# Eli Lilly and Company
# Fourth Quarter Financial Review

January 31st, 2012

Answers That Matter.

# Agenda

Key Recent Events, Financial Results and Pipeline Update

- Ronika Pletcher, Director, Investor Relations
- Ilissa Rassner, Director, Investor Relations

Financial Guidance, Key Future Events and 2011 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 such factors as 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:

- Received European Commission approval for – and submitted an sNDA to the FDA for – use of Alimta as a continuation maintenance therapy in patients with advanced nonsquamous non-small cell lung cancer after initial treatment with Alimta plus cisplatin
- Received FDA approval for use of Erbitux in combination with chemotherapy as a first-line treatment for recurrent locoregional or metastatic squamous cell carcinoma of the head and neck
- FDA approved Jentadueto, the linagliptin plus metformin fixed-dose combination for treatment of adults with type 2 diabetes
- FDA approved Amylin's Bydureon as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes
- Submitted Amyvid, a Positron Emission Tomography (PET) imaging agent, under investigation for the detection of beta-amyloid plaque in the brains of living patients to the European Medicines Agency (EMA)
- Announced the withdrawal of Xigris in all markets following results of the PROWESS-SHOCK study

# Beyond the Quarterly Financial Results

## Key events since the last earnings call (cont.)

### Business Development:

- Announced agreement with Amylin to terminate the exenatide alliance
- Announced acquisition of ChemGen Corp., a privately-held company specializing in innovative feed enzyme products for animal health
- Entered into a six-month agreement with Prasco Laboratories to supply authorized generic olanzapine upon the natural patent expiration for Zyprexa in the U.S. in October 2011

### Clinical:

- The solanezumab DMC recommended continuing both pivotal Phase 3 trials without modification, stating that futility was not met, and recommended two additional ECGs be added to the open-label follow-on study
- Initiated Phase 3 development of our novel basal insulin analog for type 1 and type 2 diabetes
- Initiated Phase 3 development of our anti-IL-17 monoclonal antibody in psoriasis
- Presented positive Phase 2 results at AHA for evacetrapib in patients with hypercholesterolemia or low HDL-C

# 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 from business development activities

# 2011 Income Statements (Non-GAAP)

Millions; except per share data

| | Q4 2011 | Growth | Year | Growth |
|---|---|---|---|---|
| Total Revenue | $6,047 | (2)% | $24,286 | 5% |
| Gross Margin Percent | 78.1% | (2.0)pp | 79.1% | (2.0)pp |
| Total Operating Expense* | 3,489 | 2% | 12,901 | 8% |
| Operating Income | 1,236 | (19)% | 6,318 | (7)% |
| Other Income / (Deductions) | (27) | (32)% | (179) | NM |
| *Effective Tax Rate* | *19.9%* | *2.9pp* | *20.0%* | *(2.6)pp* |
| Net Income | $969 | (22)% | $4,913 | (6)% |
| Diluted EPS | $0.87 | (22)% | $4.41 | (7)% |

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

# 2011 Income Statements (Reported)

Millions; except per share data

| | Q4 2011 | Growth | Year | Growth |
|---|---|---|---|---|
| Total Revenue | $6,047 | (2)% | $24,286 | 5% |
| Gross Margin Percent | 78.1% | (2.0)pp | 79.1% | (2.0)pp |
| Total Operating Expense* | 3,656 | 4% | 13,690 | 12% |
| Operating Income | 1,069 | (26)% | 5,528 | (15)% |
| Other Income / (Deductions) | (27) | (32)% | (179) | NM |
| *Effective Tax Rate* | *17.6%* | 0.6pp | *18.7%* | (3.6)pp |
| Net Income | $858 | (27)% | $4,348 | (14)% |
| Diluted EPS | $0.77 | (27)% | $3.90 | (15)% |

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

**Note:** See slide 20 for a complete list of charges.

# EPS Reconciliation

| | Q4 2011 | Growth | Year | Growth |
|---|---|---|---|---|
| EPS (reported) | $0.77 | (27%) | $3.90 | (15%) |
| In-process research and development charge associated with the Boehringer Ingelheim collaboration | - | | 0.23 | |
| Special charge related to Xigris withdrawal | 0.05 | | 0.05 | |
| Restructuring charges | 0.05 | | 0.24 | |
| EPS (non-GAAP) | $0.87 | (22%) | $4.41 | (7%) |

Note: Numbers may not add due to rounding.

# Effect of Price/Rate/Volume on Revenue

| Q4 2011 | | | | | |
|---|---|---|---|---|---|
| Pharmaceuticals | Amount | Price | FX Rate | Volume | Total |
| U.S. | $2,879.8 | (18)% | - | 11% | (6)% |
| Europe | 1,083.0 | (7)% | 1% | (10)% | (16)% |
| Japan | 590.1 | (1)% | 10% | 19% | 27% |
| ROW | 835.6 | (4)% | (3)% | 11% | 5% |
| Total Pharma | 5,388.5 | (12)% | 1% | 7% | (4)% |
| Animal Health | 468.2 | 1% | (0)% | 10% | 10% |
| Net Product Sales | 5,856.7 | (11)% | 1% | 7% | (3)% |
| Collab/Other Revenue | 189.9 | (0)% | - | 24% | 24% |
| Total Revenue | $6,046.6 | (11)% | 1% | 8% | (2)% |

| Full Year 2011 | | | | | |
|---|---|---|---|---|---|
| Pharmaceuticals | Amount | Price | FX Rate | Volume | Total |
| U.S. | $11,527.5 | (3)% | - | 3% | (1)% |
| Europe | 5,007.1 | (3)% | 6% | 1% | 4% |
| Japan | 2,055.6 | (2)% | 12% | 21% | 31% |
| ROW | 3,336.0 | (3)% | 3% | 10% | 10% |
| Total Pharma | 21,926.2 | (3)% | 3% | 5% | 4% |
| Animal Health | 1,678.6 | 2% | 1% | 18% | 21% |
| Net Product Sales | 23,604.8 | (3)% | 3% | 5% | 5% |
| Collab/Other Revenue | 681.7 | (0)% | - | 8% | 8% |
| Total Revenue | $24,286.5 | (3)% | 2% | 6% | 5% |

Note: Numbers may not add due to rounding.

# Effect of Foreign Exchange on 2011 Results
## (Non-GAAP)

Year-on-Year Growth

| | Q4 2011 | | 2011 | |
|---|---|---|---|---|
| | With FX | w/o FX | With FX | w/o FX |
| Total Revenue | (2)% | (3)% | 5% | 3% |
| Cost of Sales | 7% | 7% | 16% | 6% |
| Gross Margin | (5)% | (5)% | 3% | 2% |
| Operating Expense *(R&D plus SG&A)* | 2% | 1% | 8% | 6% |
| Operating Income | (19)% | (20)% | (7)% | (6)% |
| EPS | (22)% | (23)% | (7)% | (6)% |

# Effect of Foreign Exchange on 2011 Results
(Reported)

Year-on-Year Growth

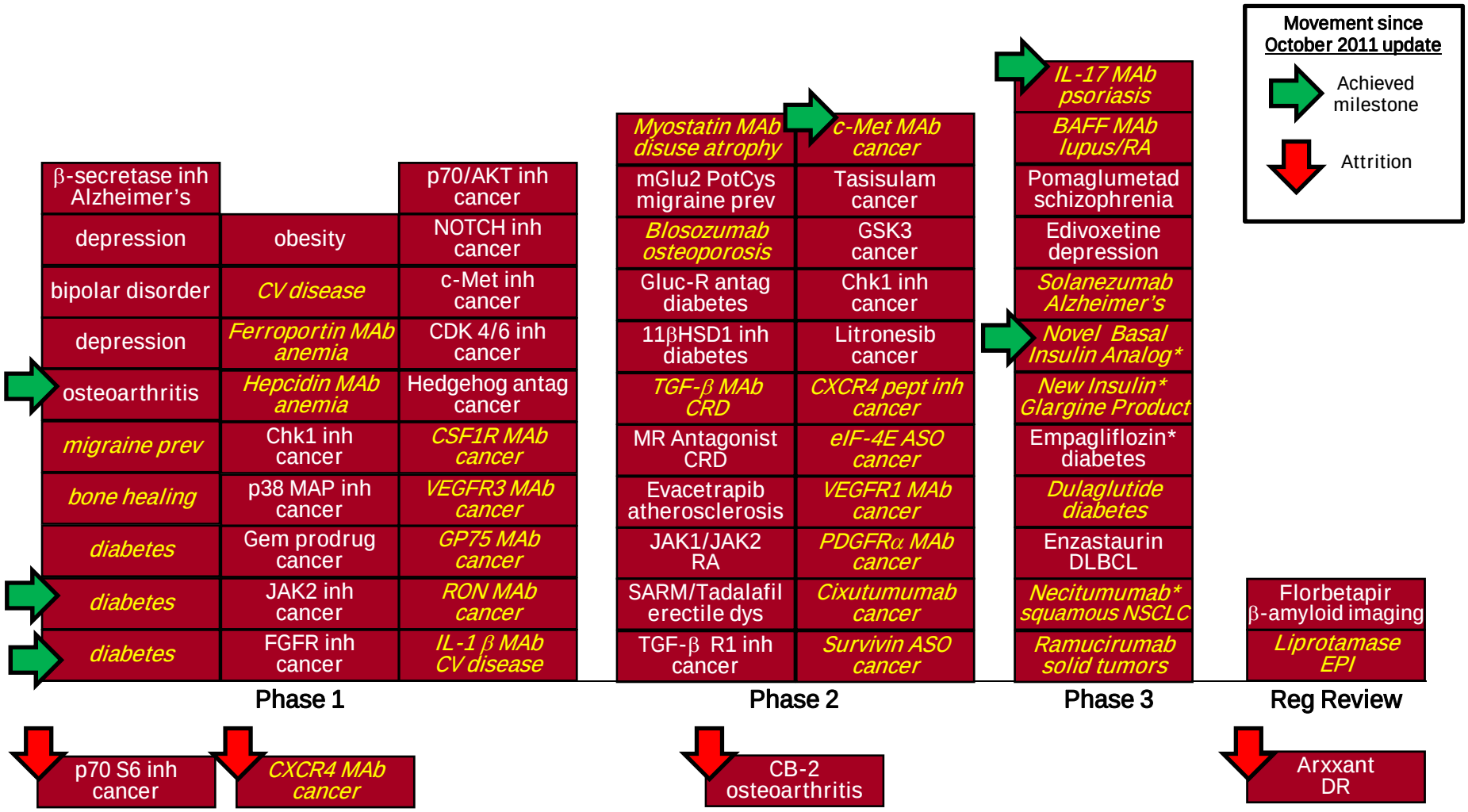
| | Q4 2011 | | 2011 | |
|---|---|---|---|---|
| | With FX | w/o FX | With FX | w/o FX |
| Total Revenue | (2)% | (3)% | 5% | 3% |
| Cost of Sales | 7% | 7% | 16% | 6% |
| Gross Margin | (5)% | (5)% | 3% | 2% |
| Operating Expense *(R&D plus SG&A)* | 4% | 4% | 12% | 11% |
| Operating Income | (26)% | (27)% | (15)% | (14)% |
| EPS | (27)% | (28)% | (15)% | (14)% |

# Lilly NME Pipeline

January 17, 2012

New Chemical Entity (NCE)

*New Biotech Entity (NBE)*




* commercial collaborations

# Key Future Events in 2012

Red text – potential 2012 data disclosure

## Potential U.S. regulatory actions:

- Alimta continuation maintenance in nonsquamous non-small cell lung cancer
- Erbitux for 1st-line non-small cell lung cancer
- Erbitux for 1st-line metastatic colorectal cancer
- Amyvid for detection of beta amyloid plaque

## Potential Phase 3 trial initiation:

- Evacetrapib (CETP inhibitor)

## Expected clinical trial completion:

- Solanezumab Phase 3 trials in Alzheimer's
- Effient Phase 3 trial in ACS-medical management
- Alimta Phase 3 PARAMOUNT and POINTBREAK trials
- Initial dulaglutide Phase 3 trials in type 2 diabetes [2]
- Initial empagliflozin Phase 3 trials in type 2 diabetes [1, 2]
- JAK1/JAK2 Phase 2b study in RA

## Data disclosures of completed trials:

- anti-IL-17 monoclonal antibody Phase 2 data in psoriasis (journal article)
- Novel basal insulin analog Phase 2 data in type 1 and type 2 diabetes [1]

1 in collaboration with Boehringer Ingelheim
2 external data disclosure expected in 2013

# 2012 Guidance

Millions, except per share amounts

| | |
|---|---|
| Total Revenue | $21.8 to $22.8 billion |
| Gross Margin % of Revenue | Approximately 77% |
| Mktg, Selling & Admin. | $7.4 to $7.8 billion |
| Research & Development | $5.0 to $5.3 billion |
| Other Income/(Expense) | $(50) - $100 million |
| Tax Rate | Approximately 21% |
| Earnings per Share | $3.10 - $3.20 |
| Capital Expenditures | Approximately $800 million |

For complete reconciliation to reported guidance, please see slide 16 of this presentation and our earnings press release dated Jan. 31, 2012.

# Earnings per Share Expectations

| | 2012 | 2011 | Growth |
|---|---|---|---|
| EPS (reported) | $3.10-$3.20 | $3.90 | (18)%-(21)% |
| In-process research and development charges associated with the Boehringer Ingelheim collaboration | - | 0.23 | |
| Special charge related to Xigris withdrawal | - | 0.05 | |
| Restructuring charges | - | 0.24 | |
| EPS (non-GAAP) | $3.10-$3.20 | $4.41 | (27)%-(30)% |

Note: Numbers may not add due to rounding.

# 2011 Summary

## Financial Performance:

- 5% revenue growth, despite the impact of Gemzar and Zyprexa generics
- Operating expenses grew faster than revenue due to the pharma manufacturers' fee and expenses from our diabetes partnership with Boehringer Ingelheim
- Removed $1 billion from projected 2011 expenses and reduced approximately 5,600 headcount (since mid-2009)
- Generated $7 billion of operating cash flow, easily covering capital expenditures of $0.7 billion and dividend payment of roughly $2.2 billion
- We remain on track to meet, or exceed, our mid-term financial projections

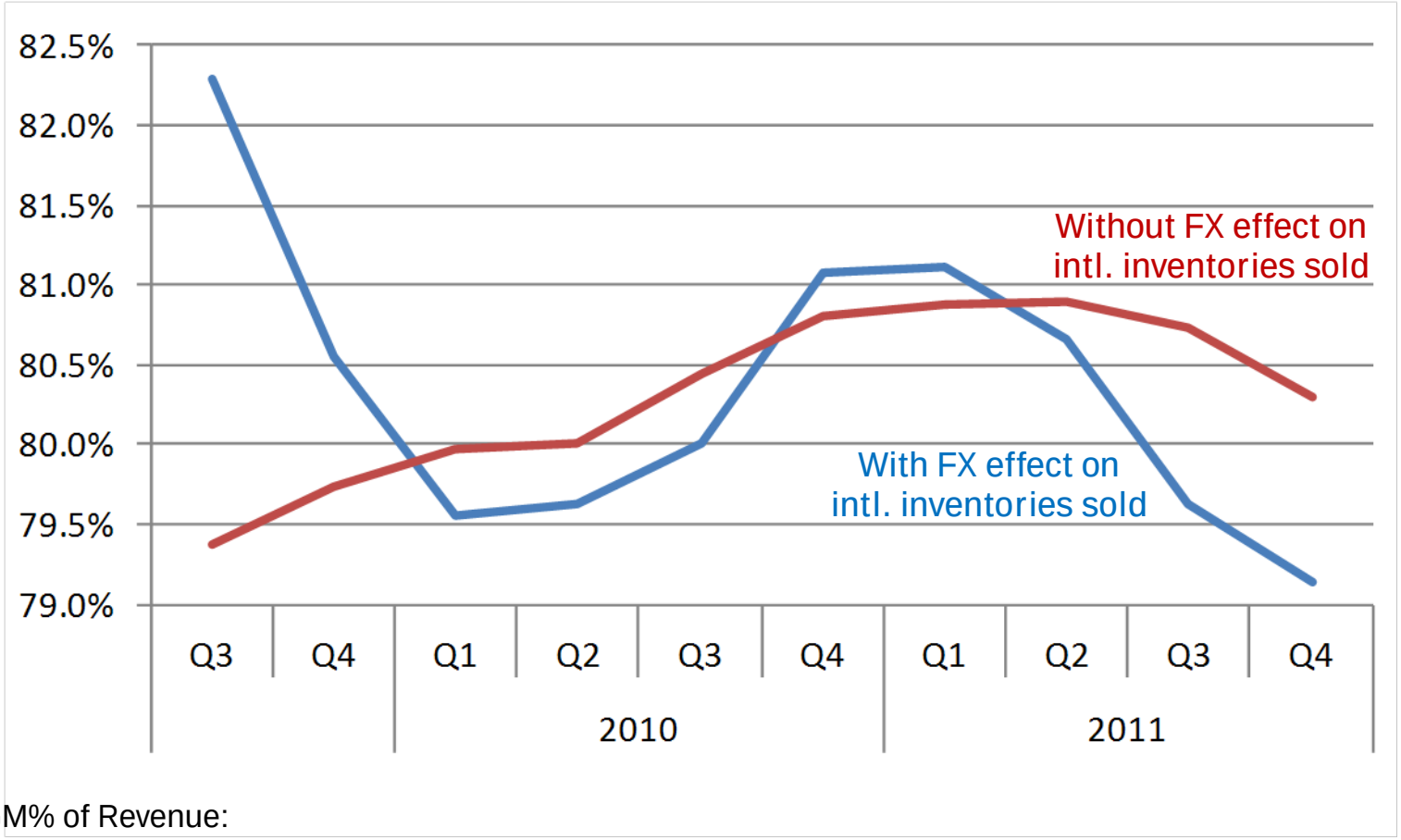
## Pipeline Performance:

- 12 molecules in Phase 3 development, exceeding goal of 10 by year-end 2011
- Advanced 4 molecules into Phase 3, 8 into Phase 2 and 10 into Phase 1
- Strengthened diabetes franchise through strategic collaboration with Boehringer Ingelheim, adding empagliflozin (in Phase 3) and linagliptin (now launched in multiple markets)
- We now have the most robust mid- to late-stage pipeline in our history

# Supplementary Slides

# Gross Margin % - Moving Annual Total

Pro-forma non-GAAP




Individual quarter GM% of Revenue:

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| with FX effect on intl inv sold | 81.1% | 75.9% | 79.5% | 82.2% | 82.5% | 80.1% | 79.8% | 80.4% | 78.2% | 78.1% |
| w/o FX effect on intl inv sold | 78.8% | 79.2% | 80.4% | 81.7% | 80.6% | 80.6% | 80.7% | 81.7% | 80.0% | 78.8% |

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.

# 2011 Income Statement Notes

Notes:

- Q4 2011 includes a charge of $85.0 million pre-tax, or $0.05 per share after-tax, for the withdrawal of Xigris as well as a charge of $82.6 million pre-tax, or $0.05 per share after-tax, for asset impairments and restructuring primarily associated with previously announced strategic actions.
- In addition to the Q4 charges listed above, 2011 YTD results include a charge of $388.0 million pre-tax, or $0.23 per share after-tax, for acquired IPR&D associated with the Boehringer Ingelheim collaboration as well as a charges totaling $233.8 million pre-tax, or $0.19 per share after-tax, for asset impairments and restructuring primarily associated with severance costs from previously announced strategic actions.
- Q4 2010 includes a charge of $79.0 million pre-tax, or $0.06 per share after-tax, for asset impairments and restructuring primarily associated with previously announced strategic actions.
- In addition to the Q4 charges listed above, 2010 YTD results include a charge of $50.0 million pre-tax, or $0.03 per share after-tax, for acquired IPR&D associated with the in-licensing of Axiron from Acrux Corporation as well as a charges totaling $113.0 million pre-tax, or $0.07 per share after-tax, for asset impairments and restructuring primarily associated with severance costs from previously announced strategic actions.

# Comparative EPS Summary 2010/2011

| | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 2010 | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| Non-GAAP | 1.18 | 1.24 | 1.21 | 1.11 | 4.74 | 1.24 | 1.18 | 1.13 | 0.87 | 4.41 |
| Reported | 1.13 | 1.22 | 1.18 | 1.05 | 4.58 | 0.95 | 1.07 | 1.11 | 0.77 | 3.90 |

Note: Numbers may not add due to rounding.

For complete reconciliation to reported earnings, please see slide 9 of this presentation and our earnings press release dated Jan. 31, 2012.

# Other Income/(Expense)

Millions

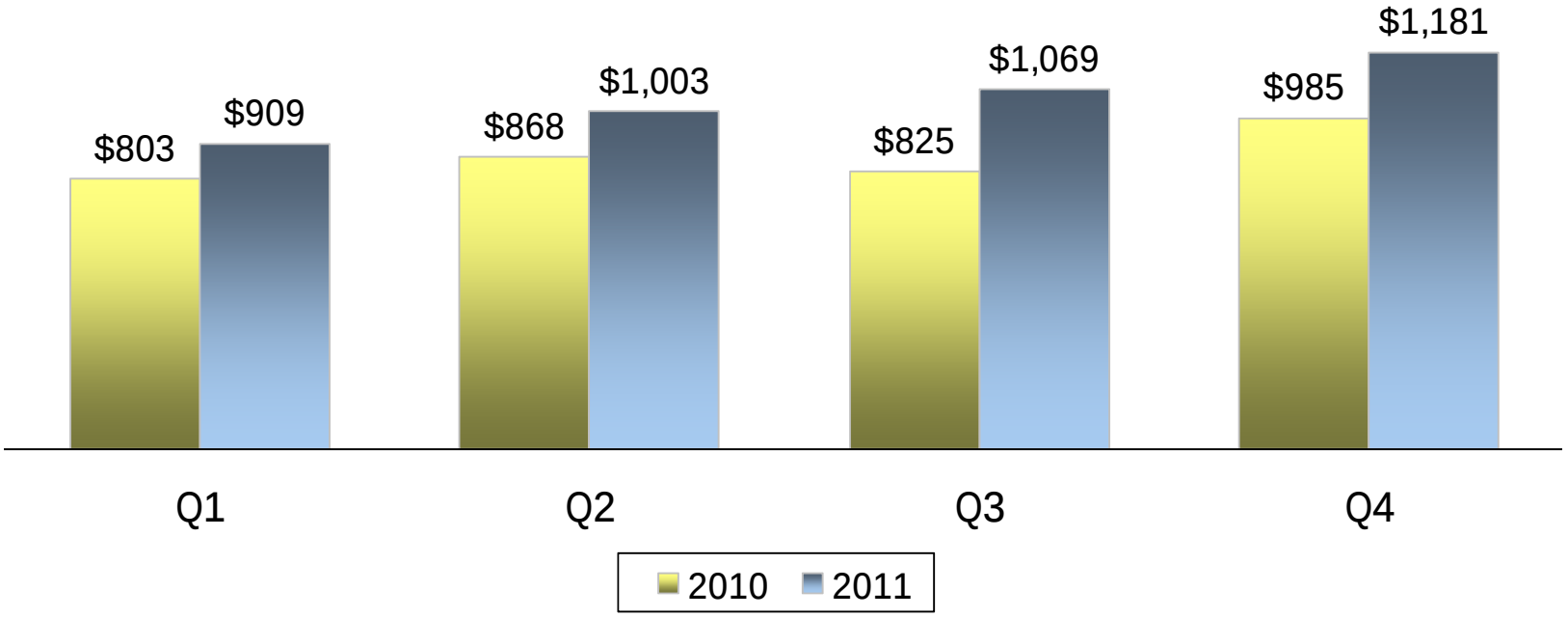
| | Q4 11 | Q4 10 | 2011 | 2010 |
|---|---|---|---|---|
| - Interest Expense | ($50.0) | ($43.2) | ($186.0) | ($185.5) |
| - Interest Income | 24.4 | 14.0 | 79.9 | 51.9 |
| Interest, net | (25.6) | (29.2) | (106.1) | (133.6) |
| - FX Gains / (Losses) | (4.7) | (21.4) | (6.2) | (46.0) |
| - Gains / (Losses) on Equity Investments | 10.8 | 14.7 | 98.7 | 73.5 |
| - Miscellaneous Income / (Expense) | (7.3) | (3.5) | (165.4) | 101.1 |
| Other Income/(Expense), net | (1.2) | (10.2) | (72.9) | 128.6 |
| Net Other Income/(Expense) | $(26.8) | $(39.4) | $(179.0) | $(5.0) |

Note: Numbers may not add due to rounding.

# Q4 Cymbalta® Revenue Increased 20%

Millions

U.S. sales increased 19%
International revenue increased 24%

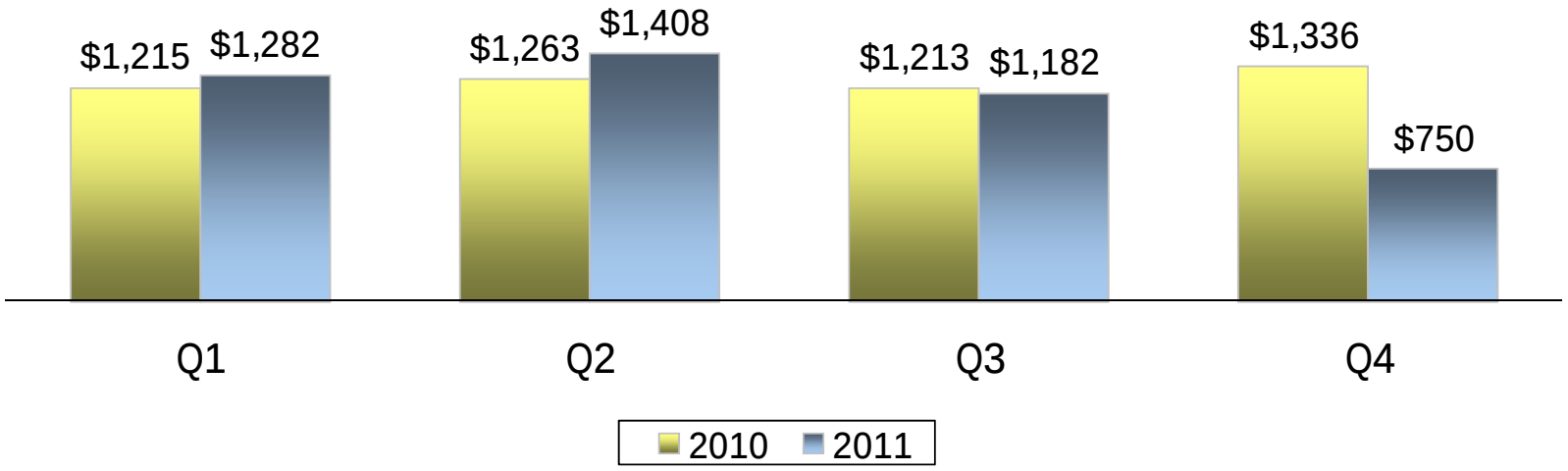



Note: Quarterly numbers may not add to year-to-date totals due to rounding.

# Q4 Zyprexa® Sales Decreased 44%

Millions

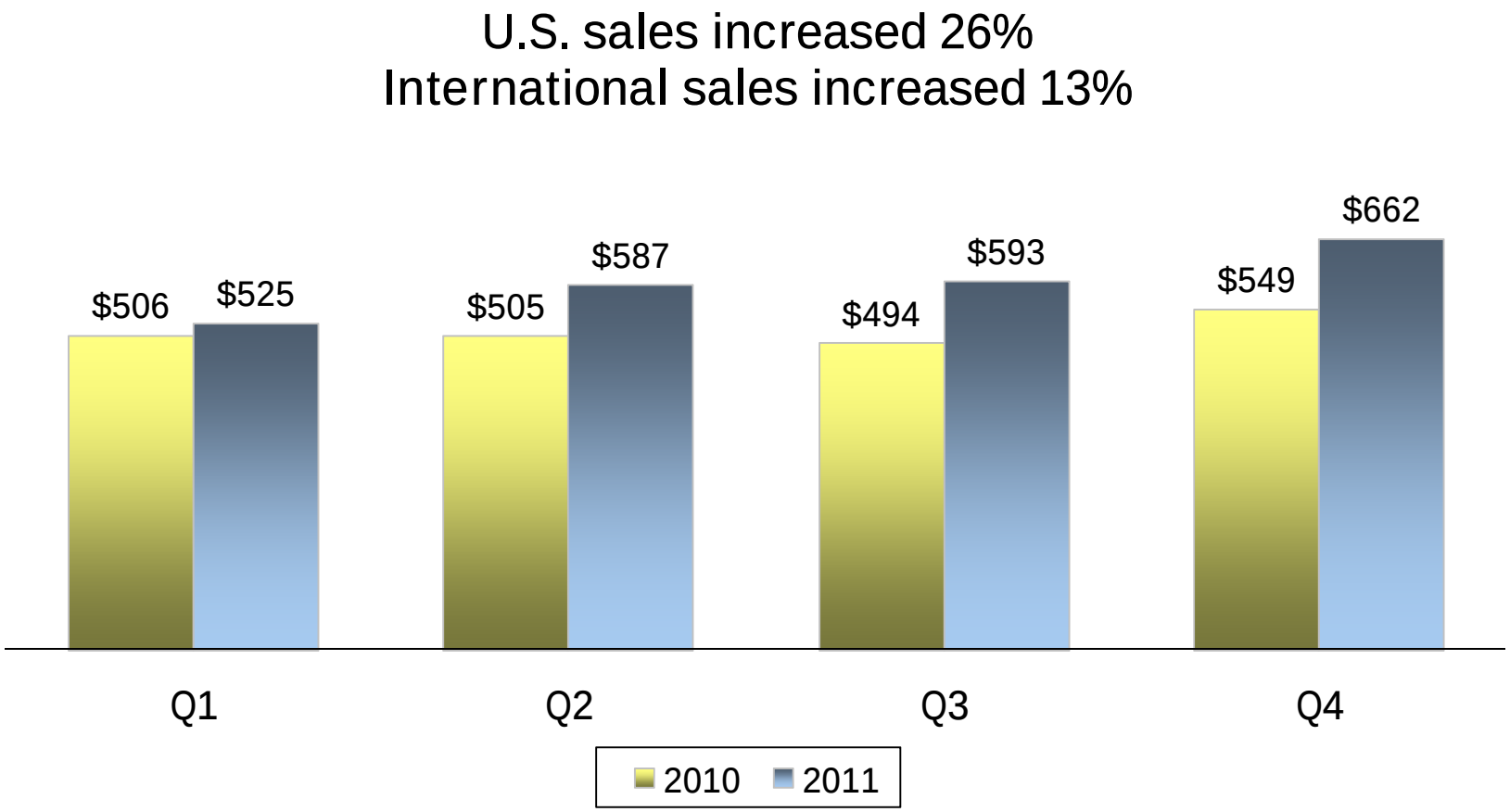
U.S. sales decreased 56%
International sales decreased 32%




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

# Q4 Humalog® Sales Increased 21%

Millions

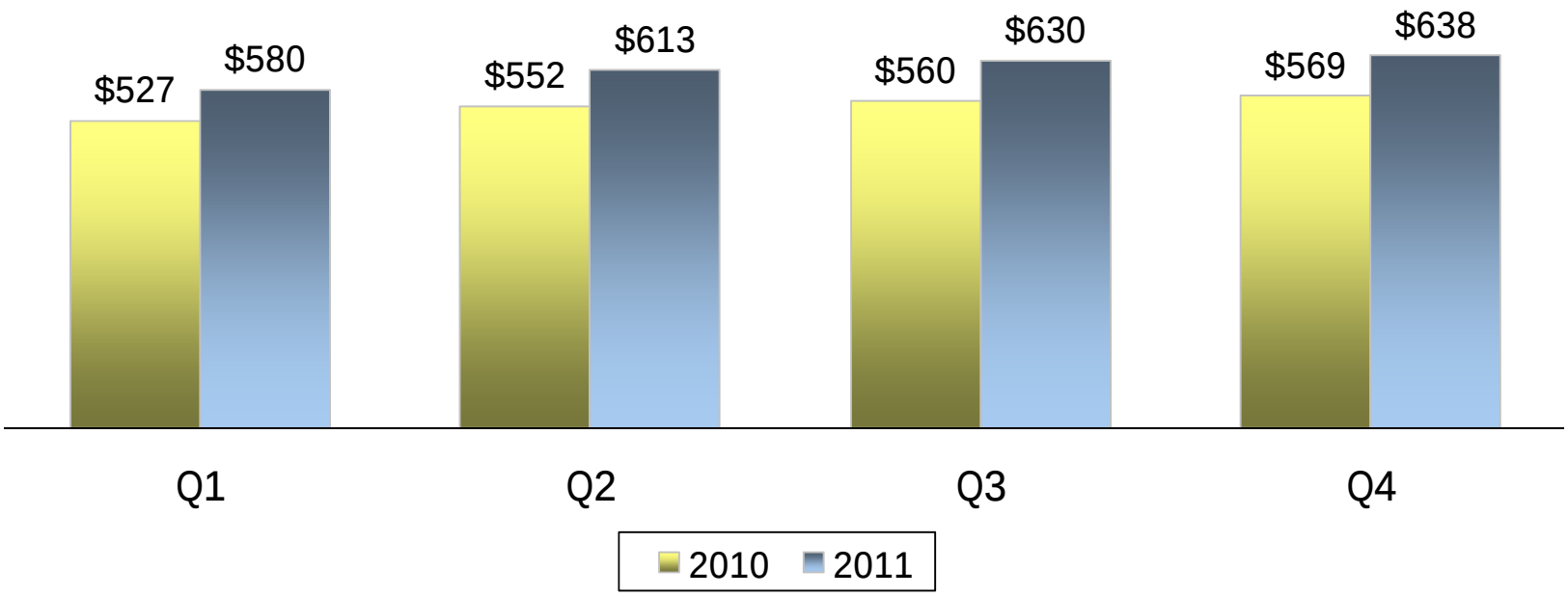



Note: Quarterly numbers may not add to year-to-date totals due to rounding.

# Q4 Alimta® Sales Increased 12%

Millions

U.S. sales increased 7%
International sales increased 16%

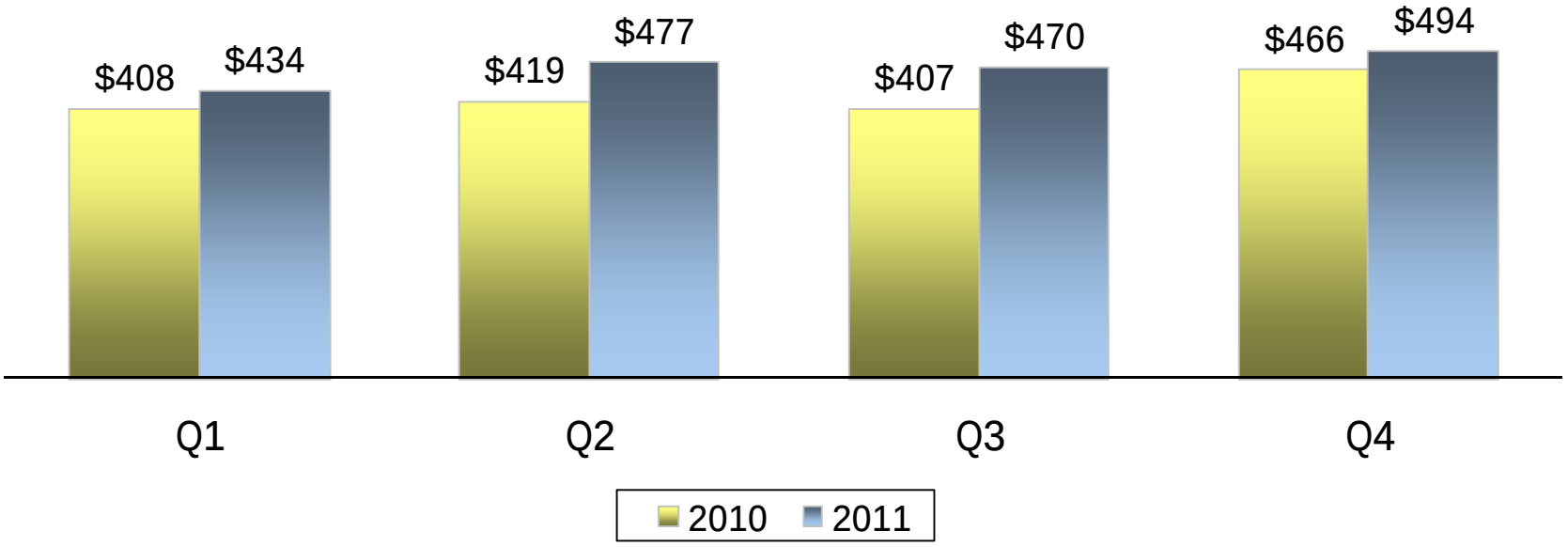



Note: Quarterly numbers may not add to year-to-date totals due to rounding.

# Q4 Cialis® Sales Increased 6%

Millions

U.S. sales increased 5%
International sales increased 7%

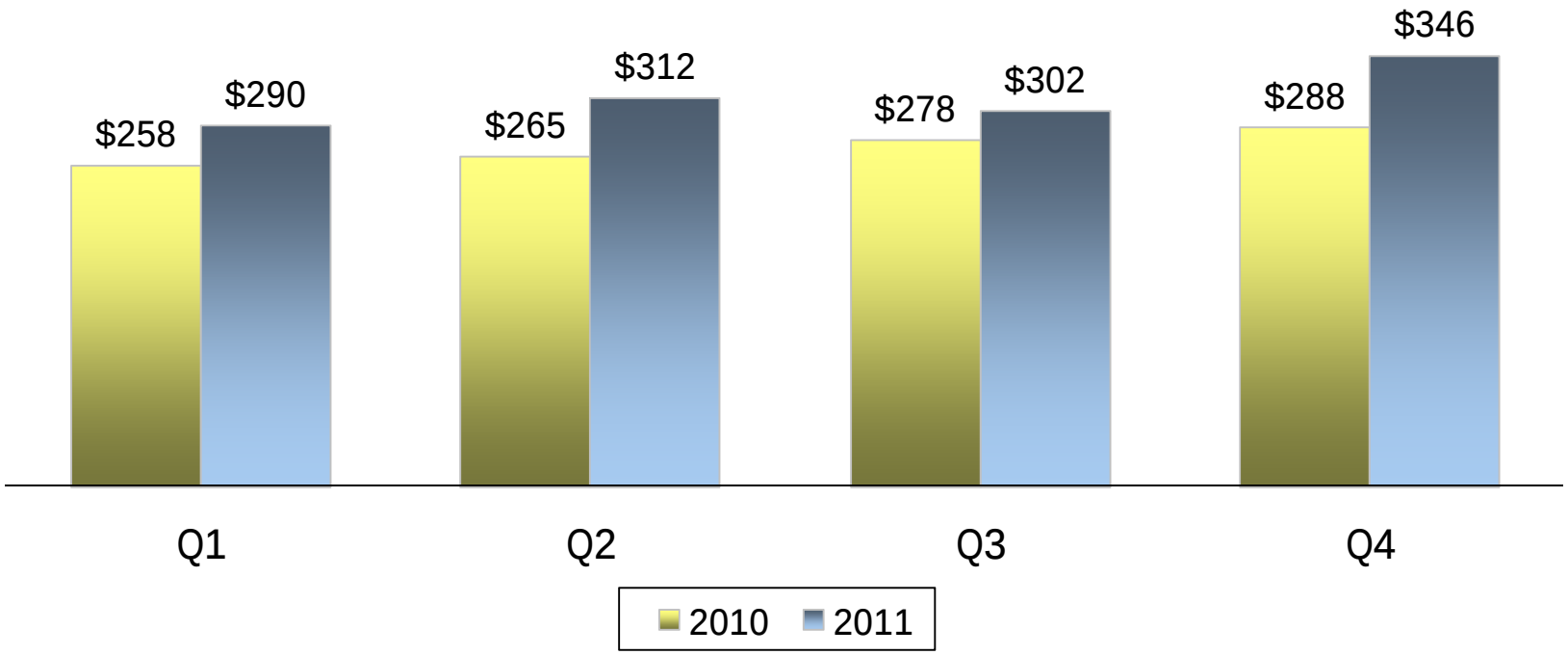



Note: Quarterly numbers may not add to year-to-date totals due to rounding.

# Q4 Humulin® Sales Increased 20%

Millions

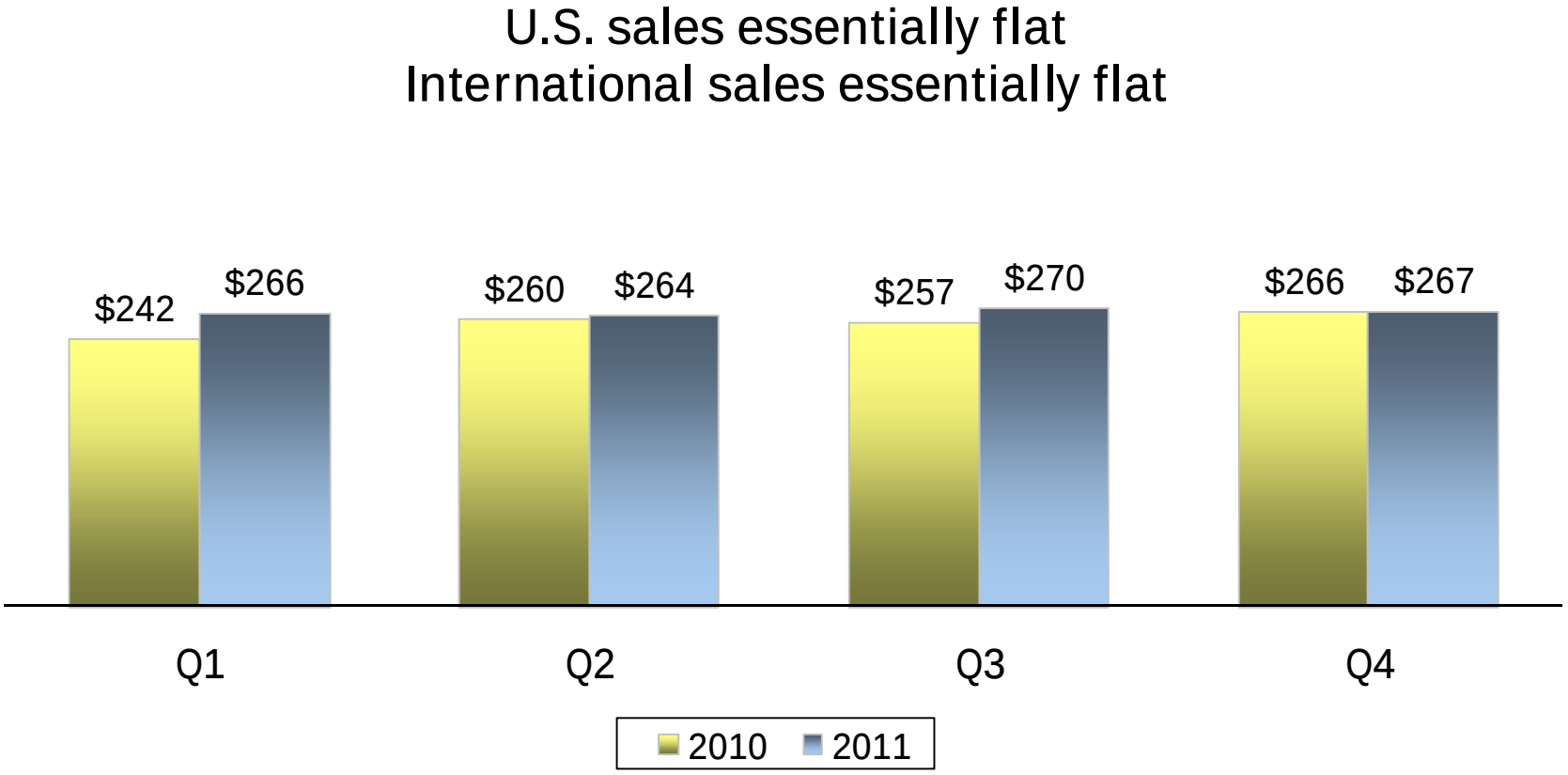
U.S. sales increased 41%
International sales increased 5%




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

# Q4 Evista® Sales Essentially Flat

Millions

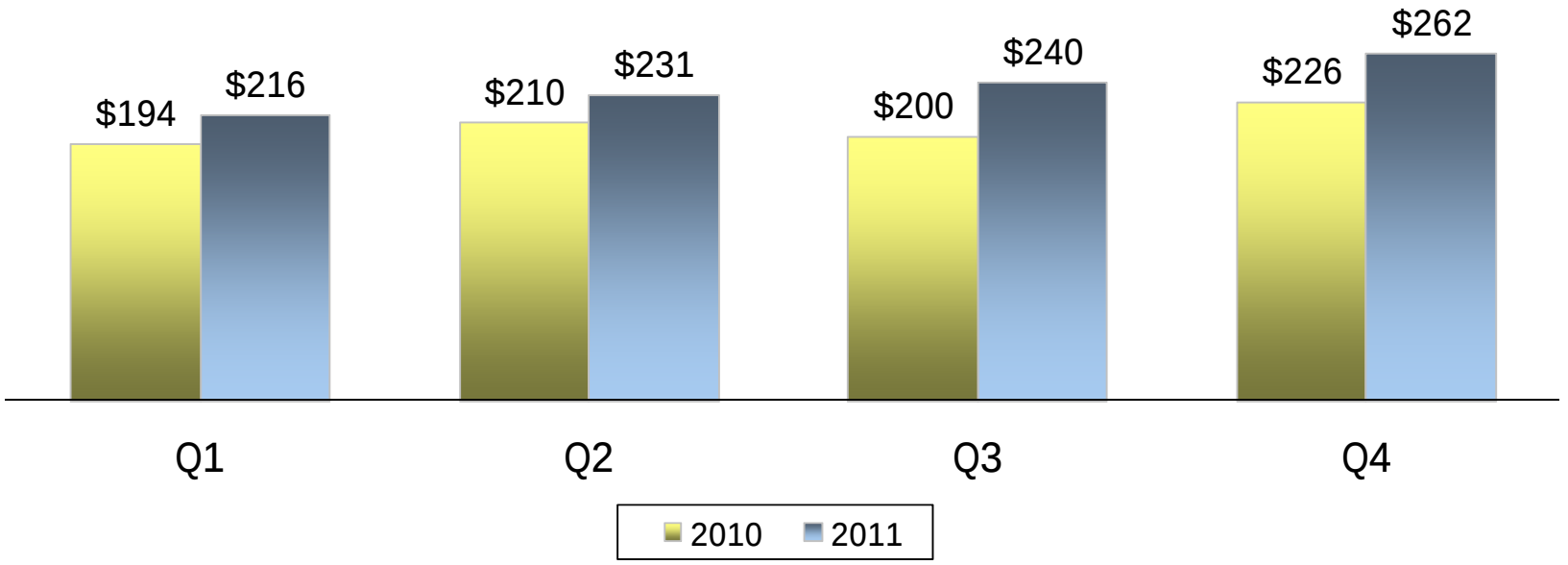



Note: Quarterly numbers may not add to year-to-date totals due to rounding.

# Q4 Forteo® Sales Increased 16%

Millions

U.S. sales decreased 9%
International sales increased 50%

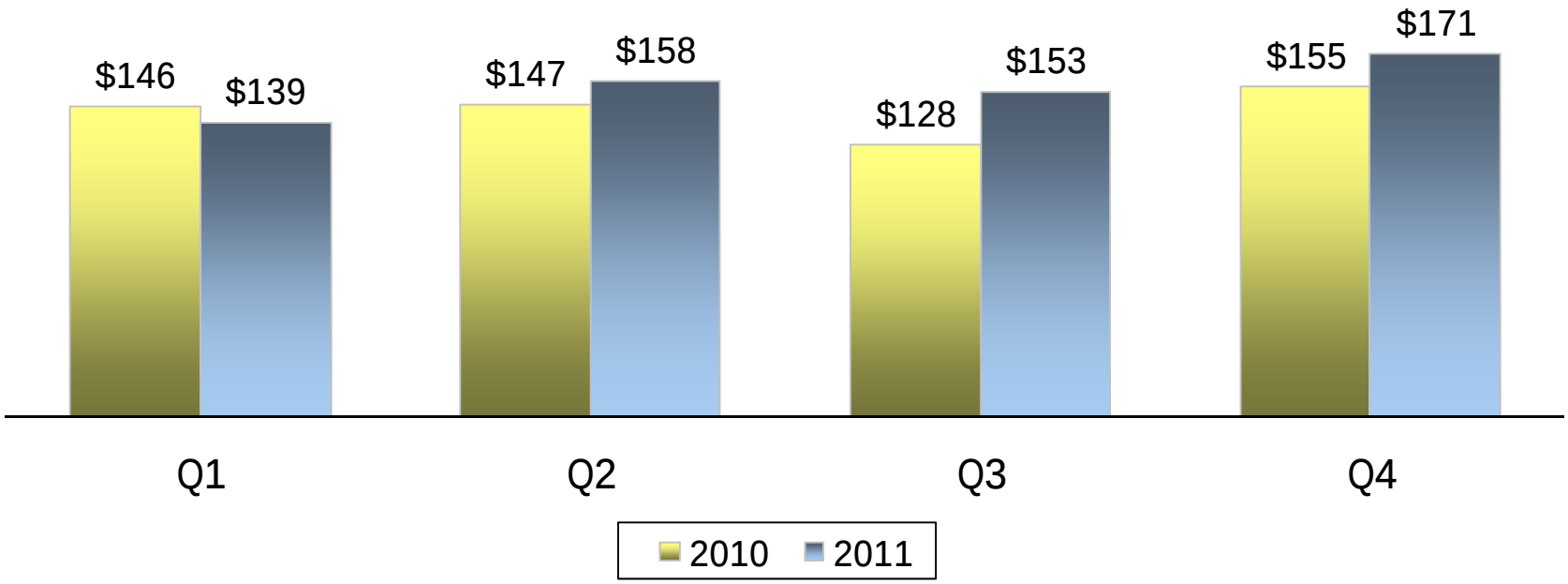



Note: Quarterly numbers may not add to year-to-date totals due to rounding.

# Q4 Strattera® Sales Increased 10%

Millions

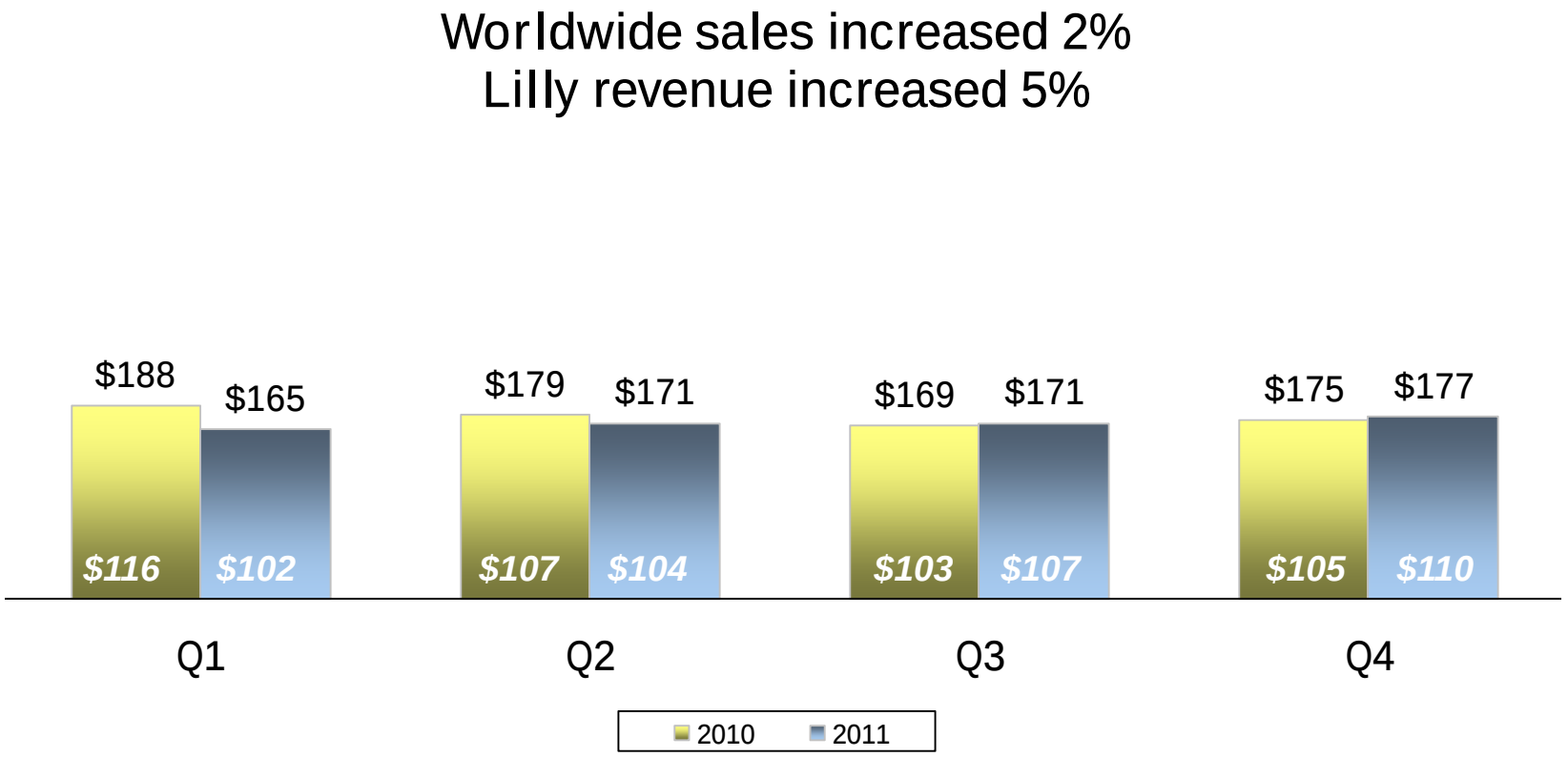
U.S. sales increased 10%
International sales increased 10%




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

# Q4 Exenatide Worldwide Sales $177.3 Million

Millions

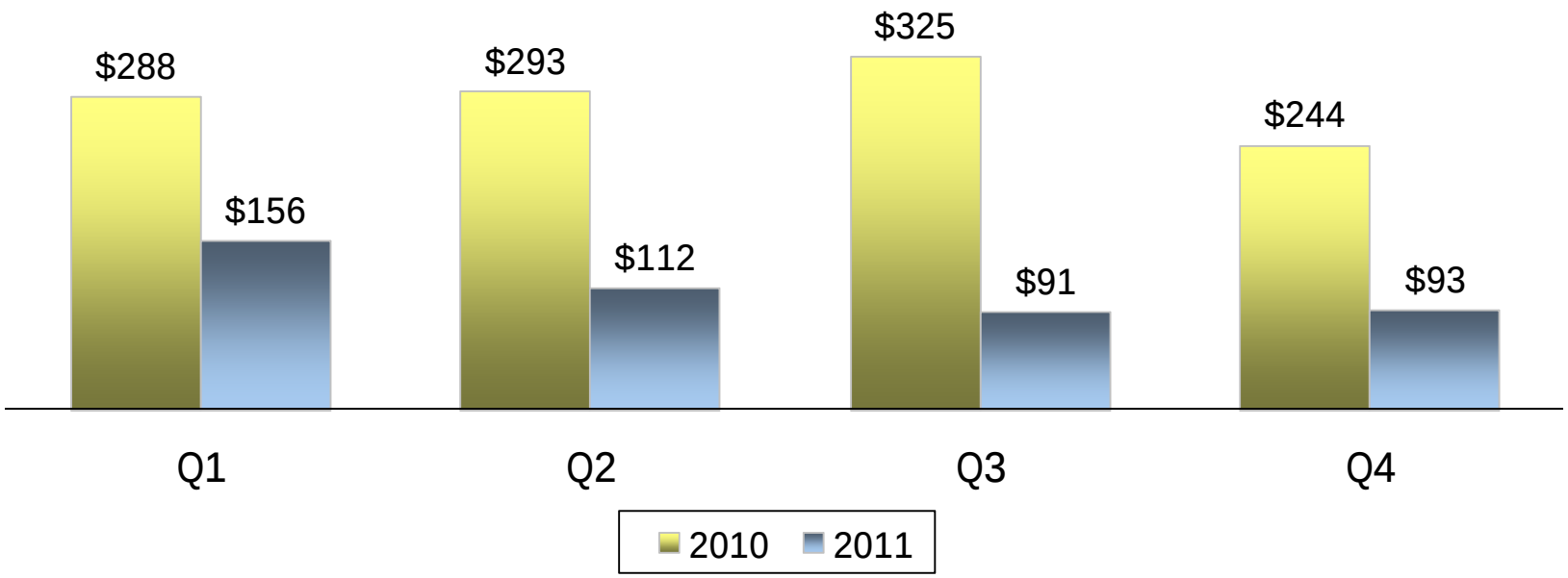



Note: Quarterly numbers may not add to year-to-date totals due to rounding.

# Q4 Gemzar® Sales Decreased 62%

Millions

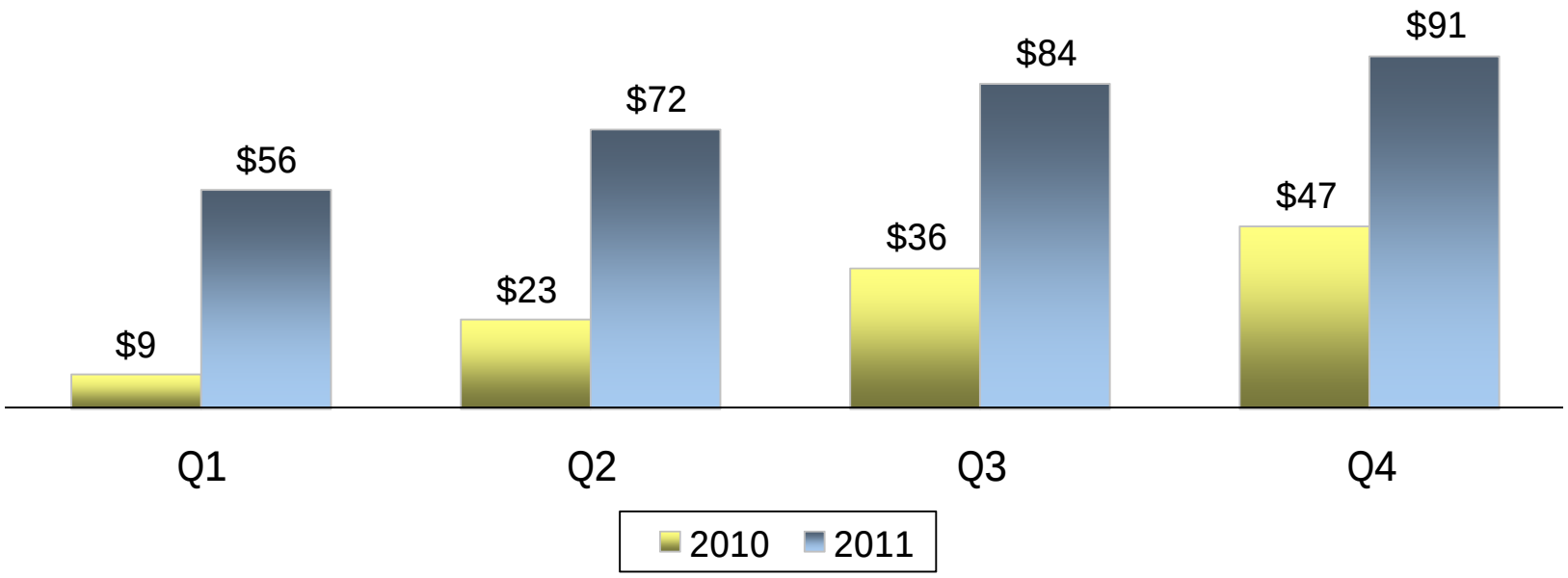
U.S. sales decreased 101%
International sales decreased 9%




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

# Q4 Effient® Worldwide Sales $90.9 Million

Millions




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