



## MAKE IT BETTER AND BETTER

ELI LILLY AND COMPANY 2015 ANNUAL REPORT AND PROXY STATEMENT

*Lilly*

# 140

YEARS OF SERVICE

**Lilly is introducing an integrated report for 2015, combining two traditional publications:** our annual report, covering our business and financial results, and our corporate responsibility report, focused on our broad-based social and environmental goals, activities, and impacts. Our first integrated report, covering our performance in 2015, will be posted online in May 2016 at [www.lilly.com](http://www.lilly.com).

We are making this change to better capture all of the ways that Lilly's business performance and research progress, coupled with our corporate responsibility activities, create value for our investors and other stakeholders over time. We believe this approach will streamline our reporting, while providing a richer picture



John C. Lechleiter, Ph.D., Lilly's chairman, president, and chief executive officer, and Jan Lundberg, Ph.D., president of Lilly Research Laboratories, join with employees of the Lilly Cambridge Innovation Center in Cambridge, Massachusetts, at the center's opening.

## To Our Lilly Shareholders:

May 10, 2016, marks the 140th anniversary of the founding of Eli Lilly and Company, a milestone that very few U.S. companies our size have ever reached. We've done it by staying true to our values—integrity, excellence, and respect for people—and to our mission of discovering and developing new medicines that make life better for people around the world.

In 2015, our commitment to innovation bore fruit in a truly extraordinary year for Lilly. Even as we turned the corner in our business results and began to grow again after a prolonged period of patent expirations, we achieved unprecedented progress across our research and development efforts. Through it all, we honored our commitments to those who have a stake in our business—including patients, customers, physicians, the communities where we operate, our shareholders, and our employees who make it all possible.

### **2015 Business Results and Pipeline Progress**

In 2015, despite unprecedented and substantial currency headwinds brought on by the strengthening U.S. dollar, we returned to revenue growth, led by Cyramza<sup>®</sup> and Trulicity<sup>®</sup> following their strong launches, with significant contributions from our enlarged Elanco animal health business. Revenue increased 2 percent to \$19.96 billion, as six of our products and Elanco exceeded \$1 billion in annual sales.

At the same time, as a result of lower expenses and higher other income, earnings per share increased 13 percent to \$3.43 on a non-GAAP basis, which excludes adjustments totaling \$1.17 per share. Reported earnings per share were \$2.26. (For information on the items that were adjusted for purposes of non-GAAP financial measures, please see the 2015 Financial Highlights on the inside front cover of the accompanying Financial Report.)

This progress occurred in the face of some serious challenges, including a still-sluggish global economy, a significant slowdown in China, and continued pricing pressures in the United States and other established markets.

In 2015, Lilly achieved significant advances in our pipeline of molecules in clinical development. Highlights include: in diabetes, positive cardiovascular outcomes data for Jardiance<sup>®</sup>; in immunology, four positive Phase III studies on baricitinib and strong Phase III data on ixekizumab; and in oncology, Breakthrough Therapy Designation for

olaratumab and abemaciclib, several important business development deals in immuno-oncology, and the approval of Portrazza™ for the treatment of metastatic squamous non-small cell lung cancer late in the year.

Our strong pipeline portends a lot of good news for patients—the ultimate measure of our success. As of early 2016, we had nine molecules in Phase III testing or regulatory review, including potential medicines that hold the promise of significant advances in the treatment of immunological disorders, Alzheimer’s disease, and various pain conditions.

Investors have taken note of how we’ve performed and how we’ve kept our promises despite the challenges. Our stock price was up 22 percent for the year, leading to a 25 percent total shareholder return—once again outperforming most of our peers.

The bottom line is pretty simple. We have emerged from the so-called “YZ” years of patent expirations as a better, stronger company. And a very promising future is unfolding by the day!

### **Looking Ahead to More Growth in 2016**

I could not be more excited about what lies ahead in 2016 as we look forward to additional launches and some important pipeline milestones.

While recognizing the challenging environment ahead of us, we continue to believe that Lilly’s growth opportunities will depend largely on our own performance. This includes realizing continued strong uptake of Cyramza, Trulicity, and Jardiance, and good launches of Portrazza and the other products, such as ixekizumab, that we hope will emerge from our pipeline in the months ahead.

I’m confident that we’ve put the necessary investments behind these recent and upcoming launches. At the same time, we will continue to depend on strong sales of Alimta®, Forteo®, Cialis®, and our insulins—despite the necessary shift of some resources to the launch side.

### **Our Ongoing Commitment to Corporate Responsibility**

In 2015, we also demonstrated our dedication to corporate responsibility—a legacy dating back to our founder, Colonel Eli Lilly.

Our greatest contribution to society will always be making medicines that make life better.

Yet we firmly believe that we have a further role to play by collaborating with select partners to address serious health challenges and to enhance access to high-quality care for people around the world. In 2015, we continued support of our two signature global health programs—the Lilly NCD Partnership and the Lilly MDR-TB Partnership—focused on the growing challenge of non-communicable diseases, such as diabetes, and the

stubborn scourge of multidrug-resistant tuberculosis. Elanco continued its important work to address the key link between nutrition and health through its partnership with Heifer International and through HATCH™ for Hunger, a community partnership to provide eggs to undernourished people in the Midwest.

Over the past year, Lilly employees have added to our strong track record of volunteerism to strengthen communities. In the first five years of our Connecting Hearts Abroad program, 1,000 Lilly employees have worked a combined 64,000 hours during two-week assignments in impoverished communities across Africa, Asia, Eastern Europe, and Latin America. In addition, our employees worldwide have volunteered 825,000 hours since 2008 through our annual Global Day of Service. And in 2015, we built on our legacy of support for United Way by initiating a partnership approach that includes pairing Lilly teams with United Way agencies.

Lastly, we continue to demonstrate a firm commitment to operating responsibly in all areas of our business—from being recognized year after year around the world as a great place to work, to continually striving to reduce our environmental footprint. This commitment extends to our support for the United Nations Global Compact and its principles related to human rights, labor, the environment, and anti-corruption.

### **Faithful to Our Mission, Confident in Our Future**

Our company has been through some real challenges these past few years. But we confronted them head on, figured out a strategy to handle what we faced, and executed that strategy with grit and determination. We never wavered. And in 2015, we got sure signs that it’s working.

As we continue to honor Colonel Lilly’s instruction to his son, to “take what you find here and make it better and better,” I believe uncertainty will once again give way to confidence in what an enterprise such as ours—dedicated for 140 years to making lives better for people all over the world—is able to accomplish.

I am honored to be a part of this work and grateful to you for your support.

For the Board of Directors,



**John C. Lechleiter**, Ph.D.  
Chairman, President, and Chief Executive Officer

“Diversity fosters creativity.  
Creativity drives innovation.  
And innovation, ultimately,  
leads to business success.”

— John C. Lechleiter, Ph.D., Chairman, President, and Chief Executive Officer



## Operating Responsibly

At Lilly, we hold steadfast to our long-standing values of integrity, excellence, and respect for people. We strive to create a culture that fosters engagement and teamwork, rewards diligence and ethical action, and inspires creativity. We're proud to be recognized as a company that works hard to support our employees, both inside and outside of work. We also recognize that how we do business is as important as what we do. We demonstrate our values through responsible business practices that reflect our commitments to strong governance principles. This sharpens our efforts in, and dedication to, promoting ethics and transparency throughout the company, instilling responsible supply chain management, tackling the problem of counterfeit medicines, ensuring the ethical care and use of animals in research, and fostering environmental stewardship.

## Improving Global Health

At Lilly, we share the vision of a world where everyone has access to quality health care. Even as we develop strategies to bring our medicines around the world, our signature global health programs—the Lilly MDR-TB Partnership and the Lilly MDR-TB Partnership—aim to improve health outcomes and expand access to medicines for people in need. We help providers, patients, and their families navigate complex healthcare challenges through a variety of offerings, including our medicines for people in the United States who otherwise would not have access. And Elanco, our animal health business, is focused on improving health between hunger and human health and is working to improve health in 100 communities around the world by 2020.

# Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

## Real-Time Litigation Alerts



Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

## Advanced Docket Research



With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

## Analytics At Your Fingertips



Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

## API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

## LAW FIRMS

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

## FINANCIAL INSTITUTIONS

Litigation and bankruptcy checks for companies and debtors.

## E-DISCOVERY AND LEGAL VENDORS

Sync your system to PACER to automate legal marketing.