

*Lilly*

NOVEMBER 6, 2018

# 2018 EARNINGS



# AGENDA



## INTRODUCTION AND KEY RECENT EVENTS

**Dave Ricks**, Chairman and Chief Executive Officer

## Q3 FINANCIAL RESULTS AND FINANCIAL GUIDANCE

**Josh Smiley**, Senior Vice President, Finance and Chief Financial Officer

## PIPELINE AND KEY FUTURE EVENTS

**Dave Ricks**, Chairman and Chief Executive 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; changes in laws and regulations, including health care reform; 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 realizing the anticipated tax-free nature of the separation.

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.**

# STRATEGIC DELIVERABLES

PROGRESS SINCE THE LAST EARNINGS CALL

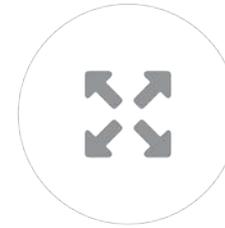


## GROW REVENUE



- 7% revenue growth driven by new products, representing 35% of total pharma revenue
  - 14% pharma volume growth
  - 30% U.S. diabetes volume growth

## IMPROVE PRODUCTIVITY



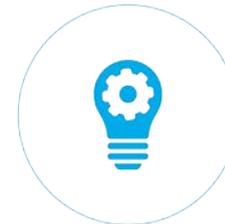
- Excluding FX on international inventories sold, non-GAAP:
  - gross margin as a % of revenue increased nearly 110bp
  - operating income % of revenue was 28.1%, an increase of 380bp

## CREATE LONG-TERM VALUE



- Executed Elanco IPO
- Announced several BD transactions
- Returned \$1.6 billion to shareholders via the dividend and share repurchase

## SPEED LIFE-CHANGING MEDICINES



- Approval and launch of Emgality™ for migraine prevention in the U.S.
- Submitted lasmiditan to the FDA
- Positive readouts for the REWIND study, Phase 3 Ultra Rapid Lispro and Phase 2 GIP/GLP-1 (tirzepatide)

# KEY EVENTS SINCE THE LAST EARNINGS CALL



## COMMERCIAL

- Launched Emgality for the preventive treatment of migraine in the U.S.

## REGULATORY

- Received CHMP positive opinion and FDA approval of Emgality for the preventive treatment of migraine in adults;
- Received approval in Europe for Verzenio<sup>™</sup> and in Japan for Verzenio<sup>®</sup> in combination with an aromatase inhibitor or fulvestrant in women with HR+HER2- metastatic breast cancer;
- Along with Hutchison China MediTech, announced that Elunate<sup>®</sup> (fruquintinib) capsules were approved in China for the treatment of metastatic colorectal cancer;
- Submitted an NDA for lasmiditan to the FDA for the treatment of acute migraine;
- Submitted additional indication for Cyramza<sup>®</sup> in 2L hepatocellular carcinoma cancer based on the REACH-2 study in Europe and Japan;
- Submitted an sNDA to the FDA to include data from the CARMELINA study in the Tradjenta<sup>®</sup> label; and
- Received Breakthrough Therapy Designation from the FDA for Emgality as a potential treatment in patients with cluster headache.

## CLINICAL

- Announced that the REWIND trial demonstrated superiority of Trulicity<sup>®</sup> in the reduction of major adverse cardiovascular events (MACE) in a broad range of people with type 2 diabetes;
- Announced that Ultra Rapid Lispro (URLi) met the primary efficacy endpoint of non-inferior A1C reduction from baseline compared to Humalog<sup>®</sup> (insulin lispro) and also demonstrated significantly improved post-meal glucose control in people with type 1 and type 2 diabetes in PRONTO-T1D and PRONTO-T2D, respectively;
- Announced that a Phase 3 study of flortaucipir F 18, a Positron Emission Tomography (PET) imaging agent, met its two primary endpoints, defined as predicting brain tau pathology and predicting Alzheimer's disease diagnosis;
- Announced that a Phase 2 study of tirzepatide, a dual GIP and GLP-1 receptor agonist, showed strong and clinically meaningful blood sugar reduction and weight loss in people with type 2 diabetes;
- Presented at EASD:
  - Data comparing nasal glucagon to intramuscular glucagon on safety and efficacy;
  - Data from the EASE Phase 3 program for empagliflozin in adults with type 1 diabetes (in collaboration with Boehringer Ingelheim);
  - CARMELINA, the cardiovascular outcome trial for Tradjenta (in collaboration with Boehringer Ingelheim);

# KEY EVENTS SINCE THE LAST EARNINGS CALL (CONT.)



## CLINICAL (cont.)

- Presented at ACR:
  - Detailed results from two Phase 3 studies, COAST-V and COAST-W, for Taltz® (ixekizumab) in adult patients with ankylosing spondylitis (AS), also known as radiographic axial spondyloarthritis (rad-axSpA);
  - An updated integrated safety analysis of Olumiant® in the treatment of adults with moderately-to-severely active rheumatoid arthritis;
  - Detailed results from the first study in the ongoing Phase 3 program for tanezumab in patients with osteoarthritis (OA) pain (in collaboration with Pfizer);
- Presented at ESMO:
  - Data from the Verzenio (abemaciclib) Phase 3 MONARCH 2 trial in pre- and peri-menopausal women with HR+HER2- advanced breast cancer; and
  - Data from an early-phase study of pegilodectakin in patients with renal cell, non-small cell lung, pancreatic, ovarian and breast cancers.

## BUSINESS DEVELOPMENT & OTHER

- Completed the Initial Public Offering (IPO) of Elanco. The total IPO size was 72.335 million shares. As of the closing of the IPO, Lilly owns 80.2 percent of Elanco, and is actively working to divest its remaining portion through a tax-efficient transaction;
- Elanco raised over \$4 billion in capital from the IPO and associated debt offering, the vast majority of which was provided to Lilly as partial consideration for the animal health business that Lilly transferred to Elanco in connection with the initial public offering;
- Entered into a licensing agreement with Chugai Pharmaceutical for an oral GLP-1 agonist, OWL833, which will soon enter Phase 1 clinical development;
- Entered into a licensing and research collaboration with Dicerna Pharmaceuticals utilizing their RNAi technology platform to progress new drug targets toward clinical development and commercialization;
- Acquired a Priority Review Voucher (PRV) from SIGA Technologies intended to be used toward an existing R&D project;
- Entered into multi-year collaboration with NextCure Inc. focused on the discovery and development of novel immuno-oncology cancer therapies utilizing NextCure's FIND-IO™ discovery platform;
- Distributed nearly \$600 million to shareholders via the dividend; and
- Repurchased \$1 billion of stock.

# COMPARISON MEASURES



## "REPORTED" RESULTS

Include all financial results as reported in accordance with Generally Accepted Accounting Principles (GAAP)

## "NON-GAAP" MEASURES

Start with "REPORTED" RESULTS

Include adjustments for items such as:

- Acquired in-process R&D charges and other income and expenses from business development activities
- Amortization of intangible assets
- Asset impairment, restructuring and other special charges
- Taxes associated with the 2017 Toll Tax for U.S. Tax Reform proposed regulations and tax expenses associated with the separation of the Elanco animal health business

# 2018 INCOME STATEMENT - REPORTED



Millions; except per share data

	<u>Q3 2018</u>	<u>Change</u>	<u>YTD 2018</u>	<u>Change</u>
Total Revenue	\$6,062	7%	\$18,117	8%
Gross Margin	74.2%	2.2pp	73.3%	0.3pp
Total Operating Expense*	3,073	(13)%	10,514	0%
Operating Income	1,426	NM	2,767	60%
Other Income (Expense)	(15)	NM	90	(52)%
Effective Tax Rate	18.5%	12.4pp	26.2%	2.1pp
<b>Net Income</b>	<b>\$1,149</b>	<b>NM</b>	<b>\$2,107</b>	<b>45%</b>
<b>EPS</b>	<b>\$1.12</b>	<b>NM</b>	<b>\$2.03</b>	<b>48%</b>

\* Includes research and development expense, marketing, selling and administrative expense, acquired in-process research and development charges, and asset impairment, restructuring and other special charges.

NM – not meaningful

# RECONCILIATION OF GAAP REPORTED TO NON-GAAP ADJUSTED INFORMATION; CERTAIN LINE ITEMS (UNAUDITED)



Millions; except per share data

Q3 2018

	<u>GAAP Reported</u>	<u>Adjustments</u>	<u>Non-GAAP Adjusted</u>	<u>Non-GAAP Adjusted Change</u>
Total Revenue	\$6,062	-	<b>\$6,062</b>	7%
Gross Margin	74.2%	2.5%	<b>76.7%</b>	1.9pp
Total Operating Expense	3,073	(114)	<b>2,959</b>	1%
Operating Income	1,426	266	<b>1,692</b>	29%
Other Income (Expense)	(15)	-	<b>(15)</b>	NM
Effective Tax Rate	18.5%	(3.4)%	<b>15.1%</b>	(3.8pp)
Net Income	\$1,149	\$275	<b>\$1,424</b>	29%
EPS	\$1.12	\$0.27	<b>\$1.39</b>	32%

Note: Numbers may not add due to rounding; see slide 23 for a complete list of significant adjustments.

# RECONCILIATION OF GAAP REPORTED TO NON-GAAP ADJUSTED INFORMATION; CERTAIN LINE ITEMS (UNAUDITED)



Millions; except per share data

YTD 2018

	GAAP Reported	Adjust- ments	Non-GAAP Adjusted	Non-GAAP Adjusted Change
Total Revenue	\$18,117	-	\$18,117	8%
Gross Margin	73.3%	2.7%	76.0%	(0.2pp)
Total Operating Expense	10,514	(1,894)	8,620	(1)%
Operating Income	2,767	2,382	5,149	29%
Other Income (Expense)	90	(26)	64	(66)%
Effective Tax Rate	26.2%	(10.2)%	16.0%	(4.6pp)
Net Income	\$2,107	\$2,270	\$4,377	32%
EPS	\$2.03	\$2.19	\$4.22	34%

Note: Numbers may not add due to rounding; see slide 24 for a complete list of significant adjustments.

# RECONCILIATION OF GAAP REPORTED TO NON-GAAP ADJUSTED INFORMATION; CERTAIN LINE ITEMS (UNAUDITED)



Millions; except per share data

	<u>Q3 2018</u>	<u>Q3 2017</u>	<u>Change</u>	<u>YTD 2018</u>	<u>YTD 2017</u>	<u>Change</u>
<b>EPS (reported)</b>	<b>\$1.12</b>	<b>\$0.53</b>	<b>NM</b>	<b>\$2.03</b>	<b>\$1.37</b>	<b>48%</b>
Acquired in-process research and development	0.02	0.13		1.57	0.94	
Amortization of intangible assets	0.12	0.10		0.36	0.33	
Asset impairment, restructuring, and other special charges	0.07	0.29		0.20	0.48	
2017 U.S. Tax Reform and other tax related charges	0.05	-		0.05	-	
Other, net	-	-		0.01	0.02	
<b>EPS (non-GAAP)</b>	<b>\$1.39</b>	<b>\$1.05</b>	<b>32%</b>	<b>\$4.22</b>	<b>\$3.14</b>	<b>34%</b>

Note: Numbers may not add due to rounding; see slides 23 and 24 for more details on these significant adjustments.

# EFFECT OF PRICE/RATE/VOLUME ON REVENUE



Millions

Q3 2018

Pharmaceuticals	Amount	Price	FX Rate	Volume	Total	CER
U.S.	\$3,062.7	(6)%	—%	17%	11%	11%
Europe	890.3	(4)%	(0)%	5%	1%	1%
Japan	589.0	(8)%	0%	6%	(2)%	(2)%
Rest of World	747.2	(1)%	(5)%	16%	10%	15%
Total Pharma	5,289.2	(5)%	(1)%	14%	8%	8%
Animal Health	772.7	3%	(2)%	3%	4%	6%
<b>Total Revenue</b>	<b>\$6,061.9</b>	<b>(4)%</b>	<b>(1)%</b>	<b>12%</b>	<b>7%</b>	<b>8%</b>

Note: Numbers may not add due to rounding.

CER = price change + volume change

# EFFECT OF PRICE/RATE/VOLUME ON REVENUE



Millions

YTD 2018

Pharmaceuticals	Amount	Price	FX Rate	Volume	Total	CER
U.S.	\$9,073.2	1%	—%	10%	11%	11%
Europe	2,725.1	(4)%	8%	6%	10%	3%
Japan	1,766.2	(7)%	3%	7%	3%	1%
Rest of World	2,226.5	1%	0%	8%	9%	9%
Total Pharma	15,791.1	(1)%	2%	9%	10%	8%
Animal Health	2,326.0	3%	1%	(3)%	1%	0%
<b>Total Revenue</b>	<b>\$18,117.1</b>	<b>(0)%</b>	<b>2%</b>	<b>7%</b>	<b>8%</b>	<b>7%</b>

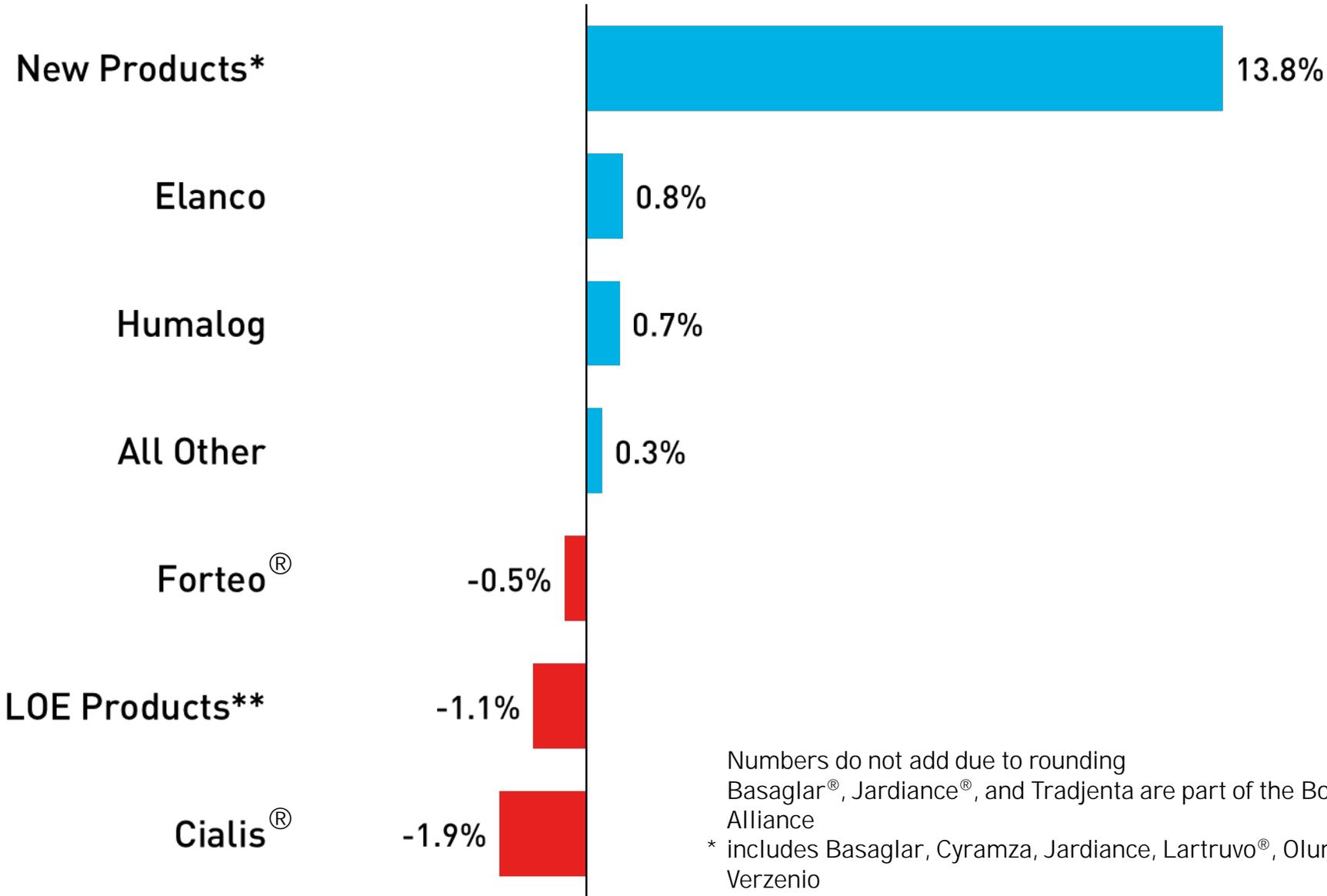
Note: Numbers may not add due to rounding.

CER = price change + volume change

# NEW PRODUCTS DRIVING WW VOLUME GROWTH



Contribution to 12% Q3 WW Volume Growth

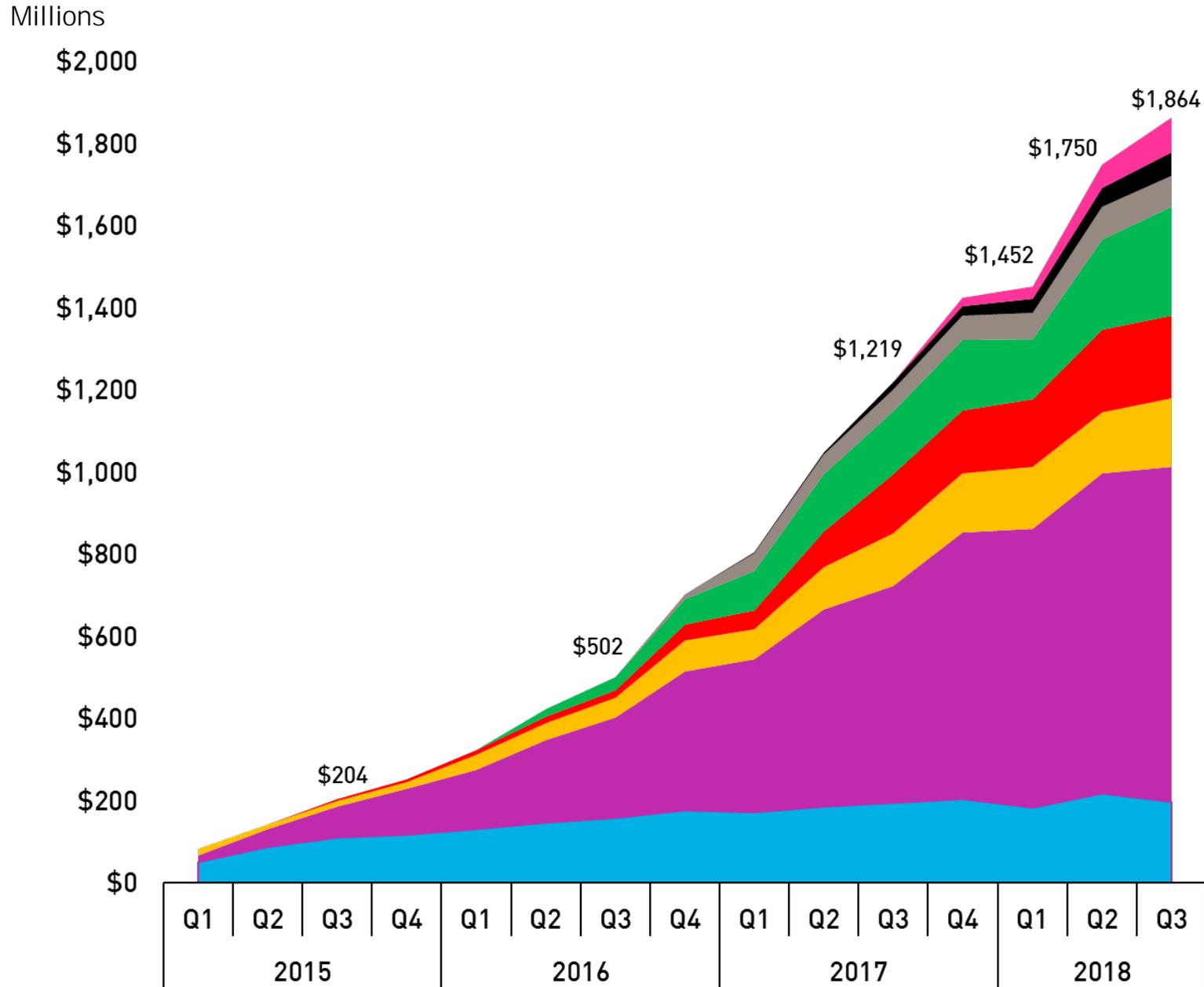


Numbers do not add due to rounding  
Basaglar®, Jardiance®, and Tradjenta are part of the Boehringer Ingelheim and Lilly Diabetes Alliance

\* includes Basaglar, Cyramza, Jardiance, Lartruvo®, Olumiant, Portrazza®, Taltz, Trulicity, and Verzenio

\*\* LOE: loss of exclusivity; includes Axiron®, Cymbalta®, Effient®, Evista®, Strattera®, and Zyprexa®

# UPDATE ON NEW PRODUCT LAUNCH PROGRESS



- VERZENIO**
  - Launched 1L metastatic breast cancer in Q1'18 in U.S.
  - U.S. NBRx at 19% SOM
- OLUMIANT**
  - Launched RA in U.S. in Q2'18
  - Leading driver of Lilly volume growth in Europe
- LARTRUVO**
  - Market leader in overall 1<sup>st</sup> line mSTS in U.S.
- TALTZ**
  - NBRx SOM at approx. 13% in dermatology
  - Launched PsA in Q1'18 in U.S. and Germany
- BASAGLAR**
  - Continued U.S. TRx SOM gain in Q3'18 (approx. 75bp)
  - 2<sup>nd</sup> highest in U.S. NBRx SOM
- JARDIANCE**
  - Market leader in U.S. TRx (41% SOM) and NBRx (50% SOM)
  - Market growth reaccelerated to 9.5%, up from 6.5% in Q2'18
- TRULICITY**
  - U.S. TRx SOM leader
  - U.S. GLP-1 class continued significant TRx growth
- CYRAMZA**
  - Japan SOM market leader in 2L metastatic gastric cancer

Note: Jardiance is sold by Boehringer Ingelheim; Lilly records as revenue its share of Jardiance gross margin. Jardiance and Basaglar are part of the Boehringer Ingelheim and Lilly Diabetes Alliance.

Not for promotional use

# EFFECT OF FOREIGN EXCHANGE ON 2018 RESULTS



## Year-on-Year Growth

Reported	Q3 2018		YTD 2018	
	With FX	w/o FX	With FX	w/o FX
Total Revenue	7%	8%	8%	7%
Cost of Sales	(2)%	3%	7%	1%
Gross Margin	11%	10%	9%	9%
Operating Expense	(13)%	(13)%	0%	(1)%
Operating Income	163%	141%	60%	67%
EPS	111%	100%	48%	55%
<b>Non-GAAP</b>				
Total Revenue	7%	8%	8%	7%
Cost of Sales	(1)%	4%	10%	3%
Gross Margin	10%	9%	8%	8%
Operating Expense	1%	2%	(1)%	(3)%
Operating Income	29%	25%	29%	32%
EPS	32%	29%	34%	37%

# 2018 GUIDANCE



	Prior	Updated	Comments
Total Revenue	\$24.0 - \$24.5 billion	\$24.3 - \$24.5 billion	Strong performance across the pharma portfolio, primarily in Diabetes
Gross Margin % (GAAP)	Approx. 73.5%	unchanged	
Gross Margin % (non-GAAP)	Approx. 76%	unchanged	
Mktg, Selling & Admin.	\$6.2 - \$6.5 billion	\$6.3 - \$6.5 billion	Investments for newly launched products
Research & Development	\$5.2 - \$5.4 billion	unchanged	
Other Income/(Expense)	\$75 - \$200 million	unchanged	
Tax Rate (GAAP)	Approx. 22.5%	unchanged	
Tax Rate (non-GAAP)	Approx. 17%	Approx. 16%	Primarily due to recently issued guidance on elements of U.S. tax reform
Earnings per Share (GAAP)	\$3.19 - \$3.29	\$3.04 - \$3.09	Primarily driven by IPR&D charges for business development transactions
Earnings per Share (non-GAAP)	\$5.40 - \$5.50	\$5.55 - \$5.60	See revenue and non-GAAP tax rate
Capital Expenditures	Approx. \$1.2 billion	unchanged	

**FX rates for current guidance:**

- Euro at 1.17
- Yen at 113
- Pound at 1.31

# LILLY SELECT NME AND NILEX PIPELINE

OCTOBER 30, 2018



ERK INHIBITOR Cancer	IDO1 INHIBITOR Cancer
AUR A KIN INH Cancer	DACRA-089 Diabetes
UROCORTIN-2 PEPT Heart Failure	IL-23/CGRP Immunology
BAFF/IL-17 Immunology	IL-2 CONJUGATE Immunology
Aβ42 MAB Alzheimer's	IL-33 MAB Immunology
AUTOMATED INSULIN DELIVERY SYS Diabetes	TIM-3 MAB Cancer
BASAL INSULIN-FC Diabetes	OXYNTOMODULIN Diabetes
PD-L1 + LY COMBO Cancer	CXCR1/2L MAB Immunology

PHASE 1

PDE4 INHIBITOR Immunology	CSF1R MAB Cancer
SEL BACE 1 INH Alzheimer's	IL-21 MAB Immunology
HYPOGLYCEMIA Diabetes	

BARICITINIB Alopecia Areata	OLARATUMAB Pancreatic Cancer
MIRIKIZUMAB Crohn's Disease	PEGILODECAKIN NSCLC
TGFβ R1 KI Cancer	ABEMACICLIB HR+/HER2+MBC
PREXASERTIB Cancer	D1 PAM Dementia
PI3/MTOR KIN INH Cancer	MERESTINIB Cancer
TAU DEPOSIT MAB Alzheimer's	BTK INHIBITOR Immunology
DACRA-042 Diabetes	TIRZEPATIDE Diabetes
	N3PG Aβ MAB Alzheimer's

PHASE 2

N3PG + BACE COMBO Alzheimer's
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BARICITINIB Atopic Dermatitis	BARICITINIB Systemic Lupus Erythematosus
EMPAGLIFLOZIN* Type 1 Diabetes	EMPAGLIFLOZIN* Heart Failure
GALCANEZUMAB Cluster Headache	DULAGLUTIDE 3.0 / 4.5 mg
TANEZUMAB* Chronic Lower Back Pain	TANEZUMAB* Cancer Pain
MIRIKIZUMAB Ulcerative Colitis	IXEKIZUMAB Non-Radiographic AxSpA
RAMUCIRUMAB 1st Line NSCLC	ABEMACICLIB Adjuvant Breast Cancer
PEGILODECAKIN Pancreatic Cancer	FLORTAUCIPIR Tau Imaging, diagnostic
MIRIKIZUMAB Psoriasis	TANEZUMAB* Osteoarthritis Pain
SOLANEZUMAB Preclinical AD	ULTRA-RAPID LISPRO Diabetes

PHASE 3

RAMUCIRUMAB 2nd Line Bladder Cancer
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**LEGEND**

- NEW CHEMICAL ENTITY
- NEW BIOTECH ENTITY
- NILEX
- \* Commercial Collaboration

**MOVEMENT SINCE JULY 17, 2018**

- ACHIEVED MILESTONE
- REMOVAL

IXEKIZUMAB Radiographic AxSpA
RAMUCIRUMAB 2nd Line Hepatic Cancer
LASMIDITAN Migraine
NASAL GLUCAGON Hypoglycemia

REG REVIEW

GALCANEZUMAB Migraine
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APPROVED

# POTENTIAL KEY EVENTS 2018



## PHASE 3 INITIATIONS

Baricitinib for psoriatic arthritis

✓+ Baricitinib for systemic lupus erythematosus

✓+ Mirikizumab for psoriasis

✓+ Mirikizumab for ulcerative colitis

✓+ Dulaglutide alternate doses for type 2 diabetes

Tirzepatide for type 2 diabetes (late 2018/early 2019)

Empagliflozin for chronic kidney disease<sup>1</sup>

## PHASE 3 DATA TOP-LINE DISCLOSURES

✓+ Flortaucipir (18F AV-1451) tau imaging agent

✓- Lanabecestat for Alzheimer's Disease

✓+ Tanezumab for osteoarthritis pain (dosing study)<sup>2</sup>

Tradjenta CAROLINA CV outcomes study<sup>1</sup> (now expected 2019)

✓+ Trulicity REWIND CV outcomes study

✓+ Ultra Rapid Lispro (URLi) for type 1 and type 2 diabetes

✓- Ramucirumab RANGE for 2L bladder cancer (final analysis)

Ramucirumab RELAY for 1L EGFR NSCLC (PFS readout) (now expected 2019)

## PHASE 3 DATA PRESENTATIONS / PUBLICATIONS

✓+ Galcanezumab for cluster headache

✓+ Ixekizumab for axial spondyloarthritis

✓+ Empagliflozin for type 1 diabetes<sup>1</sup>

✓+ Tradjenta CARMELINA CV outcomes study<sup>1</sup>

✓+ Ramucirumab REACH 2 in 2L high AFP hepatocellular cancer

✓+ Alimta<sup>®</sup>+platinum+Keytruda<sup>®</sup> in 1L nonsquamous NSCLC (KN-189)<sup>3</sup>

## REGULATORY SUBMISSIONS

✓+ Lasmiditan for acute migraine

Empagliflozin + linagliptin + metformin XR (US)<sup>1</sup> (now expected 2019)

✓+ Nasal glucagon for hypoglycemia (US/EU)

✓+ Ramucirumab REACH 2 in 2L high AFP hepatocellular cancer (US✓+/EU✓+/J✓+)

Ixekizumab for axial spondyloarthritis

Galcanezumab for cluster headache

## REGULATORY ACTIONS

✓+ Baricitinib for rheumatoid arthritis (US)

✓+ Galcanezumab for migraine prevention (US✓+/EU✓+/J)

✓+ Ixekizumab for psoriatic arthritis (EU)

✓+ Abemaciclib + fulvestrant for 2L breast cancer (MONARCH 2) (EU✓+/J✓+)

✓+ Abemaciclib + AIs for 1L breast cancer (MONARCH 3) (US✓+/EU✓+/J✓+)

✓+ Alimta sNDA to include KEYNOTE-021G data (US)<sup>3</sup>

Alimta sNDA to include KEYNOTE-189 data (US)<sup>3</sup>

✓+ Fruquintinib for 3L metastatic colorectal cancer (China)<sup>4</sup>

## OTHER

Rulings in ongoing Alimta patent litigation:

US IPR Appeal to CAFC

✓+ US alternative salt forms (district court rulings)

✓+ Japan (Nipro)

✓- Germany

<sup>1</sup> in collaboration with Boehringer Ingelheim

<sup>2</sup> in collaboration with Pfizer

<sup>3</sup> in collaboration with Merck

<sup>4</sup> in collaboration with Hutchison China MediTech

# SUMMARY



- Q3 2018 **revenue growth** of 7%, driven by new products
- Excluding FX, **operating margin expansion** of 380 basis points
- Progress on our **innovation-based strategy** included: the approval and launch of Emgality for migraine prevention in the U.S., submission of lasmiditan in the U.S., positive results for the REWIND CV outcome study of Trulicity, positive Phase 3 readout for Ultra Rapid Lispro, and positive Phase 2 readout for tirzepatide
- Deployed \$1.6 billion to shareholders via dividend and stock repurchases, executed Elanco's IPO, and announced several business development transactions



## GROW REVENUE

- Minimum average annual revenue growth of 5% in constant currency from 2015 through 2020



## IMPROVE PRODUCTIVITY

- Excluding FX on int'l inventories sold, minimum operating margin % of revenue of 30% in 2020



## SPEED LIFE-CHANGING MEDICINES

- Potential to launch 20+ new molecules in 10 years (2014-2023)
- On average, could launch 2+ new indications or line extensions per year

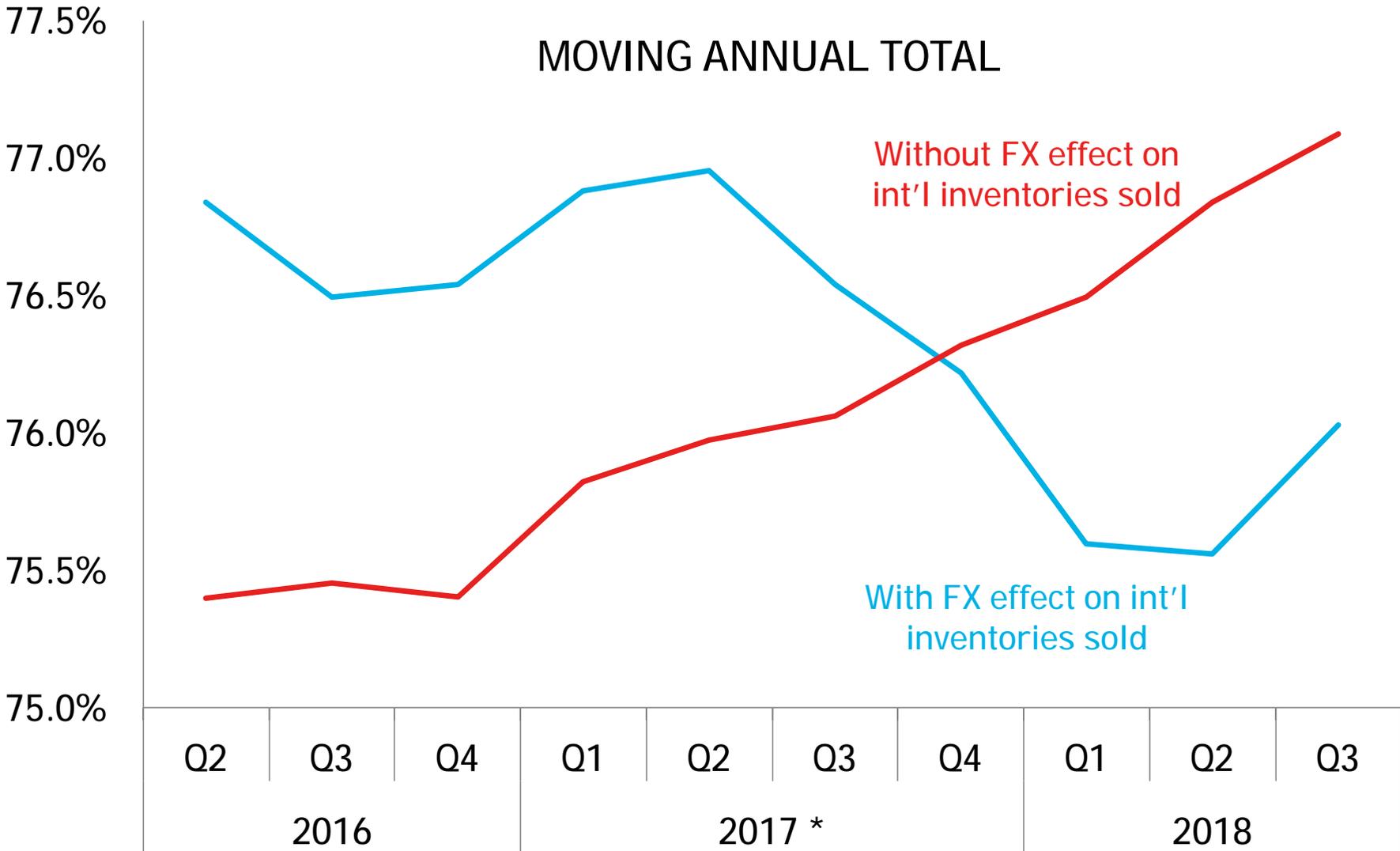


## CREATE LONG-TERM VALUE

- Fund existing marketed and pipeline products
- Bolster growth prospects via business development in focus areas
- Annual dividend increases

# Supplementary Slides

# NON-GAAP GROSS MARGIN % OF REVENUE



Individual quarter GM % of Revenue:

with FX effect on int'l inv sold	76.0%	76.4%	77.4%	77.8%	76.3%	74.8%	76.1%	75.1%	76.1%	76.7%
w/o FX effect on int'l inv sold	75.7%	75.5%	75.5%	76.7%	76.3%	75.8%	76.5%	77.4%	77.6%	76.9%

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.

\* 2017 has been reclassified to reflect changes to pension and post-retirement benefit cost accounting effective Jan 1, 2018.

# Q3 2018 INCOME STATEMENT NOTES



## Q3 2018 NON-GAAP INFORMATION HAS BEEN ADJUSTED TO ELIMINATE:

- acquired in-process R&D charges totaling \$30.0 million (pretax), or \$0.02 per share (after-tax), primarily related to the collaboration with Anima Biotech for the discovery and development of translation inhibitors for several target proteins;
- amortization of intangible assets primarily associated with costs of marketed products acquired or licensed from third parties totaling \$153.4 million (pretax), or \$0.12 per share (after-tax);
- asset impairment, restructuring and other special charges of \$82.3 million (pretax), or \$0.07 per share (after-tax), primarily related to the sale of the Posilac<sup>®</sup> (rbST) brand and the October 2, 2018 sale of the August, Georgia manufacturing site. The charges also include expenses associated with the initial public offering and separation of the Elanco animal health business; and
- adjustments to the 2017 Toll Tax for U.S. tax reform proposed regulations and tax expenses associated with the separation of the Elanco animal health business totaling \$55.5 million (pretax), or \$0.05 per share (after-tax).

## Q3 2017 NON-GAAP INFORMATION HAS BEEN ADJUSTED TO ELIMINATE:

- acquired in-process R&D charges totaling \$205.0 million (pretax), or \$0.13 per share (after-tax), primarily related to collaborations with Nektar Therapeutics and KeyBioscience;
- amortization of intangible assets primarily associated with costs of marketed products acquired or licensed from third parties totaling \$155.8 million (pretax), or \$0.10 per share (after-tax); and
- asset impairments related to lower projected revenue for Posilac (rbST) and severance costs incurred as a result of actions taken to reduce the company's cost structure totaling \$412.0 million (pretax), or \$0.29 per share (after tax).

# YTD 2018 INCOME STATEMENT NOTES



## YTD 2018 NON-GAAP INFORMATION HAS BEEN ADJUSTED TO ELIMINATE:

- acquired in-process R&D charges totaling \$1,624.5 million (pretax), or \$1.57 per share (after-tax), primarily driven by the acquisitions of ARMO Biosciences and AurKa Pharma, as well as collaborations with Sigilon Therapeutics and Anima Biotech;
- amortization of intangible assets primarily associated with costs of marketed products acquired or licensed from third parties totaling \$458.8 million (pretax), or \$0.36 per share (after-tax);
- asset impairment, restructuring and other special charges of \$294.6 million (pretax), or \$0.21 per share (after-tax), primarily related to the sale of the Posilac (rbST) brand and the October 2, 2018 sale of the August, Georgia manufacturing site, the expenses associated with the initial public offering and separation of the Elanco animal health business, as well as charges related to the suspension of commercial activities for Imrestor®; and
- adjustments to the 2017 Toll Tax for U.S. tax reform proposed regulations and tax expenses associated with the separation of the Elanco animal health business totaling \$55.5 million (pretax), or \$0.05 per share (after-tax).

## YTD 2017 NON-GAAP INFORMATION HAS BEEN ADJUSTED TO ELIMINATE:

- an acquired in-process research and development charge related to the acquisition of CoLucid Pharmaceuticals and to collaborations with Nektar Therapeutics and KeyBioscience totaling \$1,062.6 million (pretax), or \$0.94 per share (after-tax);
- amortization of intangible assets primarily associated with costs of marketed products acquired or licensed from third parties totaling \$510.0 million (pretax), or \$0.33 per share (after-tax); and
- other specified items of \$702.4 million (pretax), or \$0.50 per share (after-tax) related to severance costs incurred as a result of actions taken to reduce the company's cost structure, asset impairments related to lower projected revenue for Posilac (rbST), and integration costs, asset impairments related to the acquisition and integration of Novartis animal health, as well as inventory step-up costs associated with the acquisition of Boehringer Ingelheim Vetmedica's U.S. feline, canine, and rabies vaccine portfolio.

# COMPARATIVE EPS SUMMARY 2017/2018



	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18	4Q18	2018
Reported	(0.10)	0.95	0.53	(1.58)	(0.19)	1.16	(0.25)	1.12		
Non-GAAP	0.98	1.11	1.05	1.14	4.28	1.34	1.50	1.39		

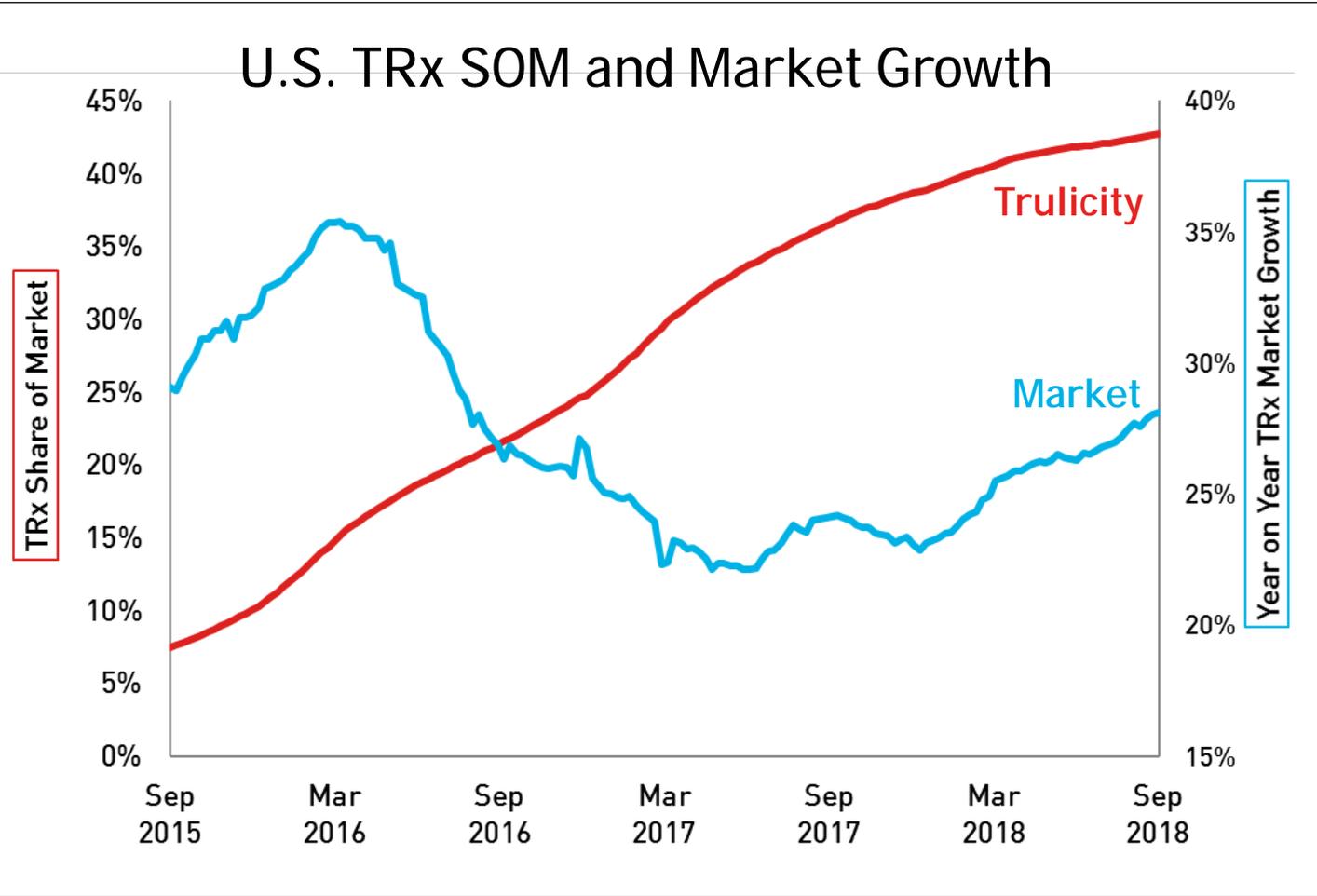
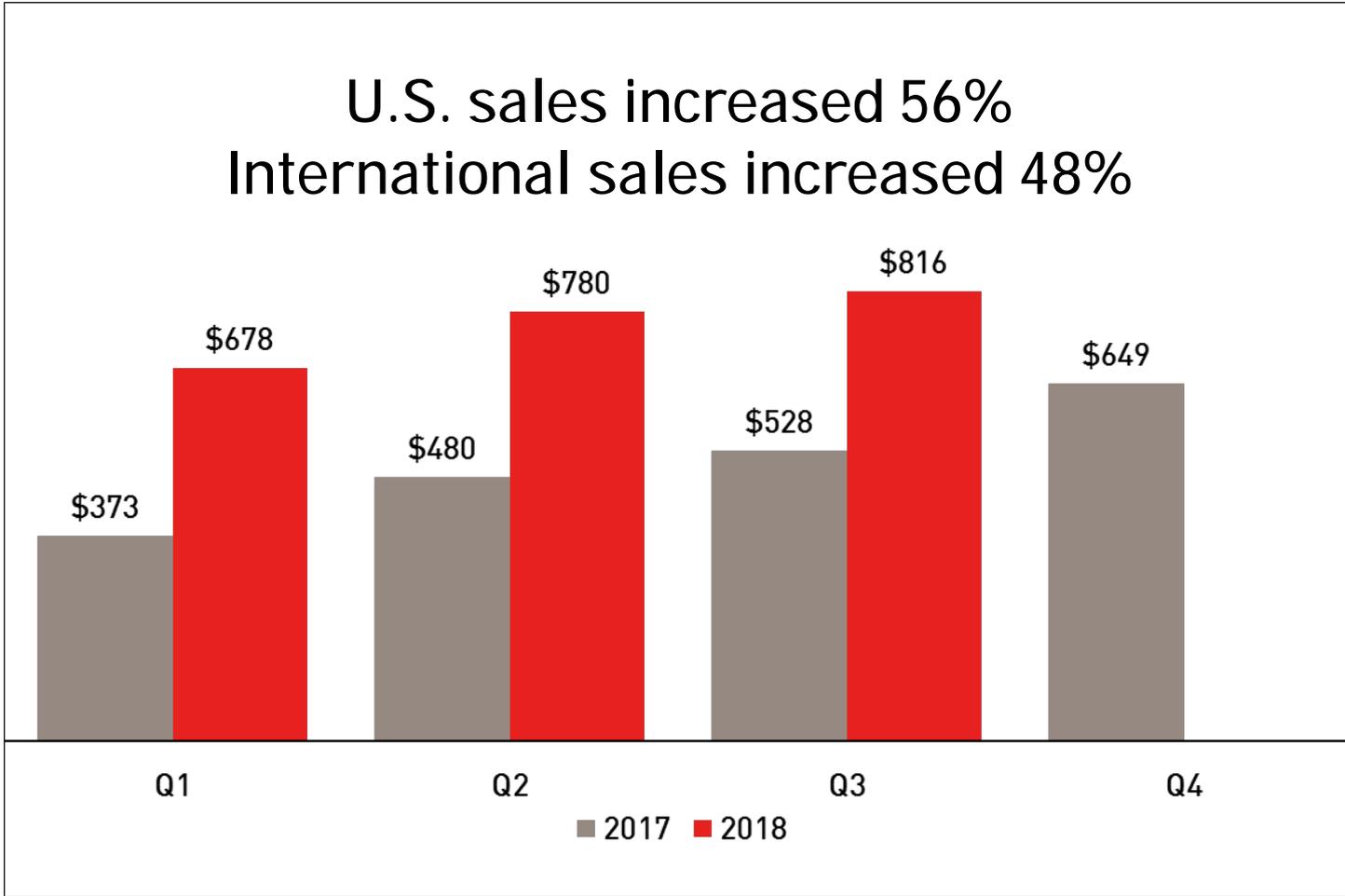
Note: Numbers may not add due to rounding.

For a complete reconciliation to reported earnings, see slides 23 and 24 and our earnings press release dated November 6, 2018.

# Q3 2018 TRULICITY SALES INCREASED 55%



Millions



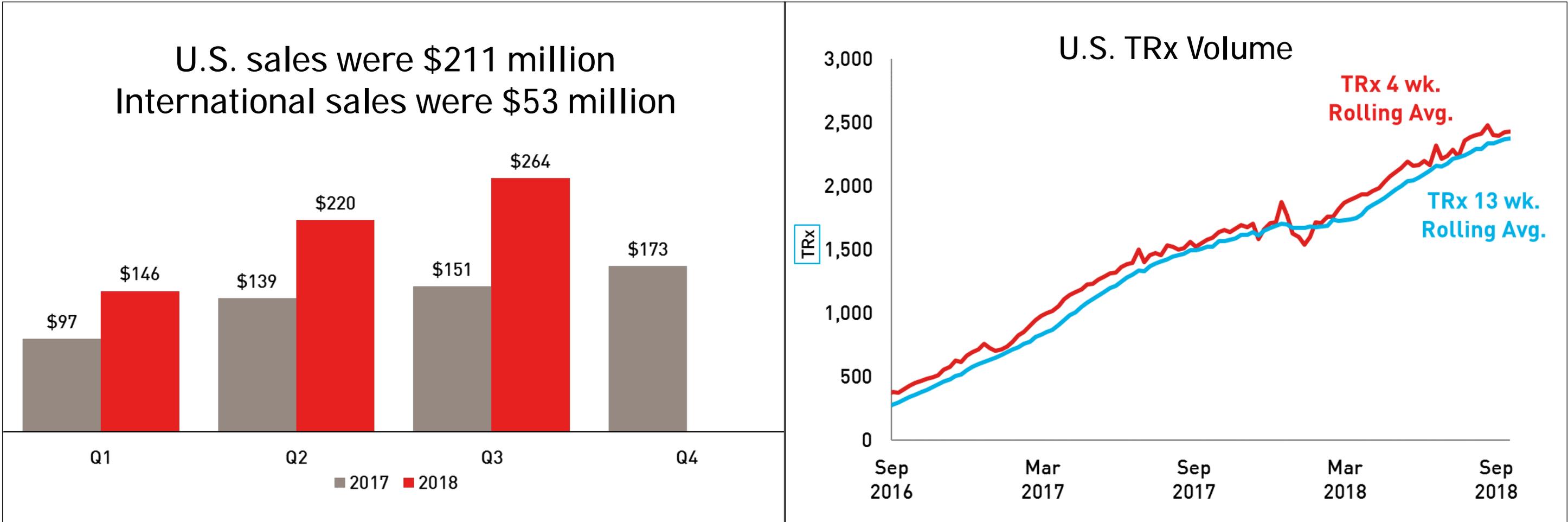
Note: Numbers may not add due to rounding.

Source: IQVIA NPA TRx 3MMA, weekly data September 28, 2018

# Q3 2018 TALTZ SALES INCREASED 74%



Millions



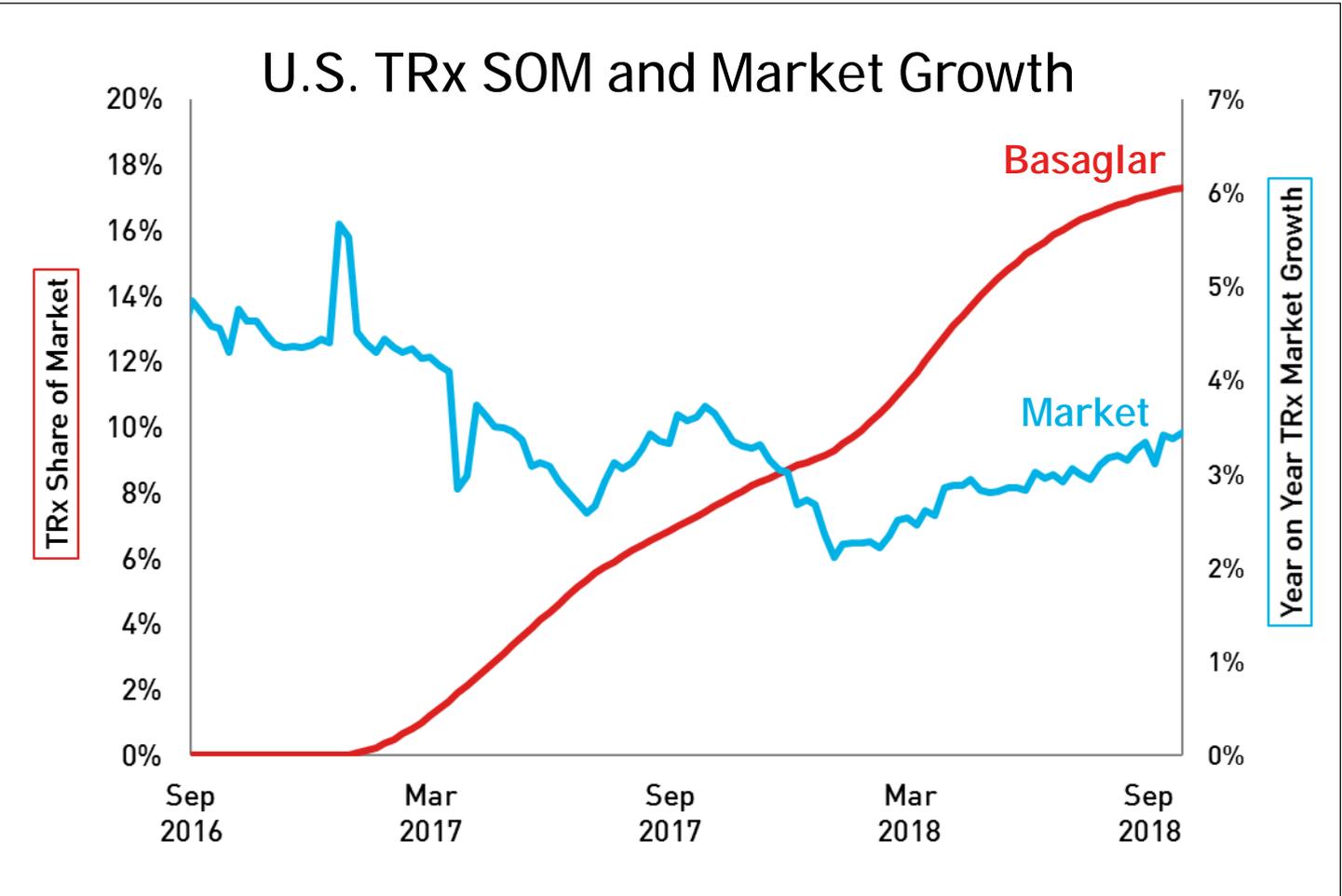
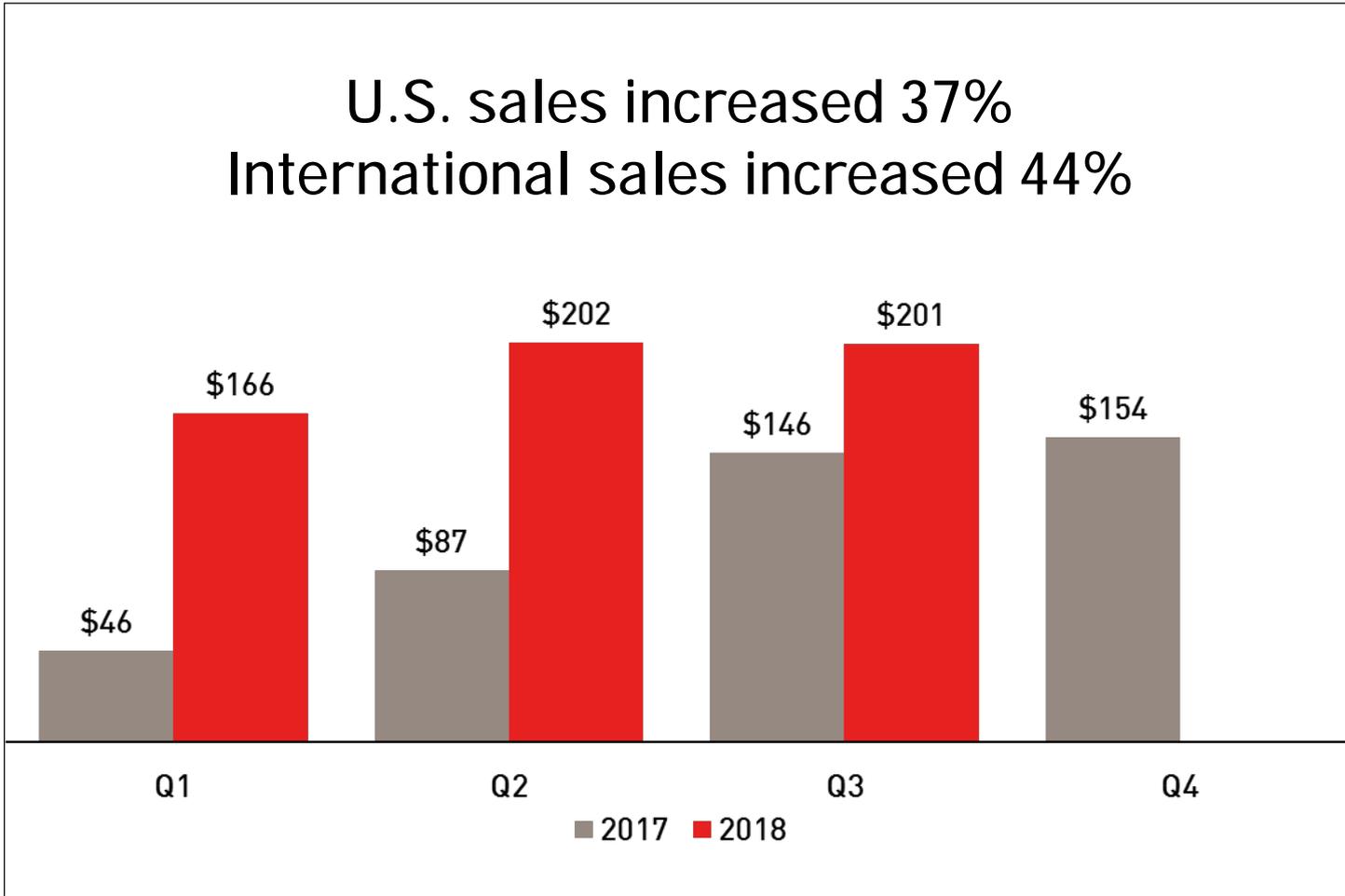
Note: Numbers may not add due to rounding.

Source: IQVIA NPA TRx 3MMA, weekly data September 28, 2018

# Q3 2018 BASAGLAR SALES INCREASED 38%



Millions



Note: Numbers may not add due to rounding.

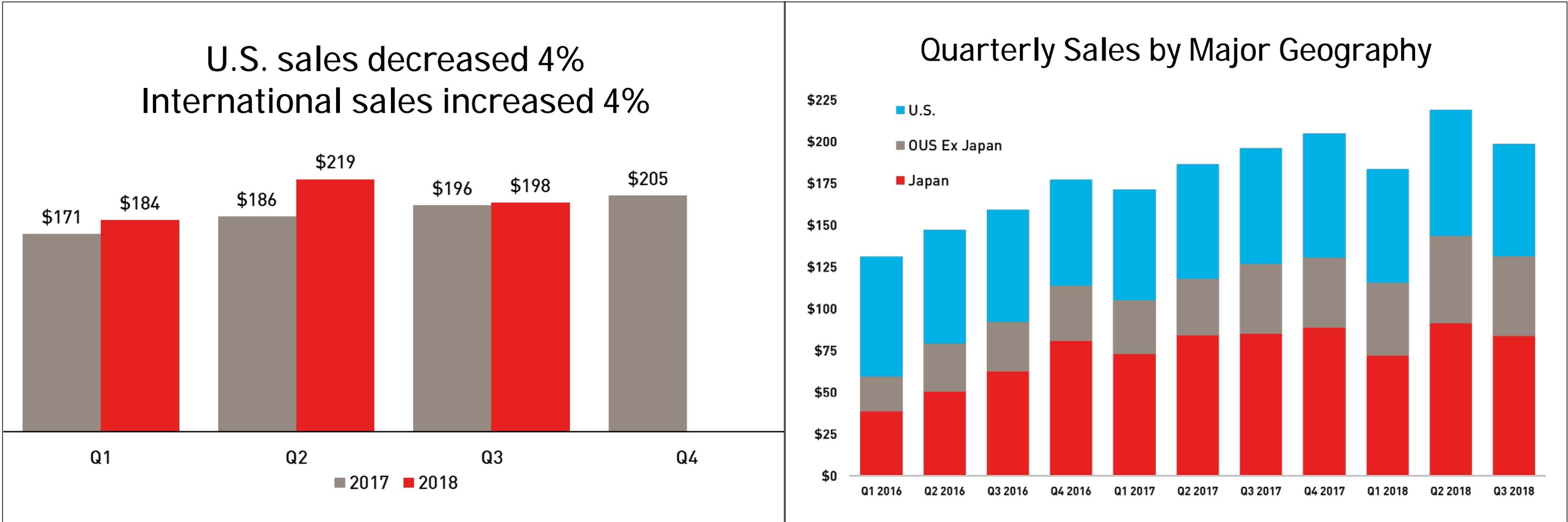
Source: IQVIA NPA TRx 3MMA, weekly data September 28, 2018

Note: Basaglar is part of the Boehringer Ingelheim and Lilly Diabetes Alliance

# Q3 2018 CYRAMZA SALES INCREASED 1%



Millions

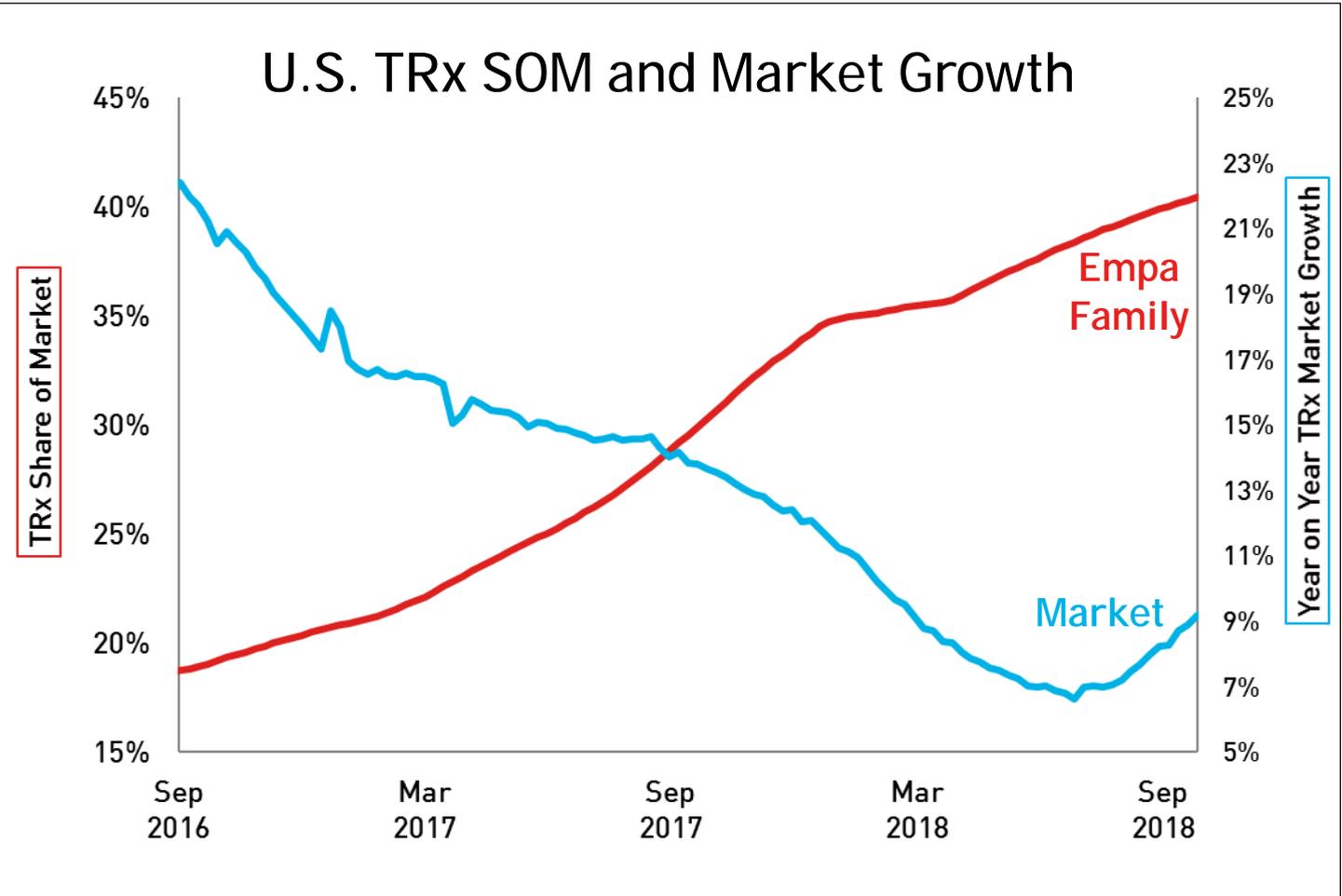
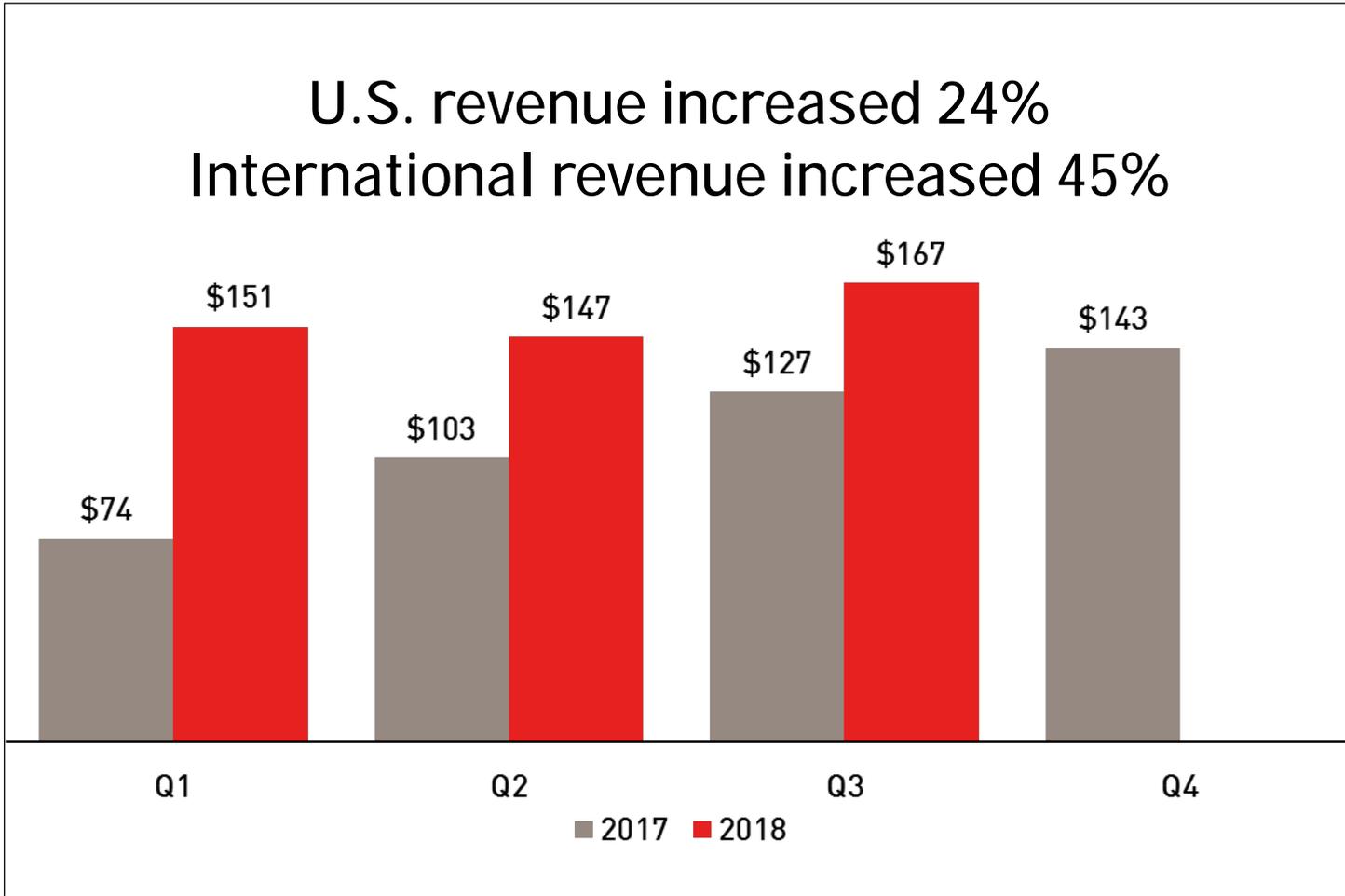


Note: Numbers may not add due to rounding.

# Q3 2018 JARDIANCE REVENUE INCREASED 31%



Millions



Note: Numbers may not add due to rounding.

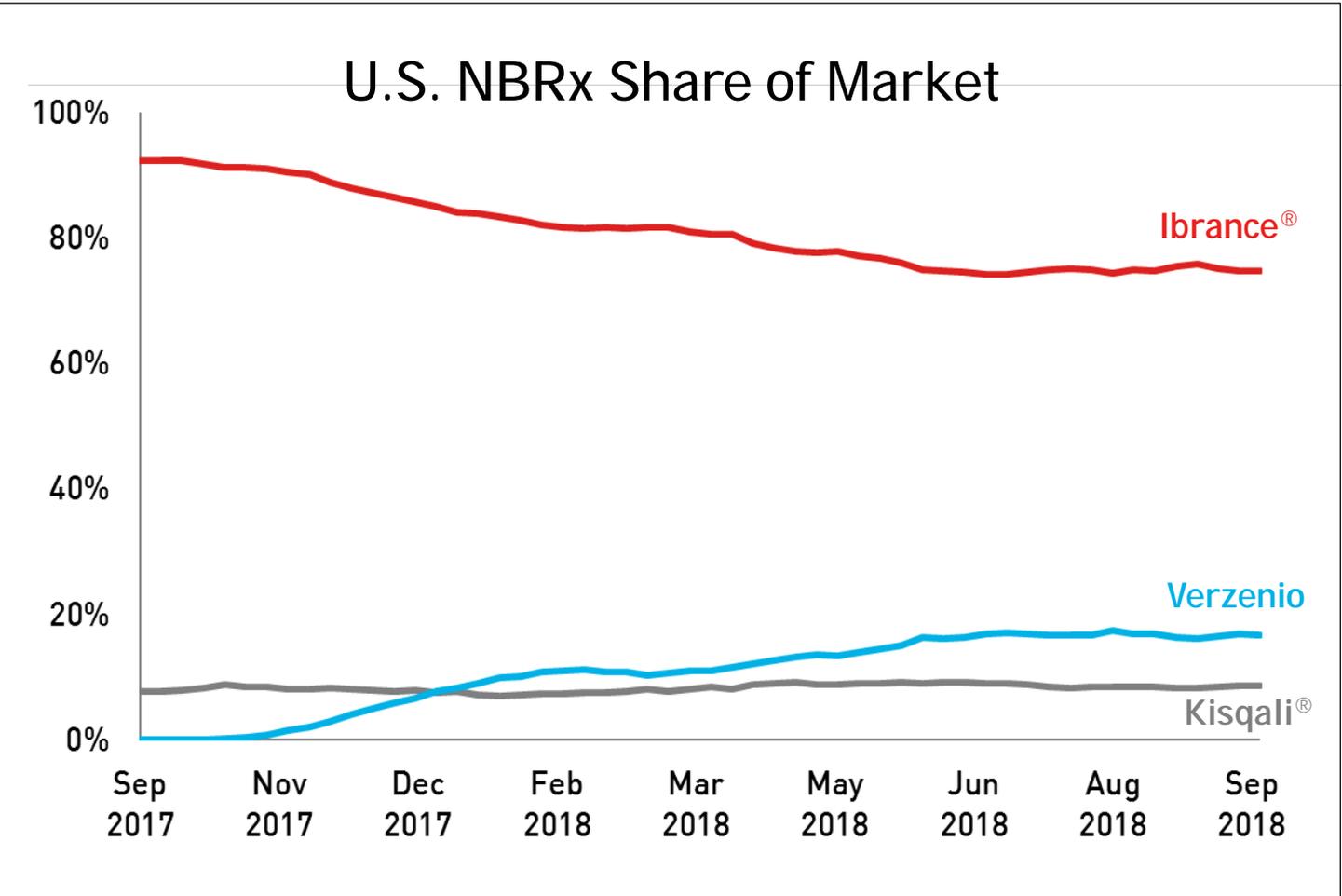
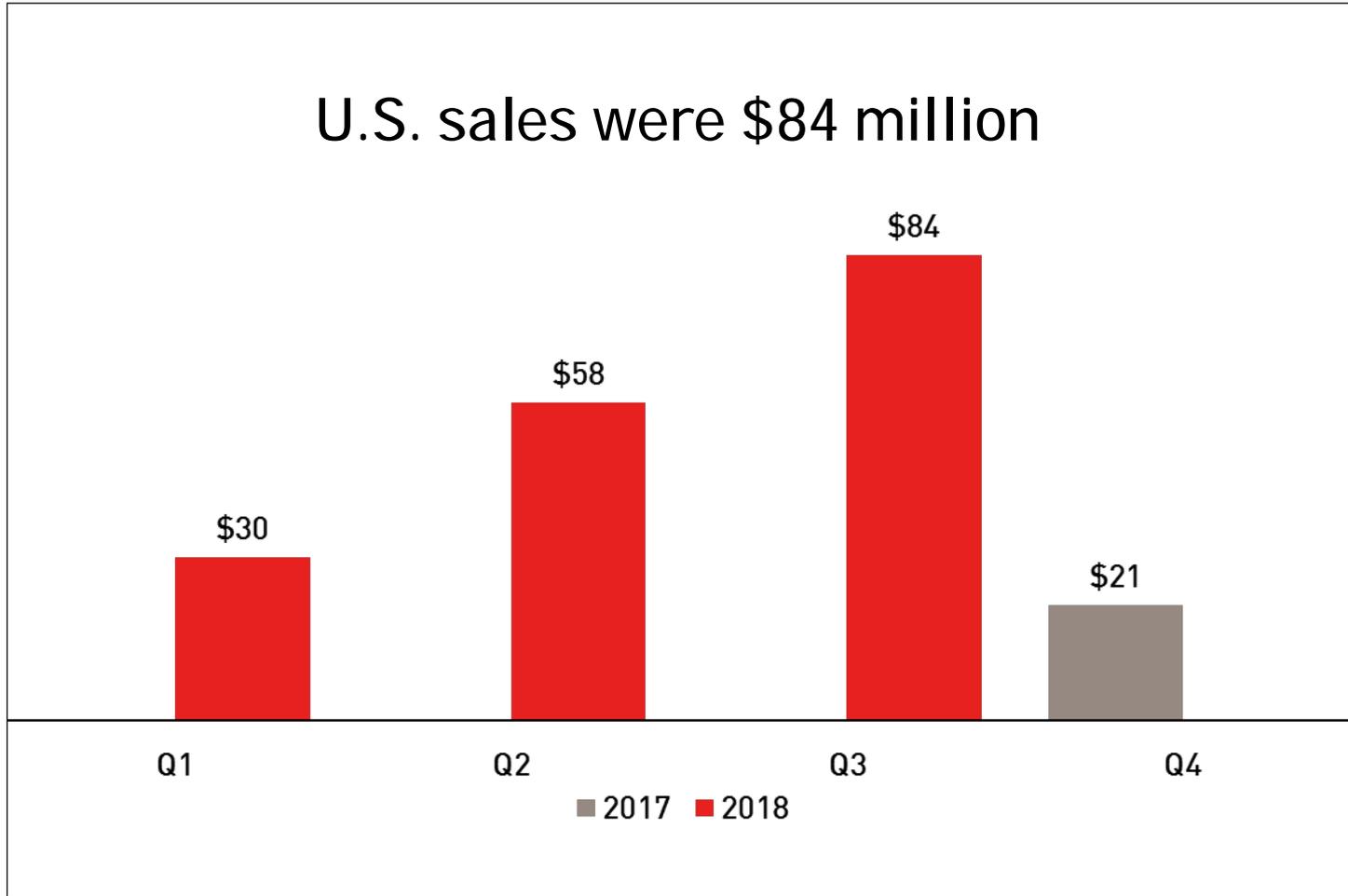
Source: IQVIA NPA TRx 3MMA, weekly data September 28, 2018

Note: Jardiance is part of the Boehringer Ingelheim and Lilly Diabetes Alliance

# Q3 2018 VERZENIO SALES WERE \$84 MILLION



Millions



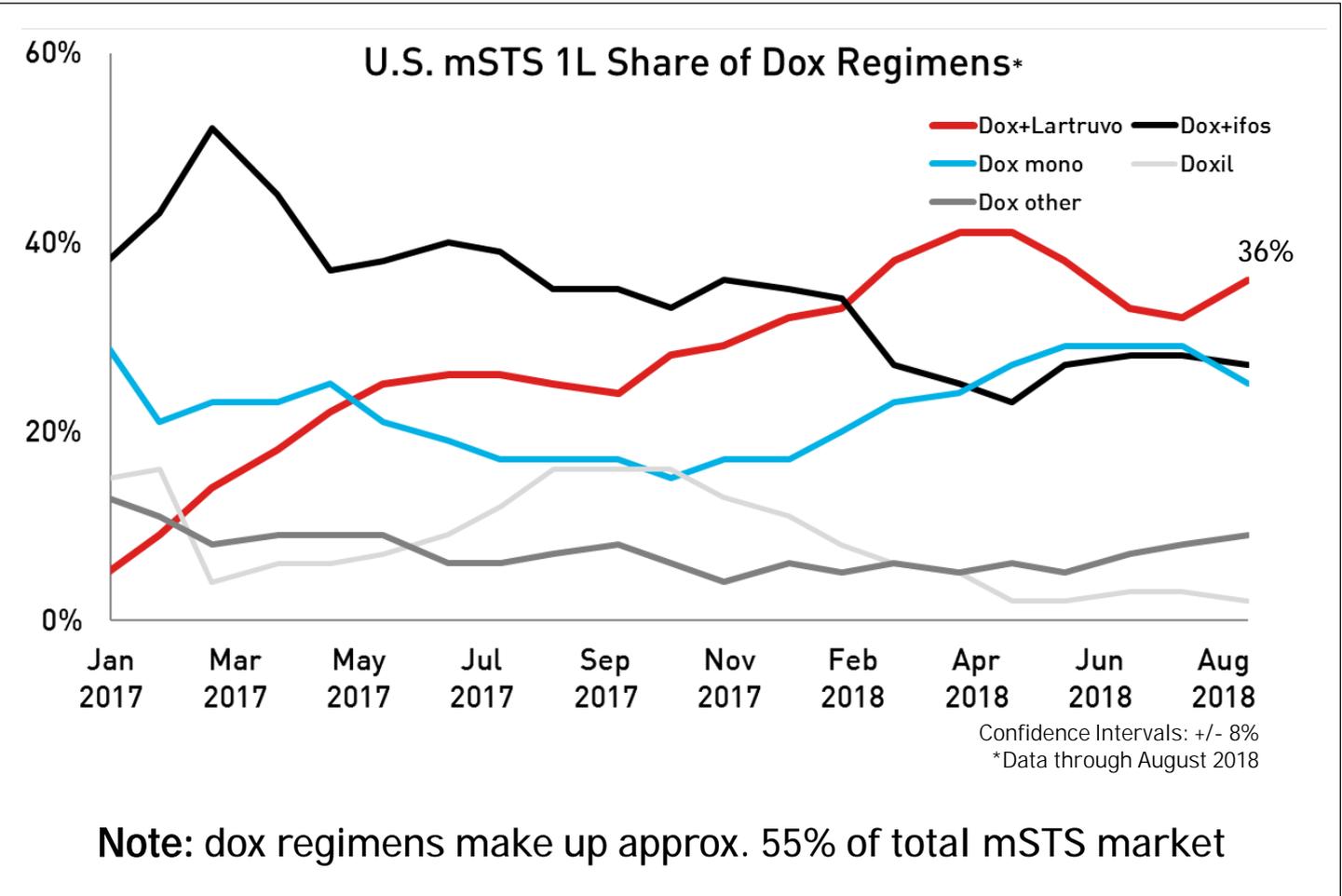
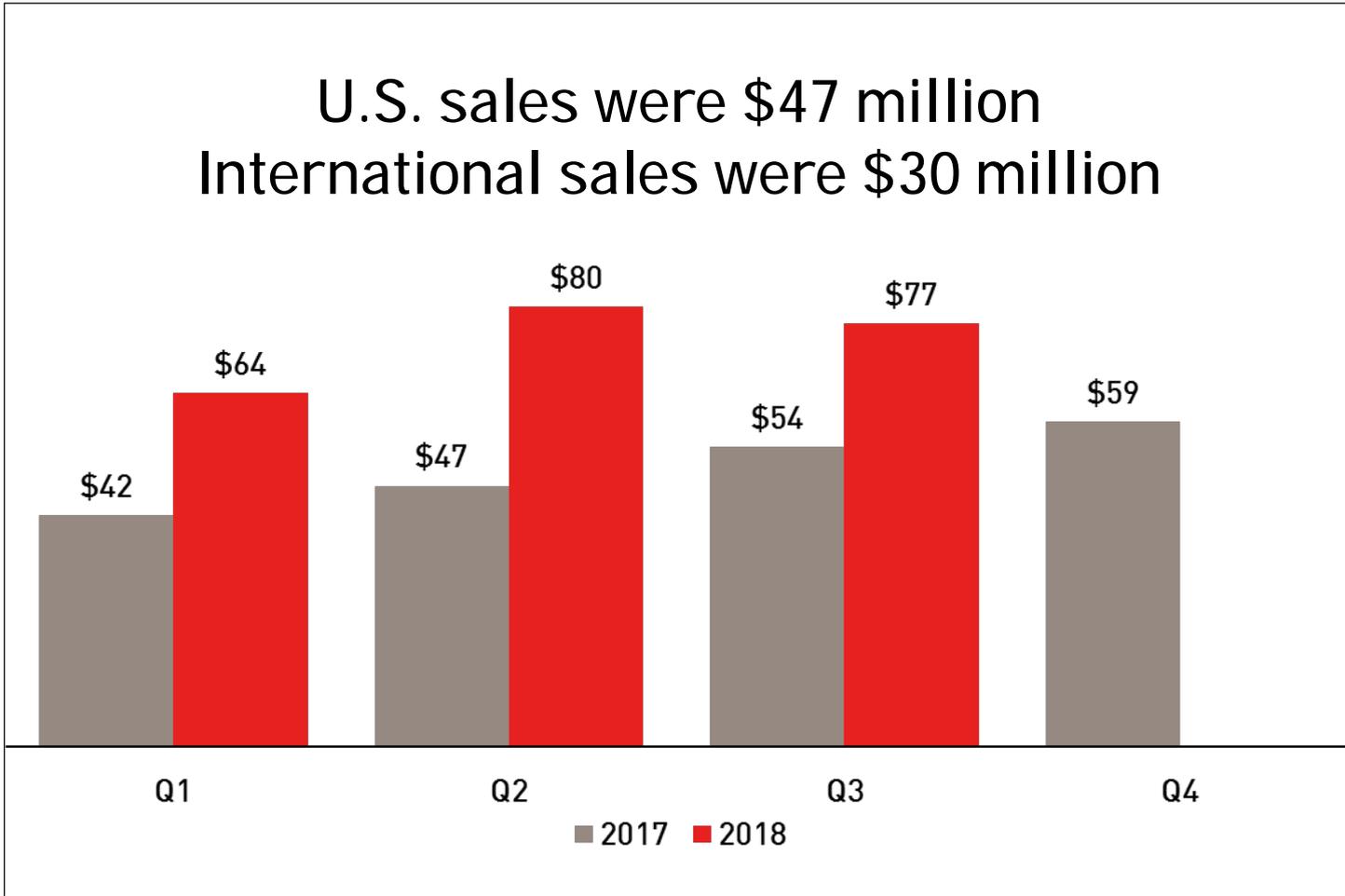
Note: Numbers may not add due to rounding.

Source: IQVIA NPA TRx 3MMA, weekly data September 28, 2018

# Q3 2018 LARTRUVO SALES WERE \$77 MILLION



Millions

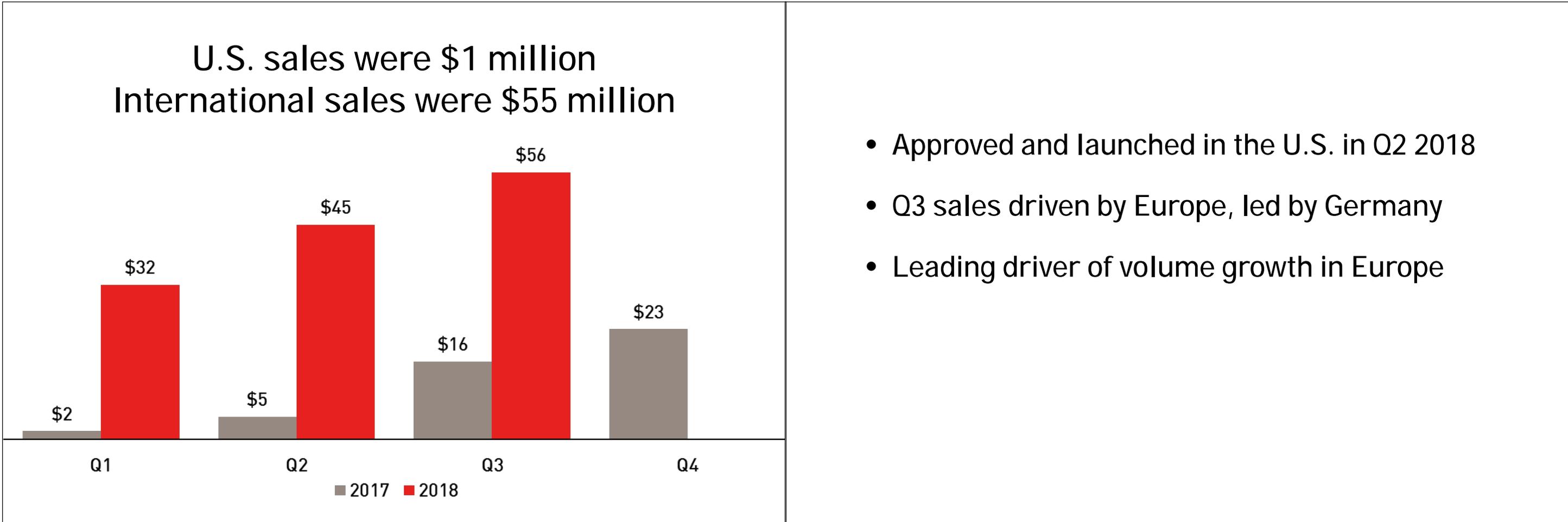


Note: Numbers may not add due to rounding.

# Q3 2018 OLUMIANT SALES WERE \$56 MILLION



Millions



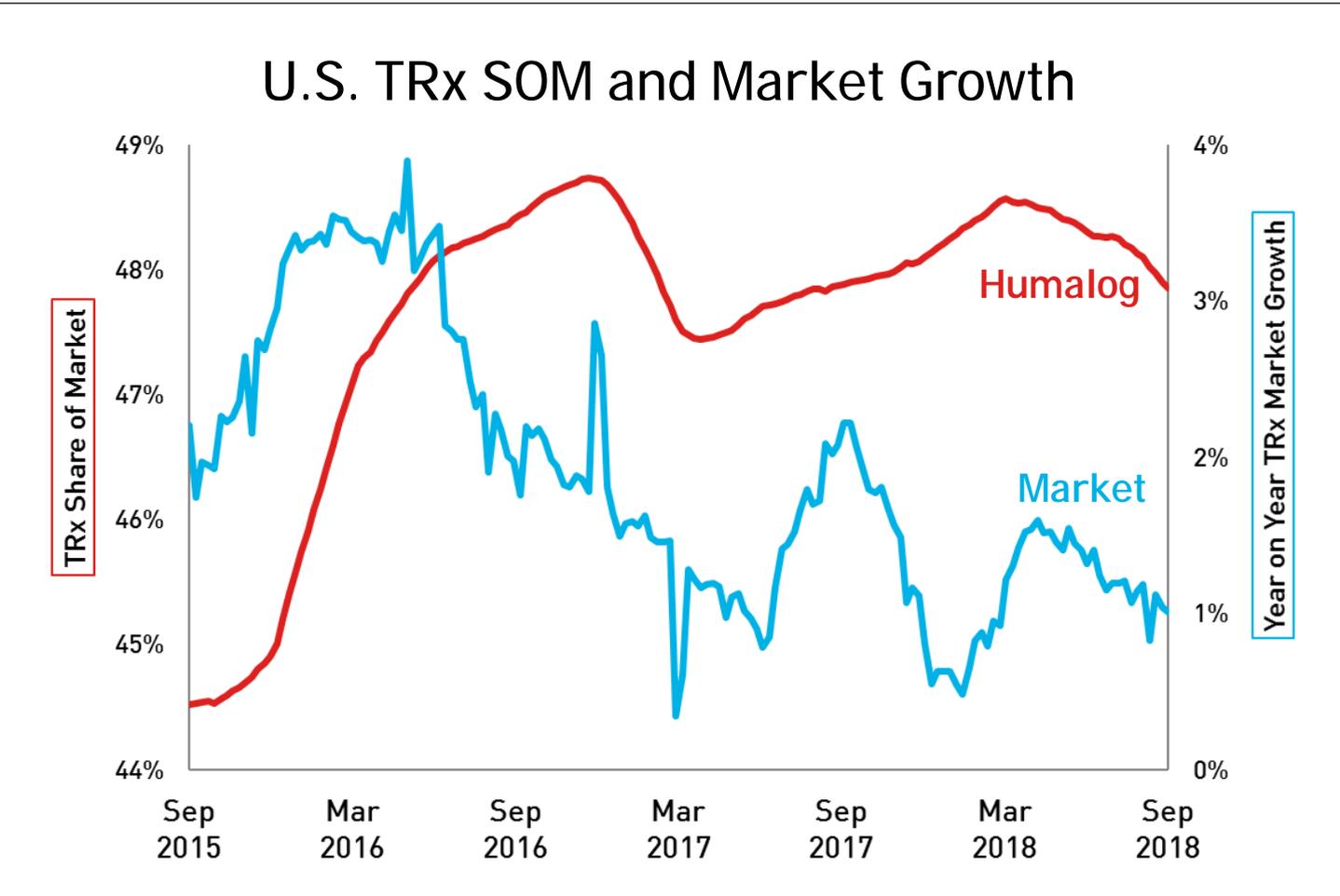
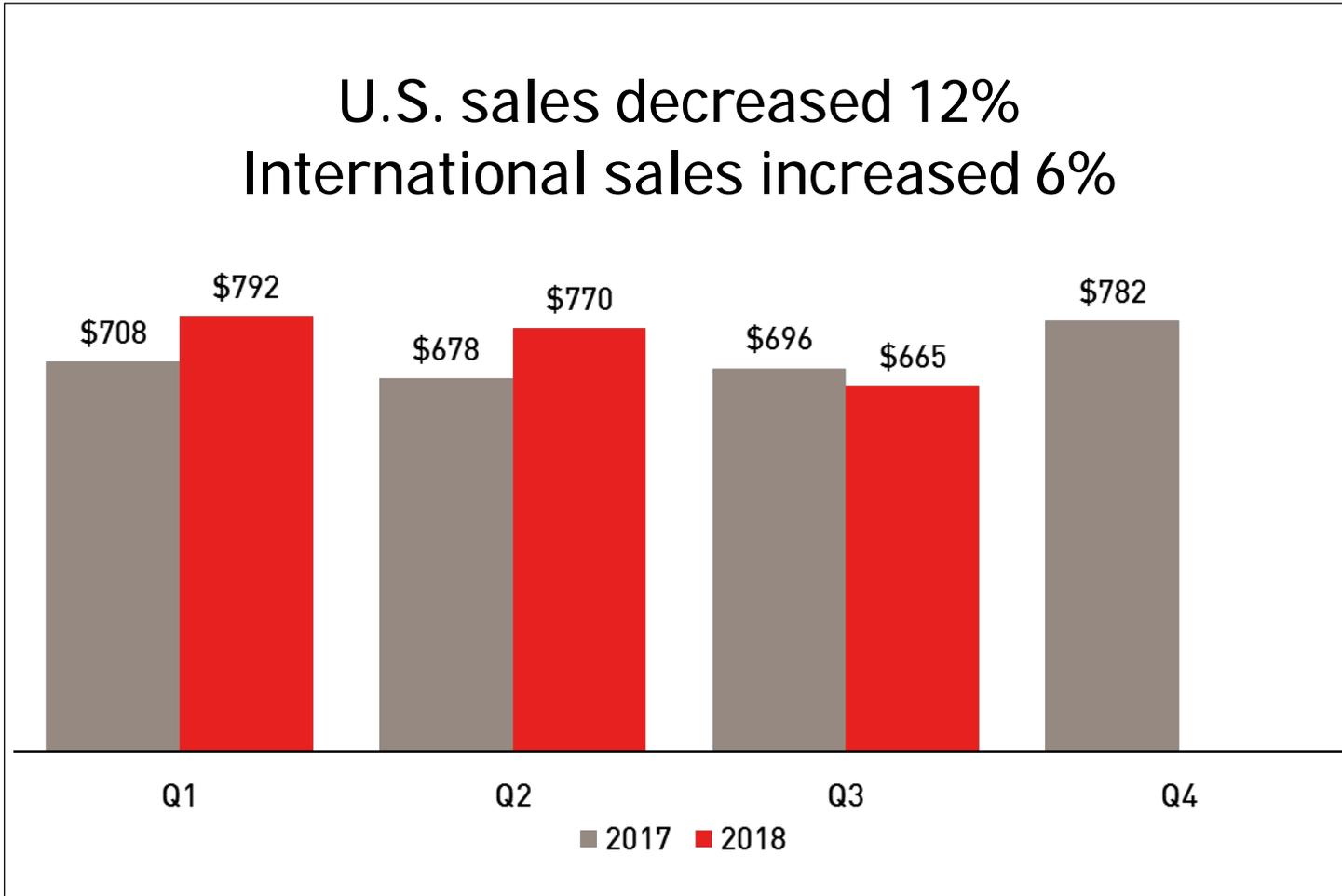
- Approved and launched in the U.S. in Q2 2018
- Q3 sales driven by Europe, led by Germany
- Leading driver of volume growth in Europe

Note: Numbers may not add due to rounding.

# Q3 2018 HUMALOG SALES DECREASED 5%



Millions



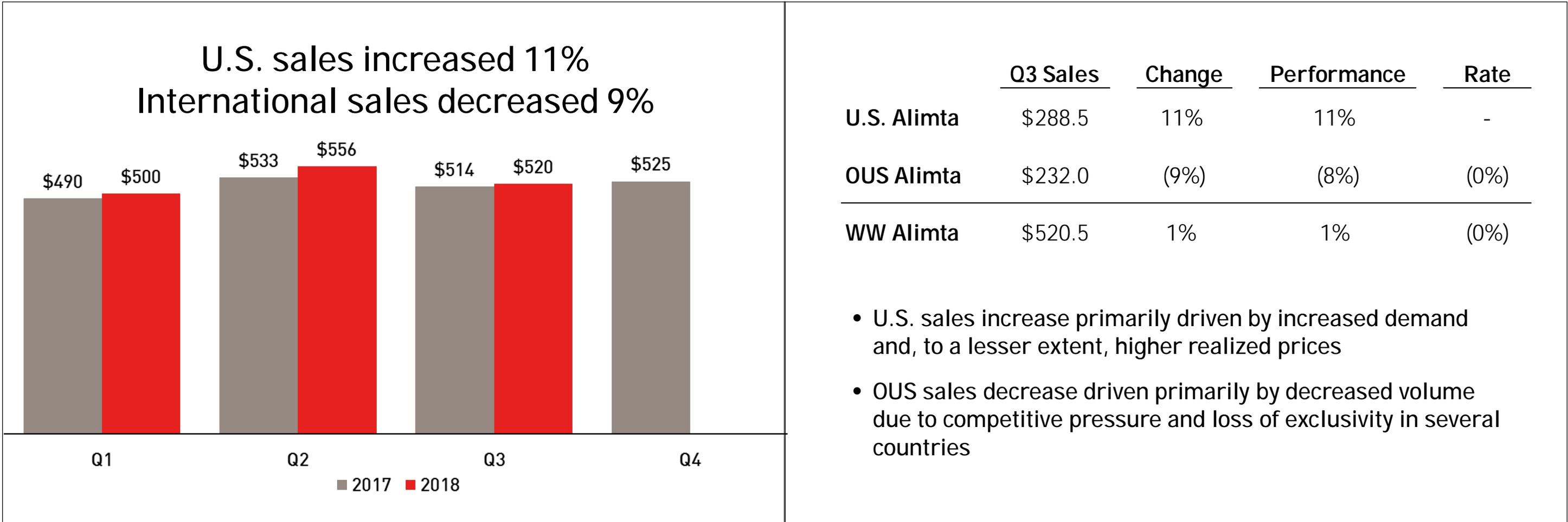
Note: Numbers may not add due to rounding.

Source: IQVIA NPA TRx 3MMA, weekly data September 28, 2018

# Q3 2018 ALIMTA SALES INCREASED 1%



Millions



	<u>Q3 Sales</u>	<u>Change</u>	<u>Performance</u>	<u>Rate</u>
<b>U.S. Alimta</b>	\$288.5	11%	11%	-
<b>OUS Alimta</b>	\$232.0	(9%)	(8%)	(0%)
<b>WW Alimta</b>	\$520.5	1%	1%	(0%)

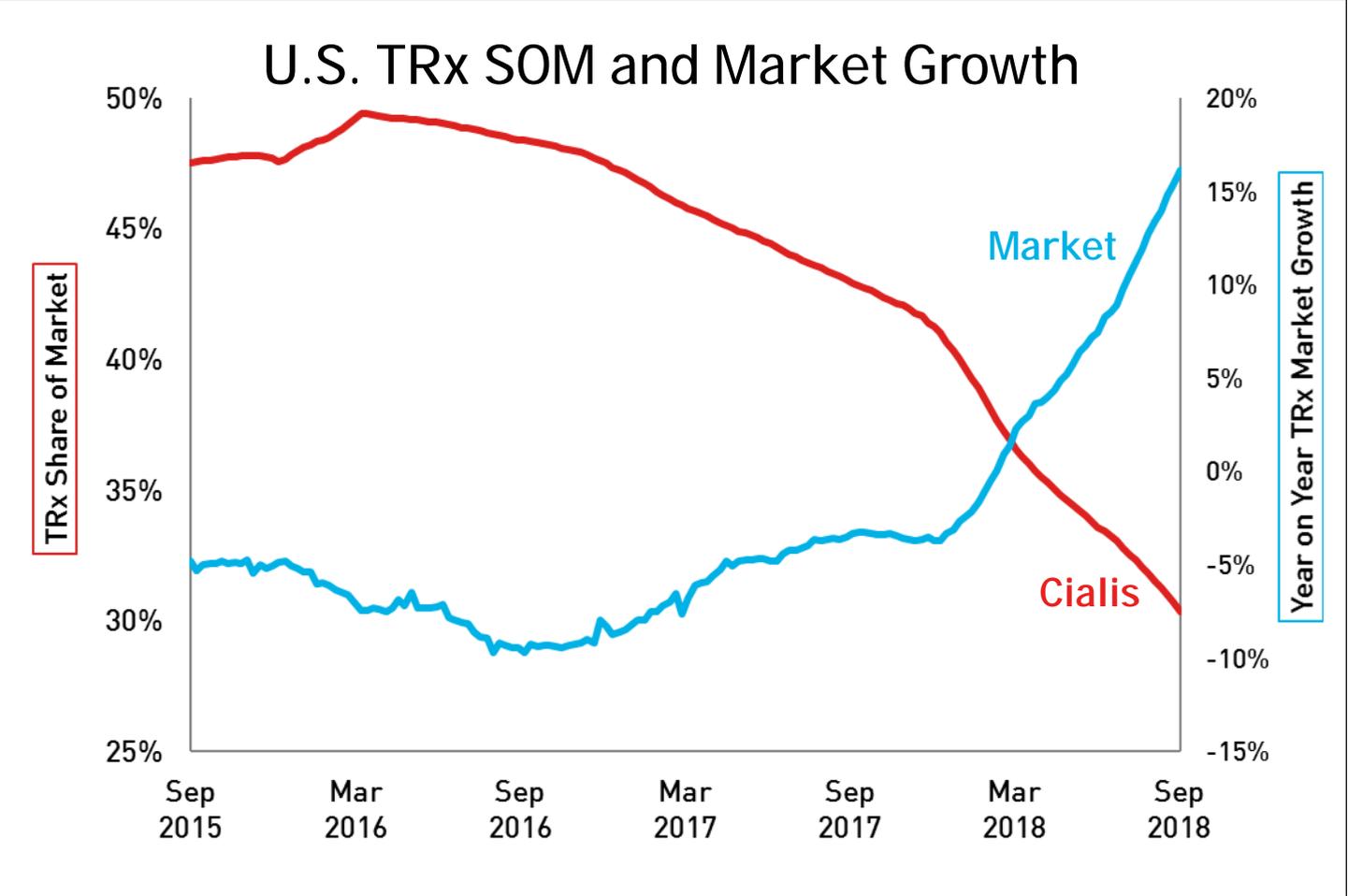
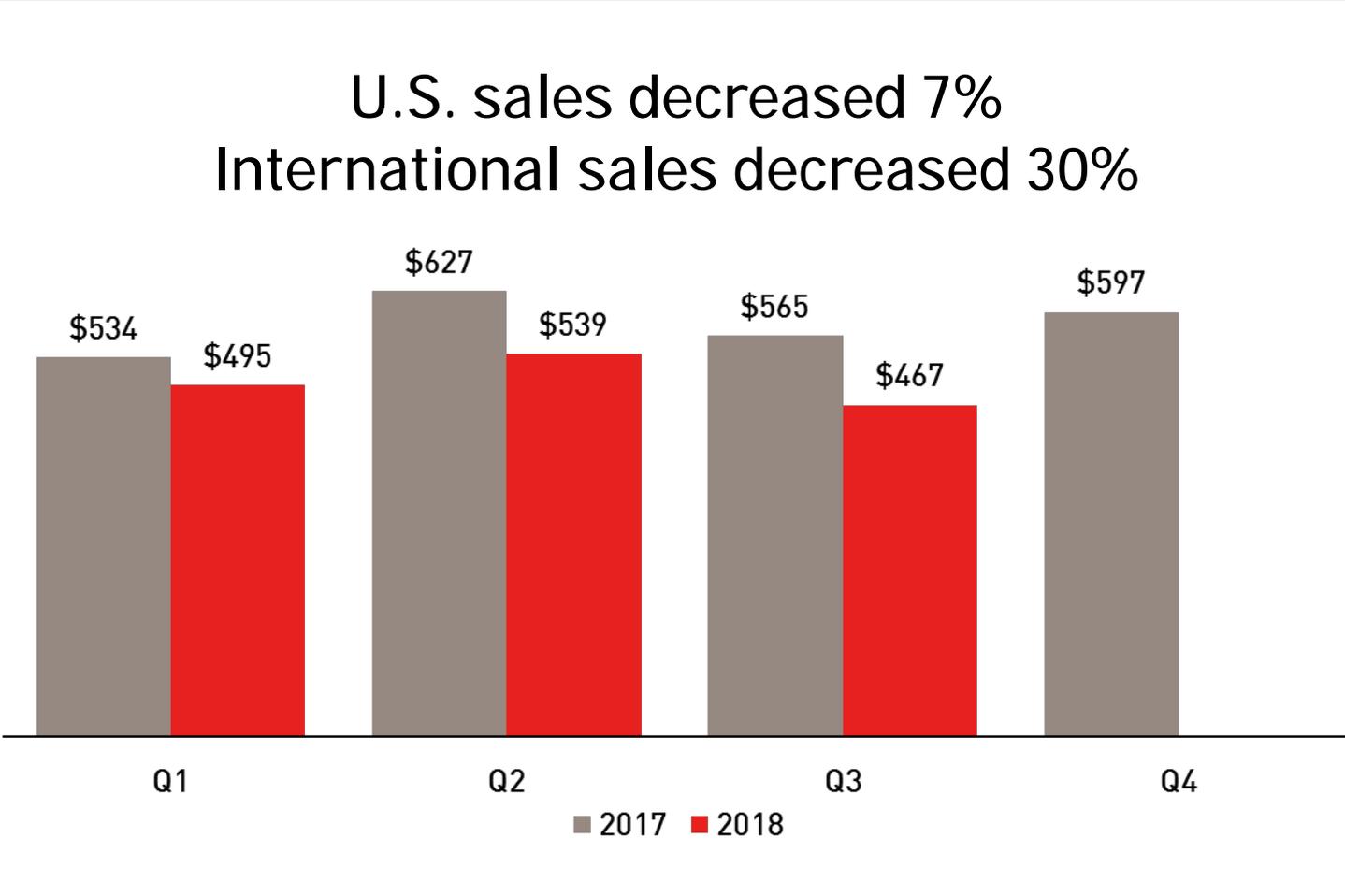
- U.S. sales increase primarily driven by increased demand and, to a lesser extent, higher realized prices
- OUS sales decrease driven primarily by decreased volume due to competitive pressure and loss of exclusivity in several countries

Note: Numbers may not add due to rounding.

# Q3 2018 CIALIS SALES DECREASED 17%



Millions



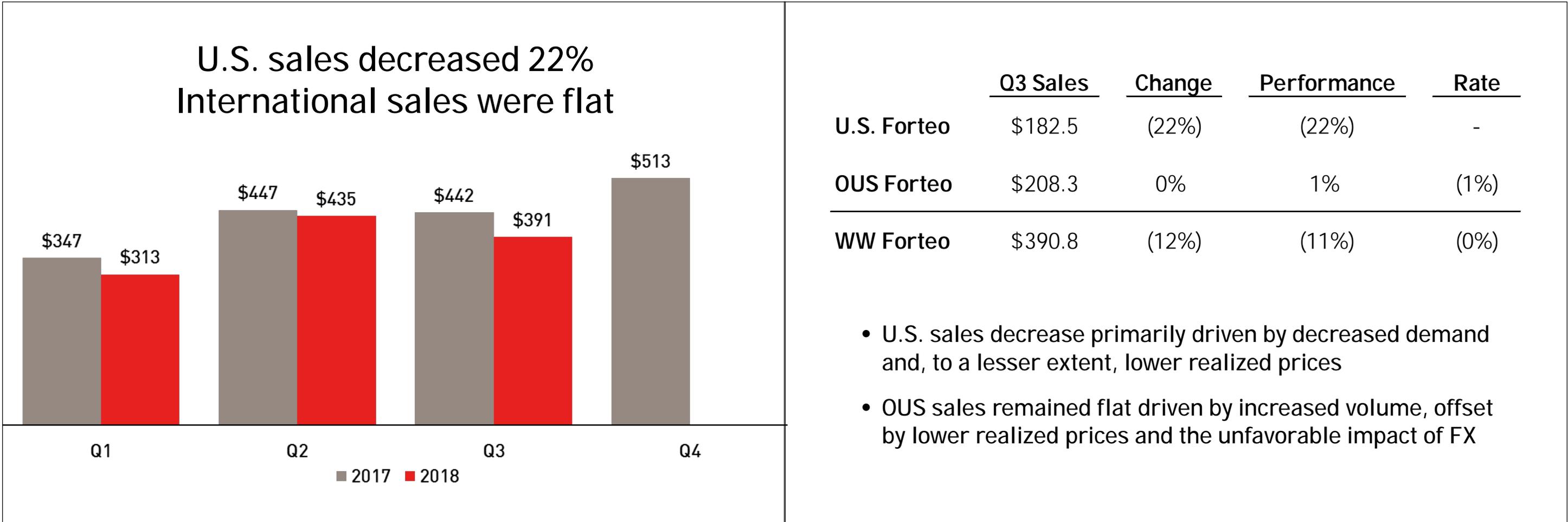
Note: Numbers may not add due to rounding.

Source: IQVIA NPA TRx 3MMA, weekly data September 28, 2018

# Q3 2018 FORTEO SALES DECREASED 12%



Millions

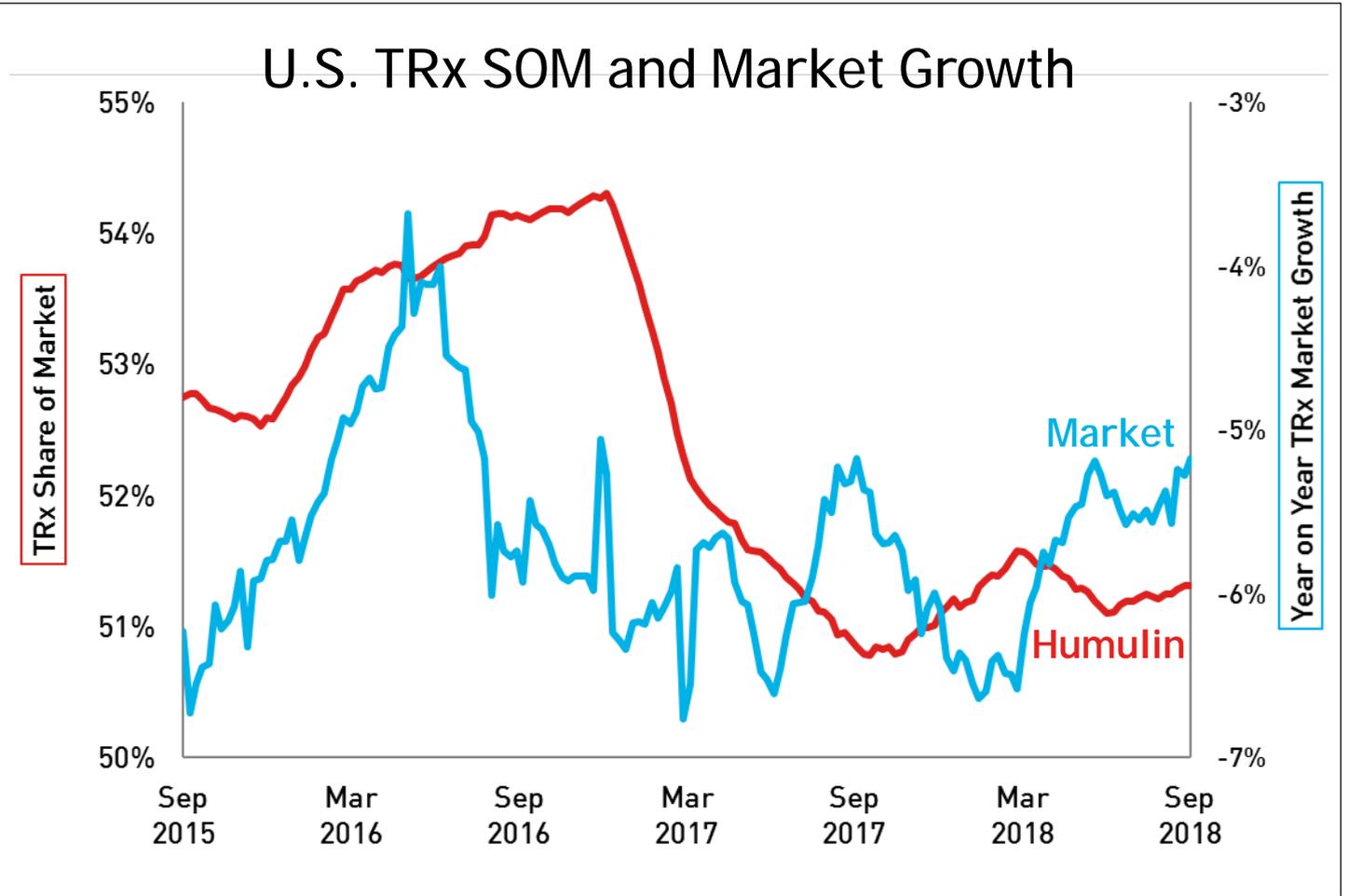
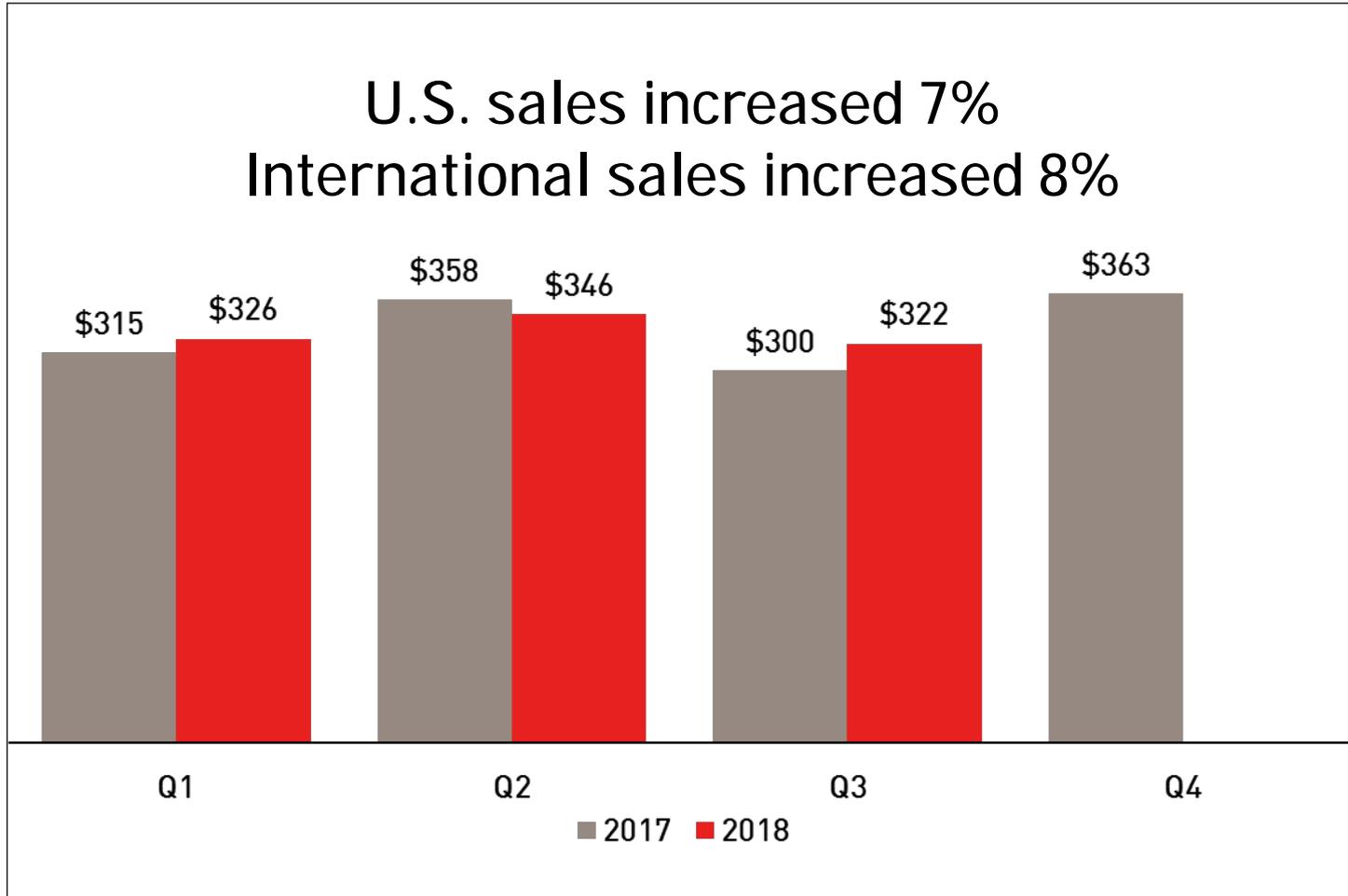


Note: Numbers may not add due to rounding.

# Q3 2018 HUMULIN<sup>®</sup> SALES INCREASED 7%



Millions



Note: Numbers may not add due to rounding.

Source: IQVIA NPA TRx 3MMA, weekly data September 28, 2018

**LILLY FOR**

**LILLY UNITES CARING WITH DISCOVERY**

**TO MAKE LIFE BETTER FOR PEOPLE AROUND THE WORLD.**

**BETTER**

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