



2018

GUIDANCE

December 13, 2017

Lilly

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 potential health care and tax 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.

UPDATED 2017 GUIDANCE



	<u>Prior</u>	<u>Current</u>	<u>Drivers of Changes</u>
Total Revenue	\$22.4b - \$22.7b	unchanged	
Gross Margin % (GAAP)	Approx. 72.5%	unchanged	
Gross Margin % (non-GAAP)	Approx. 76.0%	unchanged	
Mktg, Selling & Admin.	\$6.4b - \$6.6b	unchanged	
Research & Development	\$5.1b - \$5.2b	unchanged	
Other Income/(Expense)	\$0 - \$100 million	unchanged	
Tax Rate (GAAP)	Approx. 20.0%	Approx. 22.5%	Change primarily related to updated estimate of restructuring costs
Tax Rate (non-GAAP)	Approx. 21.0%	unchanged	
Earnings per Share (GAAP)	\$1.73 - \$1.83	\$1.56 - \$1.66	Change primarily related to updated estimate of restructuring costs
Earnings per Share (non-GAAP)	\$4.15 - \$4.25	unchanged	
Capital Expenditures	\$1.1b	unchanged	

KEY ASSUMPTIONS FOR 2018 FINANCIAL GUIDANCE



No major U.S. healthcare reform changes

Assumes current U.S. corporate tax system

Maintain exclusivity for Alimta in the U.S. and Japan

FX rates of:

- Euro 1.18
- Yen 113
- GBP 1.34

DYNAMICS AFFECTING 2018 FINANCIAL RESULTS



FAVORABLE

- Uptake of newer products:
 - Trulicity[®]
 - Taltz[®]
 - Basaglar[®]
 - Jardiance[®]
 - Verzenio[®]
 - Cyramza[®]
 - Olumiant[®]
 - Lartruvo[™]
- Continued growth of Forteo[®]
- Potential launches of baricitinib and galcanezumab in the U.S.*
- Realized savings from the productivity agenda

* pending regulatory approval

UNFAVORABLE

- Loss of exclusivity for:
 - Cialis[®] U.S.
 - Strattera[®] U.S.
 - Effient[®] U.S.
 - Axiron[®] U.S.
 - Multiple product/country combinations in OUS markets
- Continued pricing and access pressures
- Potential entrance of competitive products in diabetes
- Negative FX impact to cost of goods sold

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

STRATEGIC DELIVERABLES

2018 GUIDANCE



GROW REVENUE

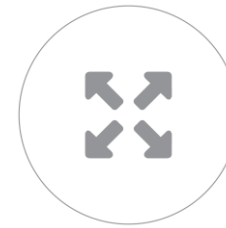


Low-single digit revenue growth*

Driven by:

- volume, not price
- new products

EXPAND MARGINS



- Excluding FX on int'l. inventories sold, gross margin as a % of revenue to decrease roughly 80bp
- OPEX % of revenue 49%, a decline of roughly 3pp*

DEPLOY CAPITAL TO CREATE VALUE



- Expect to communicate decision on Elanco by mid-2018
- 8% dividend increase
- Access external innovation, particularly early stage

SUSTAIN FLOW OF INNOVATION



- Potential NME launches include galcanezumab for migraine
- NILEX launches include Taltz for psoriatic arthritis

*using the mid-points of the 2017 and 2018 guidance ranges
Note: Jardiance is part of the Boehringer Ingelheim and Lilly Diabetes Alliance

UPDATED 2017 AND NEW 2018 GUIDANCE



	Guidance		Comments
	2017	2018	
Total Revenue	\$22.4 - \$22.7 billion	\$23.0 - \$23.5 billion	Low-single-digit growth; FX +90bps
Gross Margin % (GAAP)	Approx. 72.5%	Approx. 73.0%	
Gross Margin % (non-GAAP)	Approx. 76.0%	Approx. 75.0%	Decrease due to LOEs for multiple products, increased new product access, and segment mix
Mktg, Selling & Admin.	\$6.4 - \$6.6 billion	\$6.1b - \$6.4b	Decrease due to restructuring and productivity
Research & Development	\$5.1 - \$5.2 billion	\$5.0b - \$5.2b	
Other Income/(Expense)	\$0 - \$100 million	\$75m - \$175m	Increase due to change in retirement benefits accounting
Tax Rate (GAAP)	Approx. 22.5%	Approx. 20.5%	Decrease due to lower charges in 2018
Tax Rate (non-GAAP)	Approx. 21.0%	Approx. 21.5%	Modest increase due to discrete tax benefits in 2017
Earnings per Share (GAAP)	\$1.56 - \$1.66	\$4.24 - \$4.34	Increase due to charges incurred in 2017
Earnings per Share (non-GAAP)	\$4.15 - \$4.25	\$4.60 - \$4.70	Low double-digit increase driven primarily by higher revenue and lower OPEX
Capital Expenditures	Approx. \$1.1 billion	Approx. \$1.2 billion	Modest increase primarily due to investment for large molecule manufacturing

2018 VS. 2017 NON-GAAP CONSTANT FX COMPARISON

BEFORE RETIREMENT BENEFITS ACCOUNTING CHANGE EFFECTIVE 1/1/2018



	2017 Non-GAAP Guidance	Effect of FX on International Inventory Sold	2017 Non-GAAP Excl. FX	2018 Non-GAAP Constant FX*
Total Revenue	\$22.4b - \$22.7b		\$22.4b - \$22.7b	\$22.8b - \$23.3b
Cost of Sales		Approx. \$70m		-
Gross Margin % of Revenue	Approx. 76.0%		Approx. 76.5%	Approx. 76.2%
Mktg, Selling & Admin.	\$6.4b - \$6.6b		\$6.4b - \$6.6b	\$5.94b - \$6.24b
Research & Development	\$5.1b - \$5.2b		\$5.1b - \$5.2b	\$4.93b - \$5.13b
Other Income / (Expense)	\$0m - \$100m		\$0m - \$100m	\$(125)m - \$(25)m
Tax Rate	Approx. 21.0%	Approx. 21.0%	Approx. 21.0%	Approx. 21.5%
Earnings per Share	\$4.15 - \$4.25	(\$0.05)	\$4.20 - \$4.30	\$4.69 - \$4.79

Based on midpoint of guidance ranges excluding FX*:

- revenue to grow low-single digits
- gross margin percent to decline by about 30bp
- OPEX to decline mid-single digits
- OPEX/revenue % to decrease by nearly 400bp
- EPS to grow low-double digits

* before change in accounting for retirement benefits effective 1/1/2018

2018 VS. 2017 NON-GAAP CONSTANT FX COMPARISON

AFTER RETIREMENT BENEFITS ACCOUNTING CHANGE EFFECTIVE 1/1/2018



	2017 Non-GAAP Excl. FX	2018 Non-GAAP Constant FX*	Retirement Benefits Accounting Change	2018 Non-GAAP Constant FX**
Total Revenue	\$22.4b - \$22.7b	\$22.8b - \$23.3b	-	\$22.8b - \$23.3b
Cost of Sales			Approx. \$70m	
Gross Margin % of Revenue	Approx. 76.5%	Approx. 76.2%		Approx. 75.9%
Mktg, Selling & Admin.	\$6.4b - \$6.6b	\$5.94b - \$6.24b	Approx. \$60m	\$6.0b - \$6.3b
Research & Development	\$5.1b - \$5.2b	\$4.93b - \$5.13b	Approx. \$70m	\$5.0b - \$5.2b
Other Income / (Expense)	\$0m - \$100m	\$(125)m - \$(25)m	Approx. \$200m	\$75m - \$175m
Tax Rate	Approx. 21.0%	Approx. 21.5%	Approx. 21.5%	Approx. 21.5%
Earnings per Share	\$4.20 - \$4.30	\$4.69 - \$4.79	\$0.00	\$4.69 - \$4.79

* before change in accounting
for retirement benefits
effective 1/1/2018

** after change in accounting
for retirement benefits
effective 1/1/2018

2018 NON-GAAP WALKTHROUGH



	<u>Non-GAAP Constant FX</u>	<u>Effect of FX on International Inventory Sold</u>	<u>Operational Effect of FX</u>	<u>Non-GAAP Guidance</u>
Total Revenue	\$22.8b - \$23.3b		Approx. \$200m	\$23.0b - \$23.5b
Cost of Sales		Approx. \$125m	Approx. \$100m	
Gross Margin % of Revenue	Approx. 75.9%			Approx. 75.0%
Mktg, Selling & Admin.	\$6.0b - \$6.3b		Approx. \$65m	\$6.1b - \$6.4b
Research & Development	\$5.0b - \$5.2b		Approx. \$35m	\$5.0b - \$5.2b
Other Income / (Expense)	\$75m - \$175m		nil	\$75m - \$175m
Tax Rate	Approx. 21.5%	Approx. 21.5%	Approx. 21.5%	Approx. 21.5%
Earnings per Share	\$4.69 - \$4.79	(\$0.09)	\$0.01	\$4.60 - \$4.70

2018 guidance assumes FX rates of:

- Euro at 1.18
- Yen at 113
- Pound at 1.34

2018 GAAP WALKTHROUGH



	<u>Non-GAAP Guidance</u>	<u>Inclusion of Amortization</u>	<u>GAAP Guidance</u>
Total Revenue	\$23.0b - \$23.5b		\$23.0b - \$23.5b
Cost of Sales		Approx. \$555m	
Gross Margin % of Revenue	Approx. 75.0%		Approx. 73.0%
Mktg, Selling & Admin.	\$6.1b - \$6.4b		\$6.1b - \$6.4b
Research & Development	\$5.0b - \$5.2b		\$5.0b - \$5.2b
Other Income / (Expense)	\$75m - \$175m		\$75m - \$175m
Tax Rate	Approx. 21.5%	Approx. 31.0%	Approx. 20.5%
Earnings per Share	\$4.60 - \$4.70	Approx. \$(0.37)	\$4.24 - \$4.34

Note: Numbers may not add due to rounding

2018 GUIDANCE VS. CONSENSUS



	Analyst Estimates	2018 Non-GAAP Guidance		Comments
		Constant FX	With FX	
Total Revenue	\$23.1b	\$22.8b - \$23.3b	\$23.0b - \$23.5b	Consensus at low end of guidance
Gross Margin %	76.1%	Approx. 75.9%	Approx. 75.0%	Guidance lower than consensus; likely due to negative FX effect on int'l inventories sold and retirement benefits accounting change
Mktg, Selling & Admin.	\$6.3b	\$6.0b - \$6.3b	\$6.1b - \$6.4b	Guidance in-line with consensus
Research & Development	\$5.0b	\$5.0b - \$5.2b	\$5.0b - \$5.2b	Guidance in-line with consensus
Other Income / (Expense)	\$40m	\$75m - \$175m	\$75m - \$175m	Guidance above consensus; likely due to retirement benefits accounting change
Tax Rate	21.7%	Approx. 21.5%	Approx. 21.5%	Guidance in-line with consensus
Earnings per Share	\$4.64	\$4.69 - \$4.79	\$4.60 - \$4.70	Guidance in-line with consensus

POTENTIAL KEY EVENTS 2017



PHASE 3 INITIATIONS

- ✓+ Ultra-rapid insulin for diabetes
Baricitinib for psoriatic arthritis (now expected 2018)
- ✓+ Empagliflozin for heart failure (HFrEF) ¹
- ✓+ Empagliflozin for heart failure (HFpEF) ¹
- ✓+ Abemaciclib for adjuvant breast cancer (monarchE)
- ✓+ Baricitinib for atopic dermatitis

PHASE 3 DATA INTERNAL READOUTS

- Flortaucipir (18F AV-1451) tau imaging agent (now expected 2018)
- ✓- Abemaciclib JUNIPER study
- ✓+ Ramucirumab RAINFALL 1L gastric (initial PFS readout)
- ✓- Ramucirumab RAINFALL 1L gastric (final analysis)
Alimta+platinum+Keytruda in 1L nonsquamous NSCLC (KN-189) ²
(now expected 2019)

PHASE 3 DATA EXTERNAL DISCLOSURES

- ✓+ Galcanezumab for migraine prevention
- ✓+ Lasmiditan SPARTAN study
- ✓+ Lasmiditan SAMURAI study
- ✓+ Abemaciclib MONARCH 2 study
- ✓+ Abemaciclib MONARCH 3 study
- ✓+ Ramucirumab RANGE 2L bladder cancer (PFS readout)

REGULATORY SUBMISSIONS

- ✓+ Galcanezumab for migraine prevention (US)
- ✓+ Abemaciclib for advanced breast cancer (MONARCH 1) (US)
- ✓+ Abemaciclib + fulvestrant for 2L breast cancer (MONARCH 2) (US/EU/J)
- ✓+ Abemaciclib + Als for 1L breast cancer (MONARCH 3) (US/EU/J)
- ✓+ Fruquintinib for 3L metastatic colorectal cancer (China) ³
- ✓+ Ixekizumab for psoriatic arthritis (US/EU)
- ✓+ Alimta sNDA to include KEYNOTE-021G data (US)
- ✓+ Baricitinib resubmission for rheumatoid arthritis (US)

REGULATORY ACTIONS

- Baricitinib for rheumatoid arthritis (US ✓-/EU ✓+/J ✓+)
- ✓+ Ixekizumab for psoriatic arthritis (US)
- ✓+ Abemaciclib for advanced breast cancer (MONARCH 1 & 2) (US)
- ✓+ Alimta+carbo+Keytruda[®] in 1L nonsquamous NSCLC (KN-021G) (US) ^{2, 4}

OTHER

- ✓+ Closing of BI US animal health vaccines acquisition
- ✓+ Closing of CoLucid Pharmaceuticals acquisition
- ✓+ Pediatric exclusivity for Cialis

Rulings in ongoing Alimta patent litigation:

- ✓+ US CAFC
- ✓+ US IPRs
- ✓+ UK
- ✓+ Japan

Germany (now expected in 2018)

¹ in collaboration with Boehringer Ingelheim

² in collaboration with Merck

³ in collaboration with Hutchison China MediTech

⁴ KN-021G is a Merck sBLA filing for Keytruda

POTENTIAL KEY EVENTS IN 2018



PHASE 3 INITIATIONS

Baricitinib for psoriatic arthritis
Mirikizumab for psoriasis
Mirikizumab for ulcerative colitis
Dulaglutide alternate doses for type 2 diabetes
Empagliflozin for chronic kidney disease ¹

PHASE 3 DATA INTERNAL READOUTS

Flortaucipir (18F AV-1451) tau imaging agent
Tanezumab for osteoarthritis pain (dosing study) ²
Tradjenta CAROLINA CV outcomes study ¹
Trulicity REWIND CV outcomes study
Ultra rapid insulin for type 1 and type 2 diabetes
Ramucirumab RANGE for 2L bladder cancer (final analysis)
Ramucirumab RELAY for 1L EGFR NSCLC cancer (PFS readout)

PHASE 3 DATA EXTERNAL DISCLOSURES

Galcanezumab for cluster headache
Ixekizumab for axial spondyloarthritis
Empagliflozin for type 1 diabetes ¹
Tradjenta CARMELINA CV outcomes study ¹
Ramucirumab REACH 2 in 2L high AFP hepatocellular cancer

REGULATORY SUBMISSIONS

Lasmiditan for acute migraine
Empagliflozin + linagliptin + metformin XR (US) ¹
Nasal glucagon for hypoglycemia

REGULATORY ACTIONS

Baricitinib for rheumatoid arthritis (US)
Galcanezumab for migraine prevention
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) ³
Fruquintinib for 3L metastatic colorectal cancer (China) ⁴

OTHER

Rulings in ongoing Alimta patent litigation:
US IPR Appeal to CAFC
US alternative salt forms
Japan (Nipro)
Germany

¹ in collaboration with Boehringer Ingelheim

² in collaboration with Pfizer

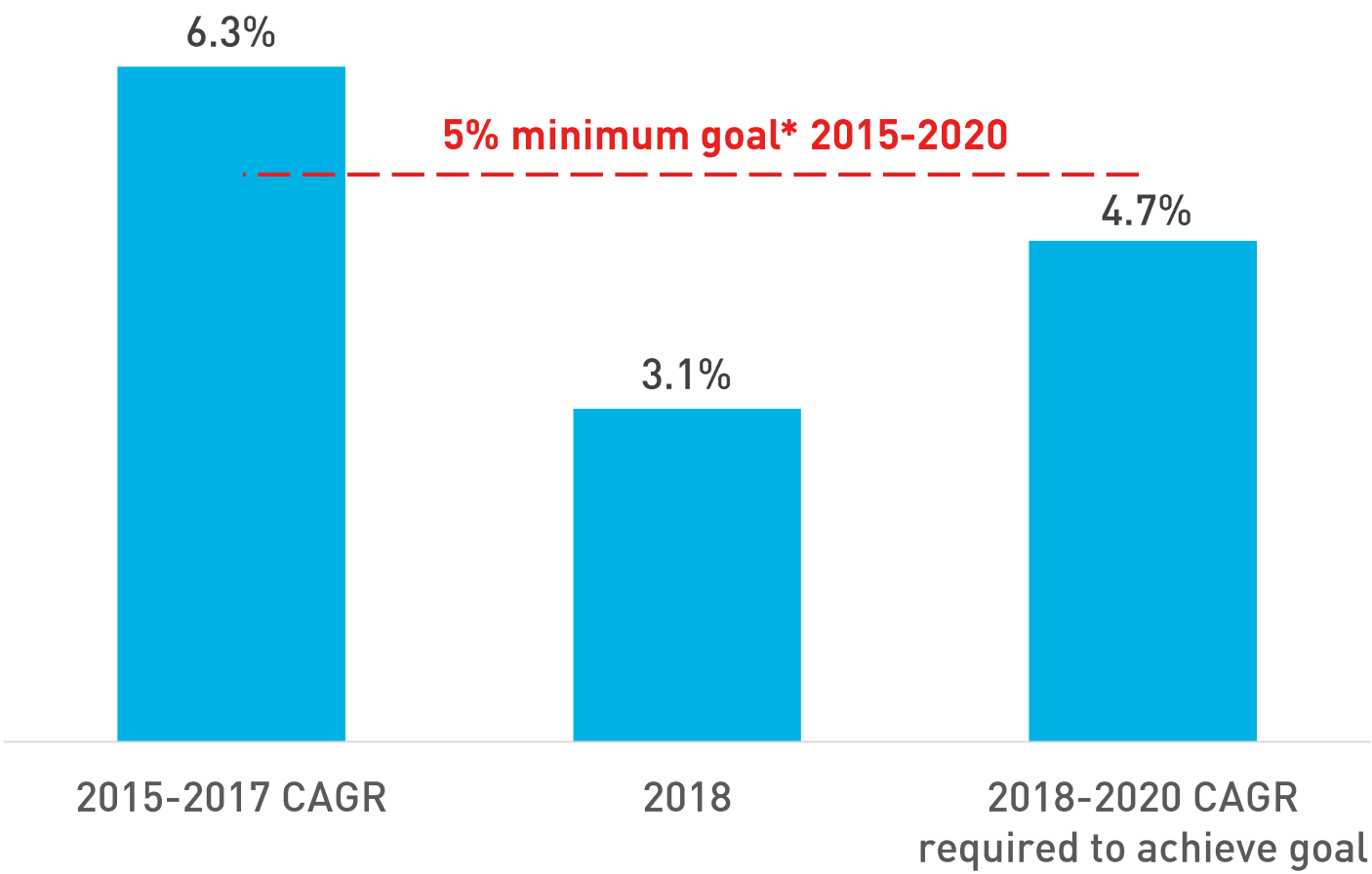
³ in collaboration with Merck

⁴ in collaboration with Hutchison China MediTech

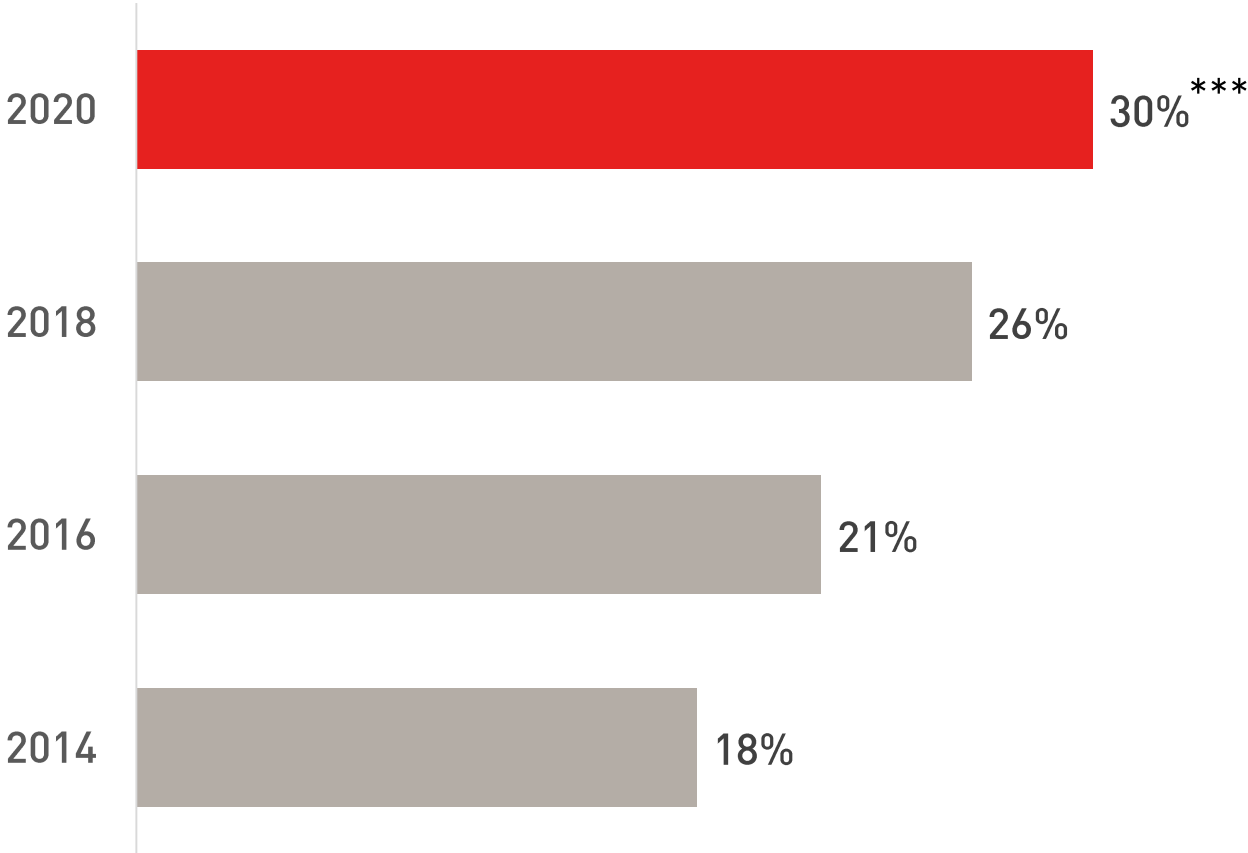
MINIMUM EXPECTATIONS THROUGH 2020 (NON-GAAP)



REVENUE GROWTH



OPERATING MARGIN** AS A % OF REVENUE



* Constant currency at 2015 FX rates
** Revenue – cost of sales – SG&A – R&D
*** Assumes FX effect on int’l inventories sold equal to zero in 2020

SUMMARY



- 2018 **revenue growth** in low-single digits, driven by volume and new products
- Low-double-digit EPS growth and **operating margin expansion** despite patent expirations
- Potential pipeline milestones include: approvals and launches of baricitinib for RA in the U.S., galcanezumab for migraine prevention, and Taltz for psoriatic arthritis
- Strong execution of our **innovation-based strategy** positions Lilly to achieve 2020 revenue and margin expansion goals



GROW REVENUE

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



EXPAND MARGINS

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



SUSTAIN FLOW OF INNOVATION

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



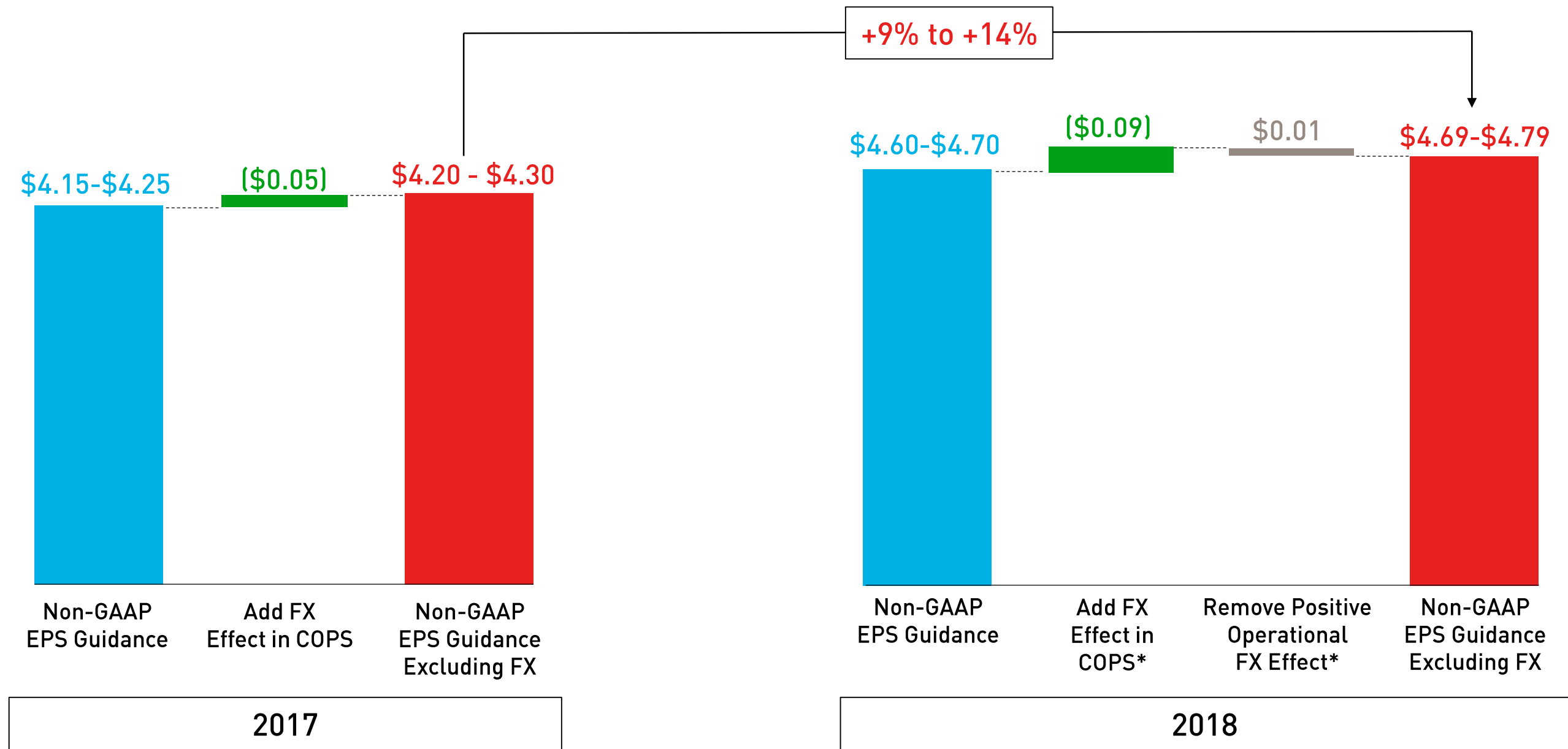
DEPLOY CAPITAL TO CREATE VALUE

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

Supplementary Slides

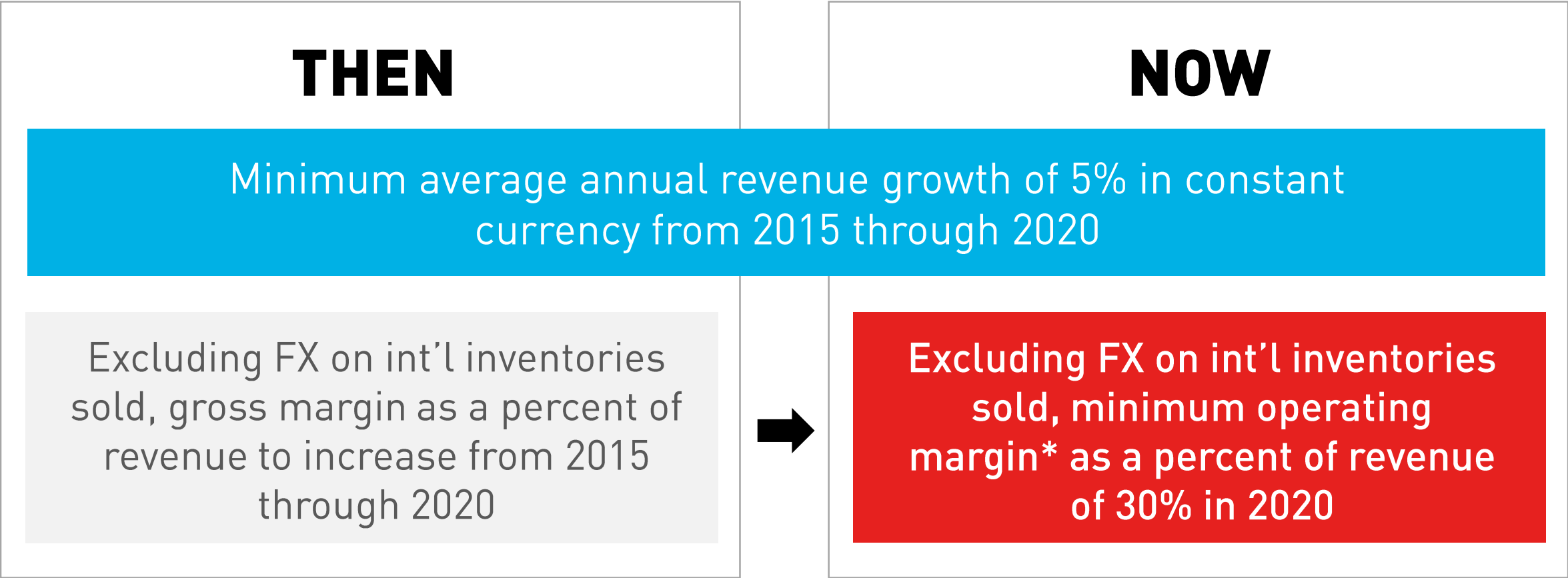
EXPECTED 2018 EPS GROWTH

HIGH-SINGLE DIGIT TO MID-TEENS EPS GROWTH IN CONSTANT CURRENCY



* among other rates assumes Euro=1.18, Yen=113, and Pound=1.34

UPDATED 2020 FINANCIAL EXPECTATIONS

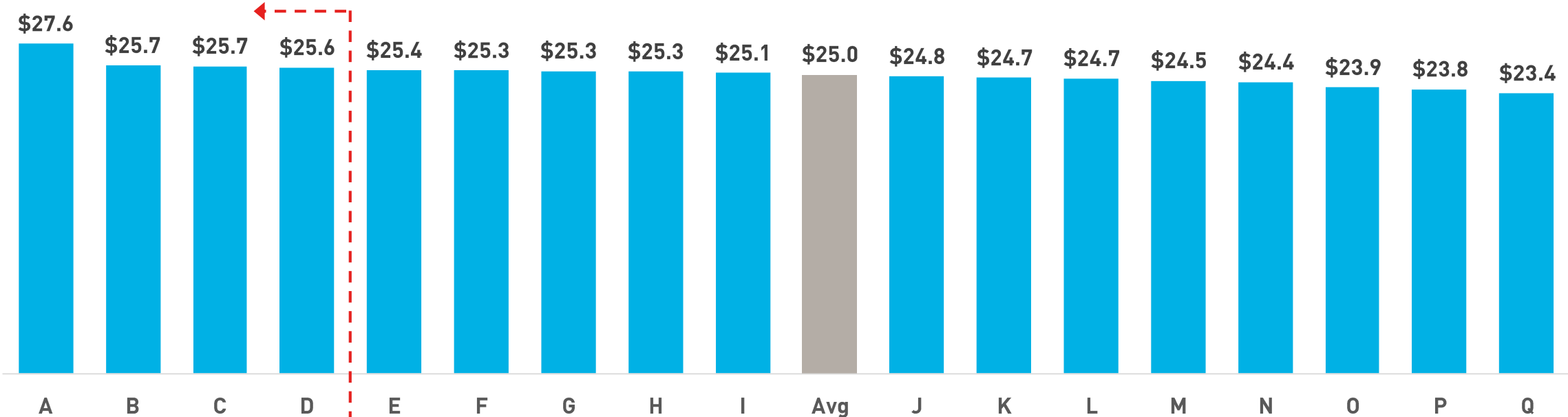


*Revenue – cost of sales – SG&A – R&D
Note: constant currency means at 2015 FX rates and an FX effect on int'l inventories sold equal to zero in 2020

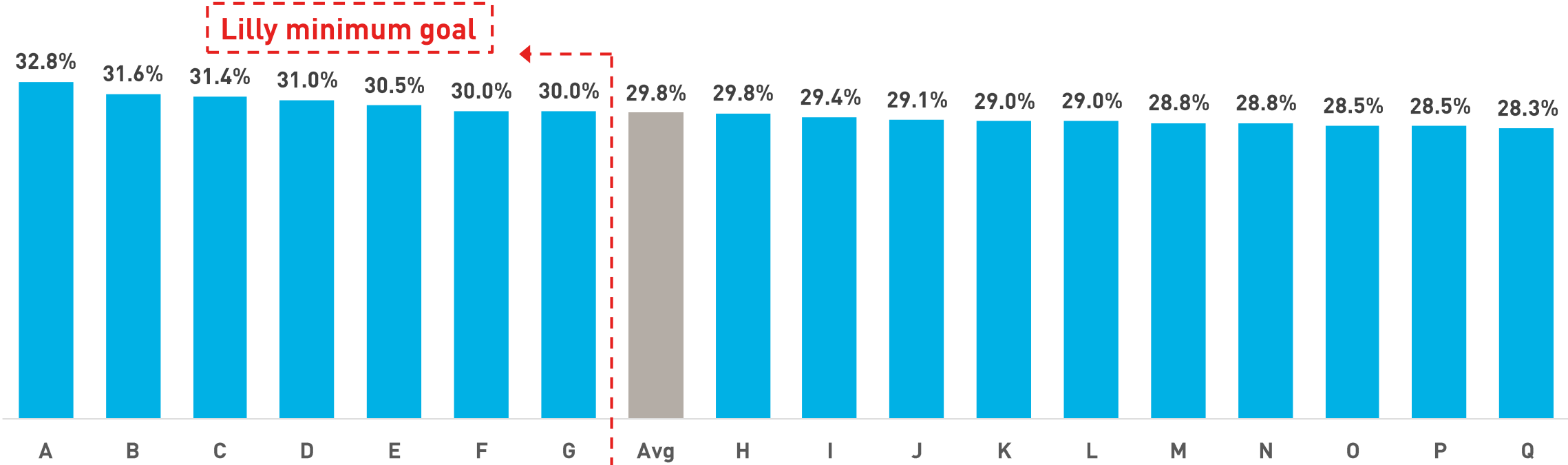
ANALYST EXPECTATIONS FOR 2020 VS. LILLY GOAL



Revenue
(billions)



Operating
Margin*



Lilly minimum goal

* (Revenue – cost of sales – SG&A – R&D) / Revenue

**BETTER SCIENCE.
BETTER LIVES.**



Lilly