

A woman is shown from the chest up, holding a baby. The image is overlaid with a red tint. In the top left and bottom right corners, there are white molecular structures consisting of circles connected by lines. The text "2018 INVESTMENT COMMUNITY MEETING" is centered in white, bold, sans-serif font.

2018 INVESTMENT COMMUNITY MEETING

Lilly



DAVID A. RICKS

Chairman and Chief Executive Officer



2018 **INVESTMENT COMMUNITY MEETING**



SAFE HARBOR PROVISION



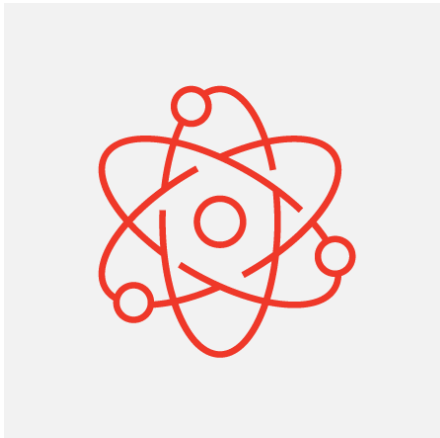
This presentation contains forward-looking statements that are based on management's current expectations, but actual results may differ materially due to various factors. The company's results may be affected by factors including, but not limited to, the risks and uncertainties in pharmaceutical research 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.

KEY STRATEGIC CHOICES

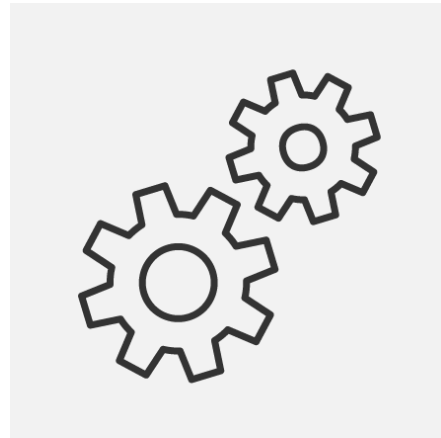
2009 INVESTMENT COMMUNITY MEETING



**Bet on
Innovation**



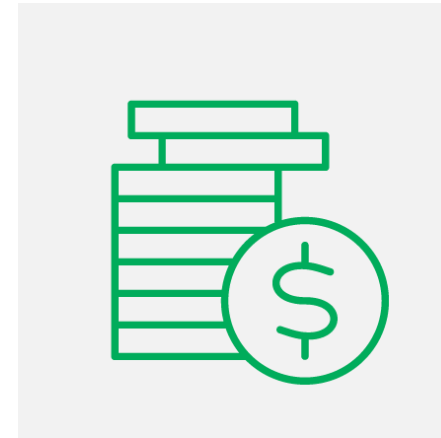
**Volume-based
Growth**



**Improve
Productivity**



**Invest in
R&D**



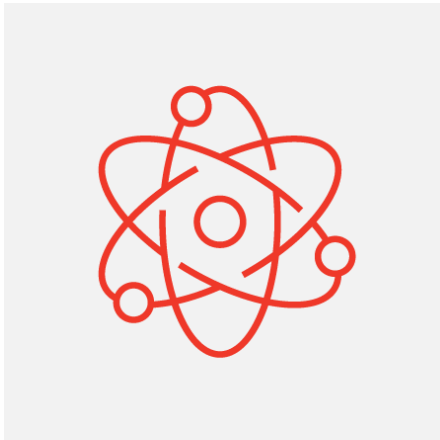
**Use Financial
Strength for BD,
Dividend**

ANALYST REACTION TO 2009 MEETING



KEY STRATEGIC CHOICES

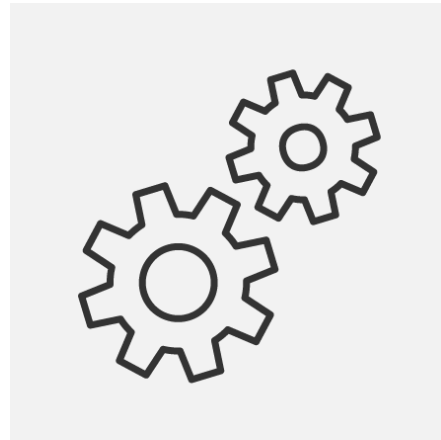
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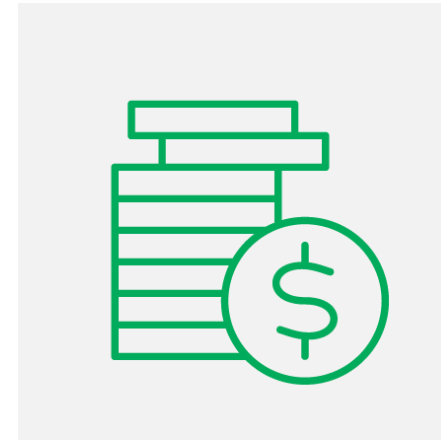
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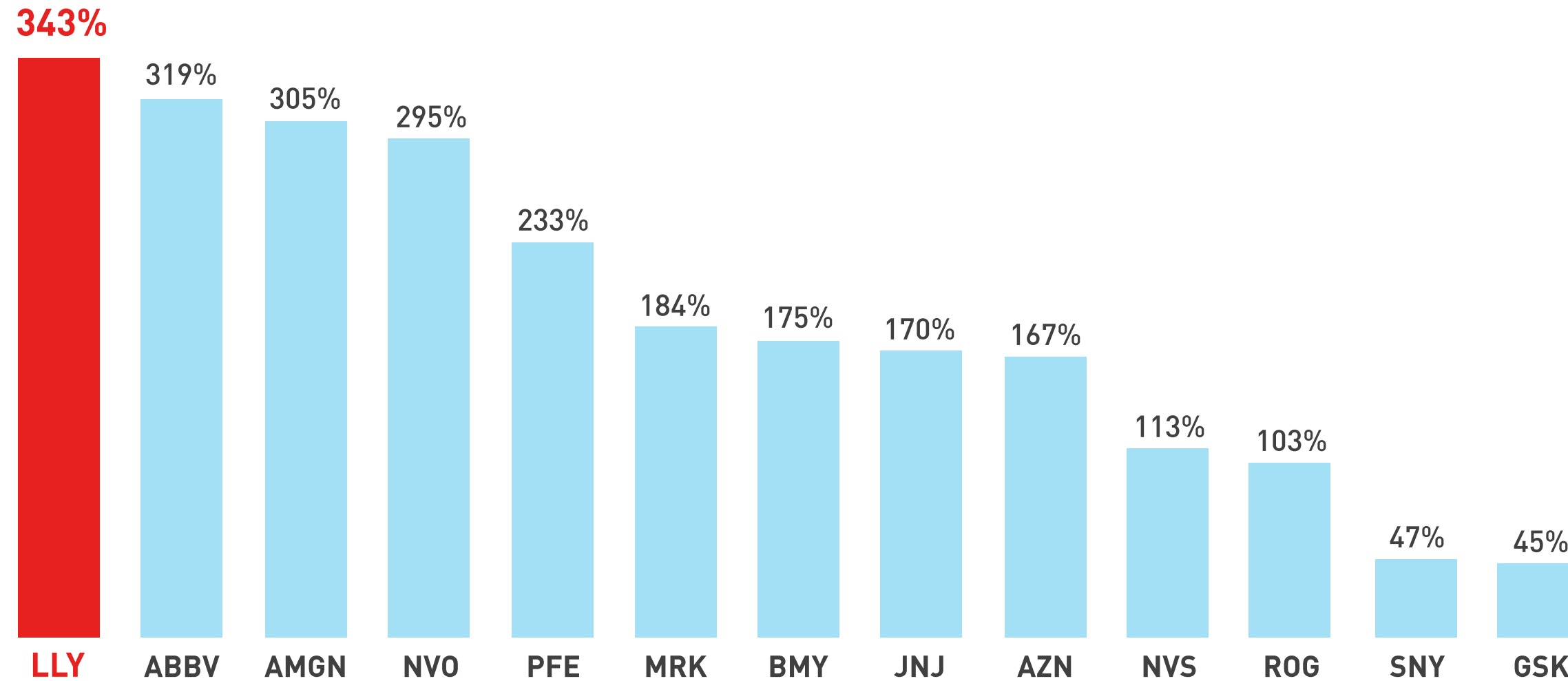
**Invest in
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**Use Financial
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TOTAL SHAREHOLDER RETURN

DECEMBER 10, 2009 TO DECEMBER 14, 2018



2016 COMMITMENTS



Grow revenue by at least 5% CAGR from 2015 to 2020



Launch 20 NMEs from 2014 to 2023



Increase gross margin as % of revenue from 2015 to 2020

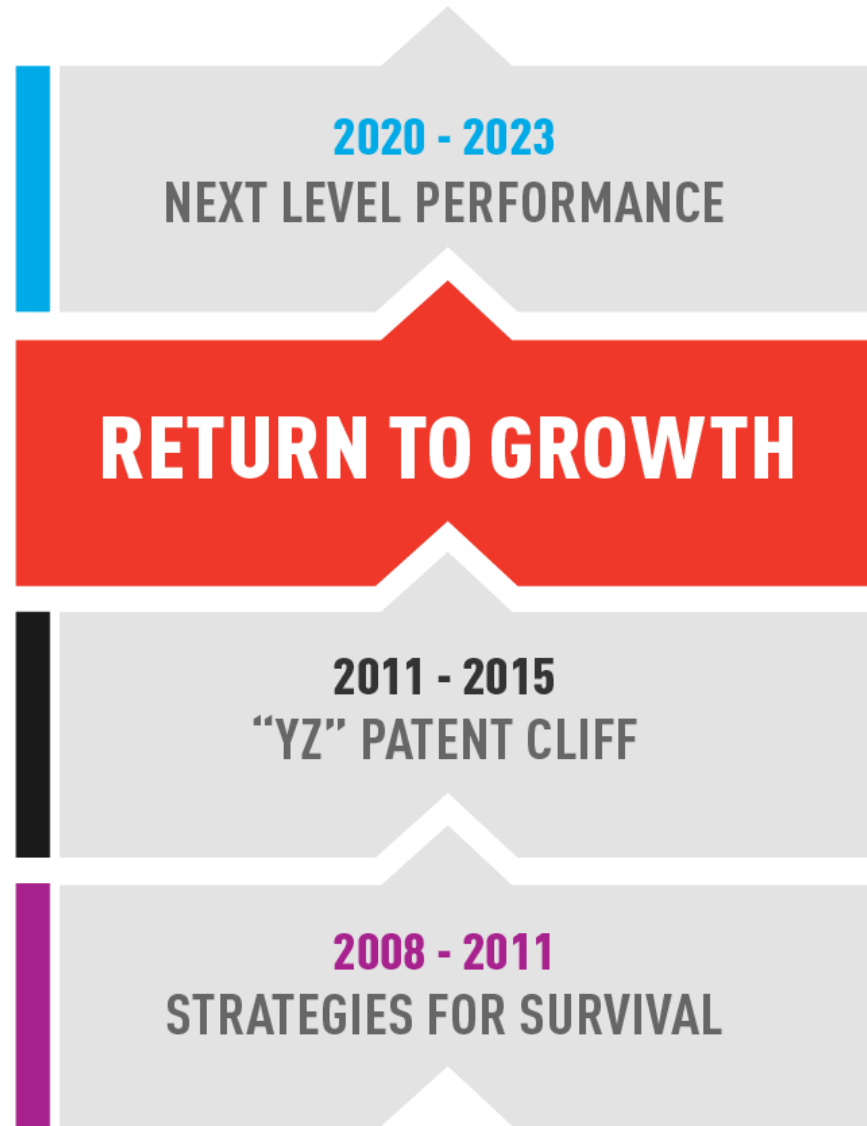


Increase the dividend annually



Reduce OPEX as % of sales to 50% by 2018

LILLY'S PHASES OF PROGRESS



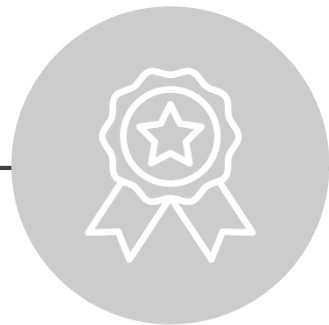
2015 - 2020

- Refine focus to human pharma only
- Build on Diabetes leadership position
- Reposition Oncology franchise
- Expand into Immunology and Pain
- Invest selectively in leading Alzheimer's targets

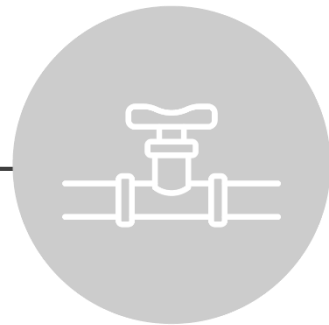
PRIORITIES UNCHANGED



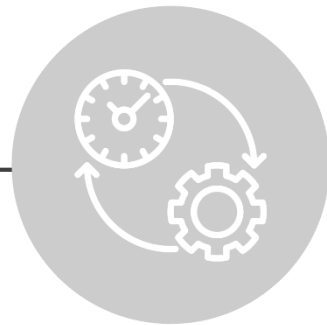
Execute on industry-leading opportunities



LAUNCH WITH EXCELLENCE



REPLENISH PIPELINE



INCREASE PRODUCTIVITY



DEVELOP TALENT

- ✓ Executive leadership
- ✓ Scientific talent

Agenda

Opening
Dave Ricks

Guidance and Commercial Update
Josh Smiley

Q&A Panel

Pipeline Update
Dan Skovronsky

Break

Q&A Panel

Closing
Dave Ricks



JOSHUA L. SMILEY

Senior Vice President and Chief Financial Officer

Lilly

2018 **INVESTMENT COMMUNITY MEETING**

The background of the slide is a solid red color. Overlaid on this background is a complex network diagram consisting of numerous small, light-colored circular nodes connected by thin, light-colored lines. The nodes are arranged in a way that suggests a global or interconnected network, with some nodes being larger than others. The overall effect is a subtle, technical, and modern aesthetic.

2019 GUIDANCE

2018 INVESTMENT COMMUNITY MEETING

POTENTIAL KEY EVENTS – 2019



Phase 3 Initiations

- **Empagliflozin** for chronic kidney disease¹
- **Tirzepatide** for obesity
- **Baricitinib** for alopecia areata
- **Mirikizumab** for Crohn's disease

Phase 3 Data Top-Line Disclosures

- **Dulaglutide** alternate doses for type 2 diabetes
- **Empagliflozin** CHF exercise ability studies¹
- **Linagliptin** CAROLINA CV outcomes study¹
- **Baricitinib** for atopic dermatitis
- **Ixekizumab** for non-radiographic axial spondyloarthritis
- **Ixekizumab** for psoriasis head-to-head vs. guselkumab
- **Tanezumab** for osteoarthritis pain²
- **Tanezumab** for chronic low back pain²
- **Tanezumab** for osteoarthritis pain long-term safety study²
- **Olaratumab** for soft tissue sarcoma (OS readout)
- **Ramucirumab** for 1L EGFR NSCLC cancer (PFS readout)

Medical Meeting Presentations

- **Dulaglutide** REWIND CV outcomes study
- **Ultra rapid lispro** for type 1 and type 2 diabetes

Regulatory Submissions

- **Connected Pen** for type 1 and type 2 diabetes (US)
- **Dulaglutide** REWIND CV outcomes study (US/other)
- **Empagliflozin** for type 1 diabetes¹ (US)
- **Ultra rapid lispro** for type 1 and type 2 diabetes (US/EU/J)
- **Galcanezumab** for episodic cluster headache (EU)
- **Ixekizumab** for radiographic axial spondyloarthritis (EU/J)

Regulatory Actions

- **Empagliflozin** for type 1 diabetes¹ (US)
- **Nasal glucagon** for hypoglycemia (US/EU)
- **Lasmiditan** for acute migraine (US)
- **Galcanezumab** for episodic cluster headache (US)
- **Ixekizumab** for radiographic axial spondyloarthritis (US)
- **Ramucirumab** for 2L high AFP hepatocellular cancer (US/EU/J)

Other

- Rulings in ongoing **Alimta**[®] patent litigation
 - US IPR appeal (CAFC)
 - US alternative salt forms appeal (CAFC)
- Full separation of **Elanco Animal Health**

DYNAMICS AFFECTING 2019 FINANCIAL RESULTS



FAVORABLE

- Uptake of newer products:
 - Trulicity[®] Cyramza[®]
 - Taltz[®] Olumiant[®]
 - Basaglar[®] Lartruvo[™]
 - Jardiance[®] Emgality[™]
 - Verzenio[®]
- Potential launches* of nasal glucagon and lasmiditan and NILEX for Taltz and Cyramza
*pending regulatory approval
- Realized savings from the productivity agenda

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

UNFAVORABLE

- Loss of exclusivity for:
 - Cialis[®] U.S. Effient[®] U.S. Other products OUS
 - Forteo[®] U.S. Alimta Germany
- Pharma contribution to Part D donut hole moving from 50% to 70%
- Ongoing global pricing headwinds
- Foreign exchange
- Higher interest expense in 2019; significant gains on investments in 2018

Grow Revenue



Mid-single digit revenue growth*, despite significant LOE headwinds

Revenue growth driven by:

- volume, not price
- new products

Improve Productivity



- Non-GAAP operating income of roughly 28.5%
- Excluding FX on international inventories sold, non-GAAP:
 - gross margin and operating income as a % of revenue to decrease by about 110bp and 60bp, respectively

Create Long-Term Value



- Expect to divest remaining Elanco holding within one year of the IPO
- Access external innovation in our core therapeutic areas
- 15% dividend increase

Speed Life-Changing Medicines



- Potential NME launches include nasal glucagon and lasmiditan
- Potential NILEX launches include Taltz for radiographic axial spondyloarthritis

*using the mid-points of the 2018 and 2019 guidance ranges

UPDATED 2018 AND FIRST TIME 2019 GUIDANCE



	2018	2019	COMMENTS
TOTAL REVENUE	\$24.3 - \$24.5 billion	\$25.3 - \$25.8 billion	Mid-single digit growth; FX -150bps
GROSS MARGIN % (GAAP)	approx. 73.5%	approx. 75.0%	
GROSS MARGIN % (NON-GAAP)	approx. 76.0%	approx. 76.5%	Increase due to FX effect on intl. inventories sold and productivity largely offset by negative LOE impact and price
MKTG, SELLING & ADMIN.	\$6.3 - \$6.5 billion	\$6.4 - \$6.7 billion	Increase due to higher spend to support recent/new launches, partially offset by productivity efforts
RESEARCH & DEVELOPMENT	\$5.2 - \$5.4 billion	\$5.6 - \$5.8 billion	Increase due to higher Phase 3 NME and NILEX activity
OTHER INCOME/(EXPENSE)	\$75 - \$200 million	\$(225) - \$(75) million	Large decrease due to higher interest expense and lower securities gains
TAX RATE (GAAP)	approx. 23.0%	approx. 16.0%	Pending finalization of estimates, accounting policy elections, and guidance issued for tax reform
TAX RATE (NON-GAAP)	approx. 16.0%	approx. 16.0%	See commentary for GAAP tax rate
EARNINGS PER SHARE (GAAP)	\$2.80 - \$2.85	\$5.52 - \$5.62	
EARNINGS PER SHARE (NON-GAAP)	\$5.55 - \$5.60	\$5.90 - \$6.00	Mid- to high-single digit increase; reflects a reduction for the minority interest in Elanco (~\$0.02 in 2018, ~\$0.08 in 2019)
NOTE: OPERATING INCOME %	approx. 27.5%	approx. 28.5%	See commentary on non-GAAP gross margin % and revenue growing faster than operating expenses

Assumes 19.8% Elanco non-controlling interest for Q4 2018 and entirety of 2019

NON-GAAP CONSTANT FX COMPARISON



	2018 NON-GAAP GUIDANCE	EFFECT OF FX ON INTERNATIONAL INVENTORY SOLD	2018 NON-GAAP EXCL. FX	2019 NON-GAAP CONSTANT FX
TOTAL REVENUE	\$24.3 - \$24.5 billion		\$24.3 - \$24.5 billion	\$25.7 - \$26.2 billion
COST OF SALES		approx. \$275 million		
GROSS MARGIN % OF REVENUE	approx. 76.0%		approx. 77.0%	approx. 76.5%
MKTG, SELLING & ADMIN.	\$6.3 - \$6.5 billion		\$6.3 - \$6.5 billion	\$6.6 - \$6.8 billion
RESEARCH & DEVELOPMENT	\$5.2 - \$5.4 billion		\$5.2 - \$5.4 billion	\$5.6 - \$5.8 billion
OTHER INCOME / (EXPENSE)	\$75 - \$200 million		\$75 - \$200 million	\$(225) - \$(75) million
TAX RATE	approx. 16.0%	approx. 16.0%	approx. 16.0%	approx. 16.0%
EARNINGS PER SHARE	\$5.55 - \$5.60	(\$0.22)	\$5.77 - \$5.82	\$6.03 - \$6.13
NOTE: OPERATING INCOME %	approx. 27.5%		approx. 28.7%	approx. 28.7%

GUIDANCE EXCLUDING FX:

- Revenue to grow mid-to high-single digits
- Gross margin percent to decline by about 75bp
- Operating income percent flat; operating income dollars to increase mid- to high-single digits
- EPS to increase mid-single digits

2019 NON-GAAP WALKTHROUGH



	NON-GAAP CONSTANT FX	EFFECT OF FX ON INTERNATIONAL INVENTORY SOLD	OPERATIONAL EFFECT OF FX	NON-GAAP GUIDANCE
TOTAL REVENUE	\$25.7 - \$26.2 billion		approx. \$(365) million	\$25.3 - \$25.8 billion
COST OF SALES		approx. \$(125) million	nil	
GROSS MARGIN % OF REVENUE	approx. 76.5%			approx. 76.5%
MKTG, SELLING & ADMIN.	\$6.6 - \$6.8 billion		approx. \$(65) million	\$6.4 - \$6.7 billion
RESEARCH & DEVELOPMENT	\$5.6 - \$5.8 billion		approx. \$(30) million	\$5.6 - \$5.8 billion
OTHER INCOME / (EXPENSE)	\$(225) - \$(75) million		nil	\$(225) - \$(75) million
TAX RATE	approx. 16.0%	approx. 16.0%	approx. 16.0%	approx. 16.0%
EARNINGS PER SHARE	\$6.03 - \$6.13	\$0.10	\$(0.22)	\$5.90 - \$6.00
NOTE: OPERATING INCOME %	approx. 28.7%			approx. 28.5%

ASSUMES FX RATES OF:

Euro at 1.17

Yen at 113

Renminbi at 6.86

2019 GAAP WALKTHROUGH



	NON-GAAP GUIDANCE	INCLUSION OF AMORTIZATION	OTHER CHARGES*	GAAP GUIDANCE
TOTAL REVENUE	\$25.3 - \$25.8 billion			\$25.3 - \$25.8 billion
COST OF SALES		approx. \$340 million		
GROSS MARGIN % OF REVENUE	approx. 76.5%			approx. 75.0%
MKTG, SELLING & ADMIN.	\$6.4 - \$6.7 billion			\$6.4 - \$6.7 billion
RESEARCH & DEVELOPMENT	\$5.6 - \$5.8 billion			\$5.6 - \$5.8 billion
OTHER INCOME / (EXPENSE)	\$(225) - \$(75) million			\$(225) - \$(75) million
TAX RATE	approx. 16.0%	approx. 18.5%		approx. 16.0%
EARNINGS PER SHARE	\$5.90 - \$6.00	approx. \$(0.28)	approx. \$(0.10)	\$5.52 - \$5.62

*charges related to the AC Immune agreement and the separation of Elanco

PHARMA ONLY 2018 AND 2019 EXPECTATIONS*



	2018	2019	Comments
TOTAL REVENUE	\$21.3 - \$21.5 billion	\$22.2 - \$22.7 billion	Mid-single-digit growth; FX -140bps
GROSS MARGIN % (NON-GAAP)	approx. 79.5%	approx. 80.0%	Increase due to productivity efforts and FX effect on intl. inventories, largely offset negative LOE impact and price
MKTG, SELLING & ADMIN.	\$5.7 - \$5.9 billion	\$5.7 - \$6.0 billion	Increase due to higher spend to support recent/new launches, partially offset by productivity efforts
RESEARCH & DEVELOPMENT	\$4.9 - \$5.1 billion	\$5.3 - \$5.5 billion	Increase due to higher Phase 3 NME and NILEX activity
OTHER INCOME/(EXPENSE)	\$50 - \$175 million	\$(150) - \$0 million	Decrease due to higher interest income and lower expected securities gains
TAX RATE (NON-GAAP)	approx. 15.5%	approx. 15.5%	Pending finalization of estimates, accounting policy elections, and guidance issued for tax reform
EARNINGS PER SHARE (NON-GAAP)	tbd	tbd	Depends on method for effecting full Elanco separation
NOTE: OPERATING INCOME %	approx. 28.5%	approx. 30.0%	See commentary on gross margin % and revenue growing faster than operating expenses

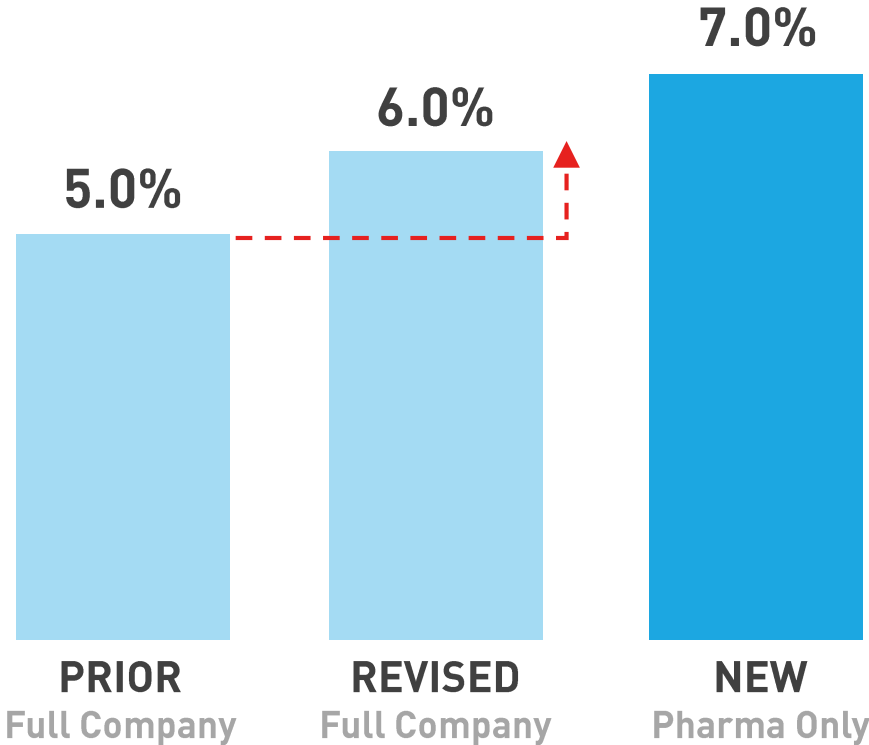
* to be converted into full and formal guidance once the Elanco separation is complete

2020 MINIMUM EXPECTATIONS

NON-GAAP

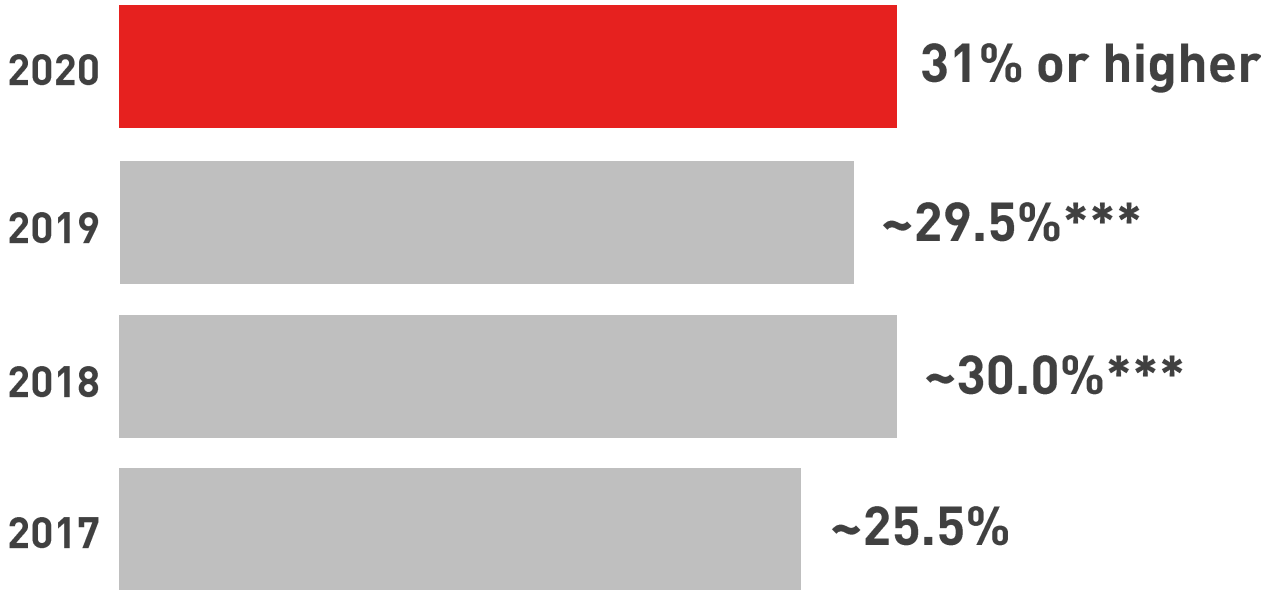


Minimum Revenue CAGR* 2015-2020



Operating Margin** as a % of Revenue - 2020

HUMAN PHARMACEUTICALS ONLY



* CAGR = compound annual growth rate

** Revenue – cost of sales (excl. FX effect on intL inventories sold) – SG&A – R&D

*** Based on 2018 and 2019 guidance

Summary

2019 **revenue growth** in mid-single digits, driven by new product volume

Mid-to high-single digit EPS growth and minimal decline in **operating margin percent** despite patent expirations and pricing headwinds

Potential new **medicines** include nasal glucagon and lasmiditan

Strong execution of our innovation-based strategy positions Lilly to meet or exceed 2020 revenue and margin goals

Grow Revenue

Minimum average annual revenue growth of 7% in constant currency from 2015 through 2020 (pharma only)

Improve Productivity

Excluding FX on int'l inventories sold, minimum operating margin % of revenue of 31% in 2020 (pharma only)

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

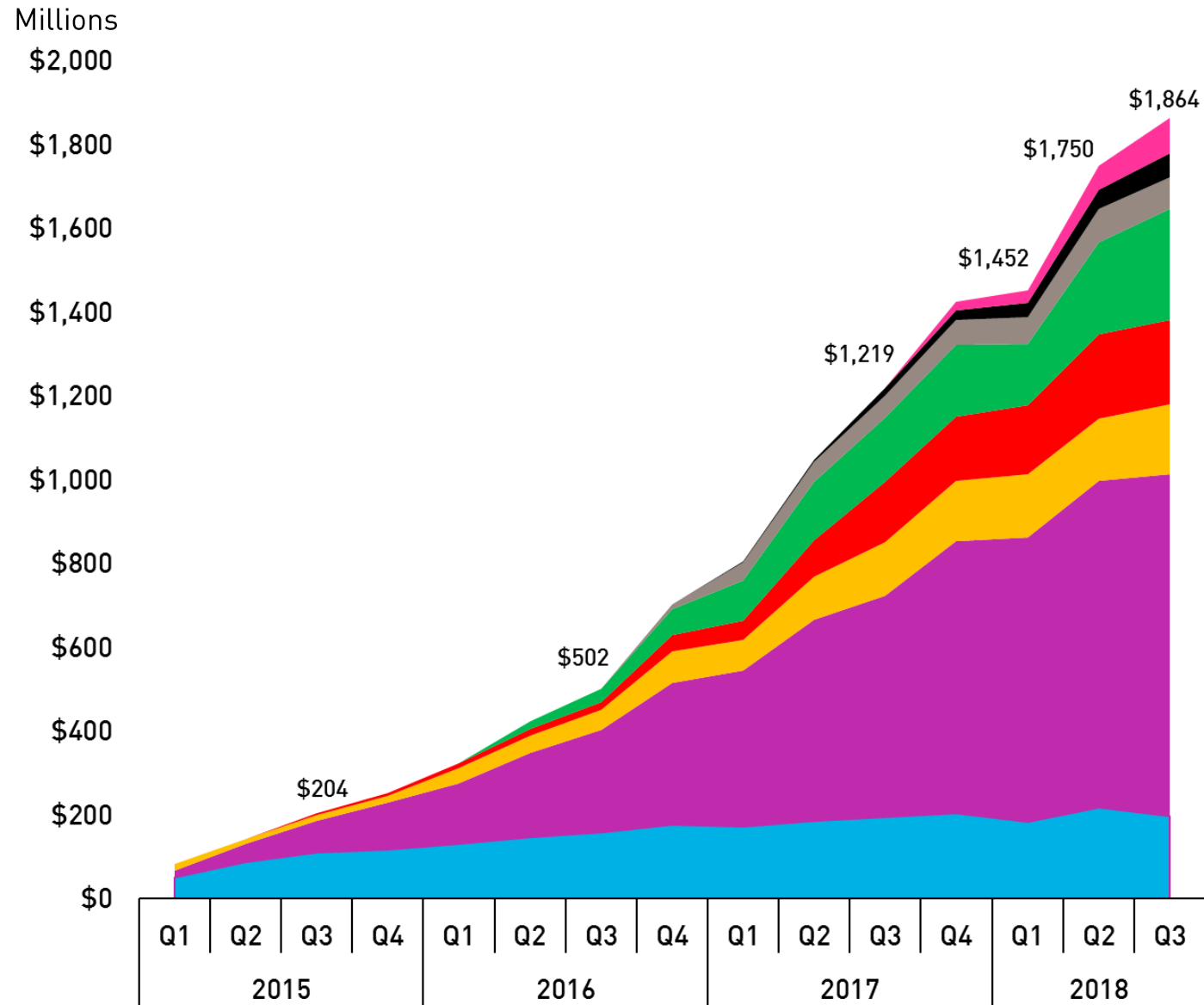
Fund existing marketed and pipeline products
Bolster growth prospects via business development in focus areas
Annual dividend increases

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COMMERCIAL UPDATE

2018 INVESTMENT COMMUNITY MEETING

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 1st 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)
 - 2nd 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.

GLP-1: TRULICITY

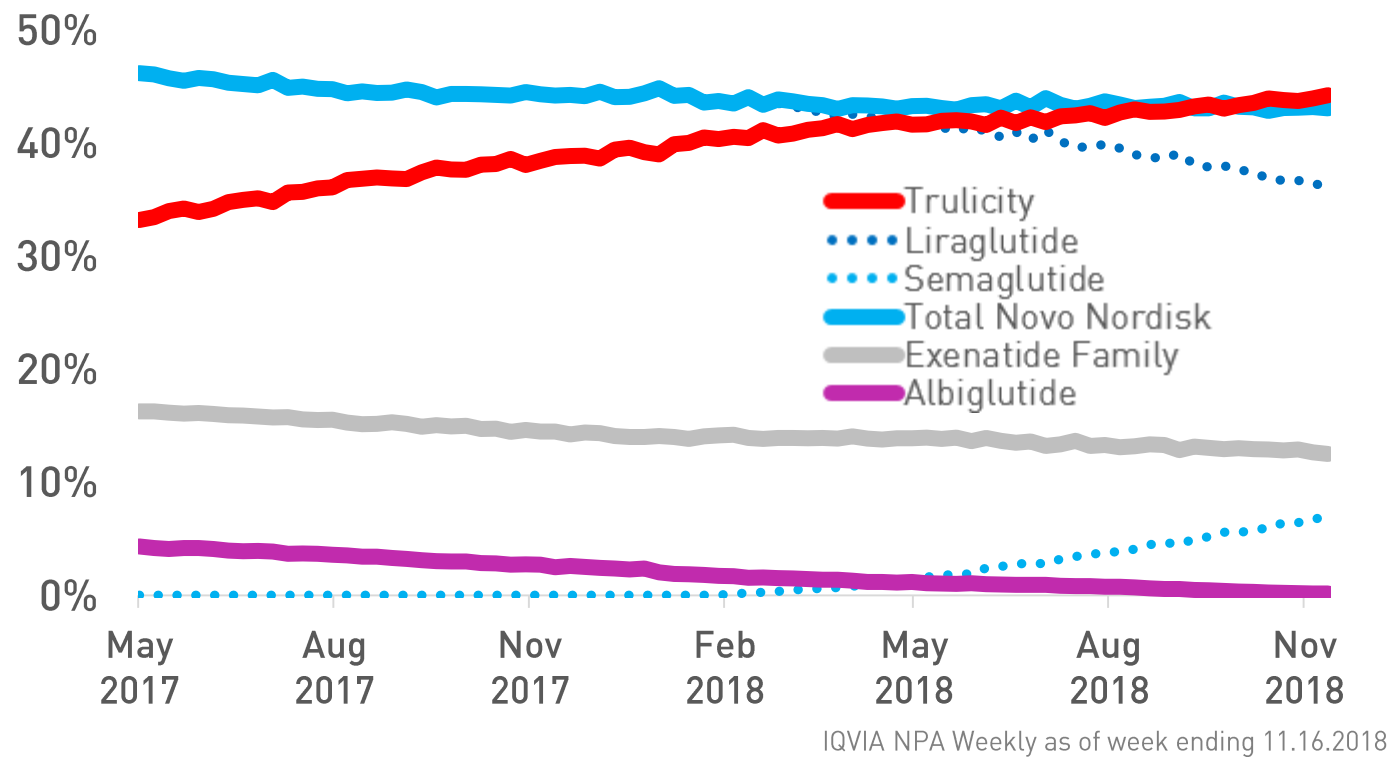
TRANSFORMING THE FIRST INJECTABLE SPACE



PRODUCT PERFORMANCE

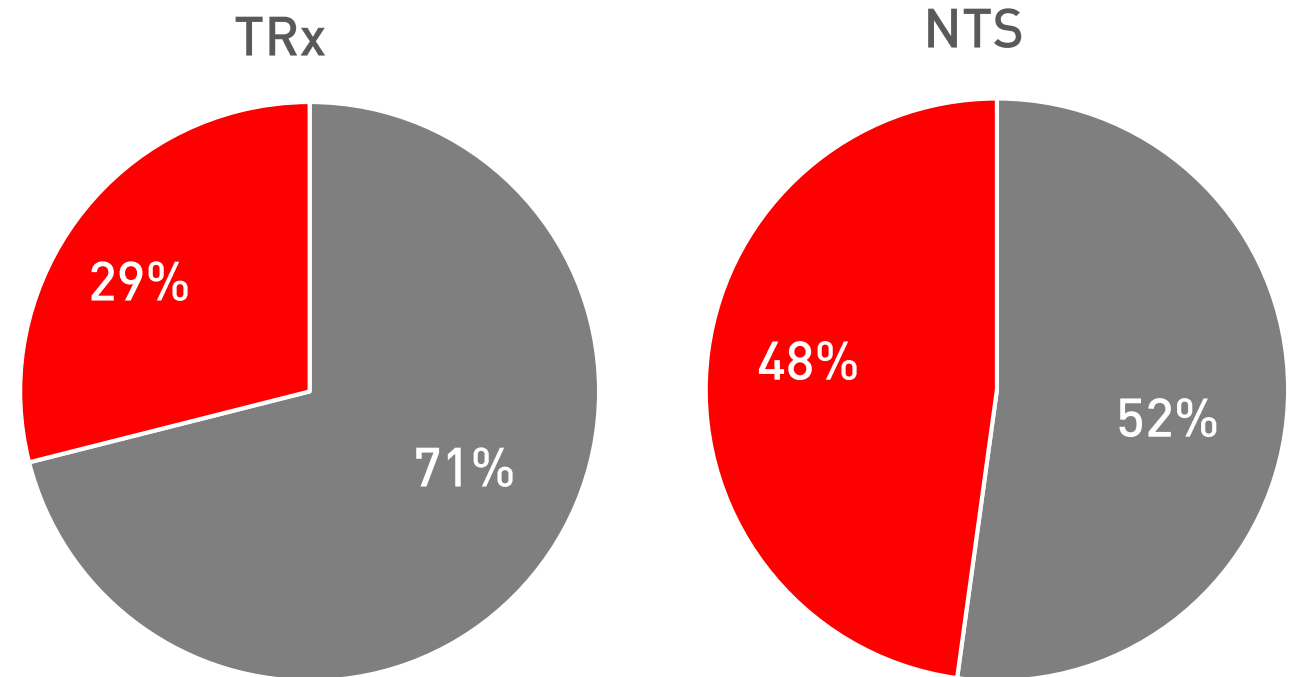
GROWTH OPPORTUNITY

U.S. GLP-1 TRx SOM



U.S. GLP-1 4wk. YoY market growth **was 22%** as of Jan 5, 2018.
 U.S. GLP-1 4wk. YoY market growth is **now 28%**.

U.S. 1st Injection SOM
 (approx 850k TRx / week)



■ Basal Insulin ■ GLP-1

■ Basal Insulin ■ GLP-1

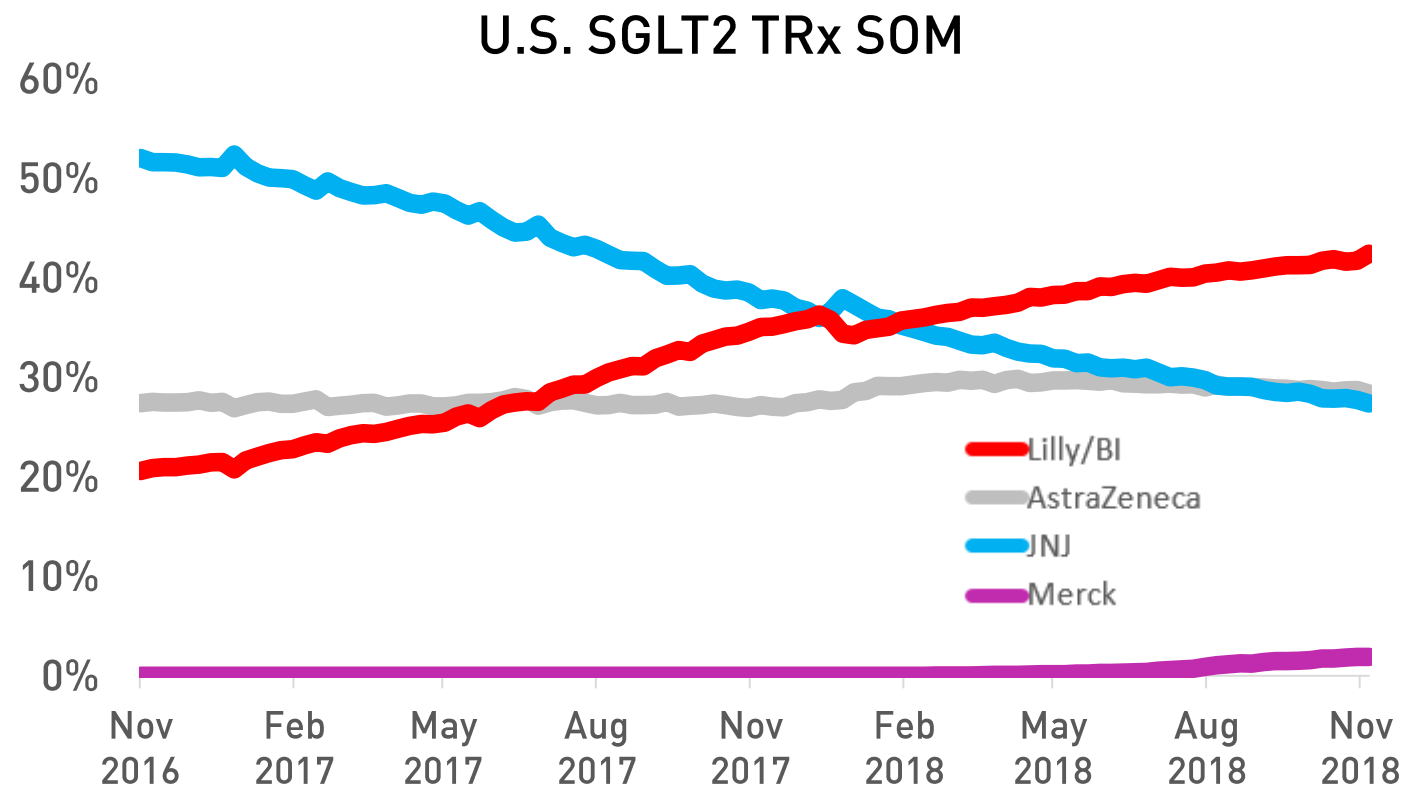
IQVIA NPA Weekly as of week ending 11.16.2018

SGLT2: JARDIANCE FAMILY

BEST-IN-CLASS WITH OPPORTUNITY FOR CONTINUED GROWTH



PRODUCT PERFORMANCE

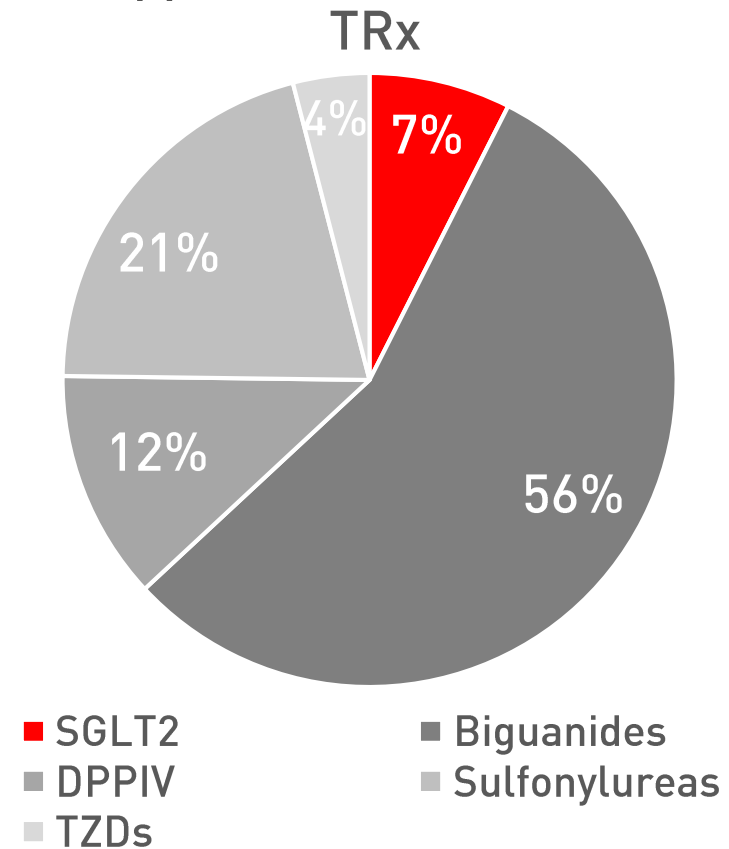


IQVIA NPA Weekly as of week ending 11.16.2018

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

GROWTH OPPORTUNITY

U.S. Share of Oral Market (approx 3M TRx / week)



IQVIA NPA Weekly as of week ending 11.16.2018

- Congestive heart failure exercise ability studies read out in 2019
- EMPEROR-Reduced and EMPEROR-Preserved outcomes studies
- Chronic Kidney Disease
- ADA and EASD updated guidelines in 2018
- Expert Consensus Decision Pathway issued by ACC in 2018

IL-17: TALTZ

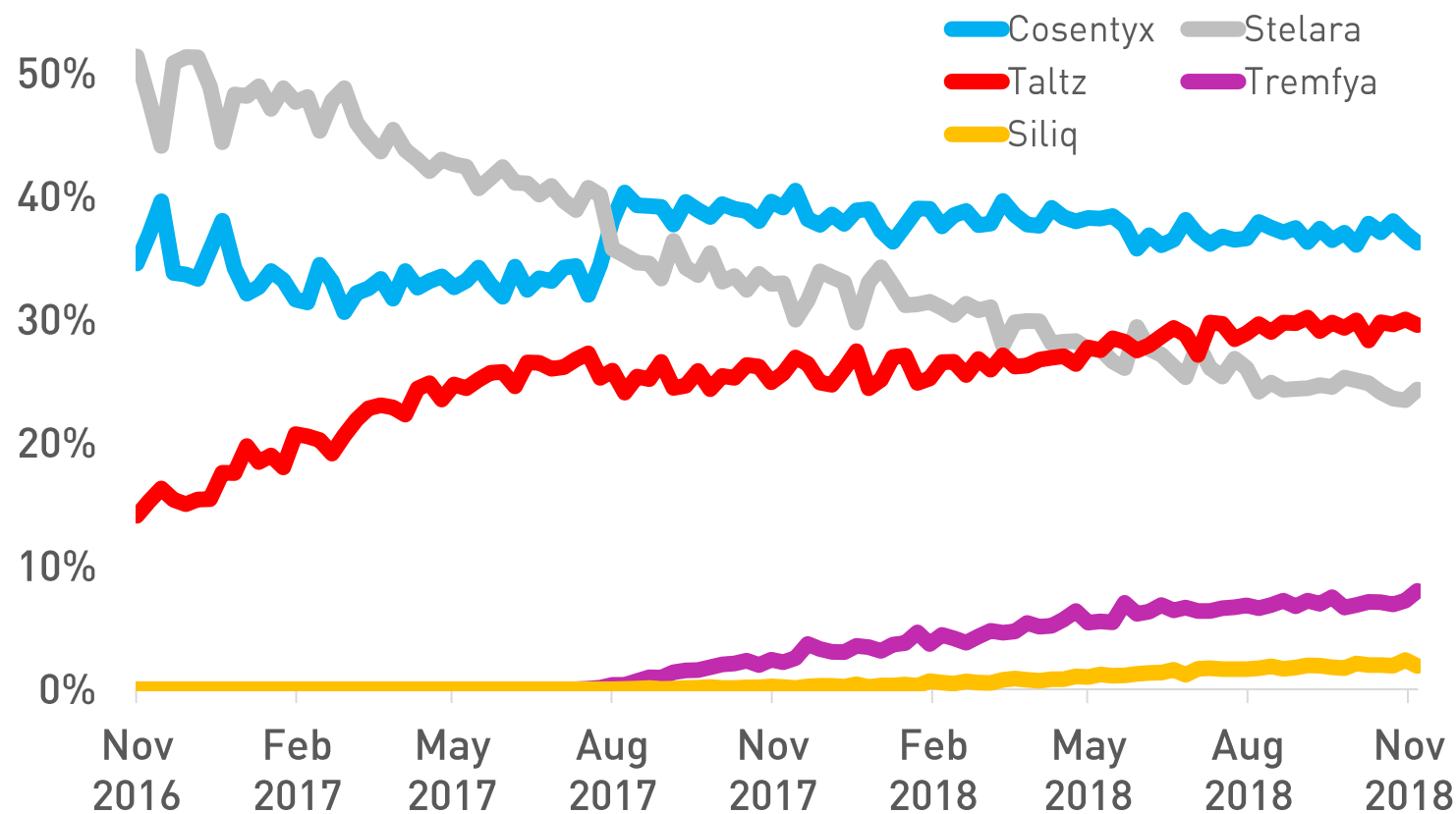
STRONG START WITH EXCITING POTENTIAL



PRODUCT PERFORMANCE

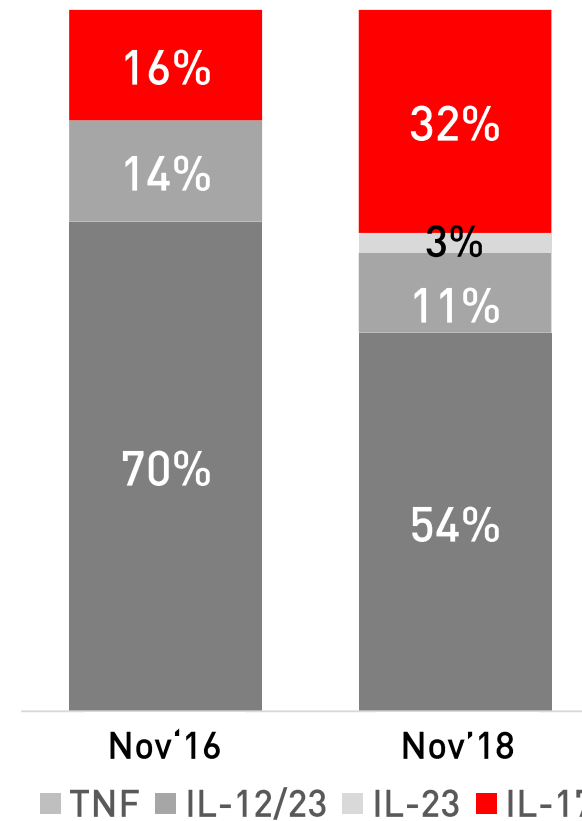
GROWTH OPPORTUNITY

U.S. Derm TRx SOM in Novel Therapies



IQVIA NPA Weekly as of week ending 11.16.2018

U.S. Derm TRx SOM by Class



Expansion in Dermatology

- IL-17 dermatology TRx SOM doubled in past 2 years
- Current class SOM of 30% provides room for more growth

Opportunity in Rheumatology

- PsA launched in early 2018
- Demonstrated superiority to adalimumab in PsA
- Rad-AxSpA submitted
- Non-radiographic AxSpA readout H1'19

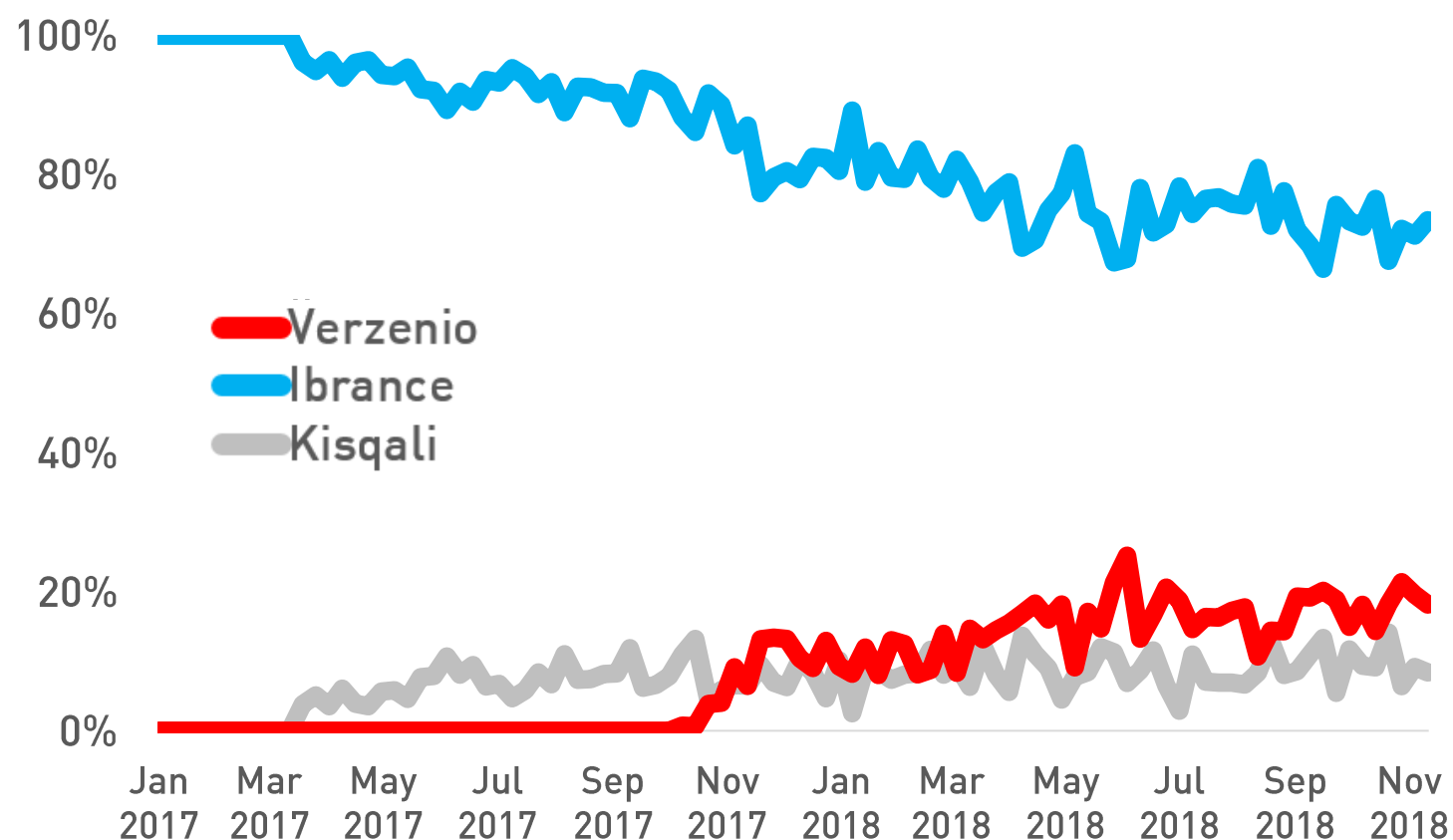
CDK4/6: VERZENIO

AN IMPORTANT TREATMENT FOR PATIENTS WITH HR+, HER2- BREAST CANCER



PRODUCT PERFORMANCE

U.S. CDK4/6 NBRx SOM



IQVIA NPA Weekly as of week ending 11.16.2018

GROWTH OPPORTUNITY

- **New to Brand Share of Market ~20%**
 - Particularly strong uptake in patients with concerning clinical characteristics
- **Approved in Europe and Japan in 2H 2018 with launches ongoing**
- **Upcoming readouts could significantly expand the addressable market**
 - HER2+ (2019) represents approximately 15-20% of the metastatic breast cancer (MBC) market
 - Adjuvant (2021) setting has ~125k patients initiating treatment in the U.S each year (~3x CDK 4/6 MBC)
 - Estimate ~25K are “high risk”, expanding Verzenio’s eligible patient population by nearly 60% in a much longer treatment setting

CGRP: EMGALITY

AN IMPORTANT OPTION IN A CLASS WITH LARGE POTENTIAL



PRODUCT PERFORMANCE

High Unmet Need⁽¹⁾

- U.S. migraine sufferer population roughly the same size as diabetes population (30 million)
- Over half are diagnosed, but only 10% are currently on a preventive medication

Differentiated label

Simple, best-in-class auto injector

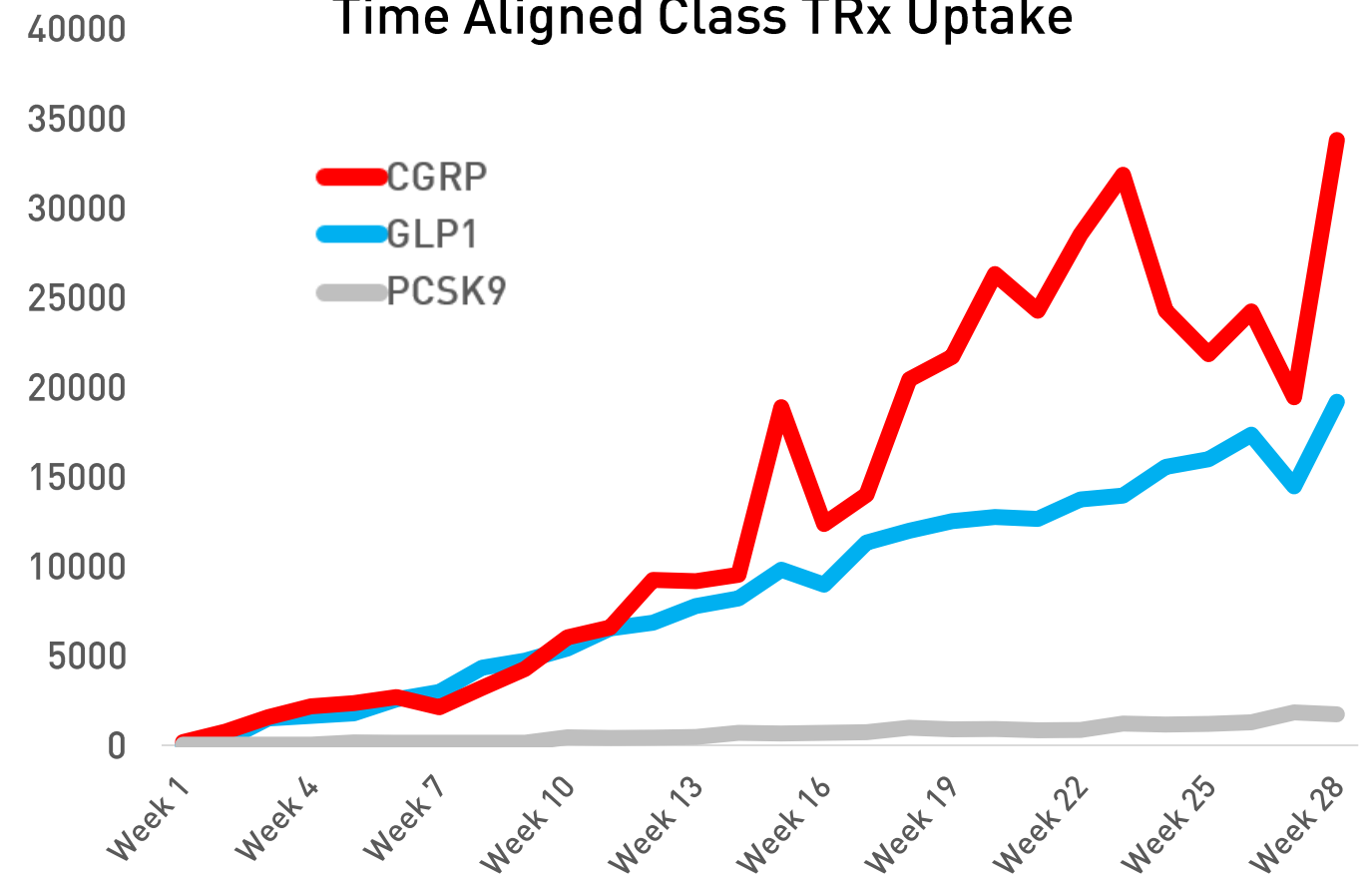
Broad access expected in 2019

Consumer mobilization beginning in early 2019

⁽¹⁾ American Migraine Prevalence and Prevention Study

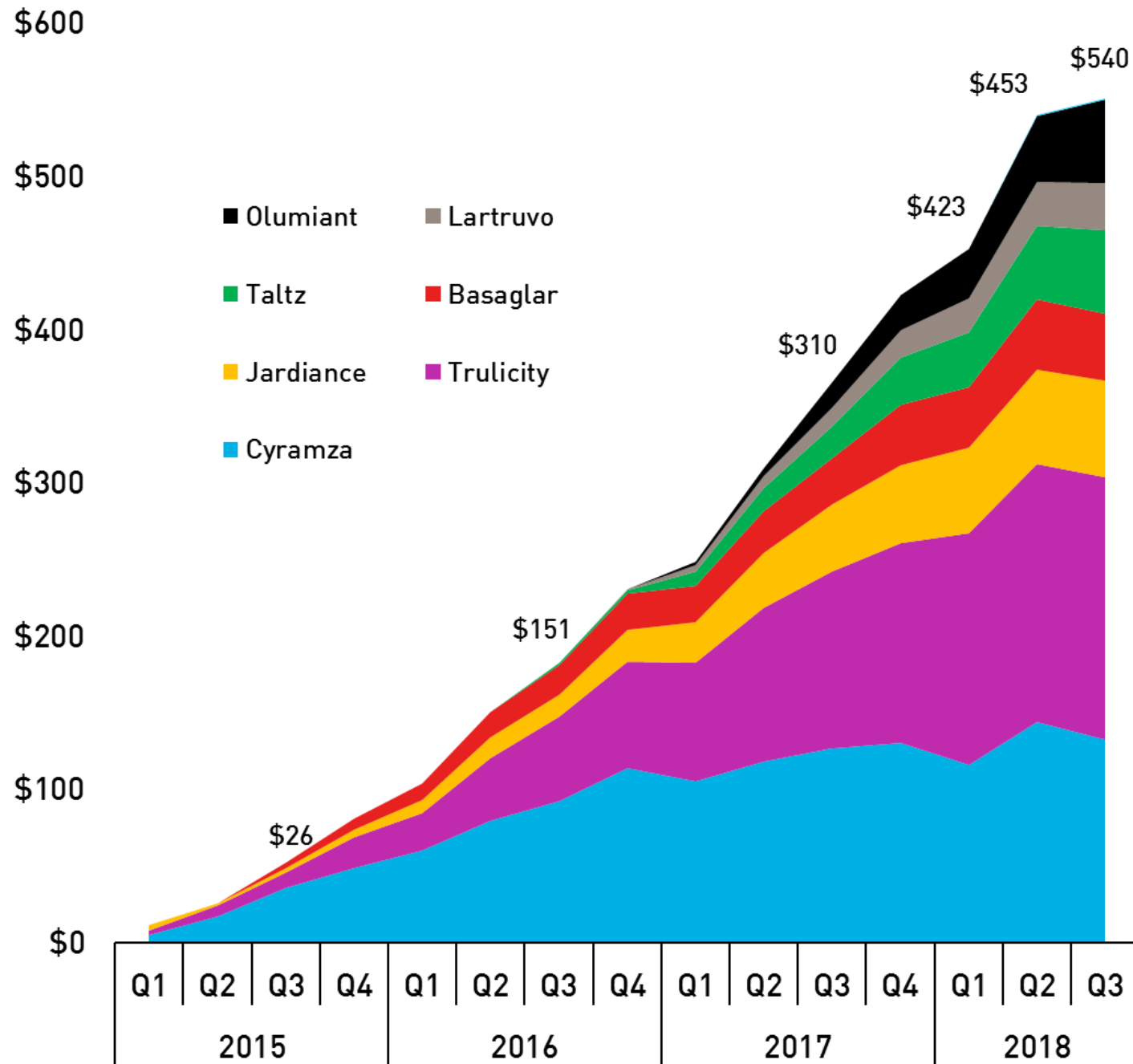
GROWTH OPPORTUNITY

Time Aligned Class TRx Uptake



IQVIA NPA Weekly

INTERNATIONAL OPPORTUNITY



2019 LAUNCHES INCLUDE

Emgality in Europe

Verzenio in Europe and Japan

Trulicity in China

Taltz PsA in Europe

Olumiant in Brazil





Josh Smiley

Chief Financial Officer



Enrique Conterno

President Lilly Diabetes



Christi Shaw

President Lilly Biomedicines



Anne White

President Lilly Oncology



2018 **INVESTMENT COMMUNITY MEETING**

Lilly