



Lilly

**ELI LILLY AND COMPANY**  
**2018 FINANCIAL REPORT**  
**NOTICE OF 2019 ANNUAL MEETING**  
**PROXY STATEMENT**

Novo Nordisk Exhibit 2525

# 2018 Financial Highlights

## ELI LILLY AND COMPANY AND SUBSIDIARIES

(Dollars in millions, except per-share data)

2018

2017

CHANGE %

Year ended December 31

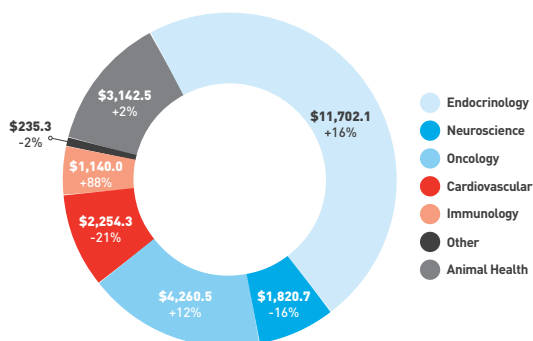
	2018	2017	CHANGE %
<b>REVENUE</b>	<b>\$ 24,555.7</b>	\$ 22,871.3	7%
<b>RESEARCH AND DEVELOPMENT</b>	<b>5,307.1</b>	5,357.3	-1%
<b>RESEARCH AND DEVELOPMENT AS A PERCENT OF REVENUE</b>	<b>21.6%</b>	23.4%	
<b>NET INCOME (LOSS)</b>	<b>\$ 3,232.0</b>	\$ (204.1)	NM
<b>EARNINGS (LOSS) PER SHARE—DILUTED</b>	<b>3.13</b>	(0.19)	NM
<b>RECONCILING ITEMS:</b>			
Acquired in-process research and development <sup>1</sup>	1.83	0.97	
Amortization of intangible assets	0.43	0.44	
Asset impairment, restructuring, and other special charges <sup>1</sup>	0.41	1.23	
Other, net	0.01	0.03	
Income Taxes <sup>2</sup>	(0.25)	1.81	
<b>NON-GAAP EARNINGS PER SHARE—DILUTED<sup>3</sup></b>	<b>5.55</b>	4.28	30%
<b>DIVIDENDS PAID PER SHARE</b>	<b>2.25</b>	2.08	
<b>CAPITAL EXPENDITURES</b>	<b>1,210.6</b>	1,076.8	12%
<b>EMPLOYEES</b>	<b>38,680</b>	40,655	(5%)

1. For more information on these reconciling items, see the Financial Results section of the Executive Overview in Management's Discussion and Analysis. 2. Relates to adjustments for U.S. tax reform (2018 and 2017) and tax expense associated with the separation of the Elanco animal health business (2018). 3. Numbers may not add due to rounding.

### REVENUE GROWTH ACROSS THERAPEUTIC AREAS

(\$ millions, percent growth)

Revenue in Endocrinology increased 16 percent primarily driven by growth of Trulicity, Basaglar, and Jardiance. Taltz drove the 88 percent revenue increase in Immunology. Oncology revenue increased 12 percent due to Verzenio launch in the US. Neuroscience experienced a 16 percent decrease due to lower volumes for Strattera, Cymbalta, and Zyprexa, and Cardiovascular decreased 21 percent driven by lower volumes for Cialis and Effient, all due to patent losses.

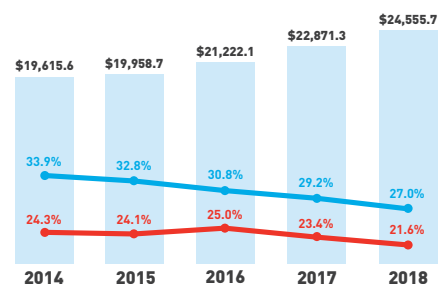


### OPERATING EXPENSES

(\$ millions, percent of revenue)

- Revenue
- R&D
- Marketing, Selling & Administrative

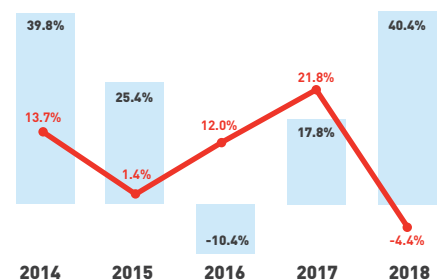
Over the past five years, Lilly has maintained relatively flat operating expenses while growing revenue, resulting in consistent improvement in operating expense as a percent of revenue.



### TOTAL SHAREHOLDER RETURN

- Lilly
- S&P 500

Over the past five years, Lilly's annualized total shareholder return has averaged 21 percent, compared to 8.5 percent for the S&P benchmark, due to the increase in the stock price and steady dividend stream.



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## 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 Financial Condition and Results of Operations” 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 involving past, current, or future products 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 tax reform legislation enacted in December 2017 and related guidance;
- changes in foreign currency exchange rates, interest rates, and inflation;
- asset impairments and restructuring charges;
- changes in accounting 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;
- the impact of global macroeconomic conditions; and
- uncertainties and risks related to timing and potential value to both Elanco and Lilly of the planned separation of the Elanco animal health business, including business, industry, and market risks, as well as risks involving the anticipated tax-free nature of the separation.

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 two business segments—human pharmaceutical products and animal health products.

The mission of our human pharmaceutical business is to make medicines that help people live longer, healthier, more active lives. Our vision is to make a significant contribution to humanity by improving global health in the 21st century. 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.

Our animal health business, Elanco Animal Health Incorporated (Elanco), develops, manufactures, and markets products for both food animals and companion animals. Elanco food animal products help the food industry produce an abundant supply of safe, nutritious, and affordable food. Elanco companion animal products help pets live longer, healthier, happier lives.

In September 2018 Elanco completed an initial public offering of its common stock, which trades on the New York Stock Exchange under the symbol “ELAN.” In February 2019, Elanco filed a registration statement to launch an exchange offer in which shareholders can exchange shares of Lilly common stock for Elanco common stock. For more information on the exchange offer, see “Management’s Discussion and Analysis - Results of Operations - Executive Overview - Other Matters - Elanco Animal Health.”

We manufacture and distribute our products through facilities in the United States (U.S.), Puerto Rico, and 13 other countries. Our products are sold in approximately 125 countries.

## Human Pharmaceutical Products

Our human pharmaceutical products include:

### Cardiovascular products, including:

- *Cialis*<sup>®</sup>, for the treatment of erectile dysfunction and benign prostatic hyperplasia
- *Effient*<sup>®</sup>, for the reduction of thrombotic cardiovascular events (including stent thrombosis) in patients with acute coronary syndrome who are managed with an artery-opening procedure known as percutaneous coronary intervention, including patients undergoing angioplasty, atherectomy, or stent placement

### Endocrinology products, including:

- *Basaglar*<sup>®</sup> (insulin glargine injection), a long-acting human insulin analog for the treatment of diabetes (launched in Japan and Europe under the trade name Abasaglar<sup>™</sup>)
- *Evista*<sup>®</sup>, for the prevention and treatment of osteoporosis in postmenopausal women and for the reduction of the risk of invasive breast cancer in postmenopausal women with osteoporosis and postmenopausal women at high risk for invasive breast cancer
- *Forteo*<sup>®</sup>, 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
- *Glyxambi*<sup>®</sup>, a combination tablet of linagliptin (Trajenta<sup>®</sup>) and empagliflozin (Jardiance<sup>®</sup>) for the treatment of type 2 diabetes
- *Humalog*<sup>®</sup>, *Humalog Mix 75/25*, *Humalog U-100*, *Humalog U-200* and *Humalog Mix 50/50*, insulin analogs for the treatment of diabetes
- *Humatrope*<sup>®</sup>, for the treatment of human growth hormone deficiency and certain pediatric growth conditions
- *Humulin*<sup>®</sup>, *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

# 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.