

Eli Lilly and Company

First Quarter 2013 Financial Review

April 24th, 2013

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Lilly
Answers That Matter.

Agenda

Key Recent Events, Financial Results and Pipeline Update

- Phil Johnson, Vice President, Investor Relations
- Travis Coy, Director, Investor Relations

Key Future Events, Financial Guidance and Summary

- Derica Rice, Executive Vice President, Global Services and Chief Financial Officer

Question and Answer Session

Safe Harbor Provision

This presentation contains forward-looking statements that are based on management's current expectations, but actual results may differ materially due to various factors. The company's results may be affected by factors including, but not limited to, the risks and uncertainties in pharmaceutical research and development; competitive developments; regulatory actions; litigation and investigations; business development transactions; economic conditions; and changes in laws and regulations, including health care reform. For additional information about the factors that affect the company's business, please see the company's latest Forms 10-K and 10-Q filed with the Securities and Exchange Commission.

The company undertakes no duty to update forward-looking statements.

Beyond the Quarterly Financial Results

Key events since the last earnings call

Regulatory:

- Along with Boehringer Ingelheim:
 - received approval in Japan for Trazenta[®] (linagliptin) as an add-on therapy to insulin;
 - submitted empagliflozin (SGLT2 inhibitor) in both the United States and Europe for review as a treatment for type 2 diabetes mellitus in adults;
- Submitted an sNDA for insulin lispro U-200; and
- Initiated a rolling FDA submission of ramucirumab as monotherapy treatment for second-line gastric cancer.

Clinical:

- Announced that primary endpoints were met in the Phase 3 AWARD-2 and AWARD-4 trials studying dulaglutide, a once-weekly GLP-1 receptor agonist, as a treatment for type 2 diabetes; and
- Discontinued Phase 3 program for tabalumab for the treatment of rheumatoid arthritis due to insufficient efficacy seen in interim analyses.

Beyond the Quarterly Financial Results

Key events since the last earnings call (cont.)

Business Development:

- Announced a \$100 million investment to acquire a minority stake in China Animal Healthcare Ltd., one of the leading animal health companies in the People's Republic of China; and
- Completed the transfer of OUS commercial rights for exenatide to Amylin.

Other:

- Completed remaining \$1.1 billion of recently authorized \$1.5 billion share repurchase program;
- Initiated a significant reduction in our U.S. Bio-Medicines sales organization, along with the transfer of U.S. rights to Livalo[®] back to Kowa Pharmaceuticals and a small increase in our U.S. Diabetes sales organization; and
- Announced that we will close our packaging and distribution site in Giessen, Germany during 2014.

Comparison Measures

Results shown two ways to aid analysis

“Reported” results

- Include all financial results as reported in accordance with GAAP

“Non-GAAP” results

- Start with “Reported” results
- Include adjustments for items such as:
 - Restructuring charges, asset impairments and special charges
 - In-process R&D charges and other income and expenses from business development activities

2013 Income Statement (Non-GAAP)

Millions; except per share data

	<u>Q1 2013</u>	<u>Q1 2012</u>	<u>Growth</u>
Total Revenue	5,602	5,602	0%
Gross Margin	79.3%	78.6%	0.7pp
Total Operating Expense*	3,000	2,999	0%
Operating Income	1,444	1,405	3%
Other Income / (Deductions)	34	(46)	NM
<i>Effective Tax Rate</i>	<i>15.5%</i>	<i>24.4%</i>	<i>(8.9)pp</i>
Net Income	<u>\$1,248</u>	<u>\$1,027</u>	22%
Diluted EPS	\$1.14	\$0.92	24%

* Includes Research and Development expense and Selling, Marketing and Administrative expense.

2013 Income Statement (Reported)

Millions; except per share data

	<u>Q1 2013</u>	<u>Q1 2012</u>	<u>Growth</u>
Total Revenue	5,602	5,602	0%
Gross Margin	79.3%	78.6%	0.7pp
Total Operating Expense*	3,022	3,023	0%
Operating Income	1,422	1,381	3%
Other Income / (Deductions)	529	(46)	NM
<i>Effective Tax Rate</i>	<i>20.7%</i>	<i>24.3%</i>	<i>(3.6)pp</i>
Net Income	<u>\$1,548</u>	<u>\$1,011</u>	53%
Diluted EPS	\$1.42	\$0.91	56%

* Includes Research and Development expense, Selling, Marketing and Administrative expense and other charges.

Note: See slide 23 for a complete list of charges.

EPS Reconciliation

	<u>Q1 2013</u>	<u>Q1 2012</u>	<u>Growth</u>
EPS (reported)	\$1.42	\$0.91	56%
Asset impairment, restructuring and other special charges	0.01	0.01	
Income from the transfer of exenatide commercial rights	<u>(0.29)</u>	<u>-</u>	<u></u>
EPS (non-GAAP)	<u>\$1.14</u>	<u>\$0.92</u>	<u>24%</u>

Note: Numbers may not add due to rounding.

Effect of Price/Rate/Volume on Revenue

	Q1 2013	Q1 2013 vs. Q1 2012			
	<u>Amount</u>	<u>Price</u>	<u>FX Rate</u>	<u>Volume</u>	<u>Total</u>
Pharmaceuticals					
U.S.	\$2,726.0	10%	-	(7)%	3%
Europe	987.7	(1)%	1%	(0)%	(0)%
Japan	461.6	(3)%	(13)%	11%	(5)%
ROW	774.1	(2)%	(2)%	2%	(2)%
Total Pharma	4,949.4	5%	(1)%	(3)%	1%
Animal Health	499.1	2%	(1)%	0%	2%
Net Product Sales	5,448.5	4%	(1)%	(2)%	1%
Collab/Other Revenue	153.5	0%	(0)%	(18)%	(18)%
Total Revenue	\$5,602.0	4%	(1)%	(3)%	0%

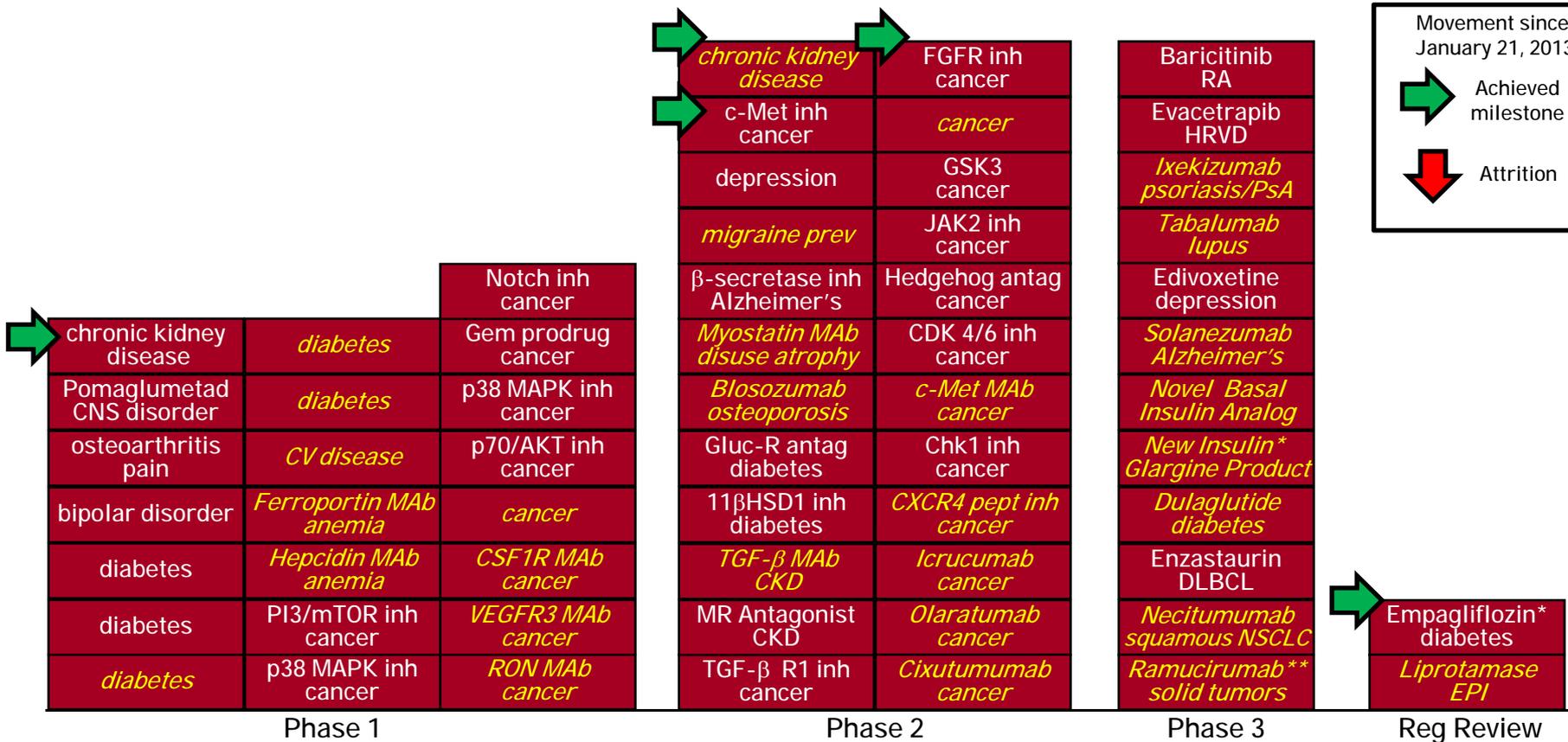
Note: Numbers may not add due to rounding.

Lilly NME Pipeline

April 17, 2013

New Chemical Entity (NCE)
New Biotech Entity (NBE)

Movement since January 21, 2013
 Achieved milestone
 Attrition



 cogni. impair. schizophrenia
 *IL-1 β MAb CV disease*

 Chk1 inh cancer
 Litronesib cancer

* Commercial collaborations
 ** Rolling submission with FDA ongoing for second-line monotherapy gastric cancer

Key Events in 2013

Potential Phase 3 data external disclosure / **internal readouts:**

- Initial trials of dulaglutide for type 2 diabetes
- Initial trials of empagliflozin for type 2 diabetes ¹
- **Initial trials of novel basal insulin analog for type 1 and type 2 diabetes**
- **Trials of new insulin glargine product for type 1 and type 2 diabetes ¹**
- ✓+ • **Ramucirumab as monotherapy for second-line gastric cancer (ASCO-GI in January)**
- **Ramucirumab for breast cancer**
- **Ramucirumab as combination therapy for second-line gastric cancer**
- **Enzastaurin for DLBCL**
- **Necitumumab for first-line squamous NSCLC**
- **Initial trials of edivoxetine as adjunctive therapy for major depressive disorder**
- ✓- • **Additional analyses of Phase 3 trials of tabalumab for rheumatoid arthritis**

Potential regulatory submissions:

- Dulaglutide for type 2 diabetes
- ✓+ • **Empagliflozin for type 2 diabetes ¹**
- **New insulin glargine product for type 1 and type 2 diabetes ¹**
- ✓+ • **Ramucirumab as monotherapy for second-line gastric cancer ²**
- **Enzastaurin for DLBCL**

Other:

- **Initiation of new pivotal trial for solanezumab in patients with mild AD**
- **Alimta[®] District Court trial for method-of-use patent (August)**
- **Cymbalta[®] U.S. patent expiration (December)**

1 in collaboration with Boehringer Ingelheim

2 FDA rolling submission underway

2013 Guidance

	<u>Prior</u>	<u>Current</u>
Total Revenue	\$22.6 to \$23.4 billion	\$22.6 to \$23.4 billion
Gross Margin % of Revenue	Approx. 78%	Approx. 78%
Mktg, Selling & Admin.	\$7.1 to \$7.4 billion	\$7.1 to \$7.4 billion
Research & Development	\$5.2 to \$5.5 billion	\$5.3 to \$5.6 billion
Other Income/(Expense) (non-GAAP)	\$(150) - \$0 million	\$(50) - \$100 million
Other Income/(Expense) (GAAP)	\$340 - \$490 million	\$440 - \$590 million
Tax Rate (non-GAAP)	Approx. 19.5%	Approx. 19.0%
Tax Rate (GAAP)	Approx. 21%	Approx. 20.5%
Earnings per Share (non-GAAP)	\$3.82 - \$3.97	\$3.82 - \$3.97
Earnings per Share (GAAP)	\$4.10 - \$4.25	\$4.10 - \$4.25
Capital Expenditures	Approx. \$900 million	Approx. \$900 million

Earnings Per Share Expectations

	<u>2013</u>	<u>2012</u>	<u>Growth</u>
EPS (reported)	\$4.10-\$4.25	\$3.66	12%-16%
Asset impairment, restructuring and other special charges	0.01	0.16	
Income from the transfer of exenatide commercial rights	<u>(0.29)</u>	<u>(0.43)</u>	
EPS (non-GAAP)	<u><u>\$3.82-\$3.97</u></u>	<u><u>\$3.39</u></u>	<u><u>13%-17%</u></u>

Note: Numbers may not add due to rounding.

Q1 2013 Summary

Continued implementation of our strategy:

- Replenishing and advancing our pipeline
- Driving strong performance of our marketed brands and key growth areas
- Increasing productivity and reducing our cost structure

Financial outlook:

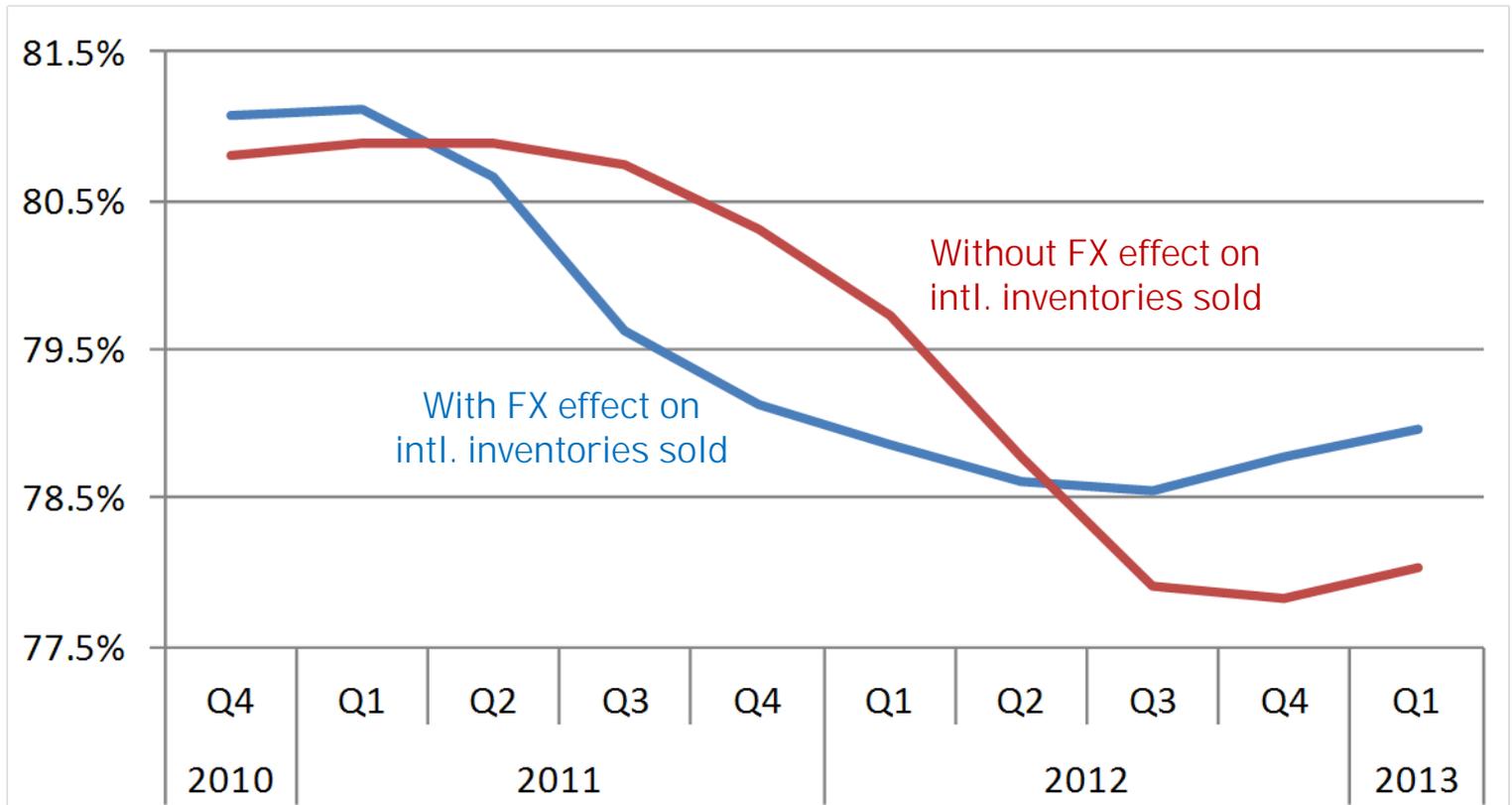
- Completed \$1.5 billion share repurchase program
- We remain on track to meet, or exceed, our mid-term financial projections
 - At least \$20 billion in revenue
 - At least \$3 billion in net income
 - At least \$4 billion in operating cash flow

Poised to return to growth post-2014:

- Potential for up to 5 NME submissions this year
- 12 molecules in Phase 3 and 24 molecules in Phase 2
- The most robust mid- to late-stage pipeline in our history

Supplementary Slides

Gross Margin % - Moving Annual Total



Individual quarter GM% of Revenue:

with FX effect on intl inv sold	80.1%	79.8%	80.4%	78.2%	78.1%	78.6%	79.5%	77.9%	79.0%	79.3%
w/o FX effect on intl inv sold	80.6%	80.7%	81.7%	80.0%	78.8%	78.3%	77.9%	76.4%	78.5%	79.1%

Note: The lines in the graph are moving annual totals (i.e. trailing 4 quarters) while the two rows of numbers are from specific quarters.

Effect of Foreign Exchange on 2013 Results (Non-GAAP)

Year-on-Year Growth

	Q1 2013	
	<u>With FX</u>	<u>w/o FX</u>
Total Revenue	0%	1%
Cost of Sales	(3)%	(3)%
Gross Margin	1%	2%
Operating Expense <i>(R&D and SG&A)</i>	0%	1%
Operating Income	3%	5%
EPS	24%	27%

Effect of Foreign Exchange on 2013 Results (Reported)

Year-on-Year Growth

	Q1 2013	
	<u>With FX</u>	<u>w/o FX</u>
Total Revenue	0%	1%
Cost of Sales	(3)%	(3)%
Gross Margin	1%	2%
Operating Expense <i>(R&D and SG&A)</i>	(0)%	1%
Operating Income	3%	6%
EPS	56%	58%

Other Income/(Deductions) – non-GAAP

Millions

	<u>Q1 13</u>	<u>Q1 12</u>
- Interest Expense	(\$40.3)	(\$45.3)
- Interest Income	<u>23.6</u>	<u>26.1</u>
Interest, net	(16.7)	(19.2)
- FX Gains / (Losses)	9.8	(10.7)
- Gains / (Losses) on Equity Investments	1.2	5.7
- Miscellaneous Income / (Loss)	<u>39.5</u>	<u>(21.8)</u>
Other Income, net	<u>50.5</u>	<u>(26.8)</u>
Net Other Income (Loss)	<u><u>\$33.8</u></u>	<u><u>\$(46.0)</u></u>

Note: Numbers may not add due to rounding.

Other Income/(Deductions) – GAAP

Millions

	<u>Q1 13</u>	<u>Q1 12</u>
- Interest Expense	(\$40.3)	(\$45.3)
- Interest Income	<u>23.6</u>	<u>26.1</u>
Interest, net	(16.7)	(19.2)
- FX Gains / (Losses)	9.8	(10.7)
- Gains / (Losses) on Equity Investments	1.2	5.7
- Miscellaneous Income / (Loss)	<u>534.9</u>	<u>(21.8)</u>
Other Income, net	<u>545.9</u>	<u>(26.8)</u>
Net Other Income (Loss)	<u><u>\$529.2</u></u>	<u><u>\$(46.0)</u></u>

Note: Numbers may not add due to rounding.

Comparative EPS Summary 2012/2013

	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013
Non-GAAP	0.92	0.83	0.79	0.85	3.39	1.14				
Reported	0.91	0.83	1.18	0.74	3.66	1.42				

Note: Numbers may not add due to rounding.

For a complete reconciliation to reported earnings, see slide 23 of this presentation and our earnings press release dated April 24, 2013.

2013 Income Statement Notes

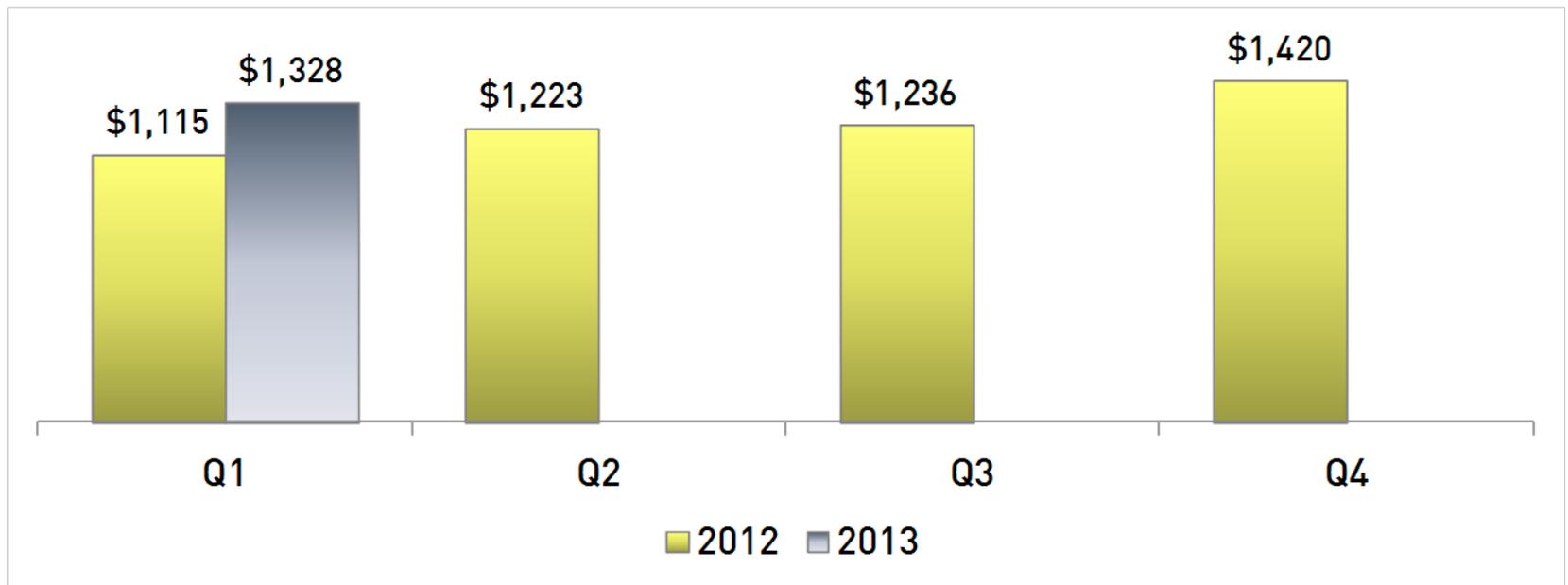
Notes:

- The first-quarter 2013 non-GAAP financial statements have been adjusted to eliminate income of \$495.4 million (pretax), or EPS of \$0.29 (after-tax), related to the transfer of exenatide commercial rights in markets outside the U.S. to Amylin and a charge of \$21.7 million (pretax), or EPS of \$0.01 (after-tax), associated with severance costs from actions the company is taking, primarily outside the U.S., to reduce its cost structure and global workforce.
- The first-quarter 2012 non-GAAP financial statements have been adjusted to eliminate a charge of \$23.8 million (pretax), or EPS of \$0.01 (after-tax) primarily related to the withdrawal of Xigris®.

Q1 Cymbalta Sales Increased 19%

Millions

U.S. sales increased 23%
International sales increased 5%

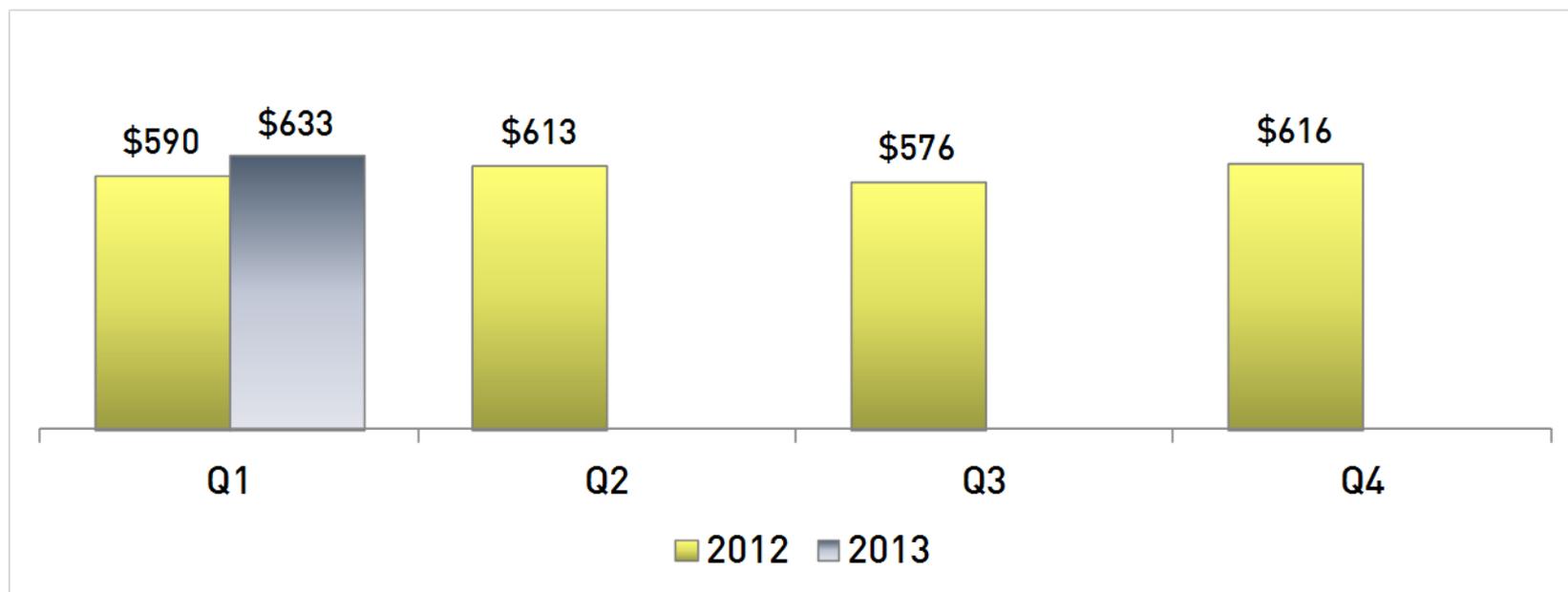


Note: Quarterly numbers may not add to year-to-date totals due to rounding.

Q1 Humalog[®] Sales Increased 7%

Millions

U.S. sales increased 9%
International sales increased 5%

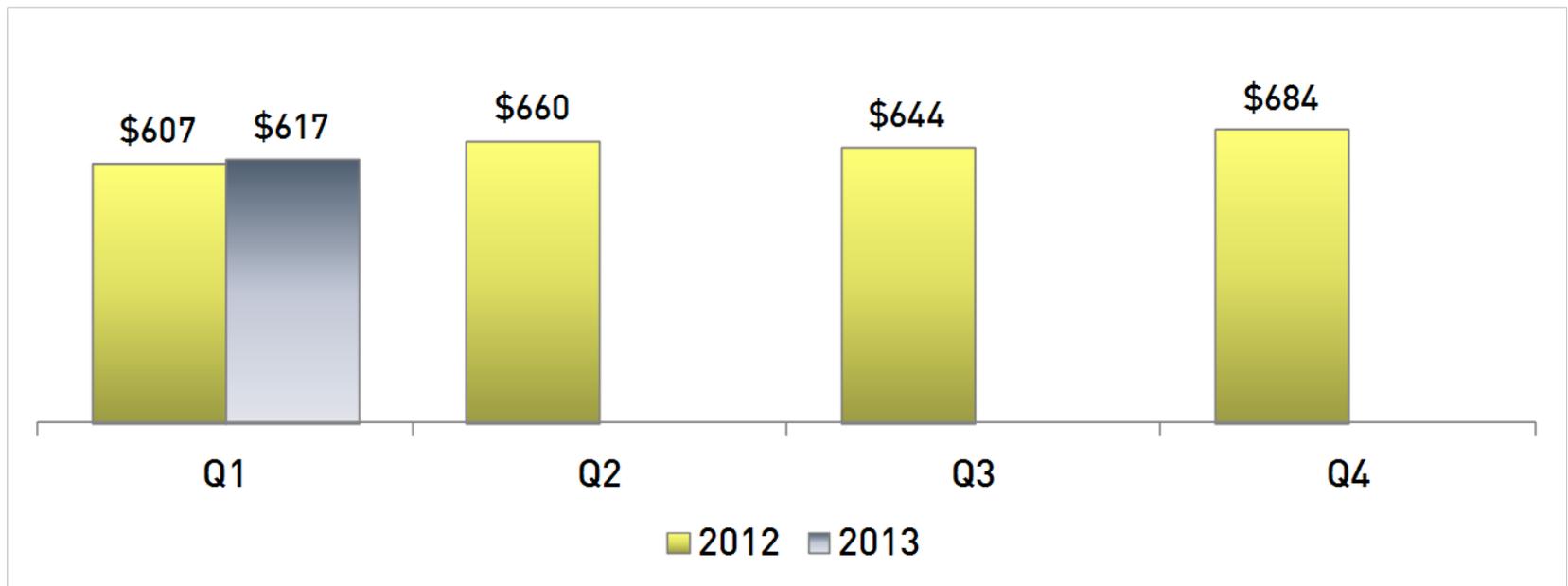


Note: Quarterly numbers may not add to year-to-date totals due to rounding.

Q1 Alimta Sales Increased 2%

Millions

U.S. sales increased 2%
International sales increased 1%

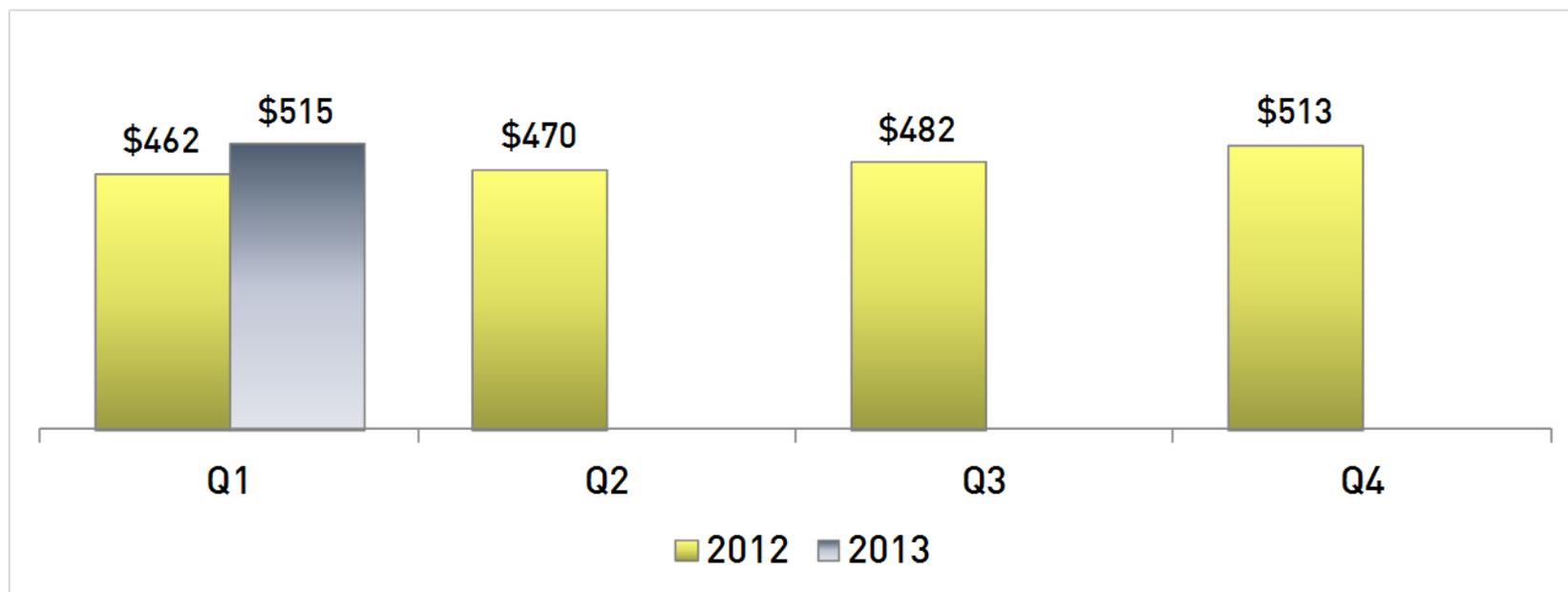


Note: Quarterly numbers may not add to year-to-date totals due to rounding.

Q1 Cialis[®] Sales Increased 11%

Millions

U.S. sales increased 20%
International sales increased 6%

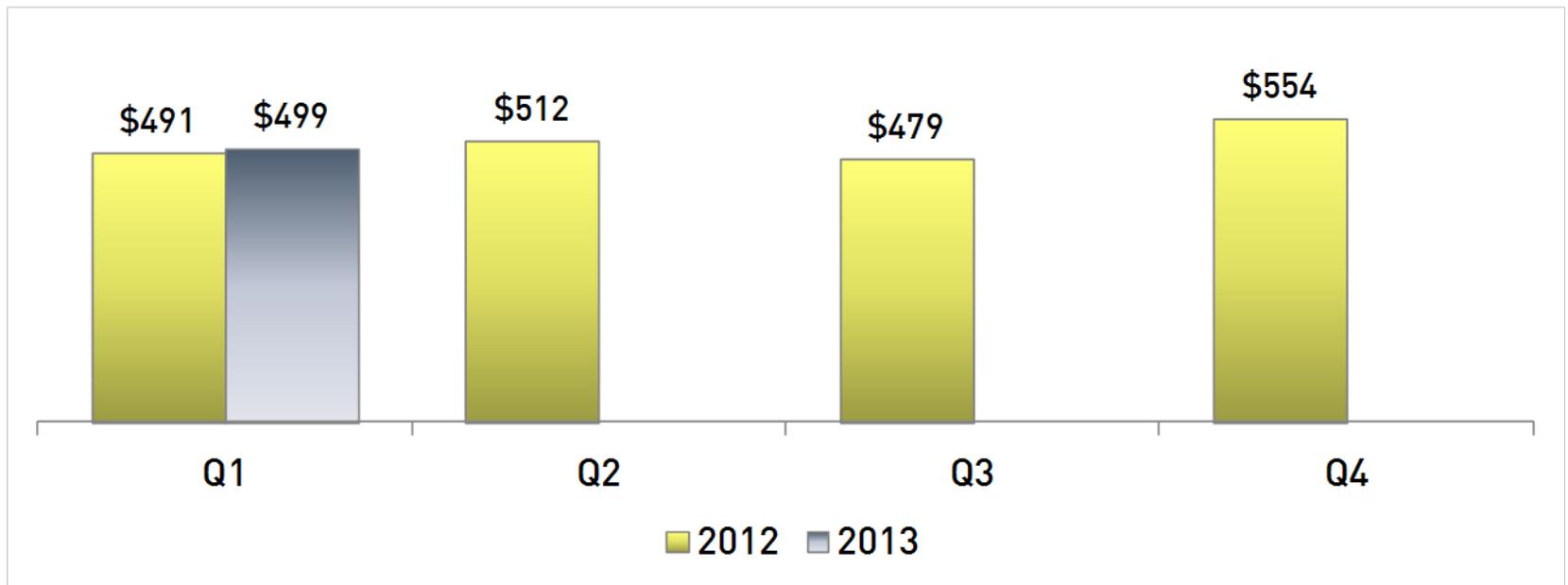


Note: Quarterly numbers may not add to year-to-date totals due to rounding.

Q1 Animal Health Sales Increased 2%

Millions

U.S. sales increased 9%
International sales decreased 8%

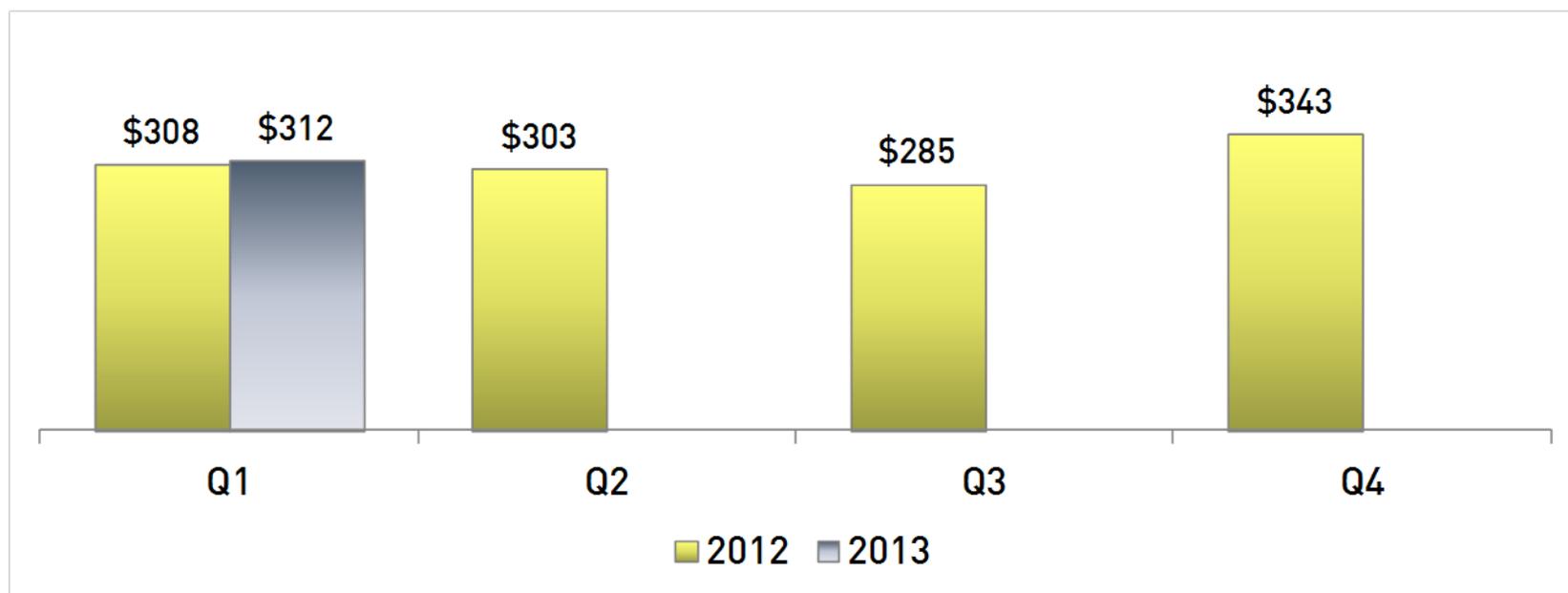


Note: Quarterly numbers may not add to year-to-date totals due to rounding.

Q1 Humulin[®] Sales Increased 1%

Millions

U.S. sales increased 5%
International sales decreased 3%

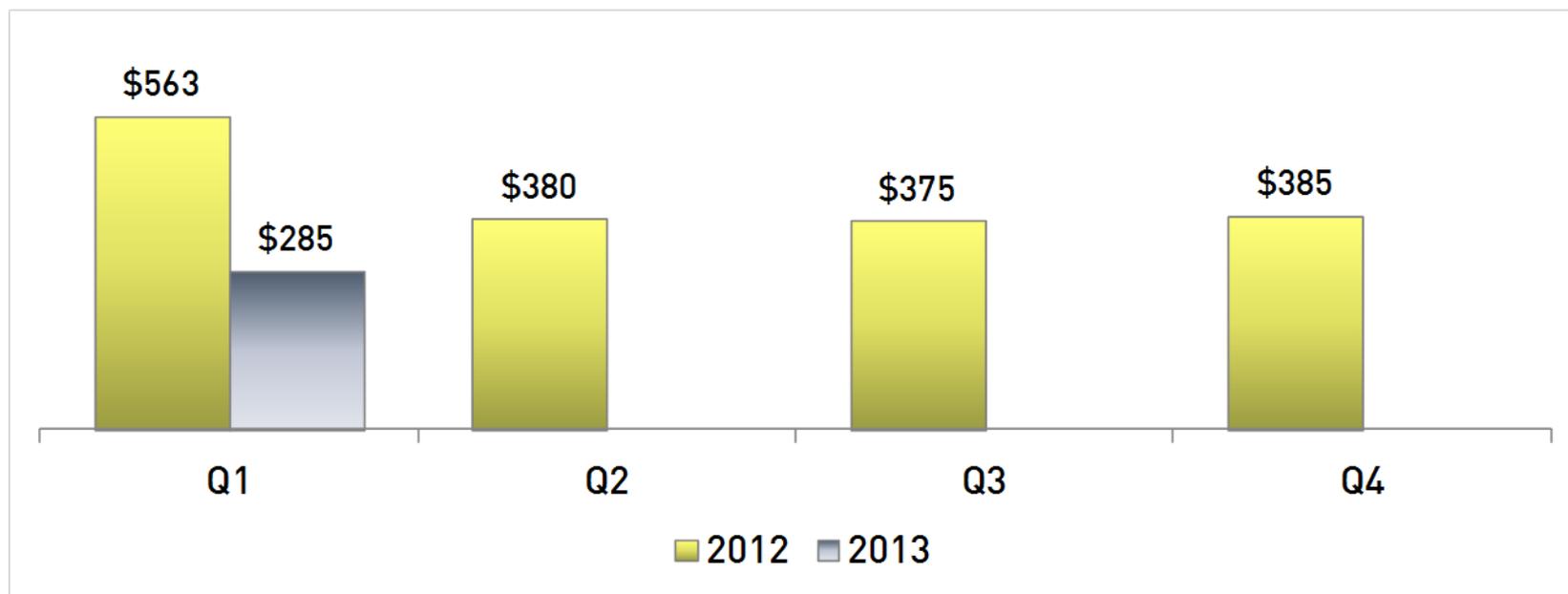


Note: Quarterly numbers may not add to year-to-date totals due to rounding.

Q1 Zyprexa[®] Sales Decreased 49%

Millions

U.S. sales decreased 84%
International sales decreased 30%

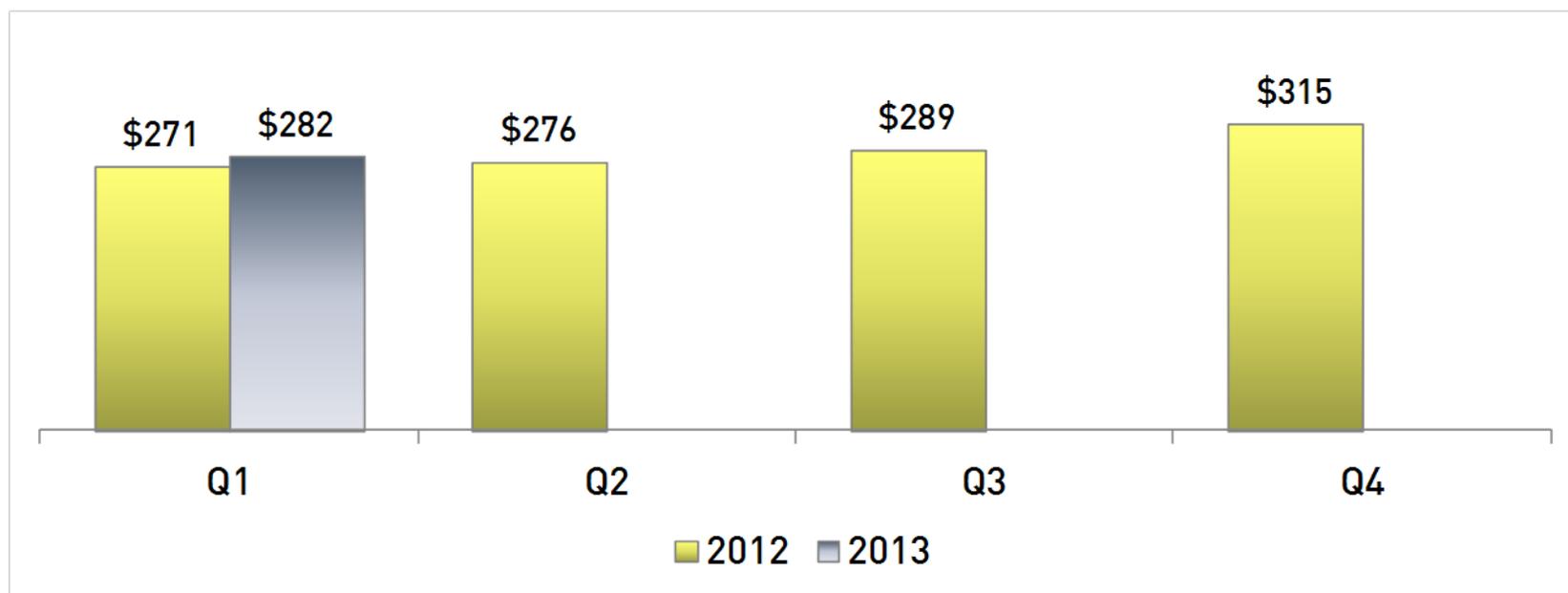


Note: Quarterly numbers may not add to year-to-date totals due to rounding.

Q1 Forteo[®] Sales Increased 4%

Millions

U.S. sales decreased 9%
International sales increased 14%

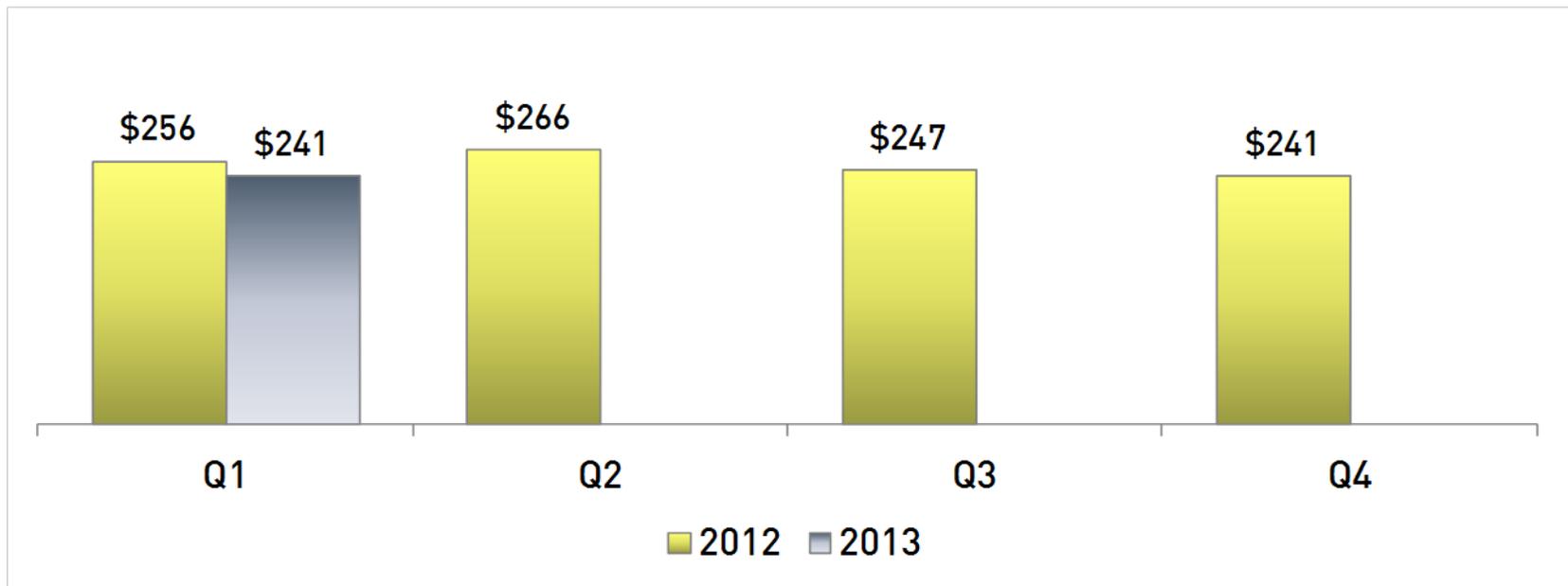


Note: Quarterly numbers may not add to year-to-date totals due to rounding.

Q1 Evista[®] Sales Decreased 6%

Millions

U.S. sales essentially flat
International sales decreased 18%

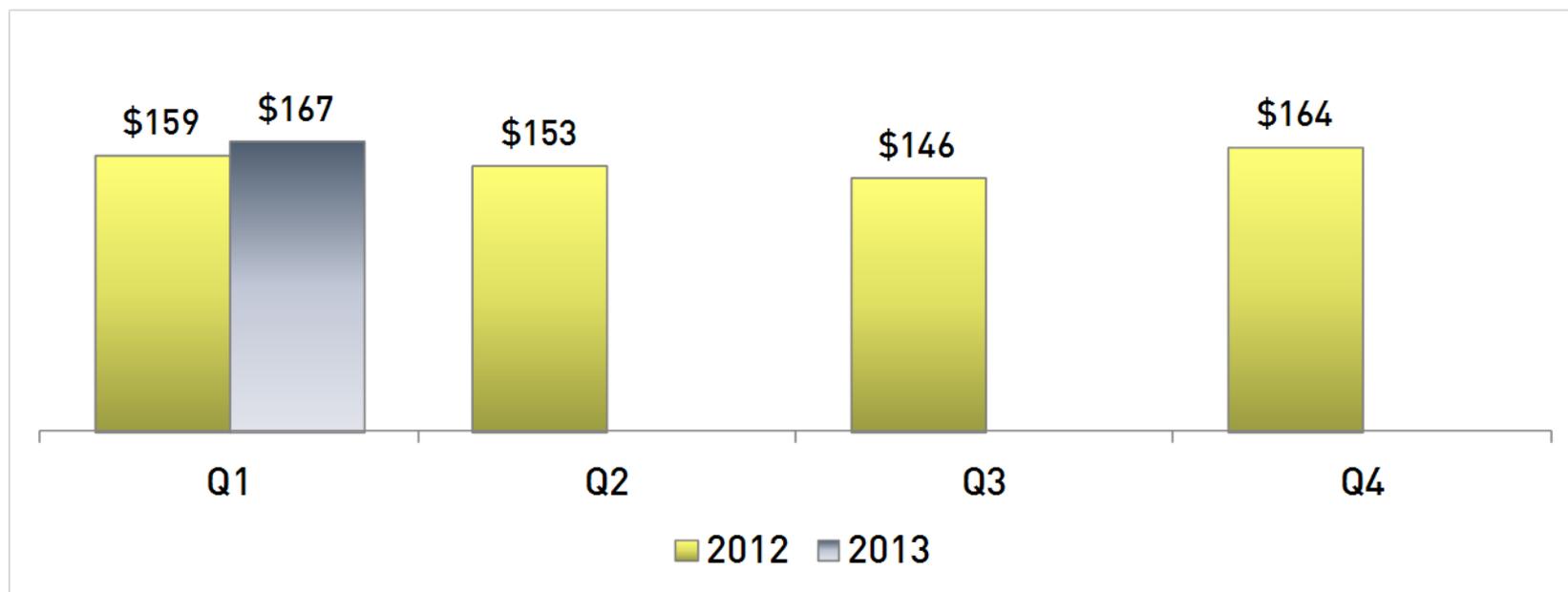


Note: Quarterly numbers may not add to year-to-date totals due to rounding.

Q1 Strattera® Sales Increased 5%

Millions

U.S. sales increased 1%
International sales increased 13%

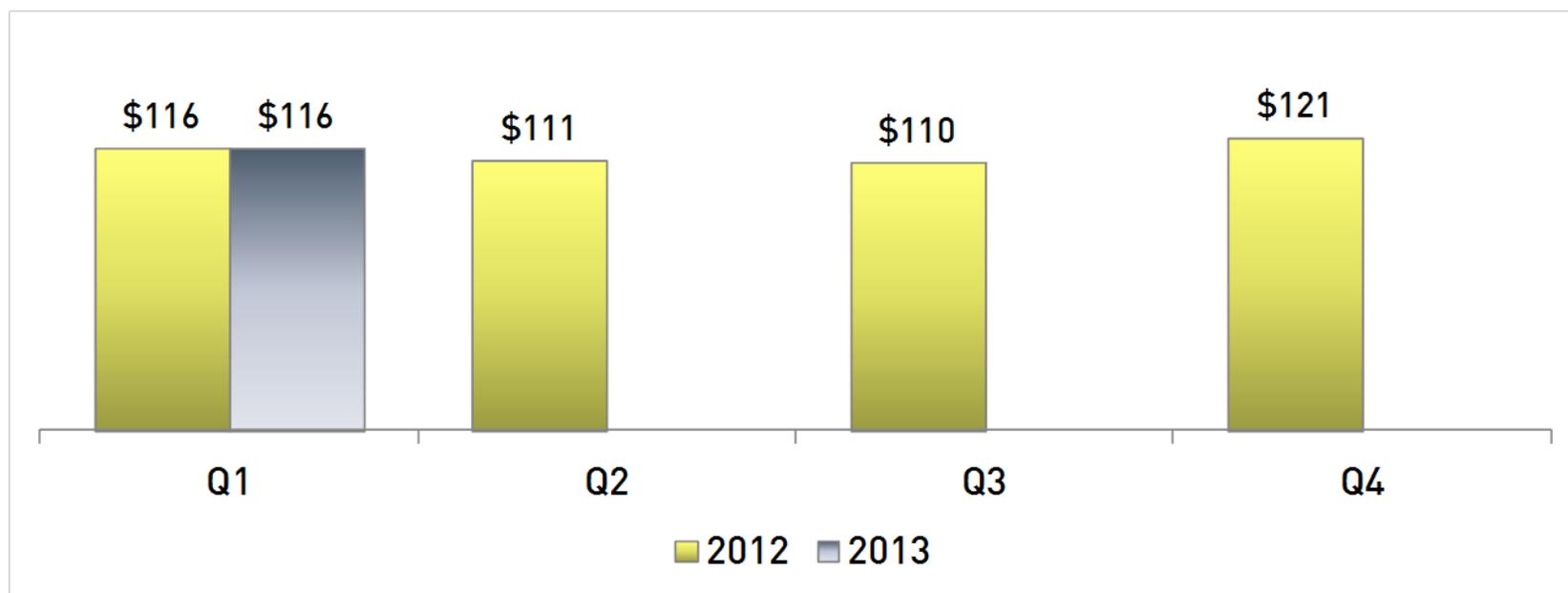


Note: Quarterly numbers may not add to year-to-date totals due to rounding.

Q1 Effient[®] Sales Essentially Flat

Millions

U.S. sales decreased 7%
International sales increased 24%



Note: Quarterly numbers may not add to year-to-date totals due to rounding.