

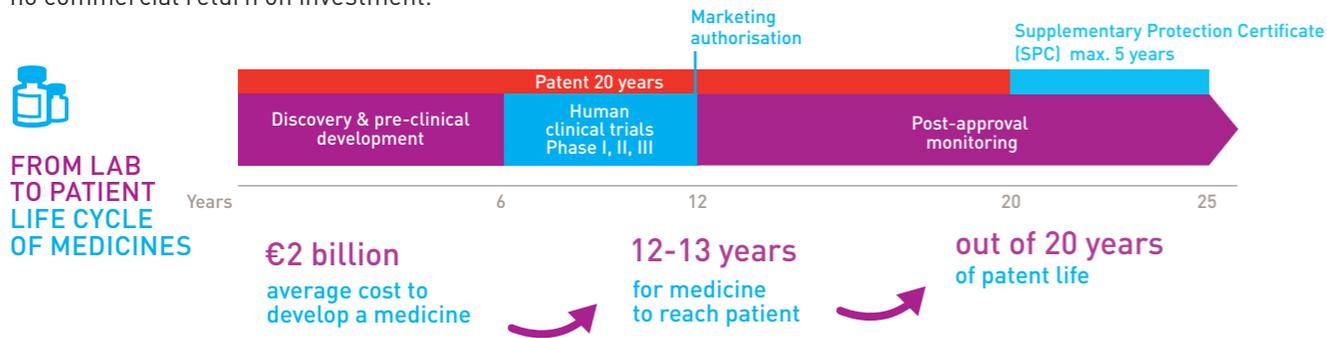
HOW DO IP INCENTIVES INCREASE COMPETITION?

Incentives ensure innovative medicines today, which become the generics and biosimilars of tomorrow. They stimulate competition between innovative companies who compete to deliver medicines that are more effective. This provides additional treatment options for patients and helps lower the price of medicines.

IP does not allow pricing monopolies for companies. Pricing of medicines is highly regulated in EU member states to ensure that prices are based on value in relation to population needs and sustainability.

HOW LONG DOES IT TAKE TO DEVELOP A NEW MEDICINE?

A typical medicine takes around twelve years from discovery to market authorisation. While a standard EU patent provides 20 years of protection, much of that time is spent testing and refining the new medicine and offers no commercial return on investment.



WHAT INCENTIVES ARE AVAILABLE TODAY?

PATENT

Encourages companies to invest in R&D by protecting inventions from copies. To qualify for a patent, the subject must be able to demonstrate it is new, is not obvious, and is useful.

SUPPLEMENTARY PROTECTION CERTIFICATE (SPC)

Extends exclusivity for a pharmaceutical product to address the time lost during the lengthy development of the medicine.

REGULATORY DATA PROTECTION

Protects the developer's investment in the generation of safety and efficacy data needed to support regulatory approvals.

ORPHAN EXCLUSIVITY

Incentivises investment in medicines to treat rare diseases (fewer than 5 in 10.000 people) where the market for a drug is small but there is high, unmet medical need.

PAEDIATRIC EXTENSION

When a company undertakes the extensive extra testing needed to prove that a medicine is safe for children the effort can potentially be rewarded with an additional period of protection.

Lilly in Europe

Lilly was founded more than 140 years ago and has been at the forefront of numerous medical breakthroughs that have improved life for millions of people. Lilly employs almost 12,000 people across Europe with an annual R&D investment of 450 million euros.

Lilly's internal research efforts are primarily focused on the following therapeutic areas: oncology, diabetes, pain, immunology and neurodegeneration.



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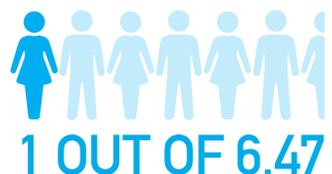
The future of innovation & patient access to innovative medicines in Europe

WHY IP MATTERS



WEAKENING IP INCENTIVES REDUCES INNOVATION

The European Commission is assessing whether intellectual property (IP) incentives and rewards are fit for purpose. We recognise that this initiative is part of the debate about affordability of medicines. Lilly works closely with governments and other stakeholders to ensure sustainable access to innovation that helps patients live longer, healthier lives. Weakening IP incentives in the European Union (EU) may result in fewer innovative therapies, which is particularly important at a time when healthcare systems are under pressure from an aging population and a rise in chronic diseases. IP is the lifeblood of our industry, the foundation of medical discoveries. Investment into high-risk areas such as Alzheimer's depends on the certainty of strong and predictable IP incentives and rewards.



jobs in pharmaceutical industry is highly skilled R&D¹

1 OUT OF 6.47

WHY DOES INNOVATION DEPEND ON A STRONG AND PREDICTABLE IP INCENTIVES SYSTEM?

IP incentives provide our industry with the assurance that when expensive and time-consuming research successfully delivers a new medicine it will be protected from being copied for a limited period.

We face more complex science and longer development times. That is why a strong IP environment with appropriate incentives remains critical for continued investment in R&D.

For example, Lilly has invested 3 billion USD over the last 30 years to develop a potential treatment for Alzheimer's, without an approved medicine to date. Indeed, the IP incentives system in Europe has allowed Lilly to continue to invest in potential solutions for this unmet medical need.

25% of Lilly revenues invested in R&D²

WHAT IS THE IMPACT ON JOBS & GROWTH IN EUROPE?

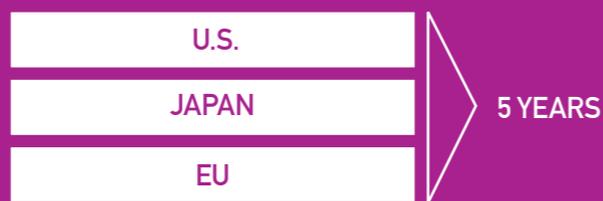
Biopharmaceutical R&D contributes to Europe's knowledge economy, provides high value jobs, and helps keep Europe competitive.

For example, Europe introduced an important incentive, Supplementary Protection Certificates (SPCs), in 1992 to ensure that it could continue to compete with other global drivers of innovation, such as the U.S. and Japan, which had previously introduced similar mechanisms.

Shortening the length of IP protection in the EU would make Europe a less attractive place for biopharmaceutical investment and discovery.

To encourage investment in innovation all major economies offer a similar level of IP incentives beyond normal patent life.

SPC / PATENT TERM RESTORATION



Innovation is the heart of our business.

Strong IP protection and incentives allow Lilly to pursue medical advances in important disease areas.

10% of adults will have Diabetes by 2040. The EU produces 75% of Lilly Global demand for diabetes.

I won't rest until the emergence of diabetes is defeated.

OLIVIA BACCO (ITALY)
VICE PRESIDENT
LILLY MANUFACTURING
LILLY

Every scientist in the Lilly Alcobendas R&D site strives to develop more targeted medicines against cancer.

#WeWontRest until we develop personalised treatments for each cancer patient.

MARIA JOSE LALLENA
DIRECTOR, QUANTITATIVE BIOLOGY
LILLY

Type 2 diabetes is increasing dramatically; 35 million people in Europe currently have the condition, a figure likely to reach 45 million by 2030³. Diabetes was once all but untreatable, but Lilly's role in introducing the first commercially available insulin treatment in 1923 for Type 1 diabetes allowed the disease to be controlled. Continuous innovation has made diabetes easier to control and more discreet to manage.

In Europe there are about 3.7 million⁴ new cases of cancer each year. Cancer is the second leading cause of death and morbidity⁵. Since the 1960s, Lilly researchers have discovered, developed and made cancer medicines available to patients. Most recently, Lilly made available innovative medicines for hard-to-treat and rare cancers as well as innovative agents against lung cancer, the biggest cancer killer in Europe⁶.

¹ EFPIA The Pharmaceutical Industry in Figures Key Data 2017

² 2016 data

³ International Diabetes Federation. IDF Diabetes Atlas, 5th ed.

⁴ WHO Europe

⁵ WHO Europe

⁶ World Health Organization. GLOBOCAN Fact Sheets Cancer