“We continue to build a sustainable R & D program by boosting our internal efforts with broad access to external innovation”

Jan Lundberg, Ph.D.

WBBA VIP Partnering Forum
April 15, 2014

Elaine Sullivan, Ph.D
Vice President
Global External Research & Development

Lilly Global External R&D
find. fund. develop.

Novel and Fully Integrated Approaches to Partnering with Eli Lilly

Lilly unites caring with discovery to make life better for people around the world.
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 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.
10th largest pharmaceutical company in the world

- Founded 1876
- ~38,500 employees worldwide (about 50% OUS)
  - ~8,000 employees engaged in research and development (20%)
- R&D as a percentage of sales: ~20%

Based in Indianapolis, Indiana, USA

- We have steadfastly remained independent, but not isolated.
  - Clinical research conducted in more than 50 countries
  - Research and development facilities located in 8 countries
  - Manufacturing plants located in 13 countries
  - Products marketed in 143 countries

Lilly highly values the recognition and praise it receives from third parties for our continuing record and commitment to diversity and inclusion

“Research is the Heart of the Business, the Soul of the Enterprise.”
Mr. Eli Lilly, Grandson of the company founder, Colonel Eli Lilly
Current Portfolio Sales by Therapeutic Area

2012 Net Sales = ~$22 B

CNS 34%

Animal Health 9%

Other 8%

Oncology 12%

Diabetes 17%

Endocrinology 14%

Hospital 1%

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Agenda

- Patient – Centric Thinking
- Lilly’s Global External Innovation Strategy
- Functional Breakouts
- Question & Answer
More Factors that “Count” in Development

Patients
More cost aware and informed but still adherence issues

Payers
Cost pressure and want real-world drug information

Legal
IP challenges, Product Liability

Regulators
Increased drug safety concerns, benefit/risk

Risk Capital
Flight from life science, early stage

Providers
Want to use medicines on responders only

Even the earliest investments must be made with an eye toward these factors
Timely Valued Medicines to Patients (TVM)
A patient-centric, data-driven quality approach

- Timely: Attractive Remaining Intellectual Property + Data Protection and Order of Market Entry
- Satisfying Unmet Medical Needs with Higher Success Rates
- Differentiating from Standard of Care and Competition
- Generation of Value for Regulators, Payers, Providers, Patients and Lilly

Better disease understanding
Tailoring of medicines
Right therapeutic agents
Robust Phase 2 data
Differentiation in Phase 3

Supported by our Innovation Ecosystem and Information Technology
Agenda

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We Continue to Build a Sustainable R & D Program by Boosting Our Internal Efforts with Broad Access to External Innovation

Internal Innovation Ecosystem

Assets

Technologies

Capabilities

External Innovation Ecosystem

License

Public Private Partnerships

Open Innovation

Ventures

Risk Share

Academia

Merger & Acquisition

Integration

Discovery  Phase I  Phase II  Phase III  Lilly Pipeline
• Provides a complement to Lilly’s internal R&D by identifying and evaluating external targets, molecules, capabilities, and technologies

• By integrating assets, development capabilities and partnerships we shape both new molecules and the external portfolio

• Expanding Lilly’s access to global innovation through collaboration across the entire organization
Research at Lilly
Jan Lundberg, Ex. VP Science & Technology, President of Lilly Research Laboratories

Scientific Innovation

- Oncology
- Chemistry
- Strategy & Operations
- Neuroscience
- Tailored Therapeutics
- Development / CMO
- Biotechnology
- Endocrinology & CV
- External Innovation

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• **Arteaus Therapeutics**: First PFC in the Capital Funds Portfolio to reach proof-of-concept and achieve positive results

• Formed in 2011 by Atlas Venture and OrbiMed Advisors to develop at risk Lilly’s CGRP antibody being studied as a potential treatment for the prevention of migraine headaches

• Phase 2 study met all primary and secondary endpoints; based on positive data, Lilly acquired the development rights from Arteaus
Hearing loss

Death of inner ear hair cells results in deafness. Lilly compounds demonstrated regeneration of hair sensory cells translating into improved hearing in vivo

Opportunity

Hearing Loss: Top 10 disease by 2030
No current pharmacological therapies
Rapid development with low costs
>$1bn market potential

New company Audion

Leveraged external entrepreneurial and scientific expertise
Expand Access: Novel Targets and Launch Opportunities
Alternative Funding To Support External Innovation Strategy

**Capital Funds and Regional Hubs**

- **HealthCare Ventures LLC**
- **TVM | Capital**
- **NYCEDC New York City, Make It Here.**
- **accelerator**
- **ATLAS VENTURE**

**New Company Creation - Core**

- **Surface ImmunoOnc (in process)**

**Focus** is on creating value and insights from new science in core disease areas.

- **Shape** molecules for future in-licensing and M&A opportunities.

**New Company Creation – Adjacent or Disruptive**

- **Focus** is on creating value in therapeutic adjacencies potential to become future growth engines.

- **Incubation** of disruptive innovation contributing to R&D sustainability.

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# New Vehicles to Access and Advance Clinical-Stage Molecules

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<th>Therapeutic Area</th>
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<th>Origin of Asset</th>
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PFC = Project-Focused Company
How External Innovation Integrates with Lilly Pipeline

Select 2013 Early Phase License Deals

Audion Zealand

Select 2013 Commercial License Deal

Pfizer Tanezumab

Arteaus CGRP

Ixchelsis IX-01

2013 Select Capital Funds Deals

Early Stage Funds (e.g., NYCEDC)

Capital Funds/Chorus Development

Target Identification / Validation

Assay Development

Hit Generation

Lead Generation

Internal Innovation

Hypothesis Generation

External Innovation

Candidate Development

Commercialisation

Lead optimization

FHD Preparation

Phase IA

Phase IB/II

Phase III

Submit / Registr.

Launch

Global optimization

Biomed, Endocrinology, LRL, Oncology, PFCs, Venture
External Innovation Strategy - Selected Examples

Partnerships:
Tanezumab with Pfizer

In-license:
>50 deals in the last 12 months,
e.g., PET Tau tracers from Siemens

Lilly Research & Fellowship Awards:
70 partnerships

Strategic Alliances:
Boehringer Ingelheim, DIAN, etc.

Public-Private Partnerships:
>50 across the globe (e.g., IMI),
Accelerating Medicines Partnership (AMP)

Academic Hubs:
NYC Early Stage Life Sciences Fund Initiative

Capital Funds Portfolio:
9 companies (e.g., Kaneq, Tensha)

Open Innovation Drug Discovery:
>360 Academic Institutions and Small Biotechs

University Collaborations:
>100 sponsored projects with academia

Venture Capital
Lilly Ventures, Lilly Asia Ventures
Unique Integrated Levers for Delivering the External Innovation Strategy
Delivering Maximum Value from the External Innovation Ecosystem

find. + fund. + develop.

Discovery
Phase I
Phase II
Phase III

Corporate Venture Capital
Early Stage Funds
Public Private Partnerships
Consortia
Collaboration
In-licensing

Capital Funds (Project Focused Companies)
Corporate Venture Capital
Co-Development
In-licensing

Strategic Alliances
Co-Development
In-licensing

Lilly Pipeline

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**Agenda**

- Patient – centric Thinking
- Lilly’s Global External Innovation Strategy
- Functional Breakouts
  - Chorus – Mark Deeg
  - Corporate Venture Capital / Lilly Ventures:
    - Johnston Erwin, Shaun Hawkins, Armen Shanafelt
  - Academic Partnerships – Dale Edgar
  - Alternative Innovation – Neil Smith
  - Biomedicines - Adam Houghton
  - Oncology – Gary Borzillo
  - Diabetes - Ronit Phail
- Question & Answer
**Agenda**

- Patient – centric Thinking
- Lilly’s Global External Innovation Strategy
- Functional Breakouts
- Question & Answer Panel
  - Elaine Sullivan (Moderator)
    - Shaun Hawkins
    - Dale Edgar
    - Johnston Erwin
    - Armen Shanafelt
    - Mark Deeg

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Reinventing Invention: Advancing Collaboration for Sustainable Bioscience R&D

John C. Lechleiter, Ph.D.
Chairman, President, and Chief Executive Officer
Eli Lilly and Company

Washington Biotechnology & Biomedical Association April 15, 2014
Thank you