TWENTY NINETEEN

ELI LILLY AND COMPANY

FINANCIAL REPORT

2019 FINANCIAL REPORT
NOTICE OF 2020 ANNUAL MEETING
PROXY STATEMENT

2019 Financial Highlights

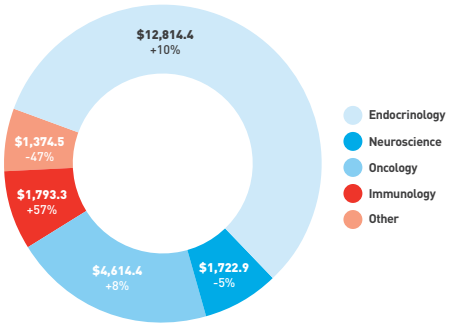
ELI LILLY AND COMPANY AND SUBSIDIARIES (Dollars in millions, except per-share data)	2019 Year ended December 31	2018	CHANGE %
REVENUE	**$ 22,319.5**	$ 21,493.3	4%
RESEARCH AND DEVELOPMENT	**5,595.0**	5,051.2	11%
RESEARCH AND DEVELOPMENT AS A PERCENT OF REVENUE	**25.1%**	23.5%	
NET INCOME (LOSS)	**$ 8,318.4**	$ 3,232.0	NM
EARNINGS (LOSS) PER SHARE—DILUTED	**8.89**	3.13	NM
RECONCILING ITEMS:			
Discontinued Operations from disposition of Elanco[1]	**(3.93)**	(0.08)	
Asset impairment, restructuring, and other special charges[1]	**0.58**	0.24	
Gain on sale of China antibiotics business[1]	**(0.26)**	--	
Charge related to repurchase of debt[1]	**0.22**	--	
Acquired in-process research and development[1]	**0.21**	1.96	
Amortization of intangible assets	**0.18**	0.28	
Charges related to withdrawal of Lartruvo	**0.14**	--	
Impact of reduced shares outstanding for non-GAAP reporting[2]	**0.07**	0.20	
Income taxes[3]	**(0.05)**	(0.27)	
Other, net	**--**	(0.02)	
NON-GAAP EARNINGS PER SHARE—DILUTED[3]	**6.04**	5.44	11%
DIVIDENDS PAID PER SHARE	**2.58**	2.25	15%
CAPITAL EXPENDITURES	**1,033.9**	1,210.6	(15%)
EMPLOYEES	**33,625**	33,090	2%

1 For more information on these reconciling items, see the Financial Results section of the Executive Overview in Management's Discussion and Analysis. 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.

REVENUE GROWTH ACROSS THERAPEUTIC AREAS

($ millions, percent growth)

Revenue in Endocrinology increased 10 percent primarily driven by growth of Trulicity, Basaglar, and Jardiance. Taltz drove the 57 percent revenue increase in Immunology. Oncology revenue increased 8 percent due to Verzenio launch in the US. Neuroscience experienced a 5 percent 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 percent driven by lower volumes for Cialis, due to patent losses.

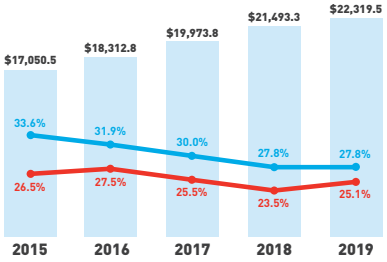


OPERATING EXPENSES

($ millions, percent of revenue)

Revenue R&D Marketing, Selling & Administrative

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.

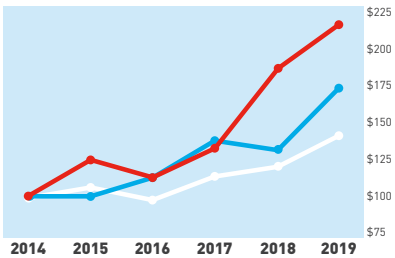


TOTAL SHAREHOLDER RETURN

Value of $100 invested in Lilly, S&P 500 and Peer Group*

Lilly S&P 500 Peer Group

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



* 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 "Performance Graph" for those companies included in our peer group.

Table of Contents

YEAR IN REVIEW

FINANCIAL REPORT

PROXY

Forward-Looking Statements

This Annual Report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 (Exchange Act), and the Private Securities Litigation Reform Act of 1995. Forward-looking statements include all statements that do not relate solely to historical or current facts, and can generally be identified by the use of words such as "may," "believe," "will," "expect," "project," "estimate," "intend," "anticipate," "plan," "continue," or similar expressions.

In particular, information appearing under "Business," "Risk Factors," and "Management's Discussion and Analysis of Results of Operations and Financial Condition" includes forward-looking statements. Forward-looking statements inherently involve many risks and uncertainties that could cause actual results to differ materially from those projected in these statements. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, it is based on management's current plans and expectations, expressed in good faith and believed to have a reasonable basis. However, we can give no assurance that any such expectation or belief will result or will be achieved or accomplished. The following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated:

- uncertainties in the pharmaceutical research and development process, including with respect to the timing of anticipated regulatory approvals and launches of new products;
- market uptake of recently launched products;
- competitive developments affecting current products and our pipeline;
- the expiration of intellectual property protection for certain of our products;
- our ability to protect and enforce patents and other intellectual property;
- the impact of actions of governmental and private payers affecting pricing of, reimbursement for, and access to pharmaceuticals;
- regulatory compliance problems or government investigations;
- regulatory actions regarding currently marketed products;
- unexpected safety or efficacy concerns associated with our products;
- issues with product supply stemming from manufacturing difficulties or disruptions;
- regulatory changes or other developments;
- changes in patent law or regulations related to data-package exclusivity;
- litigation, investigations, or other similar proceedings involving past, current, or future products or commercial activities as we are largely self-insured;
- unauthorized disclosure, misappropriation, or compromise of trade secrets or other confidential data stored in our information systems, networks, and facilities, or those of third parties with whom we share our data;
- changes in tax law, including the impact of United States tax reform legislation enacted in December 2017 and related guidance, or events that differ from our assumptions related to tax positions;
- changes in foreign currency exchange rates, interest rates, and inflation;
- asset impairments and restructuring charges;
- changes in accounting and reporting standards promulgated by the Financial Accounting Standards Board and the Securities and Exchange Commission;
- acquisitions and business development transactions and related integration costs;
- information technology system inadequacies or operating failures;
- reliance on third-party relationships and outsourcing arrangements; and
- the impact of global macroeconomic conditions.

Investors should not place undue reliance on forward-looking statements. You should carefully read the factors described in the "Risk Factors" section of this Annual Report for a description of certain risks that could, among other things, cause our actual results to differ from these forward-looking statements.

All forward-looking statements speak only as of the date of this report and are expressly qualified in their entirety by the cautionary statements included in this report. Except as is required by law, we expressly disclaim any obligation to publicly release any revisions to forward-looking statements to reflect events after the date of this report.

Business

Eli Lilly and Company (the "company" or "registrant" or "Lilly") was incorporated in 1901 in Indiana to succeed to the drug manufacturing business founded in Indianapolis, Indiana, in 1876 by Colonel Eli Lilly. We discover, develop, manufacture, and market products in a single business segment—human pharmaceutical products.

Our purpose is to unite caring with discovery to create medicines that make life better for people around the world. Most of the products we sell today were discovered or developed by our own scientists, and our success depends to a great extent on our ability to continue to discover or acquire, develop, and bring to market innovative new medicines.

In September 2018 Elanco Animal Health Incorporated (Elanco), an animal health business previously wholly owned by the company, completed an initial public offering of its common stock, which trades on the New York Stock Exchange, and in March 2019, we completed the disposition of our remaining ownership of Elanco common stock. For more information on the exchange offer, see "Management's Discussion and Analysis - Results of Operations - Executive Overview."

We manufacture and distribute our products through facilities in the United States (U.S.), Puerto Rico, and 8 other countries. Our products are sold in approximately 120 countries.

Products

Our products include:

Diabetes and other endocrinology products, including:

- *Baqsimi*® (glucagon), a nasal powder formulation for the treatment of severe hypoglycemia in patients with diabetes (approved in the U.S. and Europe in 2019)
- *Basaglar*® (insulin glargine injection), a long-acting human insulin analog for the treatment of diabetes (launched in Japan and Europe under the trade name Abasaglar™)
- *Forteo*®, for the treatment of osteoporosis in postmenopausal women and men at high risk for fracture and for glucocorticoid-induced osteoporosis in men and postmenopausal women
- *Humalog*®, *Humalog Mix 75/25, Humalog U-100, Humalog U-200, Humalog Mix 50/50*, and *insulin lispro,* insulin analogs for the treatment of diabetes
- *Humatrope*®, for the treatment of human growth hormone deficiency and certain pediatric growth conditions
- *Humulin*®, *Humulin 70/30, Humulin N, Humulin R,* and *Humulin U-500,* human insulins of recombinant DNA origin for the treatment of diabetes
- *Jardiance*®, for the treatment of type 2 diabetes and to reduce the risk of cardiovascular death in adult patients with type 2 diabetes and established cardiovascular disease
- *Trajenta*®, for the treatment of type 2 diabetes
- *Trulicity*®, for the treatment of type 2 diabetes

Immunology products, including:

- *Olumiant*®, for the treatment of adults with moderately-to-severely active rheumatoid arthritis (approved in Europe and Japan in 2017, and in the U.S. in 2018)
- *Taltz*®, for the treatment of moderate-to-severe plaque psoriasis, active psoriatic arthritis (approved in the U.S. in 2017, and in Europe in 2018), and ankylosing spondylitis (approved in the U.S. in 2019)

Neuroscience products, including:

- *Cymbalta*®, for the treatment of major depressive disorder, diabetic peripheral neuropathic pain, generalized anxiety disorder, fibromyalgia, and chronic musculoskeletal pain due to chronic low back pain or chronic pain due to osteoarthritis
- *Emgality*®, a once-monthly subcutaneously injected calcitonin gene-related peptide (CGRP) antibody for migraine prevention (approved in the U.S. and Europe in 2018) and the treatment of episodic cluster headache (approved in the U.S. in 2019)
- *Reyvow*™, an oral medicine for the acute treatment of migraine (launched in the U.S. in 2020)

DOCKET ALARM

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.