invested more than \$8 billion in 2020 to drive our future growth through a combination of business development, capital expenditures and after-tax investment in R&D. We added more collaborations, announcing our acquisition of Prevail Therapeutics to establish a gene therapy program, working with Dicerna to produce the first siRNA asset to enter our clinic, and making a \$100 million commitment to the pharma-led \$1 billion AMR Action Fund\* – all of which we believe hold great promise for scientific innovation and global health.

## Making a Sustainable Impact

While delivering life-changing medicines is essential, it's just the first step. To make sure our breakthroughs help more people, Lilly works to improve access and equity throughout the global health-care system. We're collaborating with the Gates Foundation to supply our COVID-19 antibodies to lower-income countries. In the U.S., partnerships with the nonprofit and public sectors have helped millions of people gain access to other Lilly medicines. We've donated more than 7 million insulin doses and pens over the past five years, and most monthly Lilly insulins are now available to patients for \$35 or less per month, with or without insurance. We are particularly excited about our collaboration with Life for a Child that will expand access to care for approximately 150,000 youth with diabetes across 65 countries.

To fulfill our purpose, we need the best people to solve the world's toughest health challenges. We work every day to build a diverse, equitable and inclusive culture, where everyone is valued and heard. We have made measurable diversity progress across our workforce, management, corporate leadership and board of directors. We're taking action to improve equity more broadly as well, launching a Racial Justice Initiative to further the work we're doing both within Lilly and in our

communities. We're expanding diversity in our clinical trials, increasing employment opportunities, and investing in new health-care initiatives for marginalized communities. And we announced a \$30 million investment in the Unseen Capital Health Fund to support founders and innovators who are enhancing health access in historically marginalized communities across the U.S.

These actions reflect Lilly's focus on making meaningful contributions to our world and our deep commitment to our stakeholders. Our environmental, social and governance (ESG) strategy flows directly from our purpose and our core values of integrity, excellence and respect for people. In 2021, we're launching a new ESG site to provide a comprehensive picture of our sustainability strategy and progress, including new environmental goals for climate, waste and water.

### **Driving Performance with Purpose**

In a difficult year, Lilly demonstrated operational resilience and achieved solid financial results. Worldwide revenue increased 10% to \$24.5 billion in 2020. Partially offset by lower realized prices, the overall increase was driven by 15% volume expansion in important growth products, including our COVID-19 therapy bamlanivimab and our newest medicines, including Trulicity, Jardiance, Verzenio, Cyramza, Taltz, Olumiant and Emgality, which continued to comprise a rising proportion of our revenues.

We also continued our productivity journey, delivering nearly 300 basis points of operating margin expansion for our base business. We returned nearly \$3.2 billion to shareholders via dividends and share repurchases, and we announced a 15% dividend increase for the third straight year, reflecting our confidence in the ongoing strength of our business.

In 2021, despite pandemic headwinds affecting near-term demand, we expect revenue growth driven by volume, further operating margin expansion, and continued investment in our pipeline opportunities to sustain our long-term growth.

With potential approvals of Verzenio in early breast cancer and Jardiance in heart failure, we're also anticipating additional readouts for several late-phase assets, including tirzepatide in type 2 diabetes, mirikizumab in ulcerative colitis, and lebrikizumab in atopic dermatitis. We have an extensive roster in early phase development, with proof-of-concept readouts for key molecules expected across our portfolio.

Our work during the pandemic demonstrated that we can accelerate our use of digital technologies and advanced analytics to speed medicines to patients. We are committed to investing in new ways of making medicines, using RNA and gene technology. And we'll be implementing new ways of working, employing digital capabilities to accelerate collaboration with partners, decentralize clinical trials, engage with and support customers, and increase the efficiency of business development in a virtual environment.

With a renewed appreciation for what we can accomplish for patients, we are excited about the decade ahead for Lilly. We're grateful for the support of all our stakeholders, the contributions of Lilly teammates, and our partners across the health-care system. We will continue to do all we can to deliver long-term value for our stakeholders by delivering medicines that make life better for people around the world.



**David A. Ricks**  
Chairman and CEO