

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the registrant

Filed by a party other than the registrant

Check the appropriate box:

Preliminary proxy statement

Confidential, for use of the
Commission only (as permitted by
Rule 14a-6(e)(2)).

Definitive proxy statement.

Definitive additional materials.

Soliciting material pursuant to §240.14a-12.

Eli Lilly and Company

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

Payment of filing fee (check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:



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March 4, 2002

Dear Shareholder:

In recent weeks, concerns about accounting practices at several companies have caused some observers to question more broadly the basic integrity of the financial reporting of U.S. firms.

As a Lilly investor, you rely on the fairness and accuracy of our financial reports. I wish to assure you that you can do so with confidence. Our most important corporate asset is the trust we have earned from all the people to whom we are accountable, including our investors. To maintain that trust, our accounting practices are guided by the highest standards of integrity. In our financial reporting, like all our public communications, we strive to be accurate, complete, clear, and timely.

As our business has become larger and more complex, we have worked hard each year to make our financial reports more informative and useful. While we're proud of our record, we know that investor confidence can never be taken for granted. As you review the enclosed reports, please consider these points:

- Continuing the legacy of the Lilly family, we strictly enforce conflict-of-interest rules that forbid employees from entering into arrangements which conflict, or appear to conflict, with the employee's loyalty to Lilly. We also have policies to ensure that the decisions of our board of directors are free of any actual or apparent conflict of interest.
- We have not and will not use partnerships or special-purpose entities inappropriately to distort our financial results or balance sheet.
- In our "Review of Operations" on pages 19-27 of the annual report, we strive to describe 2001 results—and to look forward into 2002 and 2003—through the "eyes of management" to help provide our financial results in a meaningful context. You'll note a new section this year, "Critical Accounting Policies," that we hope will help you understand how we apply the admittedly complex system of accounting principles to our worldwide operations.
- The audit committee of our board of directors monitors our financial reporting, our system of internal controls, our internal audit group, and the services provided by Ernst & Young, our independent auditor. Ensuring adequate independence of our outside auditors has long been a critical role of the audit committee; recently the committee has taken additional steps, including limiting nonaudit services provided by the independent auditor and adopting a stricter policy on audit partner rotation.

I hope you find that the enclosed reports build upon the trust you have placed in us. As our company moves forward, we intend to remain a leader in matters of corporate governance and investor disclosure.

As always, I thank you for supporting Lilly.

Sidney Taurel

Chairman of the Board, President, and Chief Executive Officer

Answers That Matter.