
Eli Lilly and Company

First Quarter Financial Review

April 20th, 2009

Lilly

Answers That Matter.

Safe Harbor Provision

This press release contains forward-looking statements that are based on management's current expectations, but actual results may differ materially due to various factors. There are significant risks and uncertainties in pharmaceutical research and development. There can be no guarantees with respect to pipeline products that the products will receive the necessary clinical and manufacturing regulatory approvals or that they will prove to be commercially successful. The company's results may also be affected by such factors as competitive developments affecting current products; rate of sales growth of recently launched products; the timing of anticipated regulatory approvals and launches of new products; regulatory actions regarding currently marketed products; other regulatory developments and government investigations; patent disputes and other litigation involving current and future products; the impact of governmental actions regarding pricing, importation, and reimbursement for pharmaceuticals; changes in tax law; asset impairments and restructuring charges; acquisitions and business development transactions; and the impact of exchange rates and global macroeconomic conditions. For additional information about the factors that affect the company's business, please see the company's latest Form 10-K filed February 2009. The company undertakes no duty to update forward-looking statements.

Q1 2009 Summary

Strong start to the year, with continued:

- Volume-driven revenue growth
- Leverage between revenue and operating expense
- Increasing gross margin as a percent of revenue
- Strong operating cash flow

Current financial performance provides resources to:

- Build a robust pipeline to drive future growth
- Deal with patent expirations in the next decade
- Respond from a position of strength to an increasingly challenging healthcare environment

Beyond the Quarterly Financial Results

Significant events over the last three months

Legal Updates:

- A bench trial was held in the U.S. District Court for the Southern District of Indiana regarding patent litigation for Evista. We expect a ruling on a preliminary injunction motion by April 23, 2009.
- The CAFC overturned a lower court decision and ruled in favor of Lilly holding that Ariad Pharmaceuticals' patent claims purporting to cover Evista and Xigris are invalid.

Data Releases:

- Released top-line data from DURATION-2 study of exenatide once weekly which showed greater reduction in HbA1c and weight in exenatide once weekly patients than in sitagliptin or pioglitazone patients.
- Announced that a CV meta-analysis across controlled clinical studies of three months or greater from the exenatide database showed no increased risk of CV events were associated with exenatide use.

Beyond the Quarterly Financial Results

Significant events over the last three months

Moving the Pipeline:

- The EC granted marketing authorization for Efient for the prevention of atherothrombotic events in patients with ACS undergoing PCI. Efient has now been launched in both Germany and the United Kingdom.
- Launched Zypadhera in the European Union.
- The FDA approved a new indication for Symbyax for the acute treatment of treatment-resistant depression (TRD) in adults and two new indications for Zyprexa (olanzapine) and fluoxetine (Prozac) in adults for the acute treatment of bipolar depression and for TRD.
- Submitted a reply to the FDA for the complete response for Zyprexa long-acting injection. Designated a six-month review.
- Received a complete response letter from the FDA for the first-line squamous cell carcinoma of the head and neck (SCCHN) sBLA for Erbitux.
- The FDA's Cardiovascular and Renal Drugs Advisory Committee voted 9 to 0 that prasugrel should be approved for patients with ACS undergoing PCI.

Comparison Measures

Results shown multiple ways to aid analysis

“Reported” results

- Includes all financial results as reported under GAAP
- Consequently, it reflects the results of ImClone as of the acquisition date of November 24th, 2008.

“Pro forma non-GAAP” results

- Starts with “Reported” results
- Includes adjustments for items such as:
 - Restructuring charges and asset impairments
 - In process R&D charges from business development activities
- Restates results as if Lilly had owned ImClone as of January 1st, 2008

2009 Income Statement (Pro forma non-GAAP)

Millions; except per share data

	<u>Q1 2009</u>	<u>Q1 2008</u>	<u>Growth</u>
Total Revenue	5,047	4,911	3%
Gross Margin	83.8%	76.5%	7.3pp
Operating Expense (R&D plus SG&A)	2,477	2,488	(0)%
Operating Income	1,754	1,267	38%
Other Income / (Deductions)	(71)	(45)	56%
<i>Effective Tax Rate</i>	<i>22.0%</i>	<i>21.3%</i>	<i>0.7p</i>
Net Income	<u>\$1,313</u>	<u>\$962</u>	37%
Diluted EPS	\$1.20	\$0.88	36%

Notes:

- First-quarter 2008 financial statement has been restated assuming the acquisition of ImClone was completed by Lilly effective January 1, 2008.
- The first quarter of 2008 amounts are also adjusted to eliminate a charge of \$145.7 million, or \$0.09 per share for asset impairments, restructuring and other special charges primarily related to the termination of the AIR® Insulin program; a charge of \$87.0 million, or \$0.05 per share for acquired in-process research and development associated with the BioMS in-licensing arrangement; and a discrete income tax benefit of \$210.3 million, or \$0.19 per share as a result of the resolution of a substantial portion of the IRS audit of its federal income tax returns for the years 2001 through 2004.

Trends

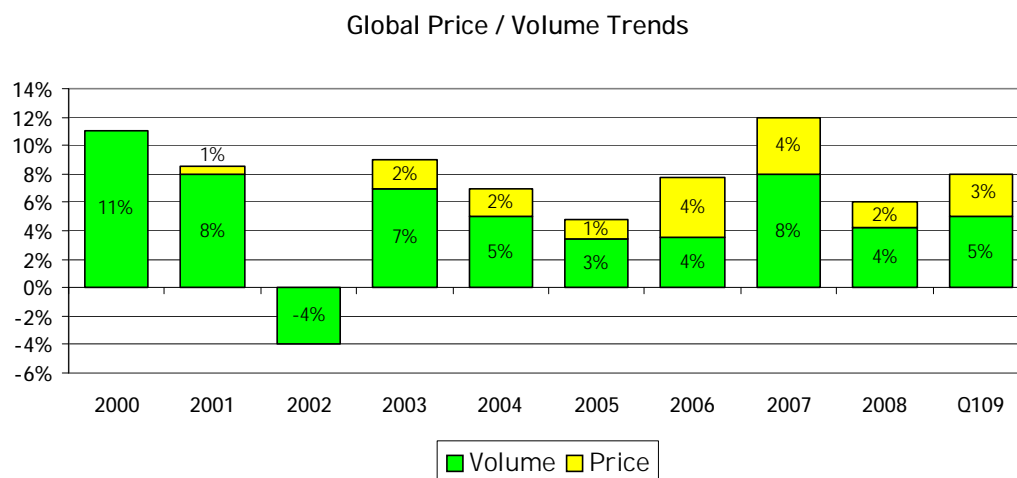
Volume-driven revenue growth

2009 Price/Rate/Volume Analysis

	March YTD (pro forma)			
	Price	Rate	Volume	Total
Pharma				
US	7%	n/a	2%	9%
Europe	-1%	-13%	9%	-6%
Japan	-1%	20%	16%	34%
ROW	2%	-18%	5%	-11%
Total Pharma	4%	-6%	5%	3%
Animal Health	1%	-5%	17%	12%
Product Sales	3%	-6%	6%	3%
Collab/Other Rev	-	-	-12%	-12%
Total Revenue	3%	-5%	5%	3%

Note: Numbers may not add due to rounding

WW growth from volume and price



**Strong volume growth continues;
significant negative FX impact in Europe and ROW**

Impact of Foreign Exchange on Q1 Results

	<u>Reported</u>	Pro forma non-GAAP	
		<u>With FX</u>	<u>w/o FX</u>
Total Revenue	5%	3%	8%
Cost of Sales	(27)%	(29)%	7%
Gross Margin	14%	13%	9%
Operating Expense <i>(R&D plus SG&A)</i>	(7)%	(0)%	3%
Operating Income	69%	38%	19%

Key Points on performance, excluding foreign exchange:

- 8% revenue growth driven by robust 5% volume growth
- Gross margin percent increased (revenue grew faster than cost of sales)
- Operating leverage was strong (revenue grew much faster than operating expense)

Strong underlying financial performance, excluding the impact of foreign exchange

Expected Trends Over the Course of 2009

Foreign exchange considerations:

If exchange rates remain at current levels:

- The negative impact we saw in Q1 on international revenue and margins is likely to persist for Q2 and Q3 and moderate in Q4;
- The substantial benefit to gross margin seen in Q1 related to international inventories will not be sustained over the remaining three quarters of 2009.

Operational considerations, excluding FX:

- Continued volume-driven revenue growth; more significant erosion of Gemzar sales as generics penetrate intl markets;
- Growth of cost of products sold may be relatively close to revenue growth;
- Operating expense growth may increase due to ramp-up of prasugrel launches and advancement of pipeline molecules into later stages of development.

2009 Guidance Summary

Millions, except per share amounts

	<u>Pro forma non-GAAP</u>	<u>Reported</u>
EPS (pro forma non-GAAP)	\$4.00 - \$4.25	\$4.00 - \$4.25
Total Revenue	Low-single digits	Mid-single digits
Gross Margin % of Revenue	Increase	Increase
Mktg, Selling & Admin.	Flat to low-single digits	Flat to low-single digits
Research & Development	High-single digits	Low-double digits
Other Income/(Expense)	(\$200) to (\$250) million	(\$200) to (\$250) million
Tax Rate	Approximately 22%	Approximately 22%
Capital Expenditures	\$1,100	\$1,100

For complete reconciliation to reported guidance, please see slide 12 of this presentation and our earnings press release dated Apr. 20, 2009

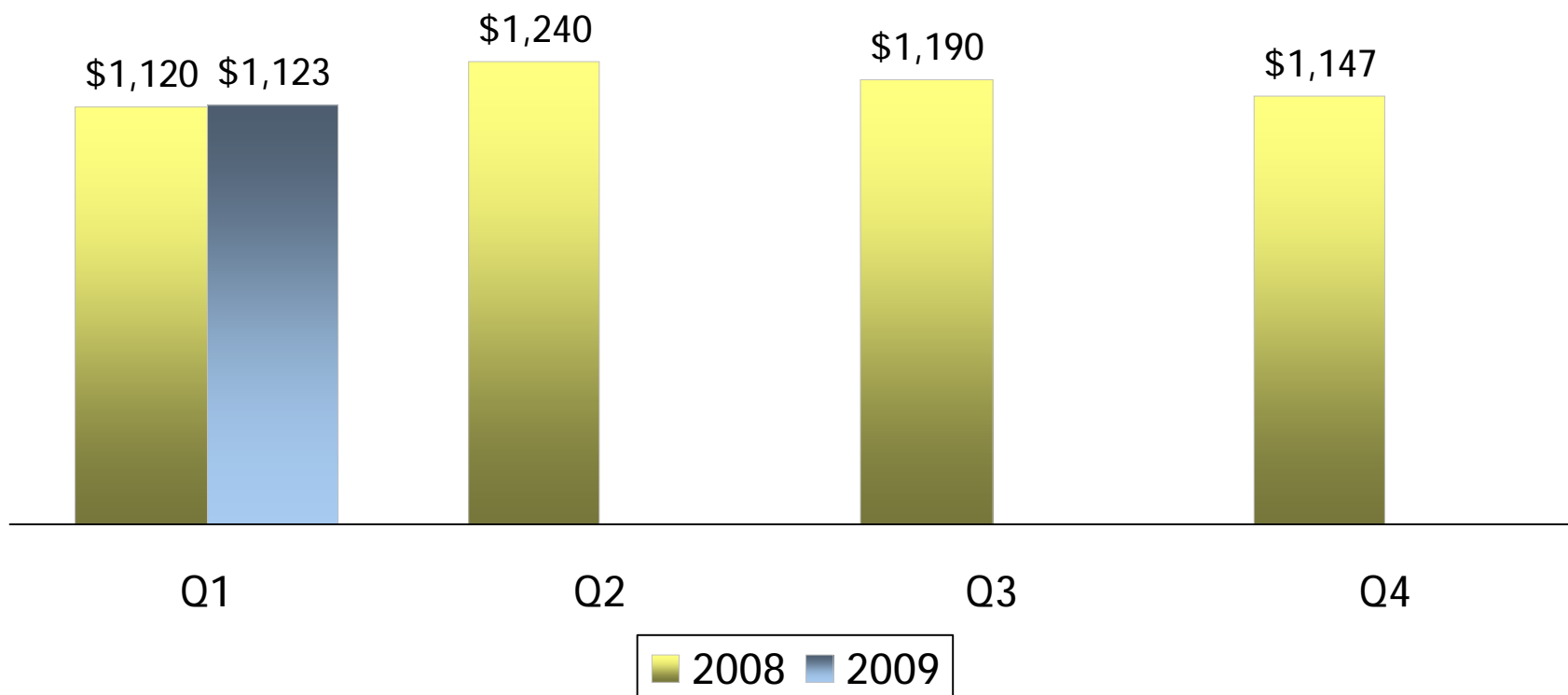
Earnings per Share Expectations

	<u>2009</u>	<u>2008</u>	<u>Growth</u>
Earnings (Loss) per share (reported)	\$4.00-\$4.25	(\$1.89)	NM
Financial impact of ImClone acquisition, including in-process research and development and other charges	-	4.46	
Charges related to Zyprexa investigations	-	1.20	
Asset impairments and restructuring charges (included in asset impairments, restructuring and other special charges)	-	0.30	
Asset impairments (included in cost of sales)	-	0.04	
In-process research and development charges associated with SGX acquisition and in-licensing transactions with BioMS and TransPharma	-	0.10	
Benefit from resolution of IRS audit	-	(0.19)	
Pro forma as if the ImClone acquisition was completed 1/1/08	-	(0.20)	
EPS (pro forma non-GAAP)	<u><u>\$4.00-\$4.25</u></u>	<u><u>\$3.82</u></u>	5%-11%

Q1 Zyprexa[®] Sales Flat

Millions

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

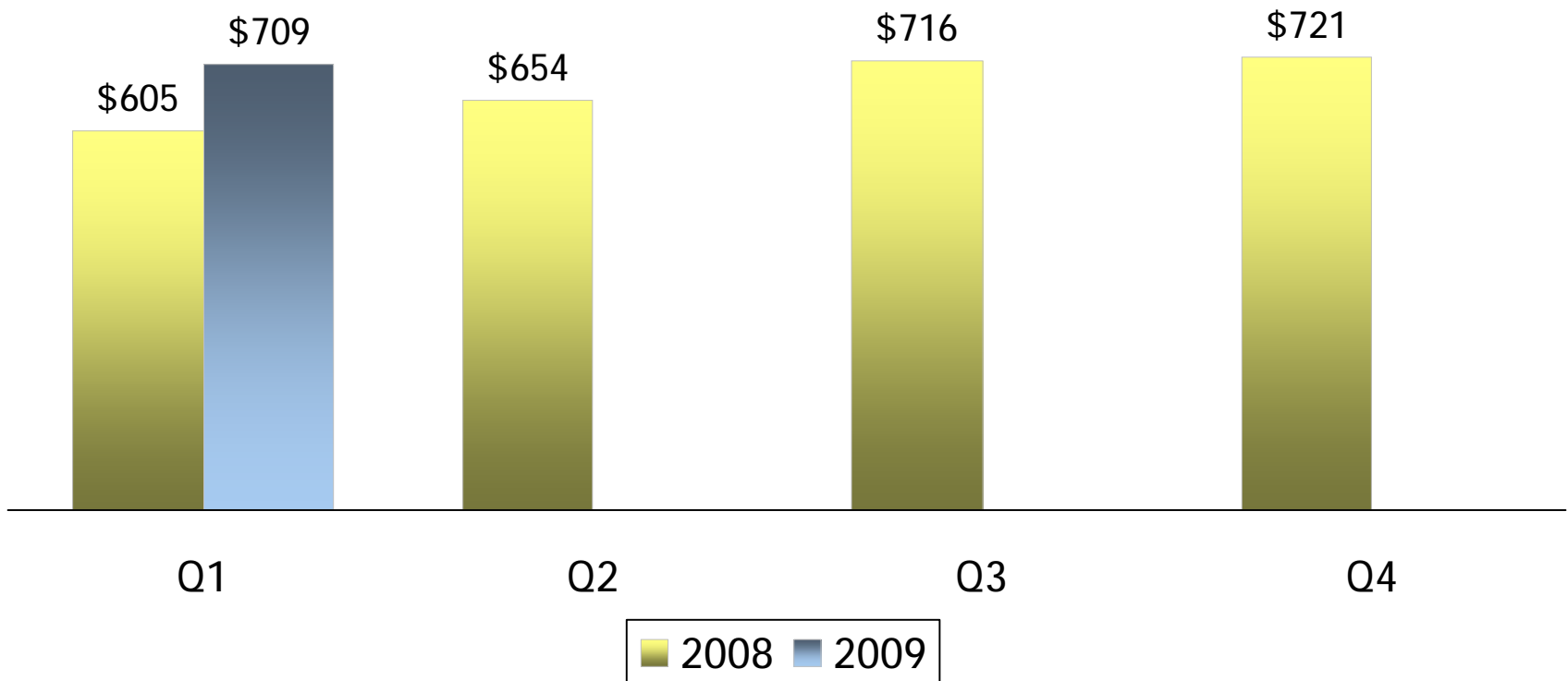


Note: Quarterly numbers may not add to year-to-date totals due to rounding.

Q1 Cymbalta[®] Sales Increased 17%

Millions

U.S. sales increased 17%
International sales increased 19%

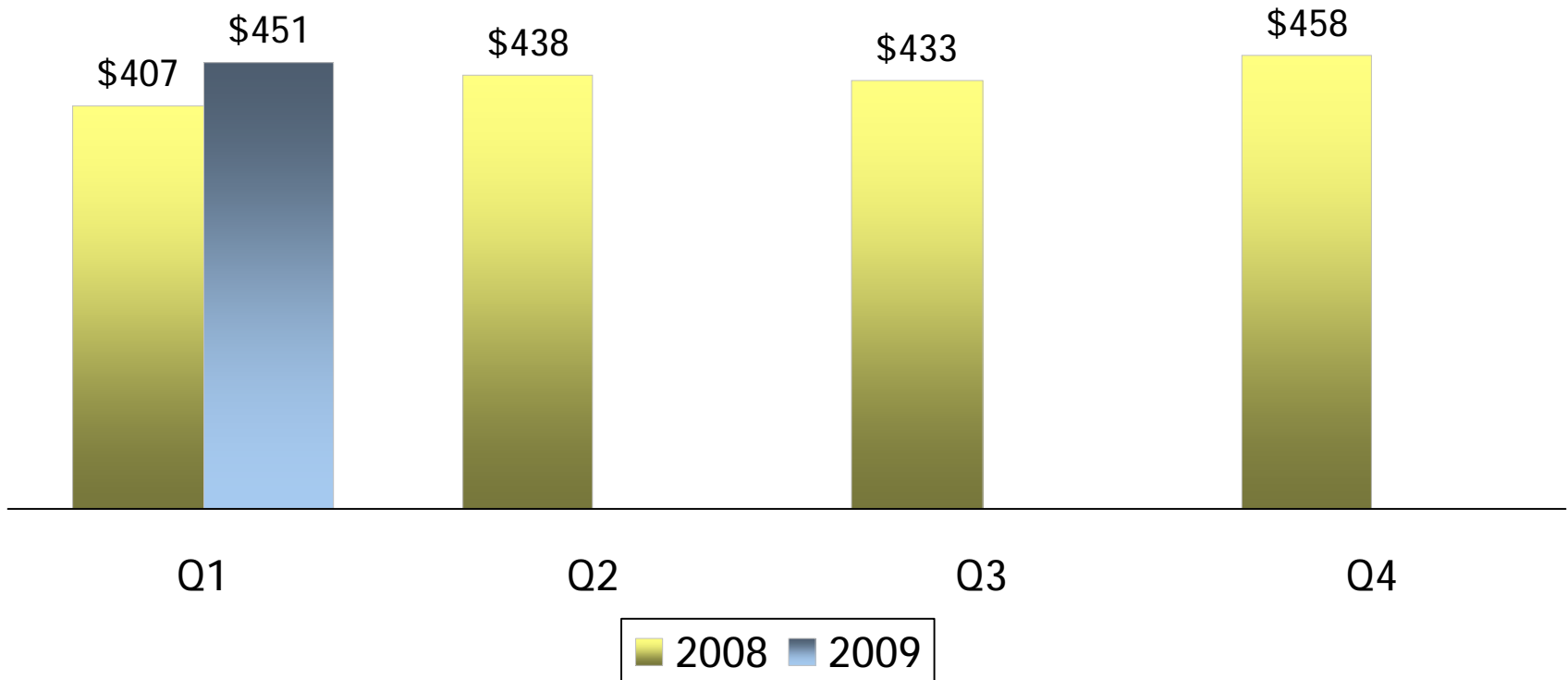


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Q1 Humalog[®] Sales Increased 11%

Millions

U.S. sales increased 20%
International sales decreased 3%

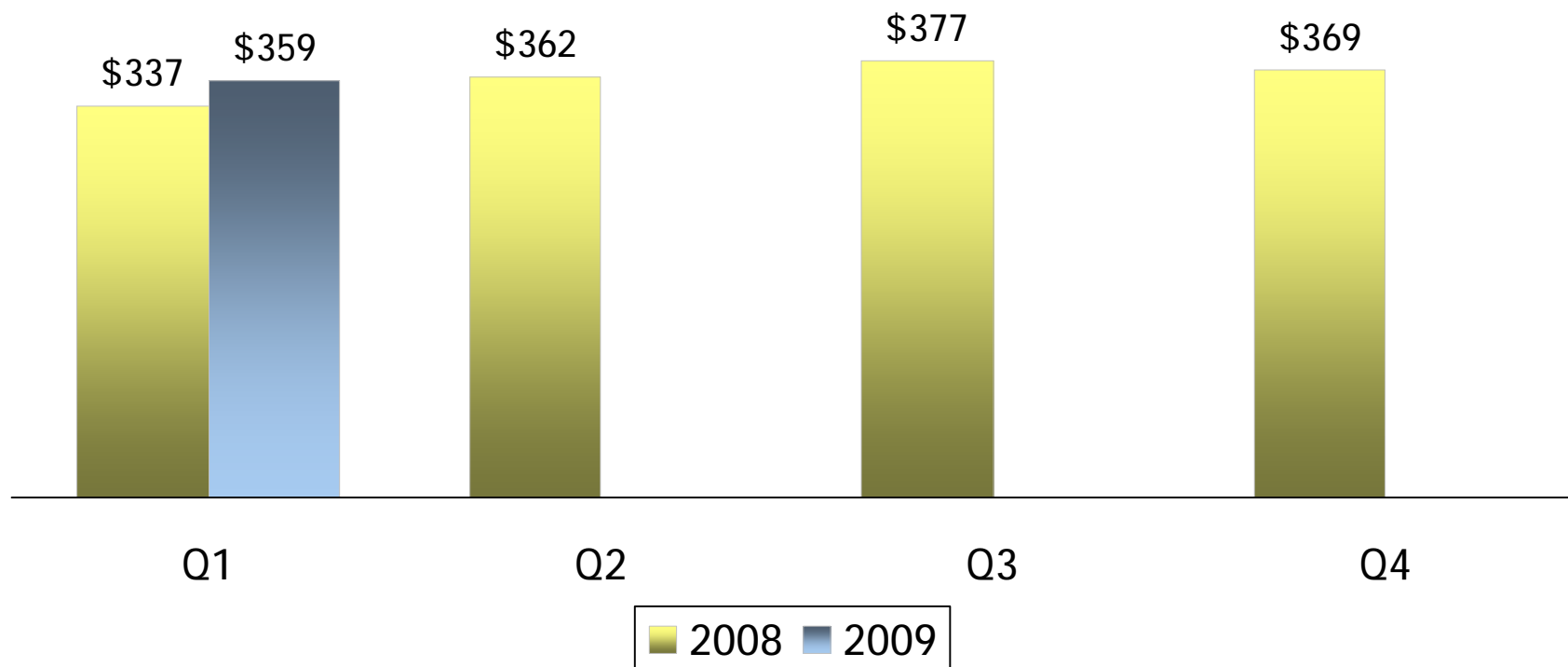


Note: Quarterly numbers may not add to year-to-date totals due to rounding.

Q1 Cialis[®] Sales Increased 6%

Millions

U.S. sales increased 21%
International sales decreased 2%

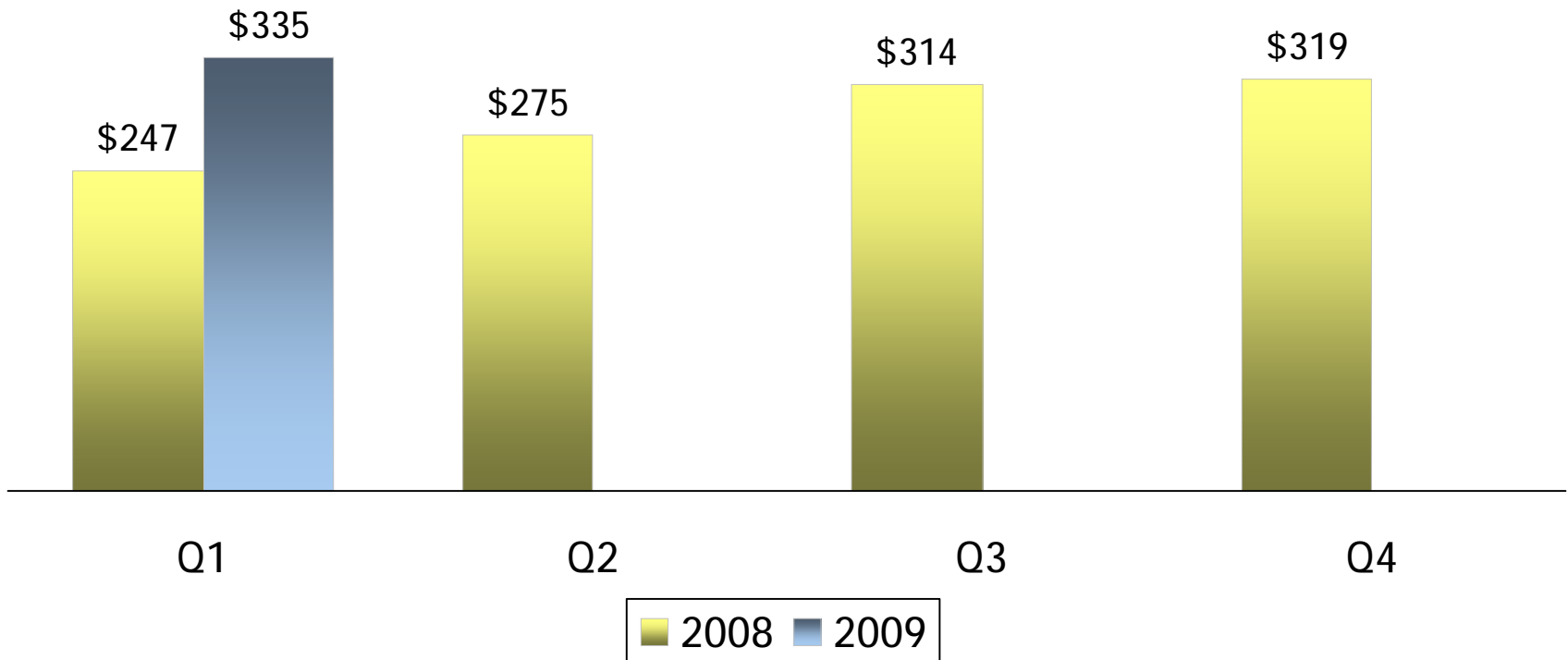


Note: Quarterly numbers may not add to year-to-date totals due to rounding.

Q1 Alimta[®] Sales Increased 36%

Millions

U.S. sales increased 42%
International sales increased 30%

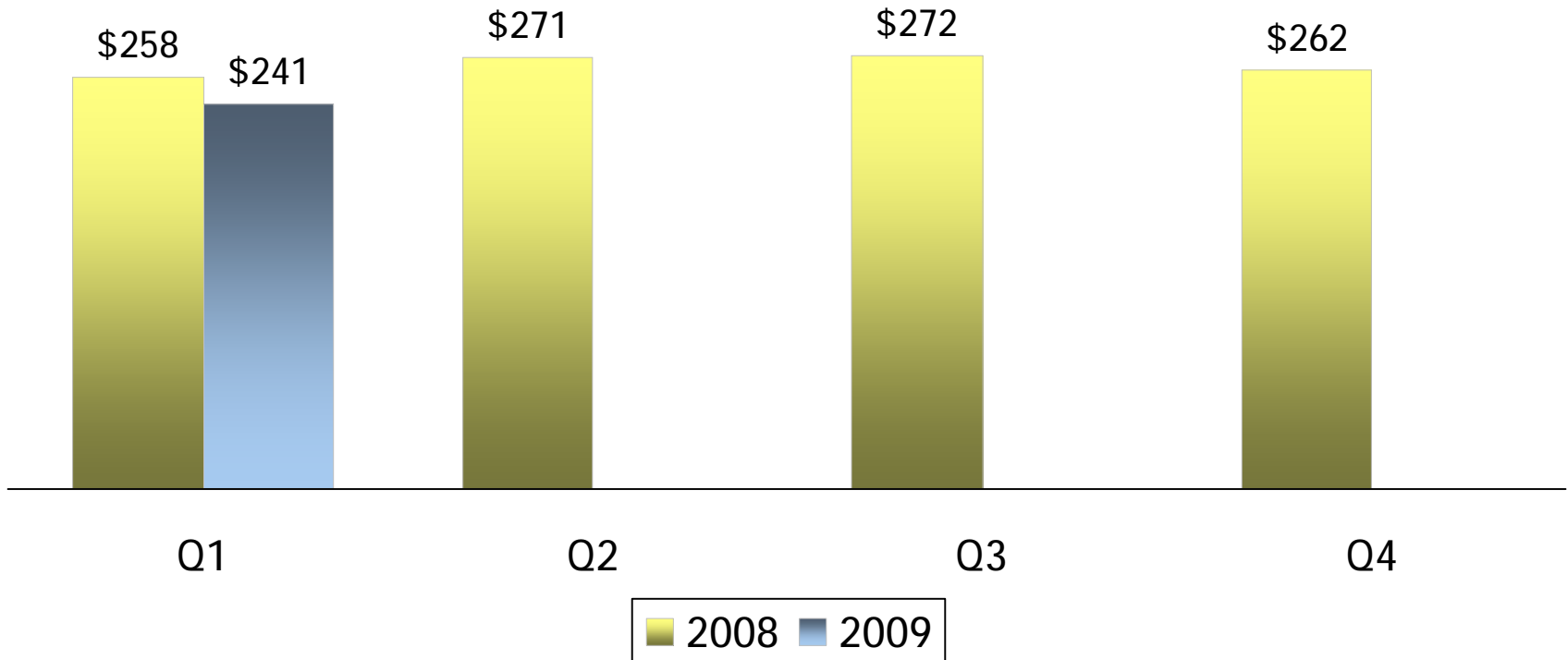


Note: Quarterly numbers may not add to year-to-date totals due to rounding.

Q1 Humulin[®] Sales Decreased 7%

Millions

U.S. sales increased 6%
International sales decreased 14%

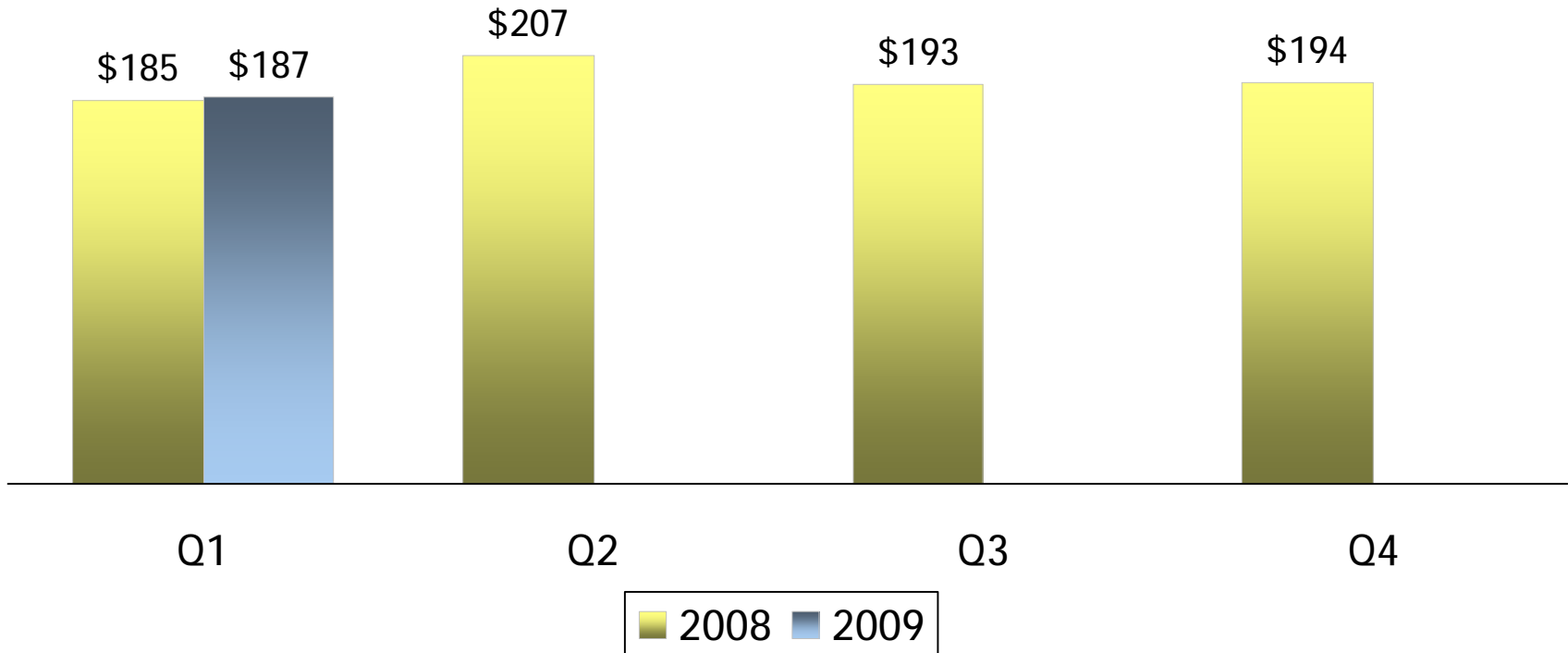


Note: Quarterly numbers may not add to year-to-date totals due to rounding.

Q1 Forteo[®] Sales Increased 1%

Millions

U.S. sales increased 3%
International sales decreased 1%

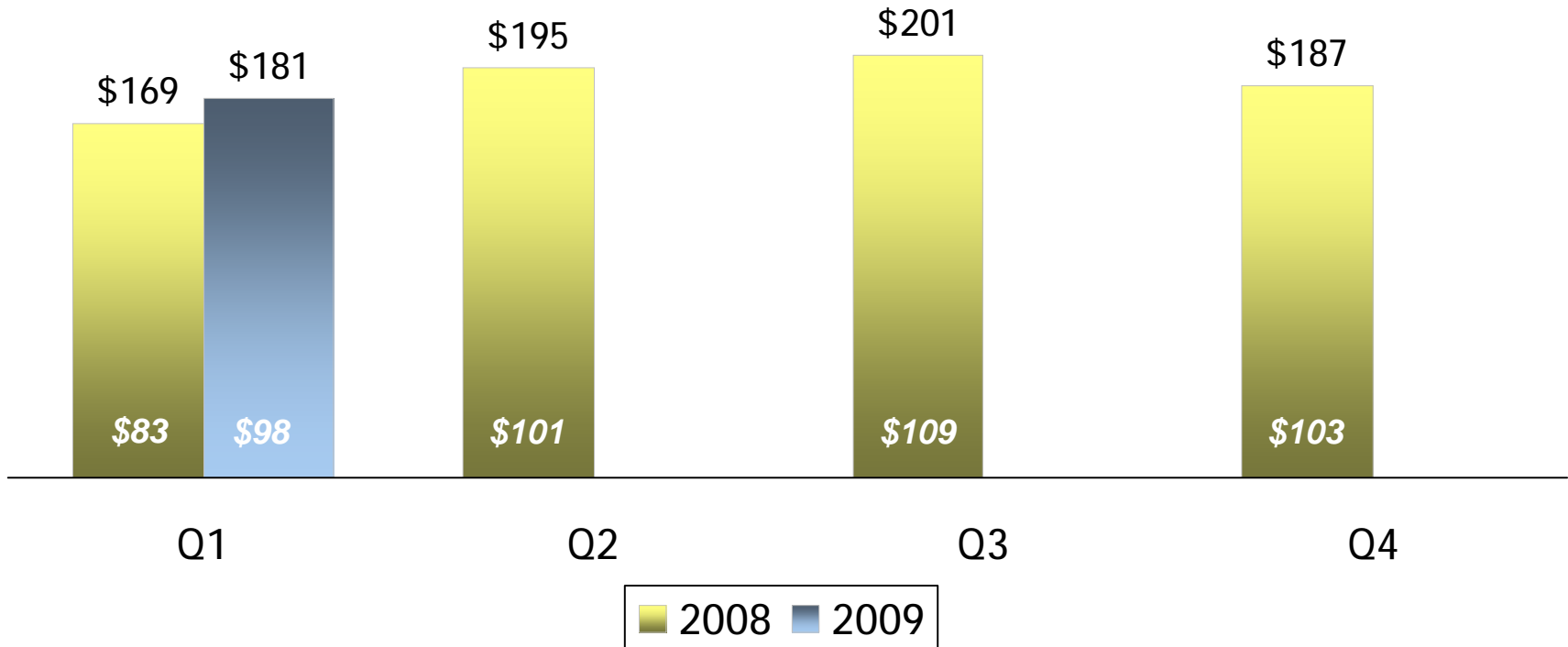


Note: Quarterly numbers may not add to year-to-date totals due to rounding.

Q1 Byetta[®] Worldwide Sales \$181 Million

Millions

Worldwide sales increased 7%
Lilly revenue increased 18%



Note:

- Quarterly numbers may not add to year-to-date totals due to rounding.
- Bar height represents total molecule sales; values shown inside bars represent amount recorded in Lilly revenue line.

Effect of Price/Rate/Volume on Revenue

(Pro forma non-GAAP)

	Q1 2009			
	<u>Price</u>	<u>FX Rate</u>	<u>Volume</u>	<u>Total</u>
Pharmaceuticals				
U.S.	7%	-	2%	9%
Europe	(1)%	(13)%	9%	(6)%
Japan	(1)%	20%	16%	34%
ROW	2%	(18)%	5%	(11)%
Total Pharma	4%	(6)%	5%	3%
Animal Health	1%	(5)%	17%	12%
Net Sales	3%	(6)%	6%	3%
Collab/Other Revenue	-	-	(12)%	(12)%
Total Revenue	3%	(5)%	5%	3%

Note: Numbers may not add due to rounding.

Effect of Price/Rate/Volume on Revenue

(As Reported)

Q1 2009

	<u>Price</u>	<u>FX Rate</u>	<u>Volume</u>	<u>Total</u>
Pharmaceuticals				
U.S.	7%	-	3%	10%
Europe	(1)%	(13)%	9%	(6)%
Japan	(1)%	20%	16%	34%
ROW	2%	(18)%	5%	(11)%
Total Pharma	4%	(6)%	6%	3%
Animal Health	1%	(5)%	17%	12%
Net Sales	3%	(6)%	6%	4%
Collab/Other Revenue	-	-	58%	58%
Total Revenue	3%	(6)%	7%	5%

Note: Numbers may not add due to rounding.

2009 Income Statement (Pro forma non-GAAP)

Millions; except per share data

	<u>Q1 2009</u>	<u>Q1 2008</u>	<u>Growth</u>
Net Sales	\$4,892	\$4,735	3%
Collaboration and Other Revenue	155	176	(12)%
Total Revenue	<u>5,047</u>	<u>4,911</u>	3%
Gross Margin	83.8%	76.5%	7.3pp
Operating Expense (R&D plus SG&A)	2,477	2,488	(0)%
Operating Income	1,754	1,267	38%
Other Income / (Deductions)	(71)	(45)	56%
<i>Effective Tax Rate</i>	<i>22.0%</i>	<i>21.3%</i>	<i>0.7p</i>
Net Income	<u><u>\$1,313</u></u>	<u><u>\$962</u></u>	37%
Diluted EPS	\$1.20	\$0.88	36%

Notes:

- First-quarter 2008 financial statement has been restated assuming the acquisition of ImClone was completed by Lilly effective January 1, 2008.
- The first quarter of 2008 amounts are also adjusted to eliminate a charge of \$145.7 million, or \$0.09 per share for asset impairments, restructuring and other special charges primarily related to the termination of the AIR® Insulin program; a charge of \$87.0 million, or \$0.05 per share for acquired in-process research and development associated with the BioMS in-licensing arrangement; and a discrete income tax benefit of \$210.3 million, or \$0.19 per share as a result of the resolution of a substantial portion of the IRS audit of its federal income tax returns for the years 2001 through 2004.

Q1 Other Income/(Deductions)

(Pro Forma non-GAAP)

Millions

	<u>Q1 09</u>	<u>Q1 08</u>
- Interest Expense	\$(88)	\$(74)
- Interest Income	27	18
Interest, net	(60)	(56)
- Outlicense of Marketed Products	3	4
- Outlicense of Development Stage Products	1	25
- Partnered Products	0	0
- Miscellaneous Income / (Loss)	(15)	(18)
Other Income, net	(11)	11
Net Other Income	<u>\$(71)</u>	<u>\$(45)</u>

Note: Numbers may not add due to rounding.

Significant Items Affecting EPS

	<u>Q1 2009</u>	<u>Q1 2008</u>	<u>Growth</u>
EPS (reported)	\$1.20	\$0.97	24%
Benefit from resolution of IRS audit	-	(0.19)	
Asset impairments and restructuring charges	-	0.09	
In-process research and development charges associated associated with BioMS Medical in-licensing (2008)	-	0.05	
Pro forma as if the ImClone acquisition was completed on January 1, 2008	-	(0.04)	
EPS (pro forma non-GAAP)	<u>\$1.20</u>	<u>\$0.88</u>	36%

2009 Income Statement (Reported)

Millions; except per share data

	<u>Q1 2009</u>	<u>Q1 2008</u>	<u>Growth</u>
Net Sales	\$4,892	\$4,709	4%
Collaboration and Other Revenue	155	98	58%
Total Revenue	5,047	4,808	5%
Gross Margin	83.8%	76.9%	6.9pp
Total Operating Expense	2,477	2,660	(7)%
Operating Income	1,754	1,036	69%
Other Income / (Deductions)	(71)	20	n.m.
<i>Effective Tax Rate</i>	<i>22.0%</i>	<i>(0.8)%</i>	<i>22.8p</i>
Net Income	<u>\$1,313</u>	<u>\$1,064</u>	23%
Diluted EPS	\$1.20	\$0.97	24%

Potential Launches 2012-2015

Neuroscience

- Dirucotide
- iGluR5
- LY2624803
- mGlu2/3 pro
- NERI
- Semagacestat
- Solanezumab

Endocrine

- GLP-1 Analog
- Teplizumab

Inflammation/ Immunology

- BAFF Antibody
- IL-17 Antibody
- IL-23 Antibody

Oncology

- Enzastaurin
- Gem Prodrug
- IMC-1121B
- IMC-11F8
- IMC-A12
- Survivin
- Tasisulam

2009 Regulatory and Clinical Milestones

- Potential FDA action of prasugrel for ACS-PCI
- Potential FDA action on Byetta monotherapy and label update
- Potential FDA action on Zyprexa long-acting injection
- Resubmission of Erbitux for first-line advanced NSCLC and reply to complete response letter from FDA on head and neck cancer
- FDA submission of exenatide once weekly by the end of Q2
- Resubmission of Cymbalta for chronic pain in the U.S. in Q2
- Submission to the FDA for arzoxifene in Q4; presentation of results from Phase 3 GENERATIONS trial
- Reporting of Phase 3 results for dirucotide for SPMS
- Reporting of Phase 3 results from DURATION-3 of exenatide once weekly
- Initiation of Phase 3 trials for A-beta antibody for Alzheimer's
- Initiation of Phase 3 portion of seamless, adaptive trial for GLP-1 Fc and reporting of results from separate Phase 2 trial
- Initiation of Phase 3 trials for ImClone's 11F8 and A12 for cancer

Supplementary Slides

Comparative EPS Summary 2008/2009

	1Q08	2Q08	3Q08	4Q08	2008	1Q09	2Q09	3Q09	4Q09	2009
Pro forma non-GAAP	.88	.94	.98	1.02	3.82	1.20				
Reported	.97	.88	(.43)	(3.31)	(1.89)	1.20				

For complete reconciliation to reported earnings, please see slide 25 of this presentation and our earnings press release dated Apr. 20, 2009

Q1 Other Income/(Deductions) (As Reported)

Millions

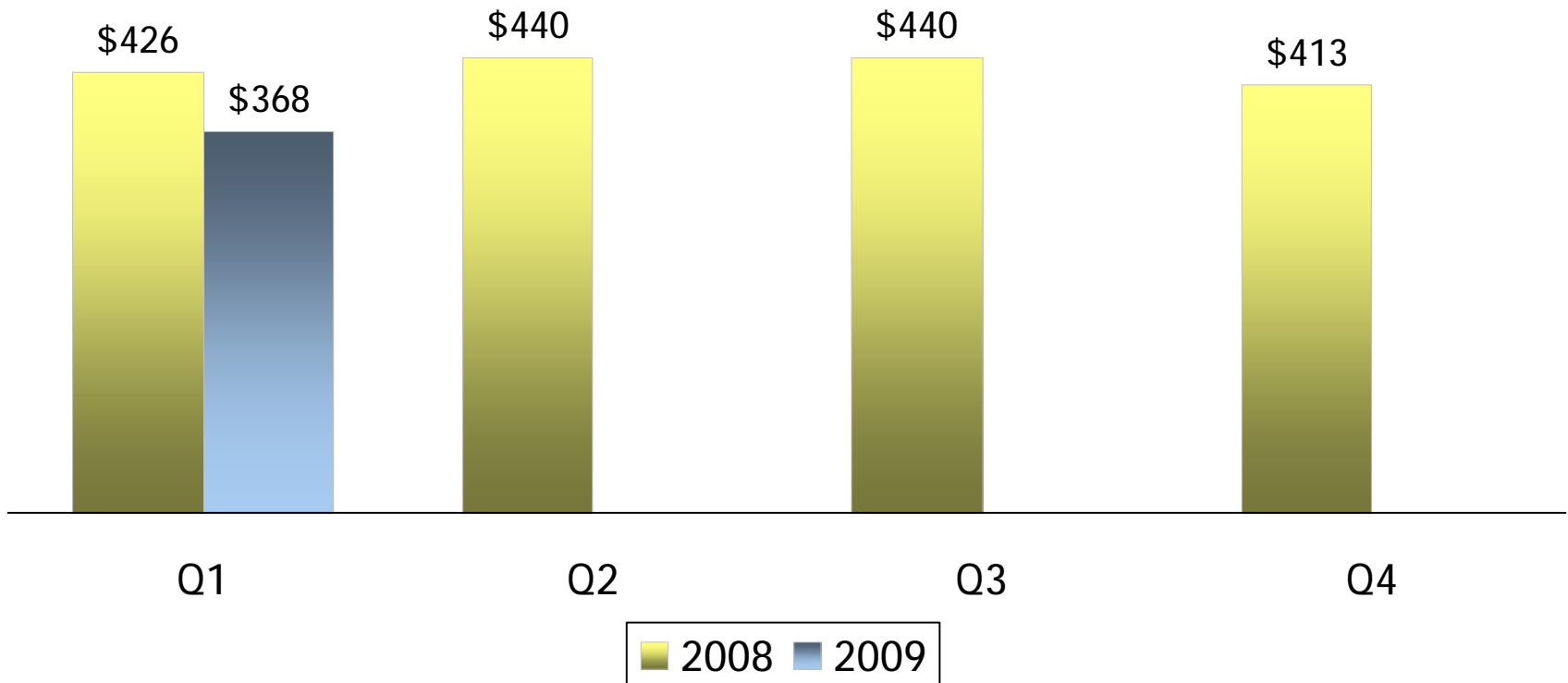
	<u>Q1 09</u>	<u>Q1 08</u>
- Interest Expense	\$(88)	\$(60)
- Interest Income	27	56
Interest, net	(60)	(4)
- Outlicense of Marketed Products	3	4
- Outlicense of Development Stage Products	1	25
- Partnered Products	0	0
- Miscellaneous Income / (Loss)	(15)	(5)
Other Income, net	(11)	24
Net Other Income	<u>\$(71)</u>	<u>\$20</u>

Note: Numbers may not add due to rounding.

Q1 Gemzar[®] Sales Decreased 14%

Millions

U.S. sales decreased 4%
International sales decreased 21%

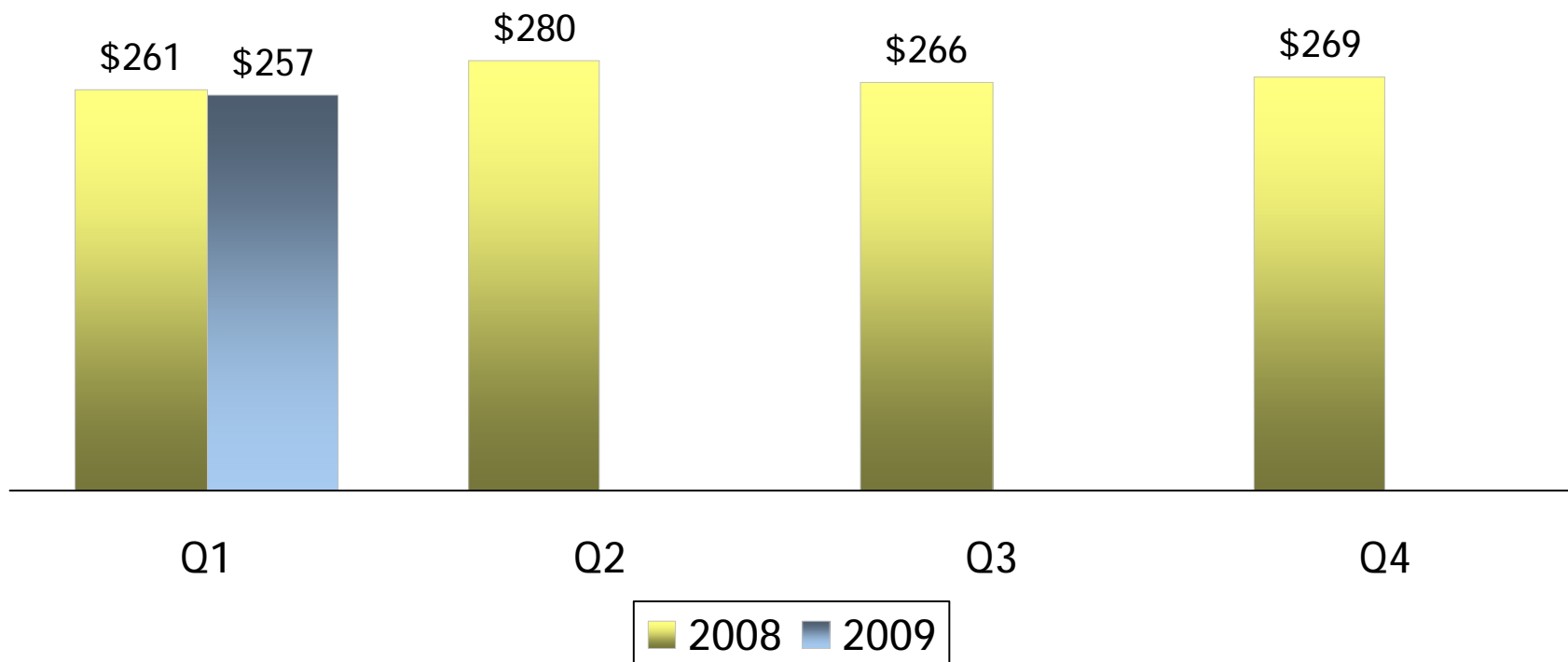


Note: Quarterly numbers may not add to year-to-date totals due to rounding.

Q1 Evista[®] Sales Decreased 2%

Millions

U.S. sales decreased 4%
International sales increased 4%

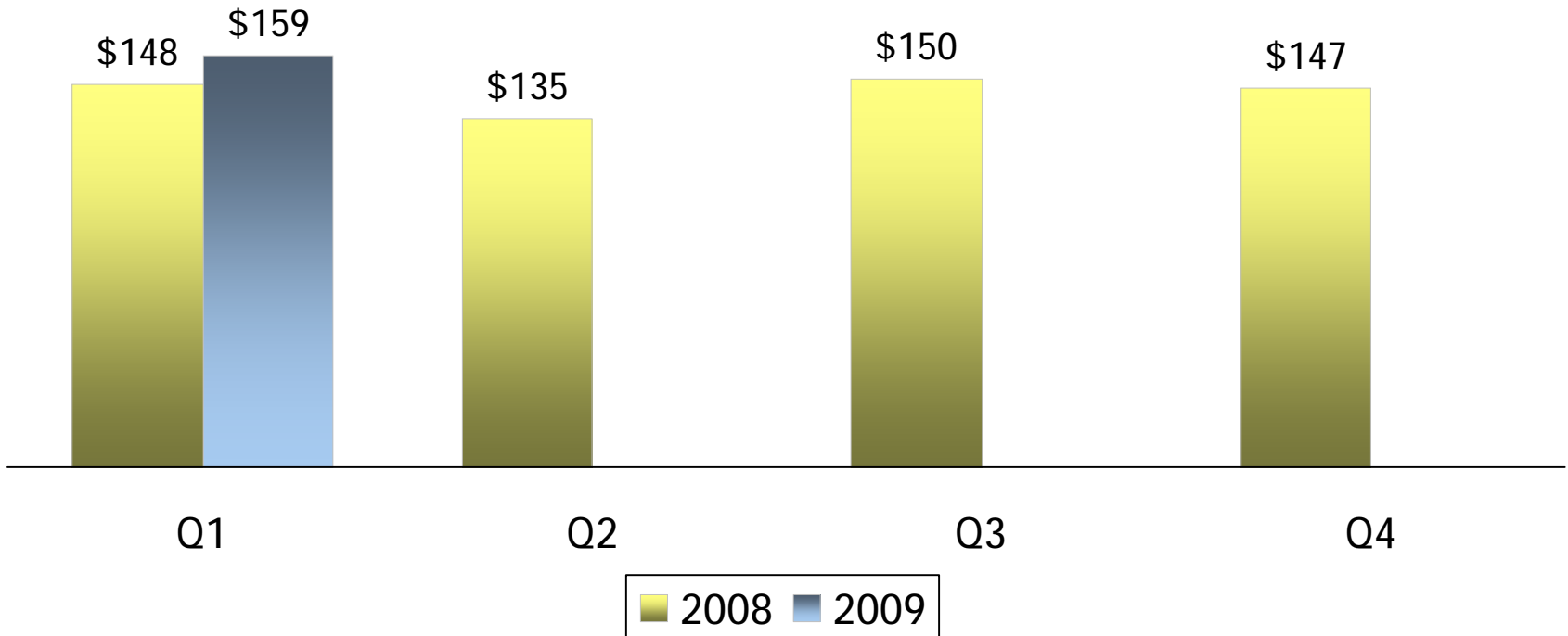


Note: Quarterly numbers may not add to year-to-date totals due to rounding.

Q1 Stratterra[®] Sales Increased 7%

Millions

U.S. sales flat
International sales increased 33%



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