

Q3 2017 EARNINGS

Lilly

ELI LILLY AND COMPANY | OCTOBER 24, 2017



AGENDA



INTRODUCTION, KEY RECENT EVENTS, AND Q3 FINANCIAL RESULTS

Dave Ricks, Chairman and Chief Executive Officer

KEY FUTURE EVENTS AND FINANCIAL GUIDANCE

Derica Rice, Executive Vice President, Global Services and Chief Financial Officer

QUESTION AND ANSWER SESSION

SAFE HARBOR PROVISION



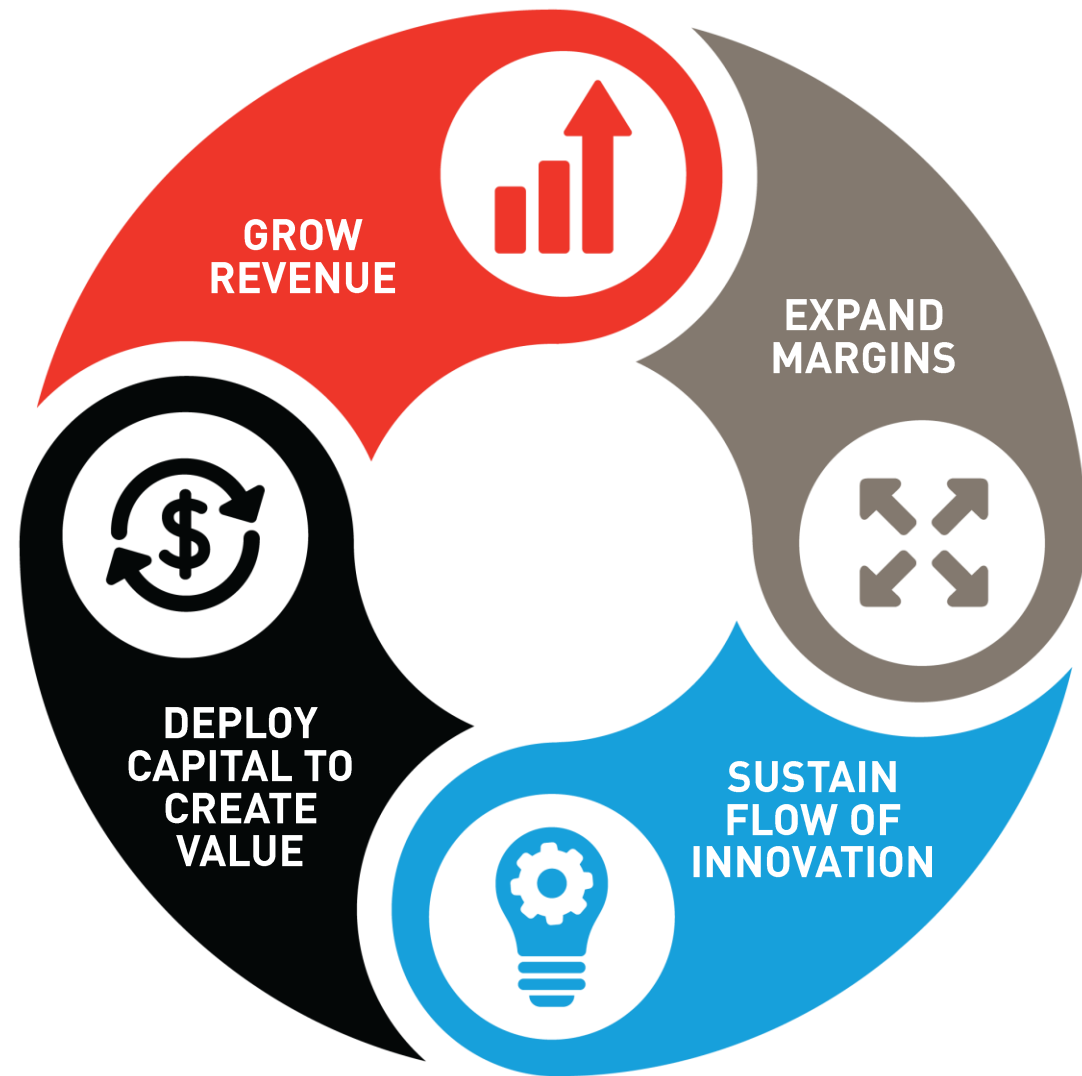
This presentation contains forward-looking statements that are based on management's current expectations, but actual results may differ materially due to various factors. The company's results may be affected by factors including, but not limited to, the risks and uncertainties in pharmaceutical research and development; competitive developments; regulatory actions; litigation and investigations; business development transactions; economic conditions; 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.

STRATEGIC OBJECTIVES

PROGRESS SINCE THE LAST EARNINGS CALL



GROW REVENUE

Revenue growth of 9%

Pharmaceutical volume growth of 7%

New products drove 13.7pp of volume growth

EXPAND MARGINS

Excluding FX on international inventories sold, GM % increased over 70bp vs. Q3 2016

OPEX % of revenue decreased over 310bp vs. Q3 2016

DEPLOY CAPITAL TO CREATE VALUE

CureVac collaboration to develop mRNA cancer vaccines

Paid over \$500 million via dividend

SUSTAIN FLOW OF INNOVATION

Approval and launch of Verzenio™ in U.S.

Submission of U.S. BLA for galcanezumab for migraine

Initiation of Phase 3 for ultra-rapid acting insulin

KEY EVENTS SINCE THE LAST EARNINGS CALL



COMMERCIAL

- Launched Verzenio (abemaciclib) in the U.S.;
- Launched Olumiant® (baricitinib) in Japan for the treatment of rheumatoid arthritis (including the prevention of structural injury of joints) in patients with inadequate response to standard-of-care therapies; and
- German Federal Joint Committee (G-BA) assigned an “added benefit” rating to Taltz® for both first- and second-line use in patients with moderate-to-severe plaque psoriasis.

REGULATORY

- The U.S. FDA approved Verzenio (abemaciclib) for two indications:
 - in combination with fulvestrant for the treatment of women with hormone receptor (HR)-positive, human epidermal growth factor receptor 2 (HER2)-negative advanced or metastatic breast cancer with disease progression following endocrine therapy (MONARCH 2); and
 - as monotherapy for the treatment of adult patients with HR-positive, HER2-negative advanced or metastatic breast cancer with disease progression following endocrine therapy and prior chemotherapy in the metastatic setting (MONARCH 1).
- Submitted an NDA to the FDA for abemaciclib in combination with an aromatase inhibitor for the treatment of women with HR+, HER2-negative advanced breast cancer (MONARCH 3); FDA granted Priority Review designation;
- Submitted abemaciclib in Europe and Japan for the treatment of advanced breast cancer (MONARCH 2 and MONARCH 3);
- Jardiance® (empagliflozin) was approved in China as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes; Jardiance is part of the Boehringer Ingelheim – Lilly Diabetes Alliance;

REGULATORY (continued)

- Submitted a BLA to the FDA for galcanezumab for the prevention of episodic and chronic migraine in adults;
- Submitted an sNDA to the FDA to include data from the KEYNOTE-021G study in the Alimta® label;
- Received Priority Review designation from the FDA for an sNDA to include genital psoriasis data in the Taltz label;
- Along with Incyte, announced that the companies now expect that Lilly will resubmit the NDA for baricitinib for the treatment of moderate-to-severe rheumatoid arthritis to the FDA before the end of January 2018;
- Submitted empagliflozin/linagliptin fixed-dose tablets for the treatment for type 2 diabetes to the Japanese PMDA.

CLINICAL

- At ESMO, presented detailed data from:
 - the Phase 3 MONARCH 3 study showing that abemaciclib in combination with an aromatase inhibitor significantly improved progression-free survival (PFS) compared to treatment with an aromatase inhibitor alone in women with HR+, HER2-, advanced breast cancer who have had no prior systemic treatment for advanced disease; and
 - the Phase 3 RANGE study showing that Cyramza® (ramucirumab) in combination with docetaxel significantly improved PFS in patients with advanced or metastatic urothelial carcinoma whose disease progressed on or after platinum-based chemotherapy.
- At IHC, presented detailed data from the second of two Phase 3 studies of lasmiditan for the acute treatment of migraine; in the SPARTAN study, lasmiditan met the co-primary endpoints of statistically significantly greater reduction in headache pain and patient-centric most bothersome symptom (MBS) at two hours compared with placebo;

KEY EVENTS SINCE THE LAST EARNINGS CALL



CLINICAL (continued)

- At EADV, presented data from a Phase 2 study showing that baricitinib significantly improved clinical and patient-reported outcomes compared to placebo in moderate-to-severe atopic dermatitis patients;
- Announced that the Phase 3 JUNIPER study evaluating abemaciclib as monotherapy in KRAS-mutated, advanced non-small lung cancer did not meet its primary endpoint of overall survival; and
- Initiated Phase 3 studies investigating an ultra-rapid insulin as a potential treatment for type 1 and type 2 diabetes.

BUSINESS DEVELOPMENT & OTHER

- Announced that the company is reviewing strategic alternatives for its Elanco Animal Health business, including an initial public offering, merger, sale, or retention of the business; the company will provide an update on this review no later than mid-2018;
- Announced that Elanco is exploring strategic options for rbST, including seeking a buyer for the molecule and its Augusta, Ga., manufacturing facility;
- Announced actions to streamline operations to focus resources on developing new medicines and to improve the company's cost structure; global workforce reductions, including those from a U.S. voluntary early retirement program, are expected to impact approximately 3,500 positions; the announced actions are expected to produce a pre-tax charge of approximately \$1.2 billion and to yield annualized pre-tax savings of approximately \$500 million;

BUSINESS DEVELOPMENT & OTHER (continued)

- Announced a number of senior leadership changes, including:
 - Josh Smiley will be promoted to senior vice president and chief financial officer and will become a member of Lilly's executive committee, effective January 1, 2018; and
 - Dan Skovronsky, M.D., Ph.D., will be promoted to senior vice president for science and technology and president of Lilly Research Labs and will become a member of Lilly's executive committee effective June 1, 2018.
- Entered into a multi-year agreement with Topas Therapeutics GmbH, a Hamburg, Germany-based private company, to collaborate in the field of antigen-specific tolerance induction with an initial focus on external antigens thought to induce inflammation and/or autoimmune disease;
- Announced a global immuno-oncology collaboration with CureVac AG focused on the development and commercialization of up to five potential cancer vaccine products based on CureVac's proprietary RActive® technology;
- Terminated the licensing agreement with Acrux for Axiron®; patent exclusivity has expired and generic versions have launched in the U.S.; a request has been submitted to the FDA to withdraw the NDA;
- In the inter partes review (IPR) proceedings initiated by Neptune Generics, LLC and Sandoz Inc., the Patent Trial and Appeal Board of the U.S. Patent and Trademark Office has ruled in the company's favor regarding patentability of the vitamin regimen for Alimta (pemetrexed for injection);
- In preliminary proceedings, the Italian first instance court ruled a generic product does not infringe the Alimta vitamin regimen patent and granted a preliminary declaration of non-infringement; Lilly has appealed this ruling; and
- Distributed over \$500 million to shareholders via the dividend.

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:

- Asset impairment, restructuring and other special charges
- Acquired in-process R&D charges and other income and expenses from business development activities
- Amortization of intangible assets

2017 INCOME STATEMENT - REPORTED



Millions; except per share data

| | <u>Q3 2017</u> | <u>Change</u> | <u>2017</u> | <u>Change</u> |
|--------------------------|----------------|---------------|----------------|---------------|
| Total Revenue | \$5,658 | 9% | \$16,711 | 8% |
| Gross Margin | 72.3% | (0.7pp) | 73.4% | 0.5pp |
| Total Operating Expense* | 3,486 | 22% | 10,349 | 19% |
| Operating Income | 605 | (36)% | 1,916 | (26)% |
| Other Income (Expense) | (14) | NM | (3) | NM |
| Effective Tax Rate | 6.1% | (13.8pp) | 24.1% | 3.3pp |
| Net Income | \$556 | -29% | \$1,453 | -26% |
| Diluted EPS | \$0.53 | -27% | \$1.37 | -26% |

* 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 2017

| | <u>GAAP Reported</u> | <u>Adjustments</u> | <u>Non-GAAP Adjusted</u> | <u>Non-GAAP Adjusted Change</u> |
|-------------------------|----------------------|--------------------|--------------------------|---------------------------------|
| Total Revenue | \$5,658 | - | \$5,658 | 9% |
| Gross Margin | 72.3% | 2.8% | 75.1% | (1.3pp) |
| Total Operating Expense | 3,486 | (613) | 2,874 | 3% |
| Operating Income | 605 | 773 | 1,378 | 18% |
| Other Income (Expense) | (14) | - | (14) | NM |
| Effective Tax Rate | 6.1% | 12.8% | 18.9% | (3.1pp) |
| Net Income | \$556 | \$551 | \$1,107 | 19% |
| Diluted EPS | \$0.53 | \$0.52 | \$1.05 | 19% |

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

2017

| | <u>GAAP Reported</u> | <u>Adjust- ments</u> | <u>Non-GAAP Adjusted</u> | <u>Non-GAAP Adjusted Change</u> |
|-------------------------|--------------------------|--------------------------|------------------------------|---|
| Total Revenue | \$16,711 | - | \$16,711 | 8% |
| Gross Margin | 73.4% | 3.2% | 76.6% | 0.4pp |
| Total Operating Expense | 10,349 | (1,738) | 8,611 | 2% |
| Operating Income | 1,916 | 2,275 | 4,191 | 26% |
| Other Income (Expense) | (3) | - | (3) | NM |
| Effective Tax Rate | 24.1% | (3.4%) | 20.6% | (0.3pp) |
| Net Income | \$1,453 | \$1,871 | \$3,324 | 22% |
| Diluted EPS | \$1.37 | \$1.77 | \$3.14 | 22% |

Note: Numbers may not add due to rounding; see slide 25 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 2017</u> | <u>Q3 2016</u> | <u>Change</u> | | <u>2017</u> | <u>2016</u> | <u>Change</u> |
|--|----------------|----------------|---------------|--|---------------|---------------|---------------|
| EPS (reported) | \$0.53 | \$0.73 | (27%) | | \$1.37 | \$1.85 | (26%) |
| Acquired in-process R&D | 0.13 | - | | | 0.94 | - | |
| Asset impairment, restructuring, and other special charges | 0.29 | 0.03 | | | 0.48 | 0.19 | |
| Amortization of intangible assets | 0.10 | 0.11 | | | 0.33 | 0.34 | |
| BI Vetmedica inventory step up | 0.00 | - | | | 0.02 | - | |
| Venezuela charge | - | - | | | - | 0.19 | |
| EPS (non-GAAP) | \$1.05 | \$0.88 | 19% | | \$3.14 | \$2.57 | 22% |

Note: Numbers may not add due to rounding; see slides 24 and 25 for more details on these significant adjustments.

EFFECT OF PRICE/RATE/VOLUME ON REVENUE



Millions

Q3 2017

| | Amount | Price | FX Rate | Volume | Total | CER |
|----------------------|------------------|--------------|----------------|---------------|--------------|------------|
| Pharmaceuticals | | | | | | |
| U.S. | \$2,751.3 | 4% | - | 6% | 10% | 10% |
| Europe | 884.7 | 0% | 4% | 6% | 11% | 7% |
| Japan | 598.9 | (0%) | (8%) | 13% | 5% | 13% |
| Rest of World | 682.5 | 1% | 0% | 9% | 10% | 9% |
| Total Pharma | 4,917.4 | 3% | (0%) | 7% | 10% | 10% |
| Animal Health | 740.6 | (2%) | 1% | 6% | 5% | 4% |
| Total Revenue | \$5,658.0 | 2% | (0%) | 7% | 9% | 9% |

Note: Numbers may not add due to rounding.

CER = price change + volume change

EFFECT OF PRICE/RATE/VOLUME ON REVENUE



Millions

2017

| Pharmaceuticals | Amount | Price | FX Rate | Volume | Total | CER |
|----------------------|-------------------|-------|---------|--------|-------|------|
| U.S. | \$8,188.4 | 6% | - | 9% | 15% | 15% |
| Europe | 2,475.8 | (2%) | (1%) | 6% | 2% | 3% |
| Japan | 1,707.8 | (1%) | (2%) | 7% | 4% | 6% |
| Rest of World | 2,043.8 | (2%) | (1%) | 7% | 4% | 5% |
| Total Pharma | 14,415.8 | 3% | (1%) | 8% | 10% | 10% |
| Animal Health | 2,294.8 | (0%) | (0%) | (1%) | (1%) | (1%) |
| Total Revenue | \$16,710.6 | 2% | (1%) | 7% | 8% | 9% |

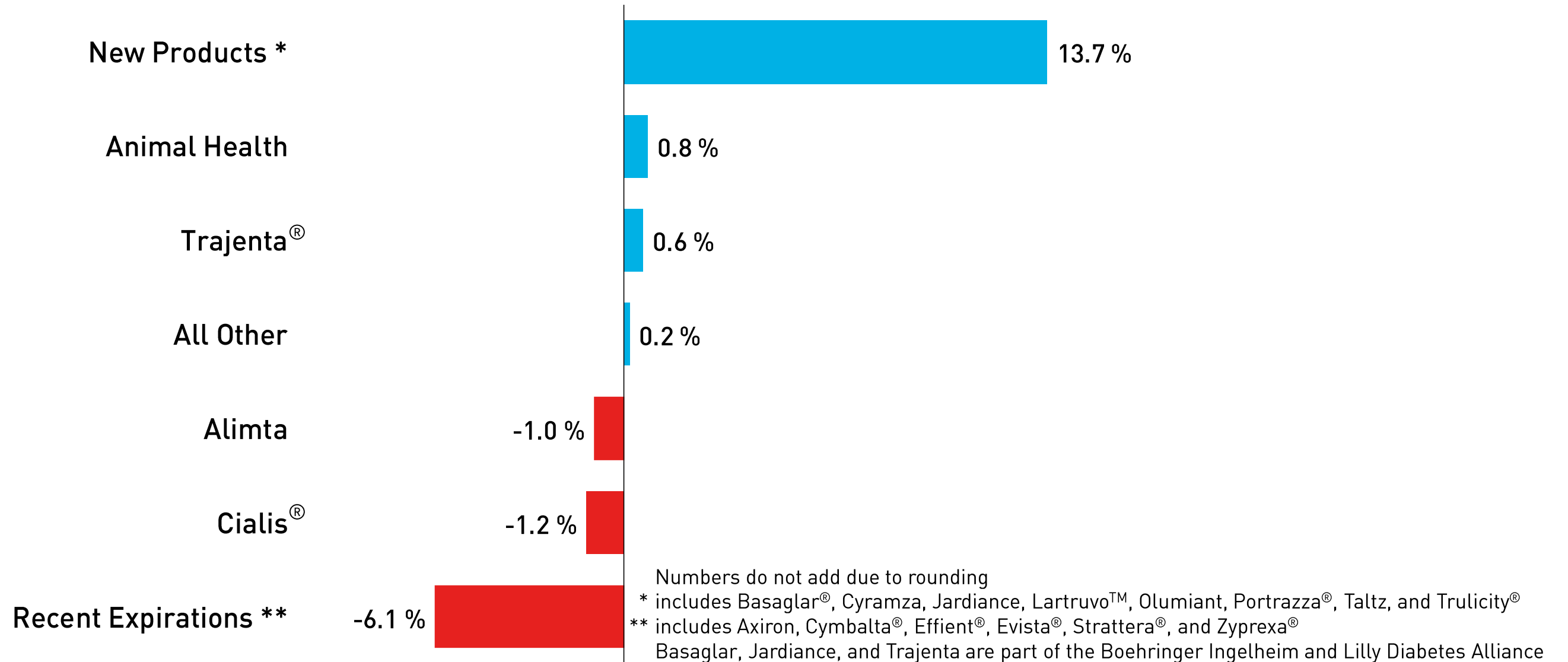
Note: Numbers may not add due to rounding.

CER = price change + volume change

NEW PRODUCTS DRIVING WW REVENUE GROWTH



Contribution to 7% Q3 WW Volume Growth



UPDATE ON NEW PRODUCT LAUNCH PROGRESS



Millions

\$1,400

\$1,200

\$1,000

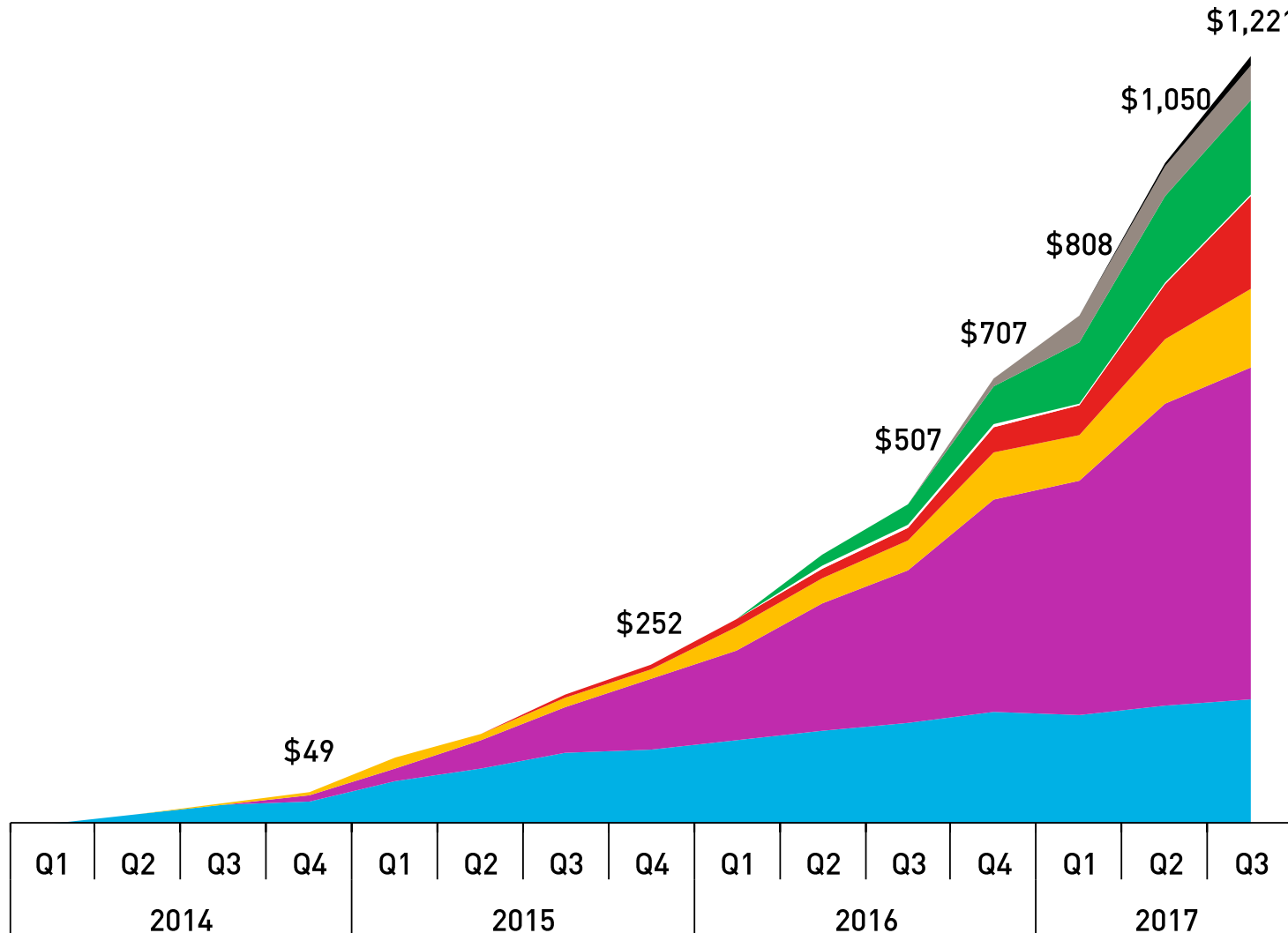
\$800

\$600

\$400

\$200

\$0



TRULICITY

- U.S. Endo NBRx SOM over 40%
- GLP-1 class TRx growing nearly 25% in U.S. due to PCP adoption

CYRAMZA

- Nearly 70% SOM in 2nd-line metastatic gastric cancer in Japan
- U.S. market leader in 2nd-line metastatic gastric cancer

JARDIANCE

- Market leader in U.S. NBRx with over 50% SOM
- SGLT2 TRx class growth in U.S. of mid-teens

TALTZ

- IL-17A NBRx class growth over 20% in dermatology
- Global launches continue; over 20,000 patients treated worldwide

BASAGLAR

- U.S. NBRx approximately 20%
- TRx now above Tresiba and Toujeo

LARTRUVO

- Strong early uptake in U.S. with positive KOL feedback
- European launches ongoing

OLUMIANT

- Launched in Japan in Q3
- European launches ongoing; strong early uptake in Germany

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

EFFECT OF FOREIGN EXCHANGE ON 2017 RESULTS

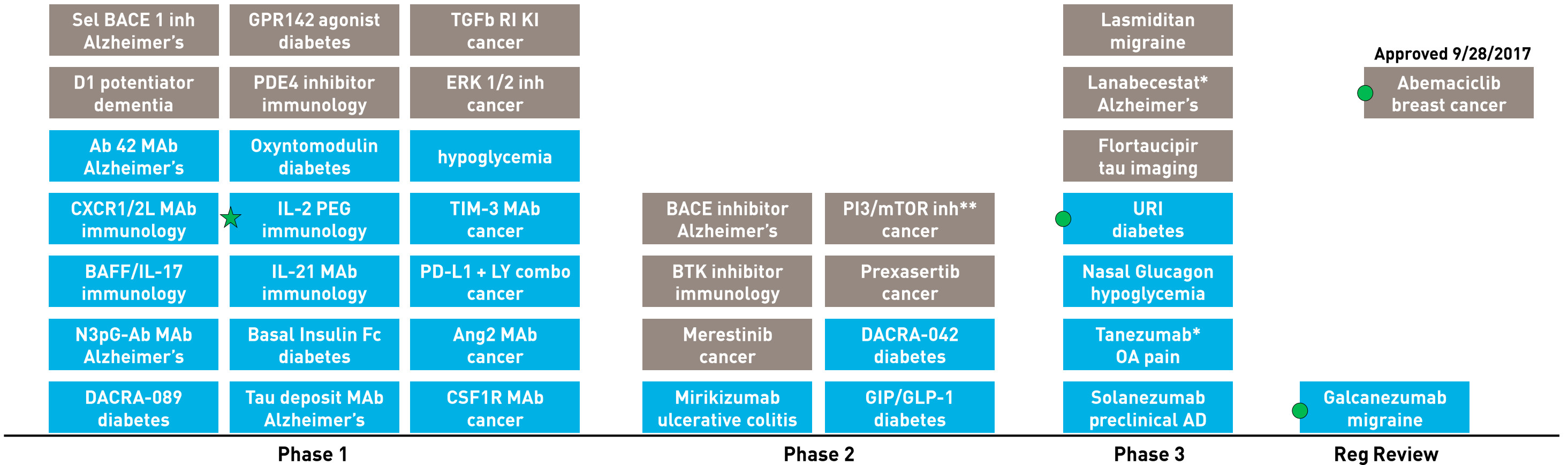


Year-on-Year Growth

| Reported | Q3 2017 | | 2017 | |
|-------------------|---------|--------|---------|--------|
| | With FX | w/o FX | With FX | w/o FX |
| Total Revenue | 9% | 9% | 8% | 9% |
| Cost of Sales | 12% | 4% | 6% | 4% |
| Gross Margin | 8% | 11% | 9% | 11% |
| Operating Expense | 22% | 22% | 19% | 20% |
| Operating Income | (36)% | (26)% | (26)% | (21)% |
| EPS | (27)% | (18)% | (26)% | (21)% |
| Non-GAAP | | | | |
| Total Revenue | 9% | 9% | 8% | 9% |
| Cost of Sales | 15% | 6% | 6% | 4% |
| Gross Margin | 7% | 10% | 9% | 10% |
| Operating Expense | 3% | 3% | 2% | 2% |
| Operating Income | 18% | 29% | 26% | 31% |
| EPS | 19% | 30% | 22% | 28% |

LILLY SELECT NME PIPELINE

OCTOBER 17, 2017



● N3pG-Ab MAb Alzheimer's ● LA Basal Insulin diabetes

New Chemical Entity (NCE) **MOVEMENT SINCE JULY 21, 2017:** ● Achieved milestone ● Attrition ★ New molecule

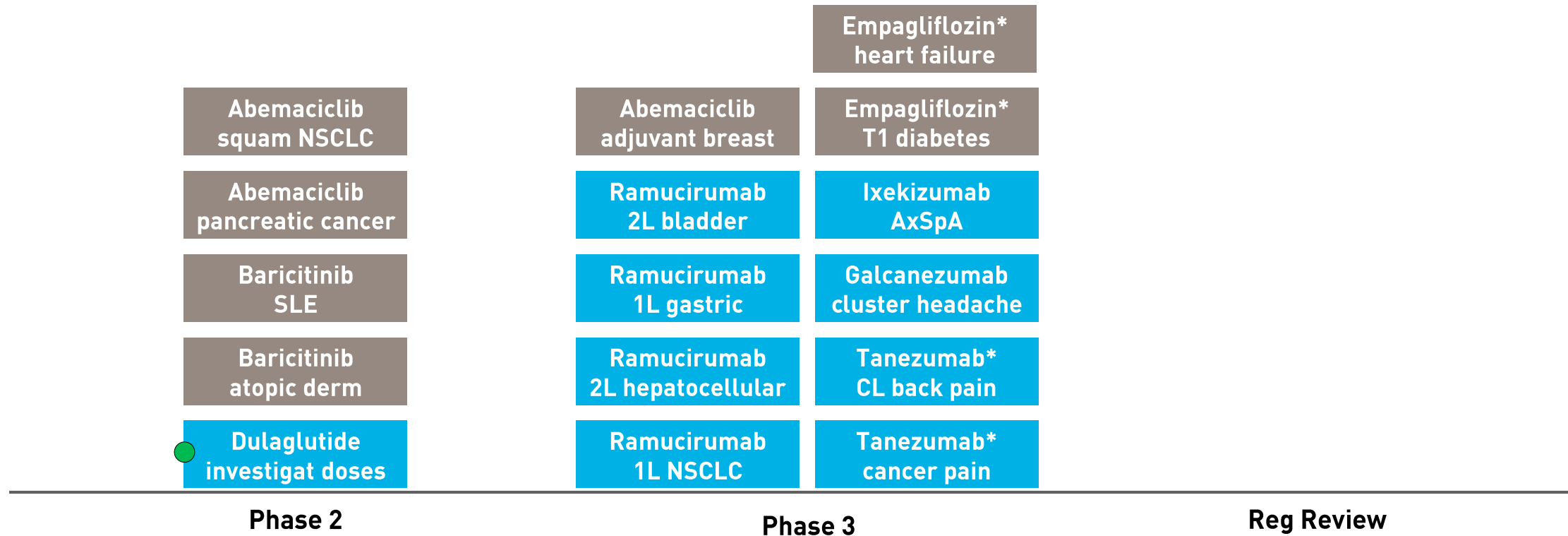
New Biotech Entity (NBE) *Commercial collaborations **For development in combinations

LILLY SELECT NILEX PIPELINE

OCTOBER 17, 2017



Select NILEX in Phase 2 development or later for NMEs that have progressed to Phase 3 or launched for a lead indication



Abemaciclib
NSCLC

New Chemical Entity (NCE)
New Biotech Entity (NBE)

MOVEMENT SINCE JULY 21, 2017:

● Achieved milestone ● Attrition ★ New molecule

*Commercial collaborations

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

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

✓+ Fruquintinib for 3L metastatic colorectal cancer (China)

✓+ Ixekizumab for psoriatic arthritis (US/EU)

✓+ Alimta sNDA to include KEYNOTE-021G data (US)

REGULATORY ACTIONS

Baricitinib for rheumatoid arthritis (US ✓-/EU ✓+/J ✓+)

Ixekizumab for psoriatic arthritis (US)

✓+ Alimta+carbo+Keytruda[®] in 1L nonsquamous NSCLC (KN-021G) (US) ^{2, 3}

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 KN-021G is a Merck sBLA filing for Keytruda

2017 GUIDANCE



| | <u>Prior</u> | <u>Current</u> |
|--------------------------------------|--------------------------|---------------------------------|
| Total Revenue | \$22.0 to \$22.5 billion | \$22.4 to \$22.7 billion |
| Gross Margin % of Revenue (GAAP) | Approx. 72.5% | Unchanged |
| Gross Margin % of Revenue (non-GAAP) | Approx. 76.0% | Unchanged |
| Marketing, Selling & Administrative | \$6.4 to \$6.6 billion | Unchanged |
| Research & Development | \$5.0 to \$5.2 billion | \$5.1 to \$5.2 billion |
| Other Income/(Expense) | \$0 - \$100 million | Unchanged |
| Tax Rate (GAAP) | Approx. 23.5% | Approx. 20.0% |
| Tax Rate (non-GAAP) | Approx. 22.0% | Approx. 21.0% |
| Earnings per Share (GAAP) | \$2.51 to \$2.61 | \$1.73 to \$1.83 |
| Earnings per Share (non-GAAP) | \$4.10 to \$4.20 | \$4.15 to \$4.25 |
| Capital Expenditures | Approx. \$1.1 billion | Unchanged |

FX rates for current guidance:

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

SUMMARY



- Continued momentum with our innovation-based strategy
- Nine product launches since 2014, one more launch possible by year end 2018
- Announced actions to speed innovation to market and improve the company's cost structure; also, initiated a strategic review of Elanco Animal Health business
- Focused on continued execution of innovation strategy, volume-based revenue growth, and margin expansion to create value for all our stakeholders



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, gross margin % to increase from 2015 through 2020

OPEX % of revenue of 49% or less in 2018

DEPLOY CAPITAL TO CREATE VALUE

Fund existing marketed and pipeline products

Bolster growth prospects via business development in focus areas

Annual dividend increases

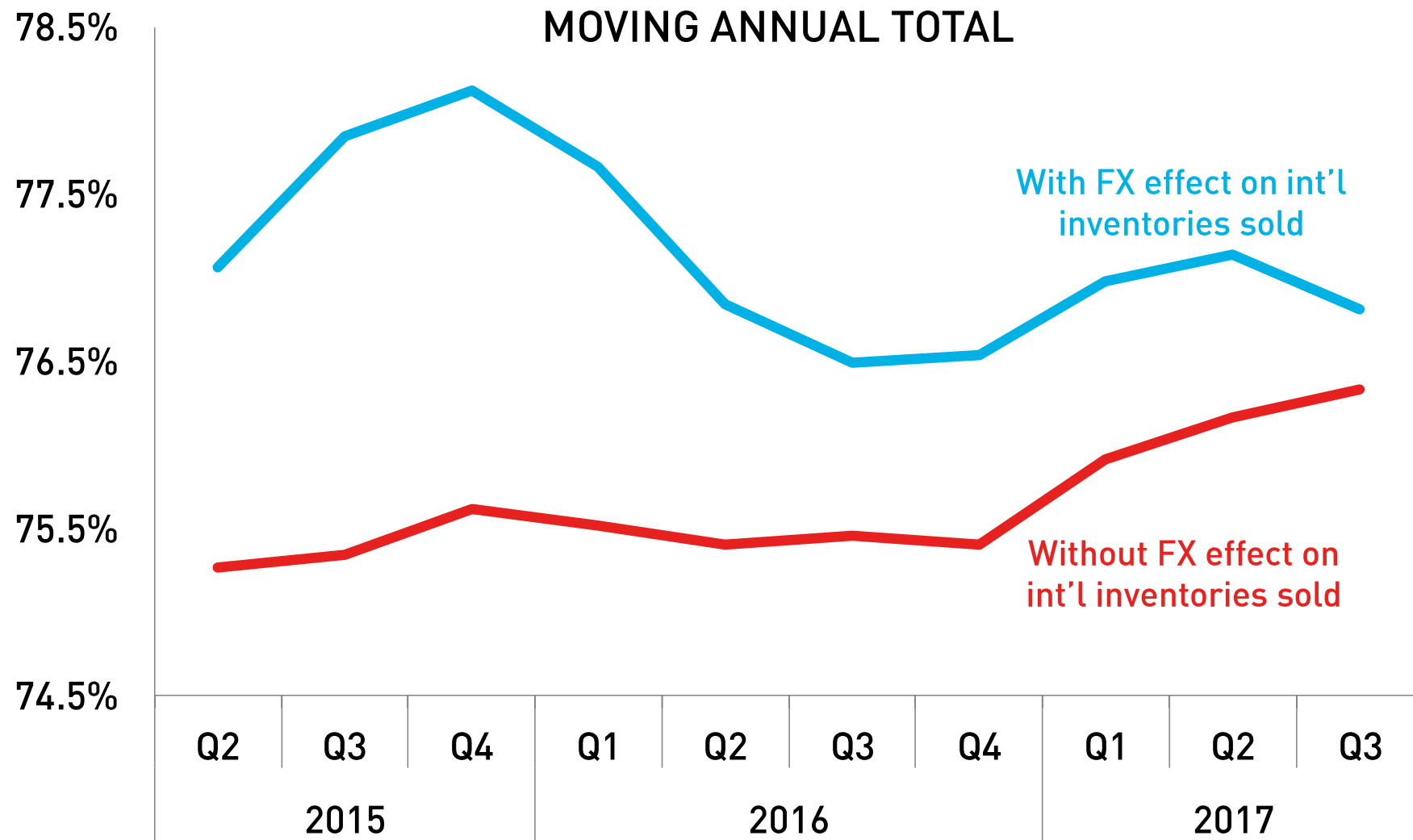
SUSTAIN FLOW OF INNOVATION

Potential to launch 20+ new molecules in 10 years (2014-2023)

On average, could launch 2+ new indications or line extensions per year

Supplementary Slides

NON-GAAP GROSS MARGIN % OF REVENUE



Individual quarter GM % of Revenue:

| | | | | | | | | | | |
|----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| with FX effect on int'l inv sold | 79.2% | 77.8% | 77.3% | 76.3% | 76.0% | 76.4% | 77.4% | 78.1% | 76.7% | 75.1% |
| w/o FX effect on int'l inv sold | 76.2% | 75.2% | 75.7% | 74.9% | 75.7% | 75.5% | 75.5% | 77.1% | 76.6% | 76.2% |

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.

Q3 2017 INCOME STATEMENT NOTES



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

- 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);
- acquired in-process research and development charges totaling \$205.0 million (pretax), or \$0.13 per share (after-tax), related to the collaborations with Nektar Therapeutics and KeyBioscience;
- inventory step-up costs associated with the acquisition of Boehringer Ingelheim Vetmedica's U.S. feline, canine, and rabies vaccine portfolio totaling \$5.5 million (pretax), or \$0.00 per share (after-tax);
- charges primarily associated with the Augusta, Georgia animal health manufacturing asset and the Posilac[®] intangible asset totaling \$234.9 million (pretax), or \$0.15 per share (after-tax); and
- charges primarily associated with severance costs incurred as a result of actions taken to reduce the company's cost structure totaling \$171.5 million, or \$0.14 per share (after-tax).

Q3 2016 NON-GAAP INFORMATION HAS BEEN ADJUSTED TO ELIMINATE:

- amortization of intangible assets primarily associated with costs of marketed products acquired or licensed from third parties totaling \$177.7 million (pretax), or \$0.11 per share (after-tax); and
- charges primarily associated with integration and severance costs for Novartis Animal Health totaling \$45.5 million (pretax), or \$0.03 per share (after-tax).

YTD 2017 INCOME STATEMENT NOTES



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

- 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);
- an acquired in-process research and development charge related to the acquisition of CoLucid Pharmaceuticals and the collaborations with Nektar Therapeutics and KeyBioscience totaling \$1,062.6 million (pretax), or \$0.94 per share (after-tax);
- inventory step-up costs associated with the acquisition of Boehringer Ingelheim Vetmedica's U.S. feline, canine, and rabies vaccine portfolio totaling \$32.0 million (pretax), or \$0.02 per share (after-tax);
- charges primarily associated with asset impairments of animal health manufacturing and intangible assets totaling \$270.1 million (pretax), or \$0.17 per share (after-tax); and
- charges primarily related to severance costs incurred as a result of actions taken to reduce the company's cost structure, as well as integration costs related to the acquisition and integration of Novartis Animal Health, totaling \$400.2 million, or \$0.31 per share (after-tax).

YTD 2016 NON-GAAP INFORMATION HAS BEEN ADJUSTED TO ELIMINATE:

- amortization of intangible assets primarily associated with costs of marketed products acquired or licensed from third parties totaling \$518.8 million (pretax), or \$0.34 per share (after-tax);
- charges associated with asset impairments related to the closure of an animal health manufacturing facility in Ireland and integration and severance costs for Novartis Animal Health totaling \$234.9 million (pretax), or \$0.19 per share (after-tax); and
- a charge related to the impact of the Venezuelan financial crisis, including the significant deterioration of the bolivar, totaling \$203.9 million (pretax), or \$0.19 per share (after-tax).

COMPARATIVE EPS SUMMARY 2016/2017



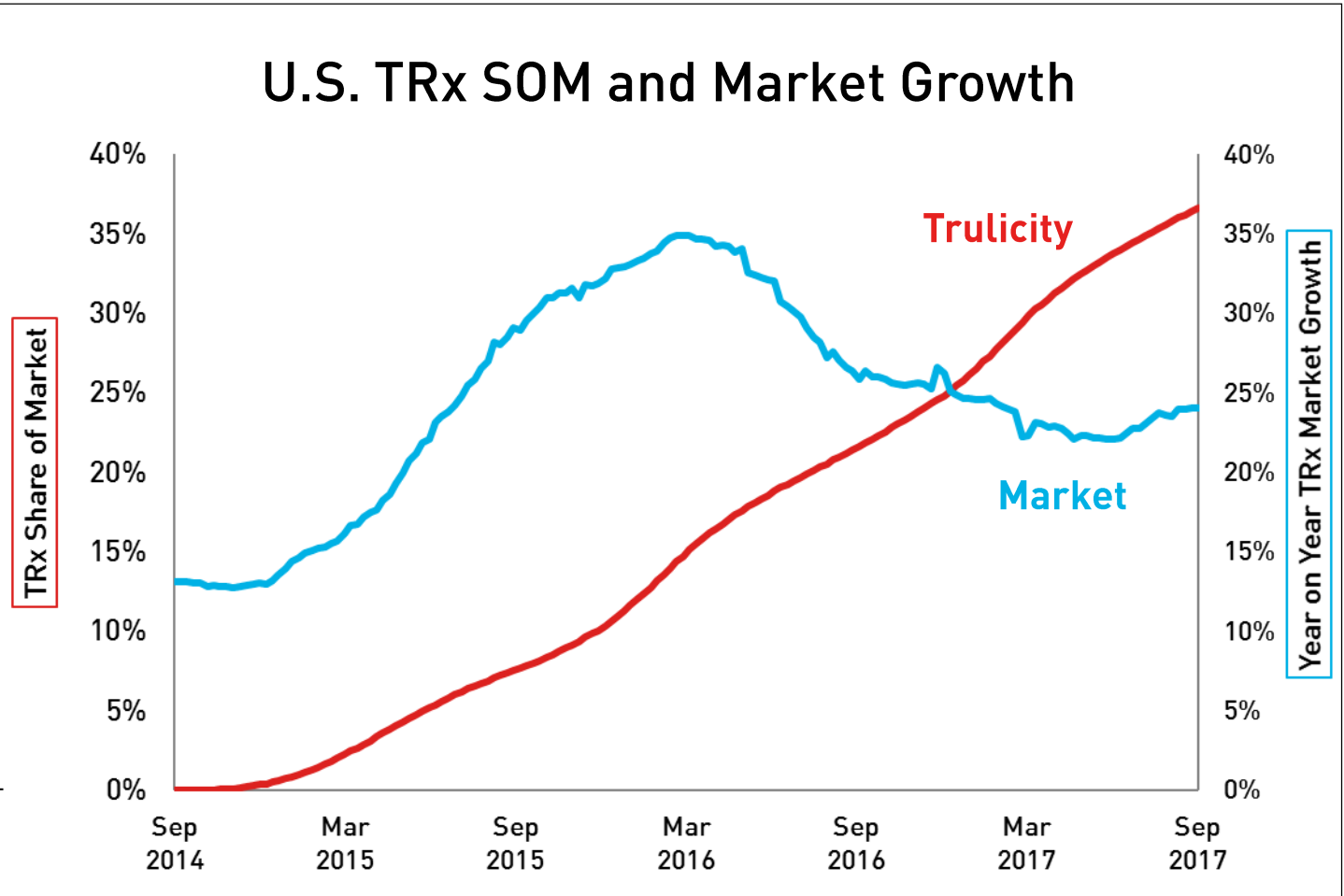
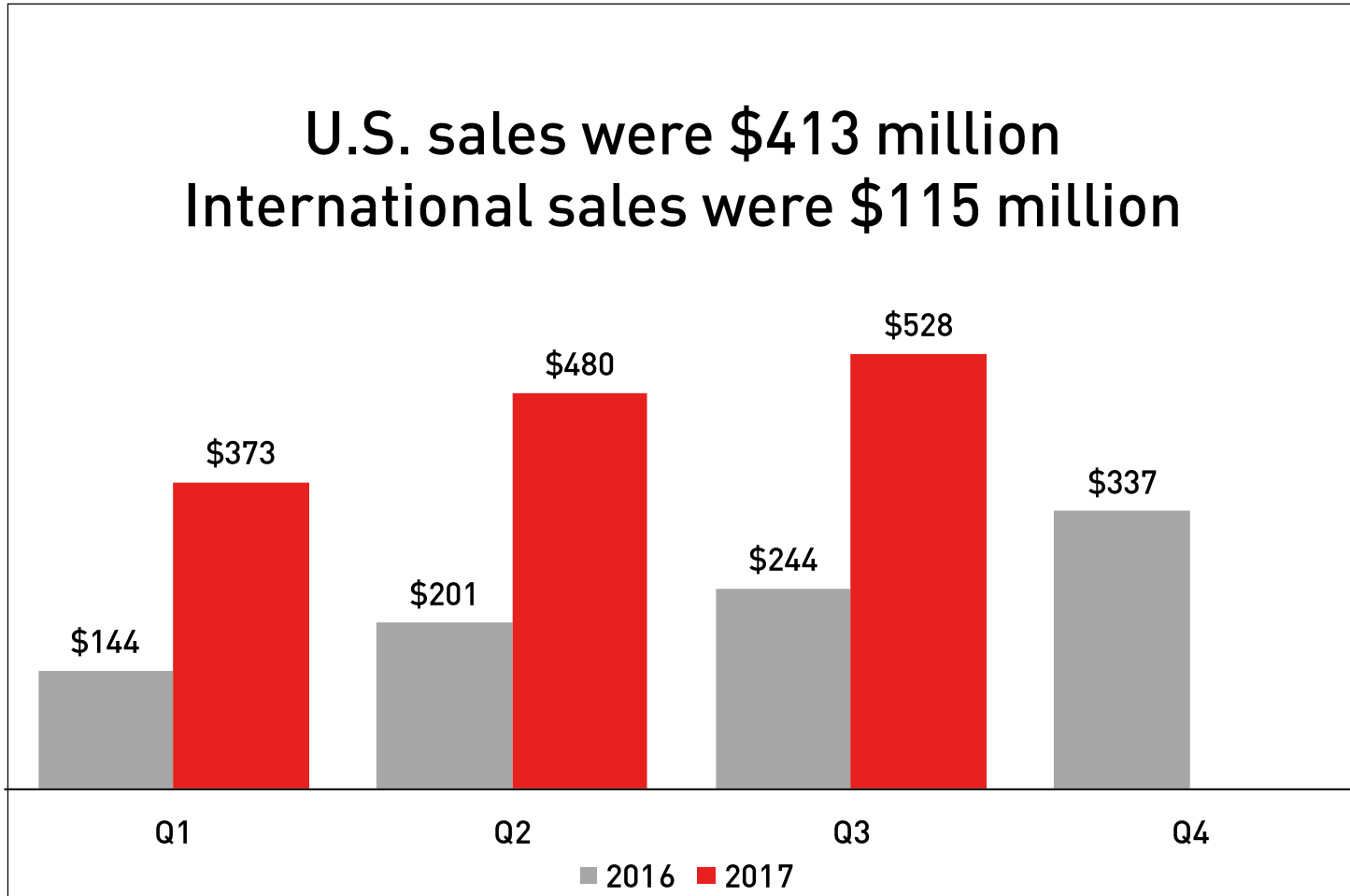
| | 1Q16 | 2Q16 | 3Q16 | 4Q16 | 2016 | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 2017 |
|----------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Reported | 0.41 | 0.71 | 0.73 | 0.73 | 2.58 | (0.10) | 0.95 | 0.53 | | |
| Non-GAAP | 0.83 | 0.86 | 0.88 | 0.95 | 3.52 | 0.98 | 1.11 | 1.05 | | |

Note: Numbers may not add due to rounding.
 For a complete reconciliation to reported earnings, see slides 24 and 25 and our earnings press release dated October 24, 2017.

Q3 2017 TRULICITY SALES WERE UP 117%



Millions



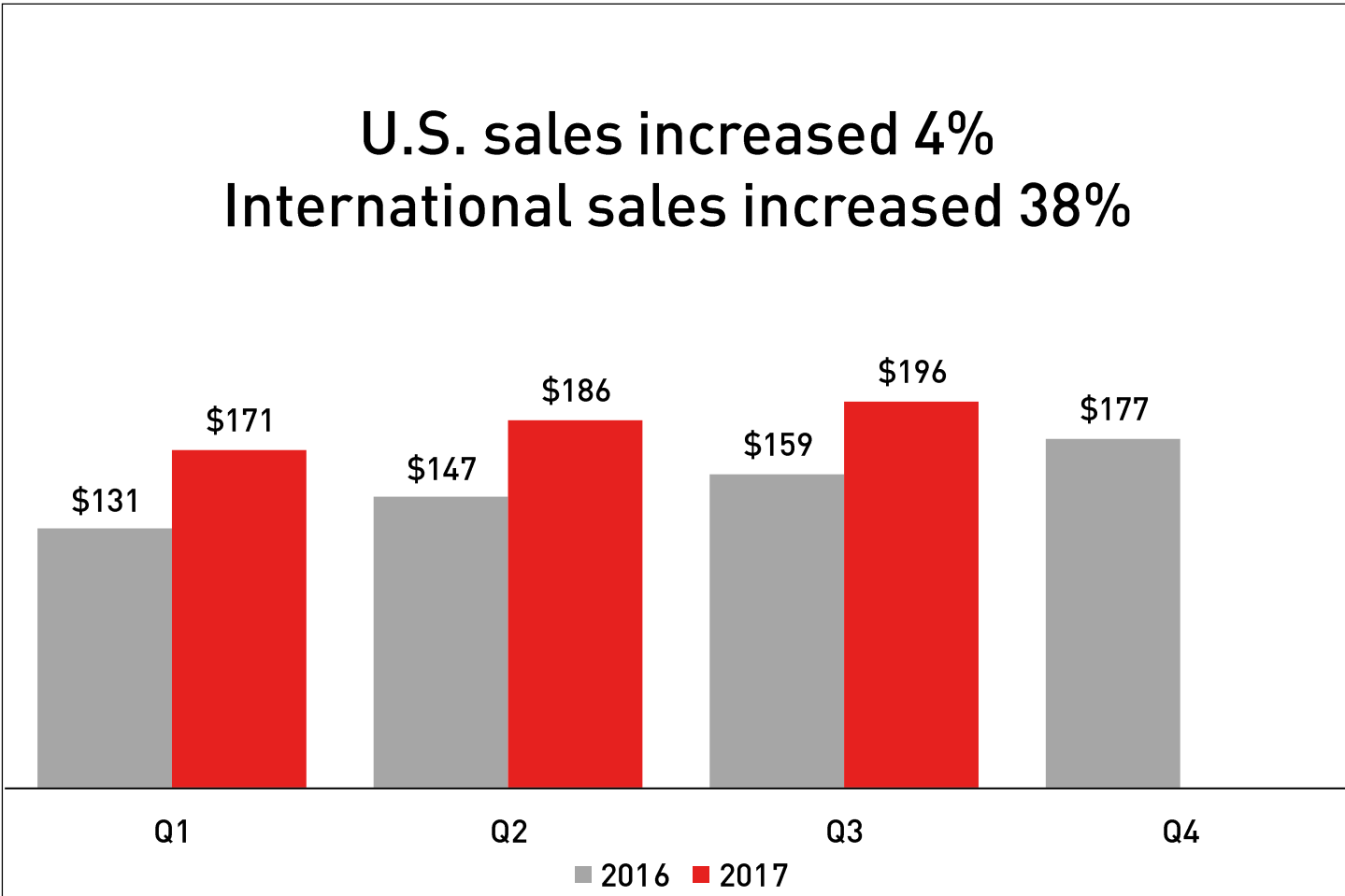
Source: QuintilesIMS Health NPA TRx 3MMA, weekly data September 29, 2017

Q3 2017 CYRAMZA SALES INCREASED 23%

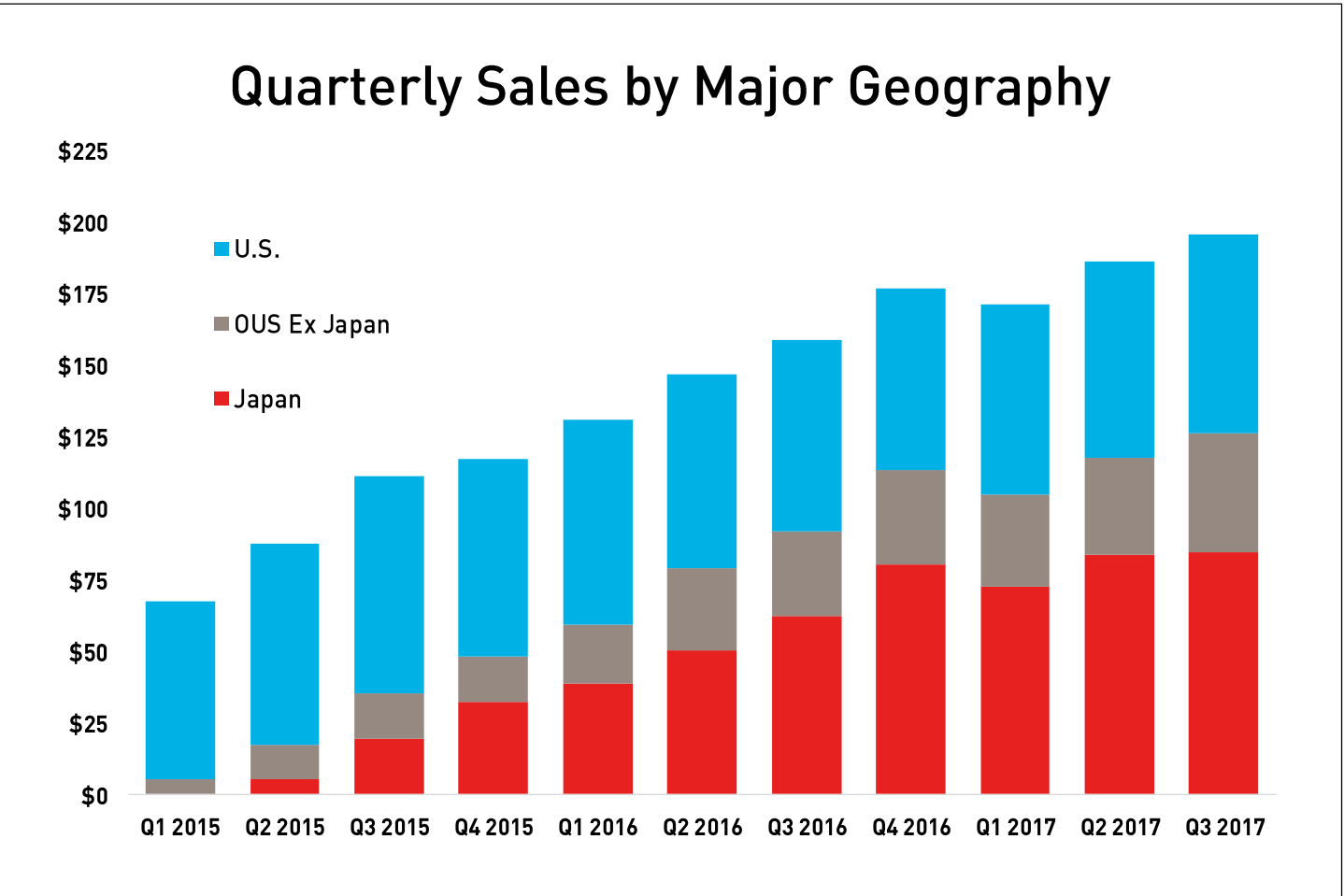


Millions

U.S. sales increased 4%
International sales increased 38%



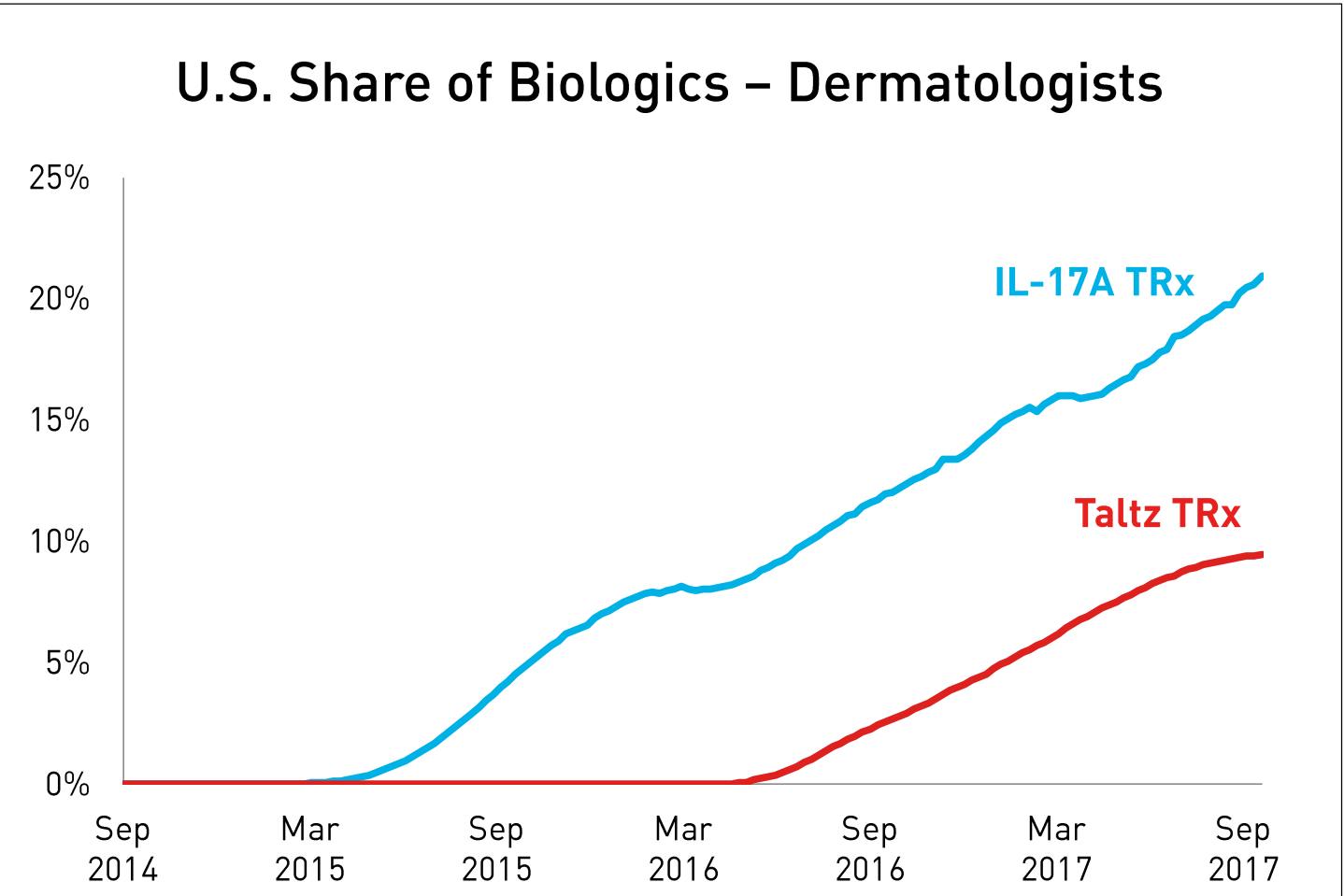
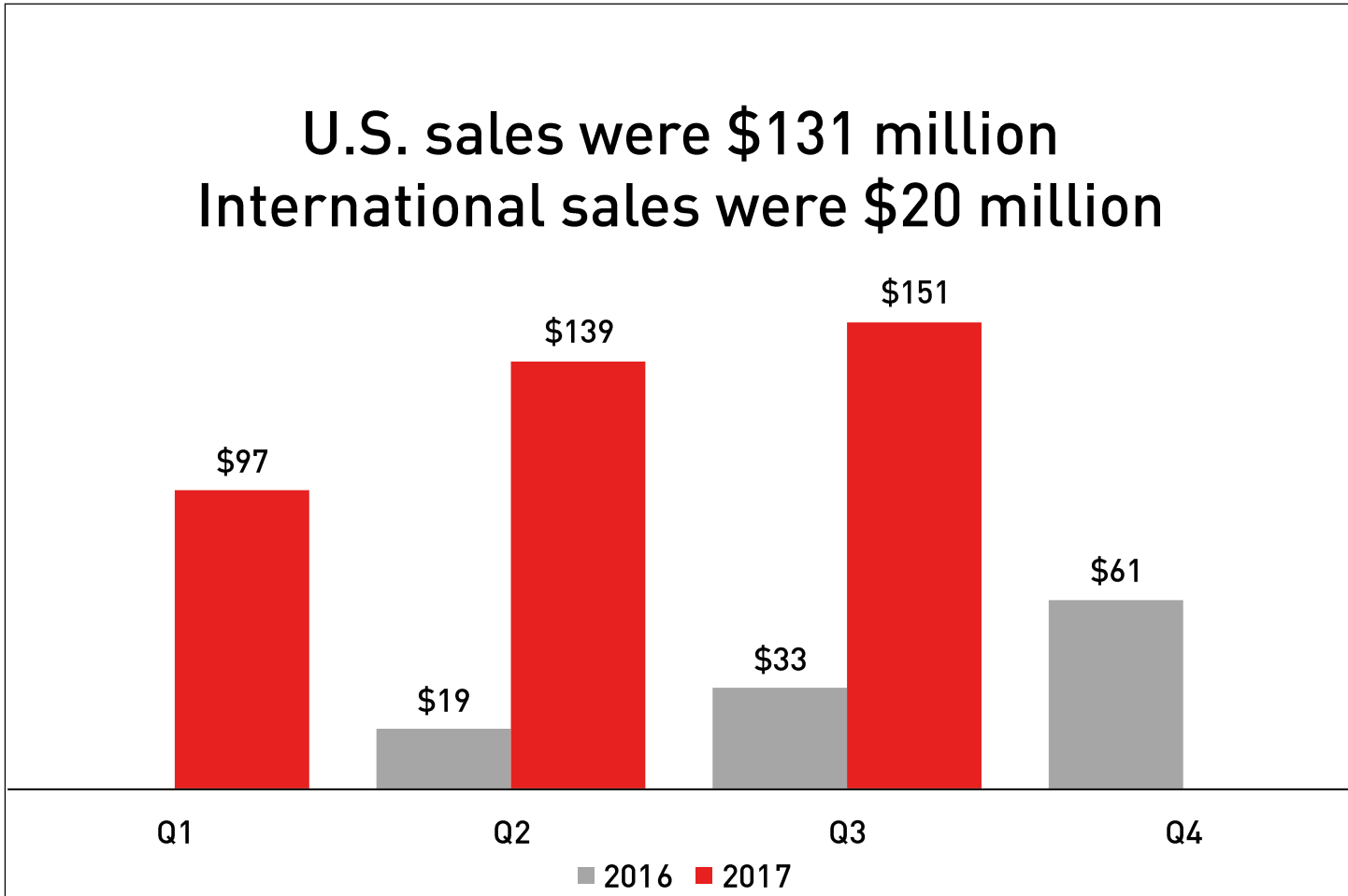
Quarterly Sales by Major Geography



Q3 2017 TALTZ SALES WERE \$151 MILLION



Millions

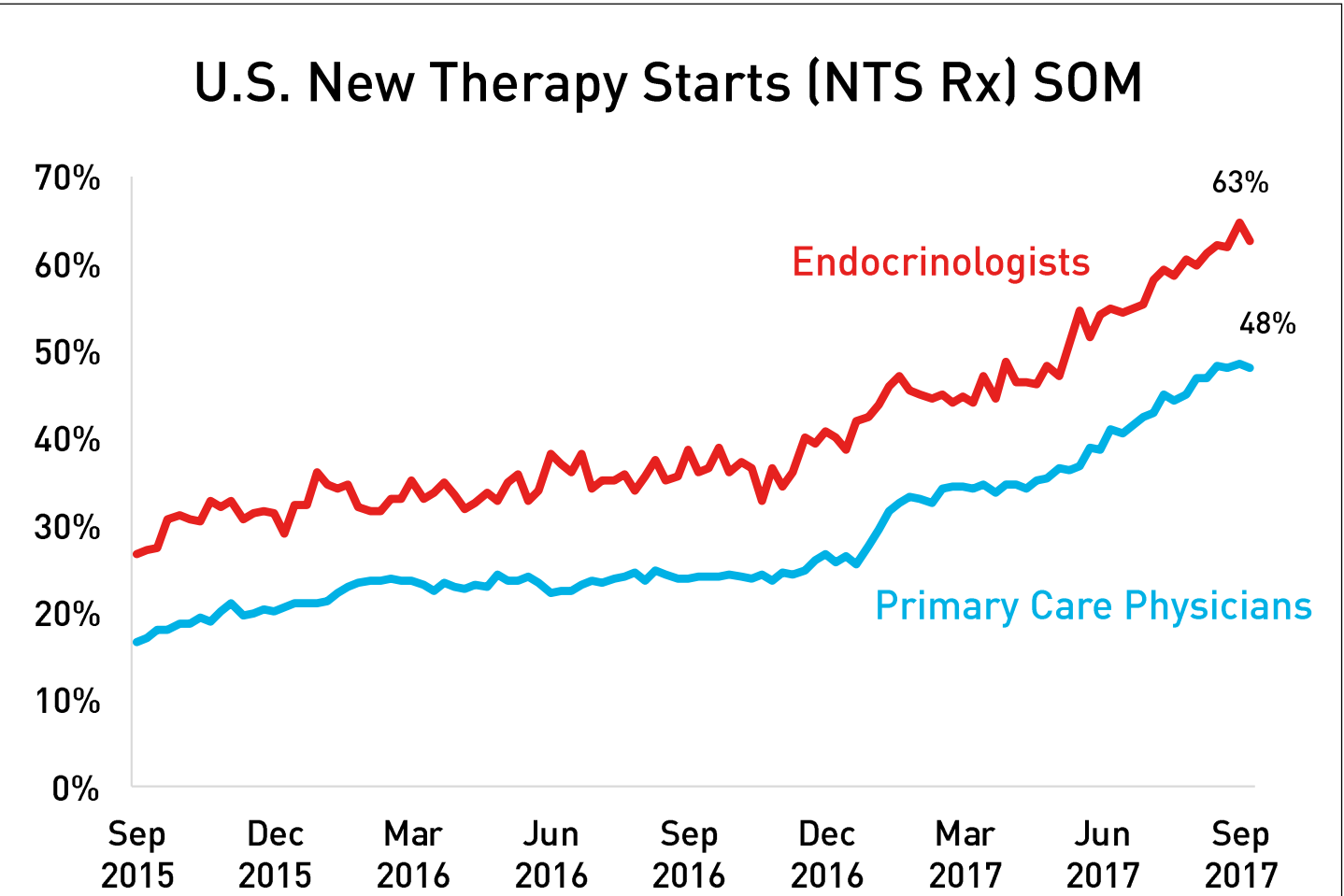
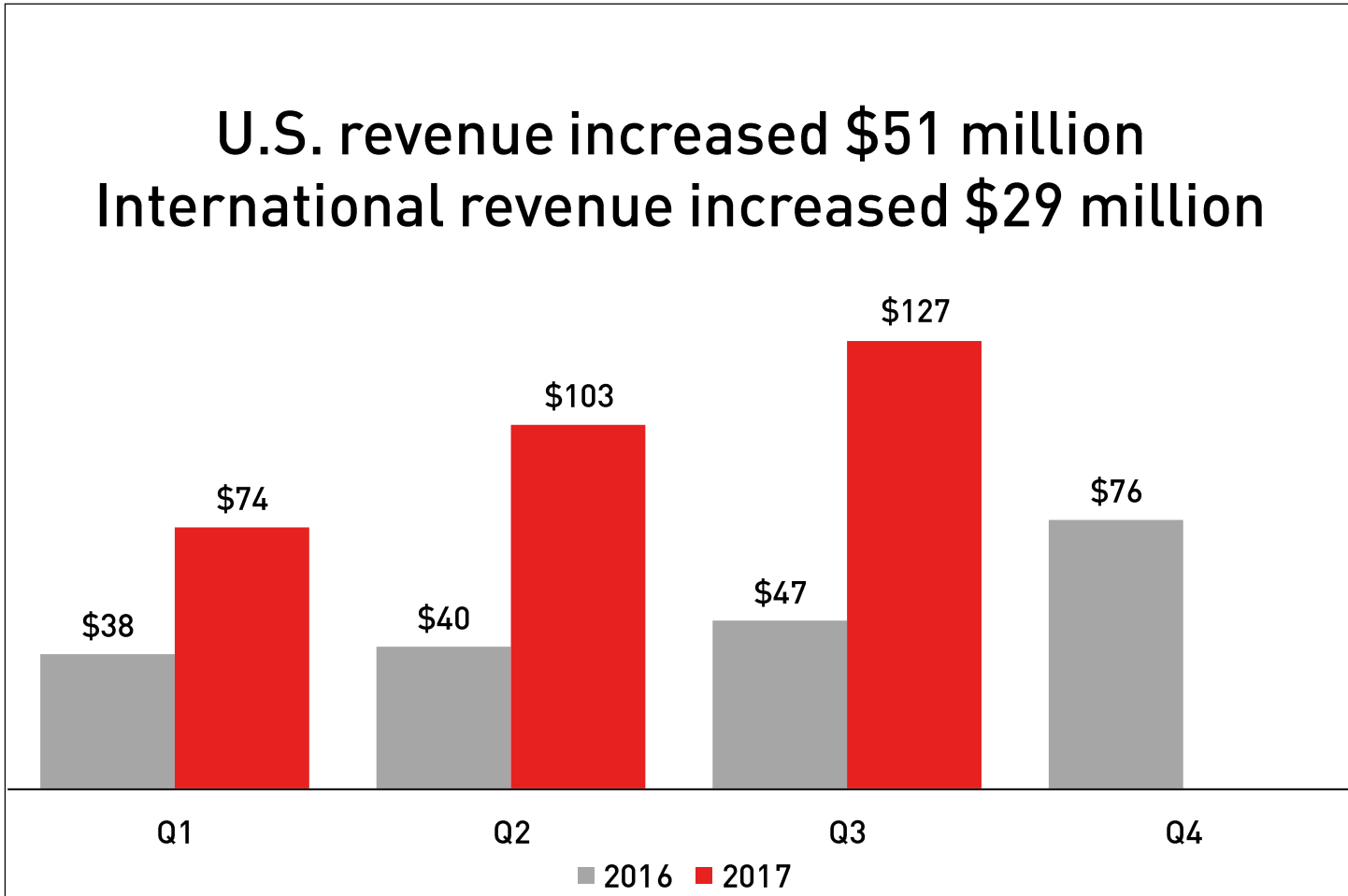


Source: QuintilesIMS Health NPA TRx and NBRx 3MMA, weekly data September 29, 2017

Q3 2017 JARDIANCE REVENUE WAS \$127 MILLION



Millions



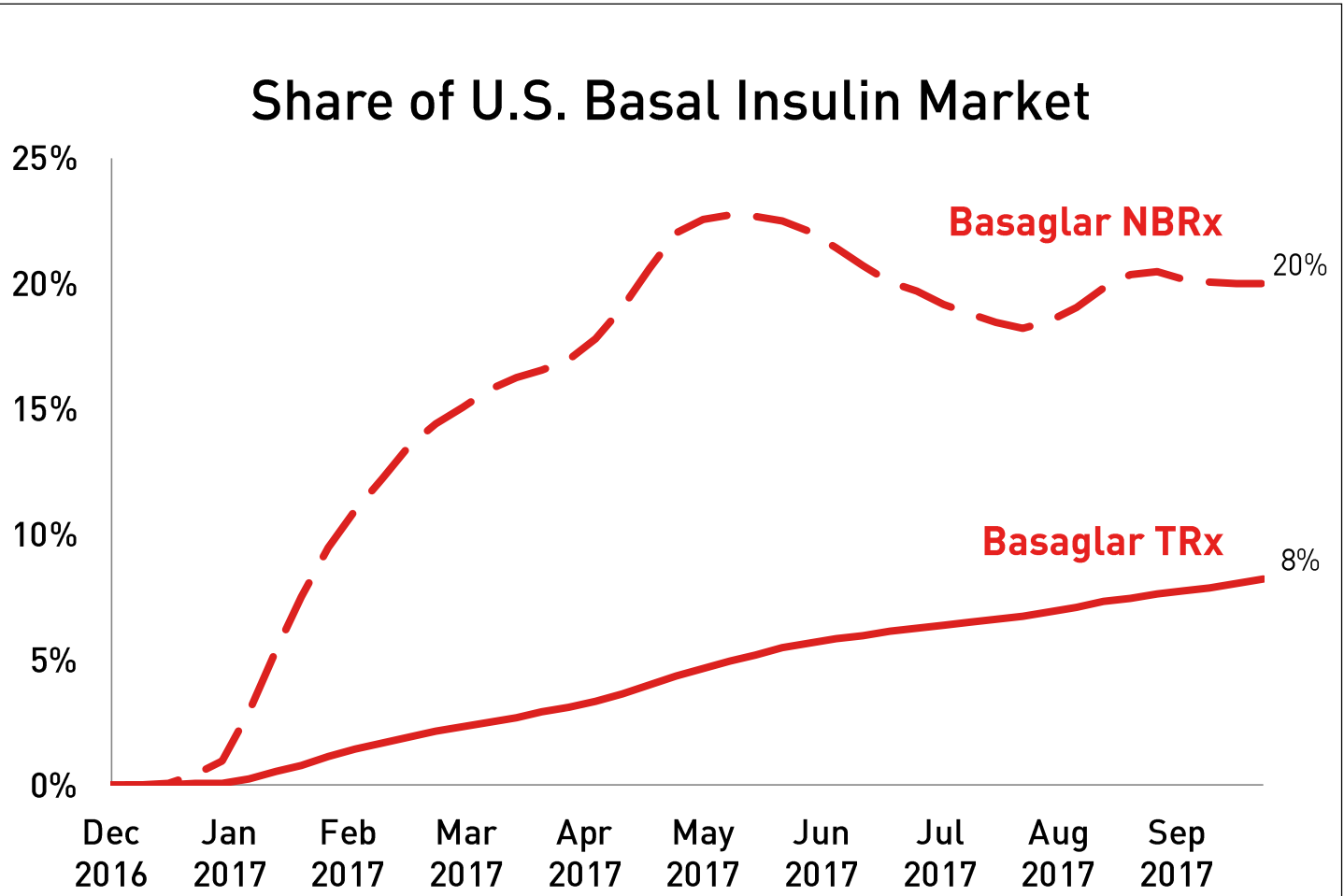
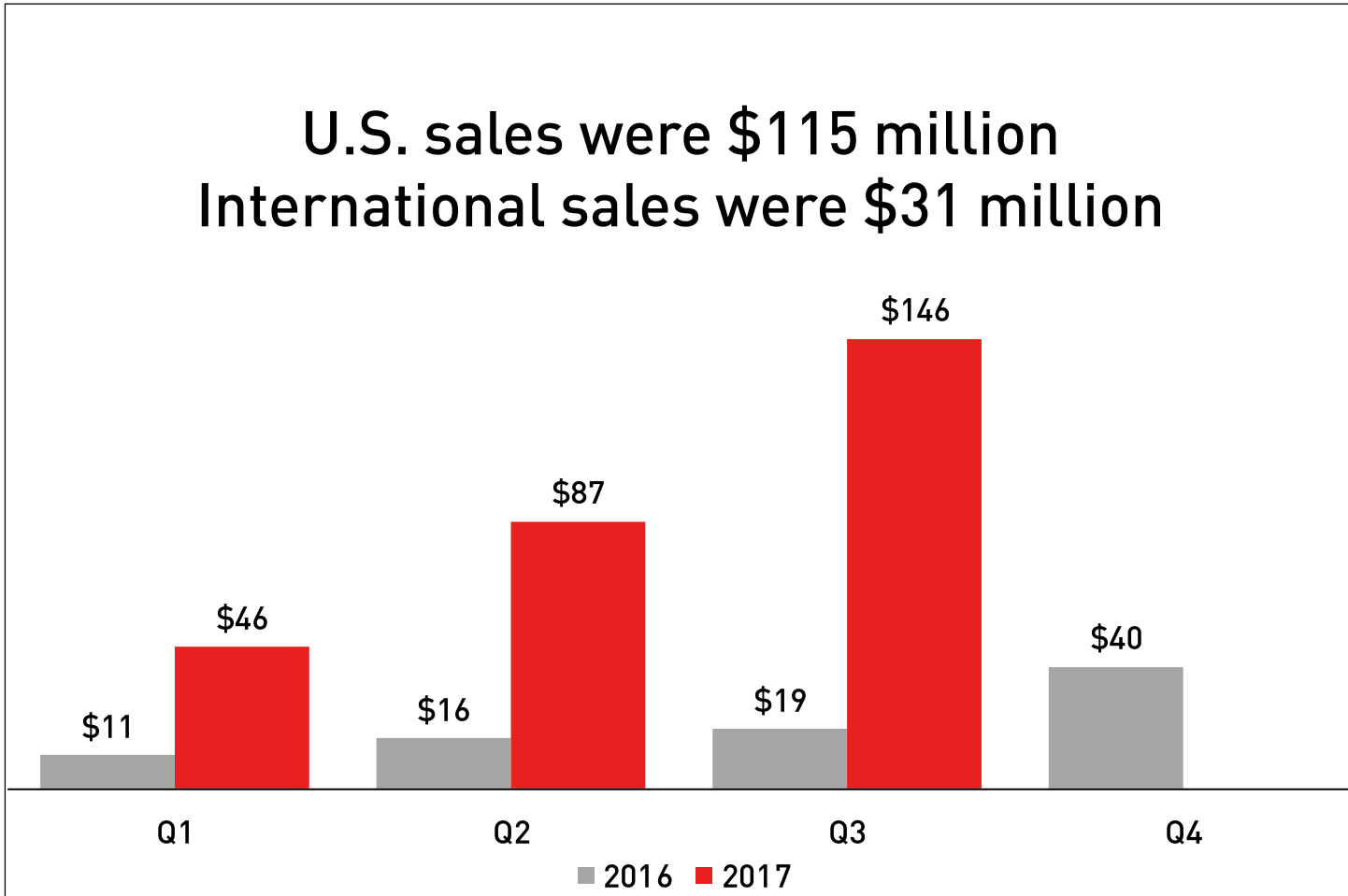
Source: QuintilesIMS Health NPA NTS Rx 3MMA, weekly data September 29, 2017

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

Q3 2017 BASAGLAR SALES WERE \$146 MILLION



Millions



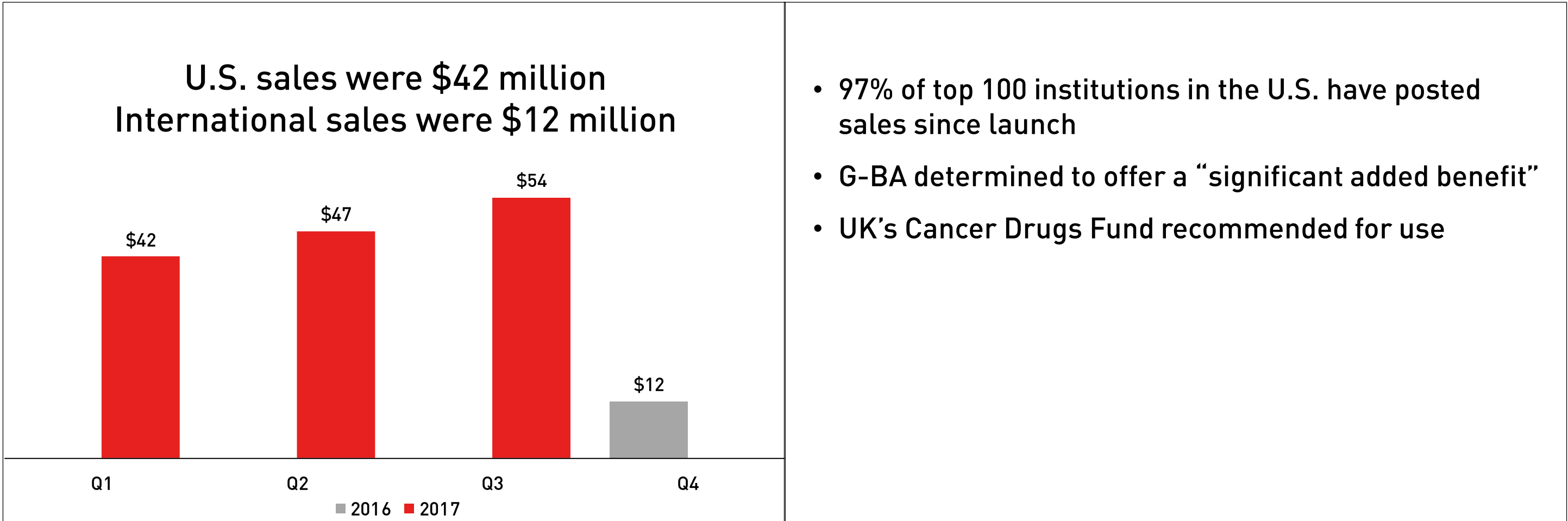
Source: QuintilesIMS Health NPA TRx and NBRx 1MMA, weekly data September 29, 2017

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

Q3 2017 LARTRUVO SALES WERE \$54 MILLION



Millions

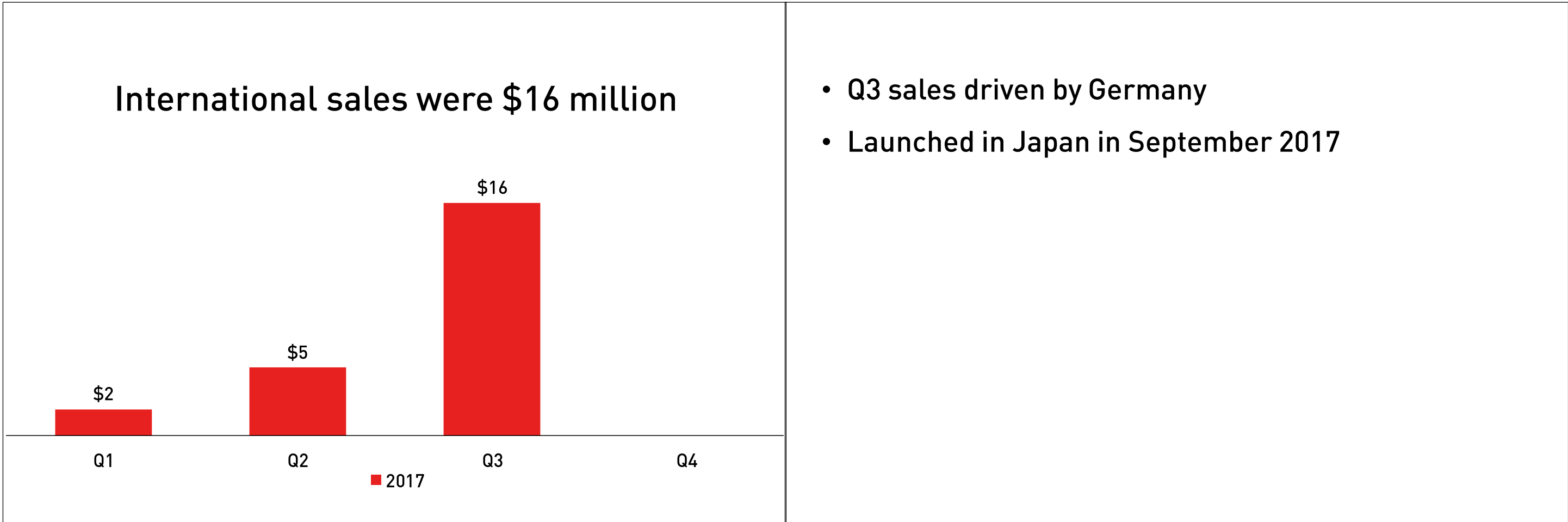


- 97% of top 100 institutions in the U.S. have posted sales since launch
- G-BA determined to offer a “significant added benefit”
- UK’s Cancer Drugs Fund recommended for use

Q3 2017 OLUMIANT SALES WERE \$16 MILLION



Millions

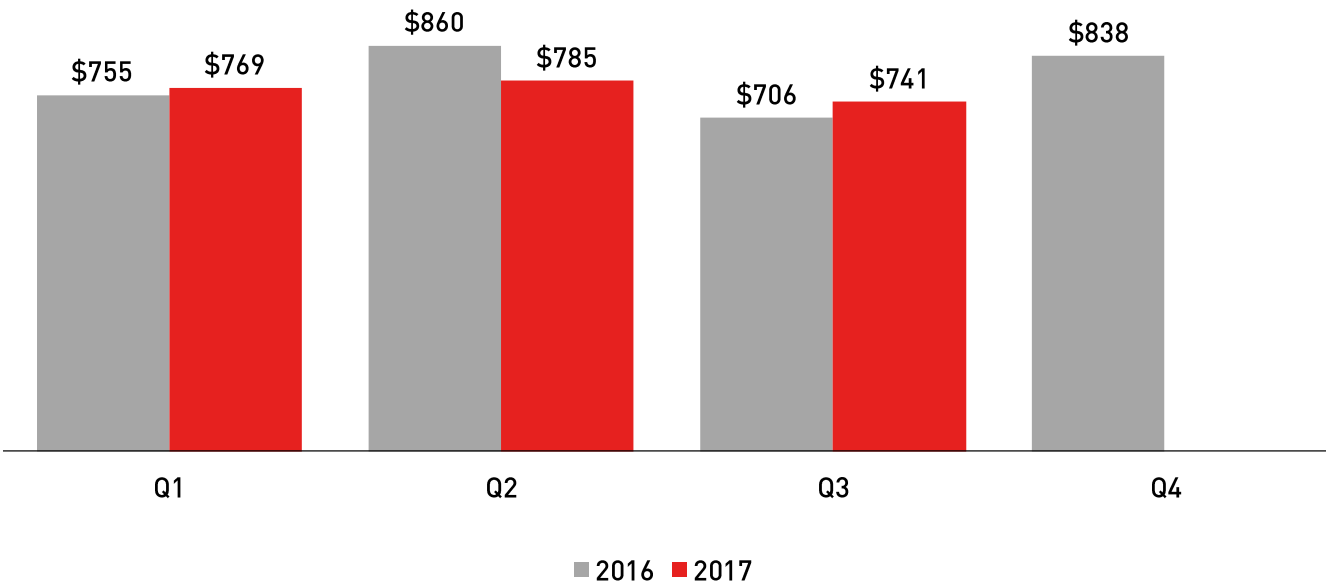


Q3 2017 ANIMAL HEALTH SALES INCREASED 5%



Millions

U.S. sales increased 4%
International sales increased 5%



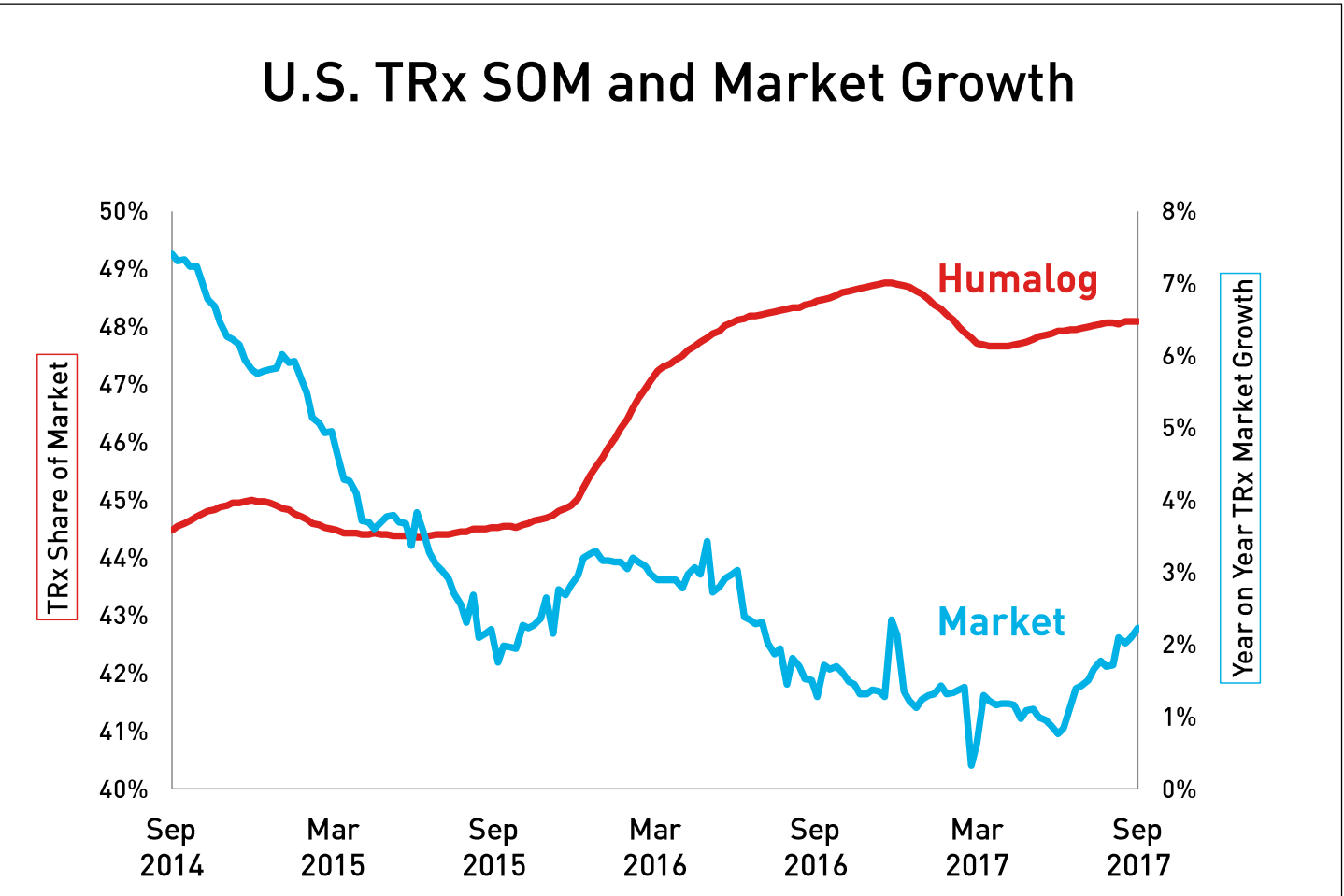
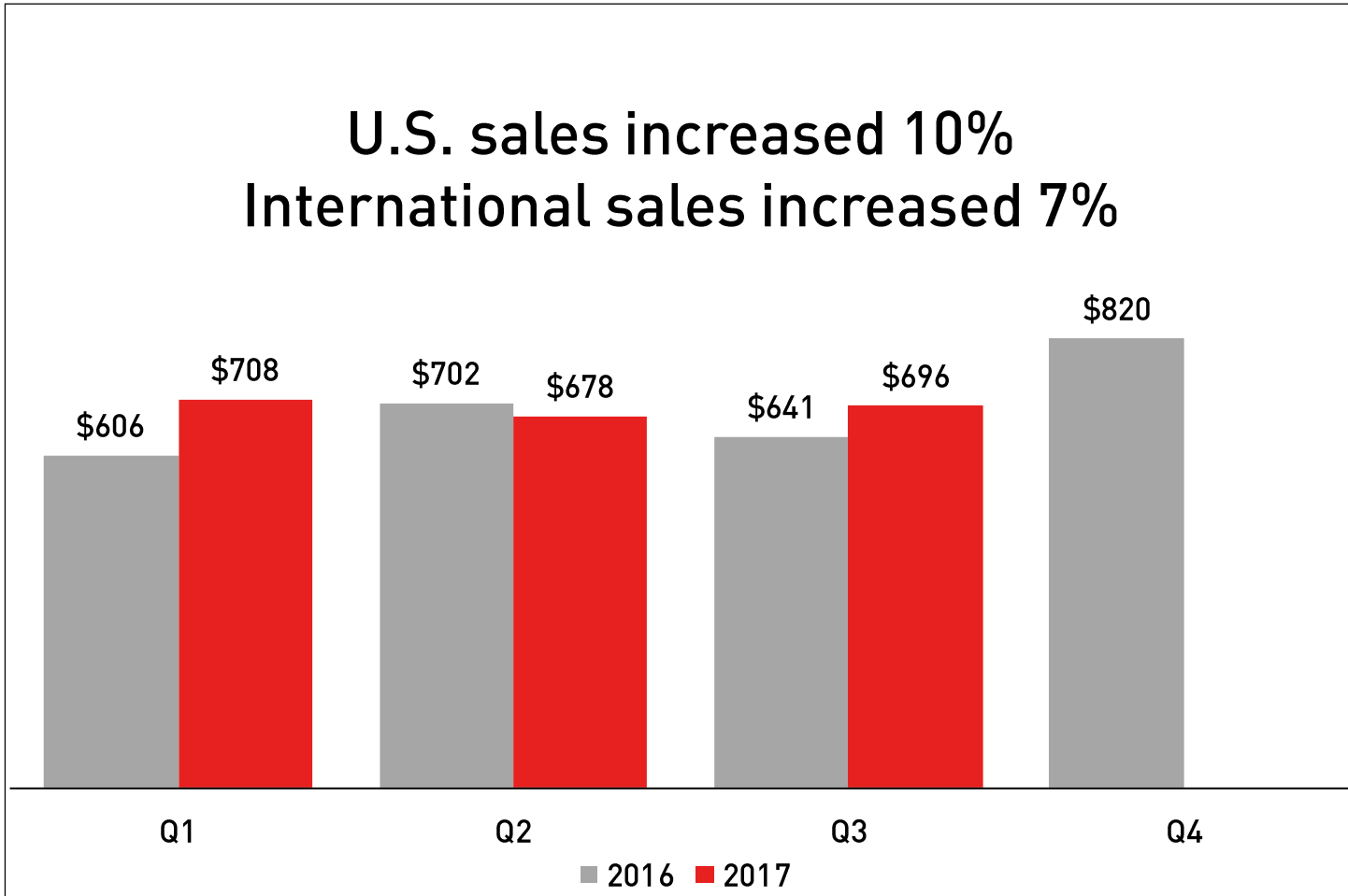
| | <u>Q3 Sales</u> | <u>Change</u> | <u>Performance</u> | <u>Rate</u> |
|----------------------------|-----------------|---------------|--------------------|-------------|
| U.S. Companion | \$170.3 | 63% | 63% | - |
| U.S. Food and Other | \$182.8 | (22%) | (22%) | - |
| OUS Companion | \$81.9 | (1%) | (3%) | 2% |
| OUS Food and Other | \$305.7 | 7% | 6% | 1% |
| WW Animal Health | \$740.6 | 5% | 4% | 1% |

- U.S. companion animal sales increase driven by the acquisition of Boehringer Ingelheim Vetmedica’s U.S. feline, canine, and rabies vaccine portfolio and customer buying patterns in the third quarter of 2016, partially offset by competitive pressures
- U.S. food animal sales decrease due to competitive pressures in cattle and market access pressures in dairy

Q3 2017 HUMALOG® SALES INCREASED 9%



Millions

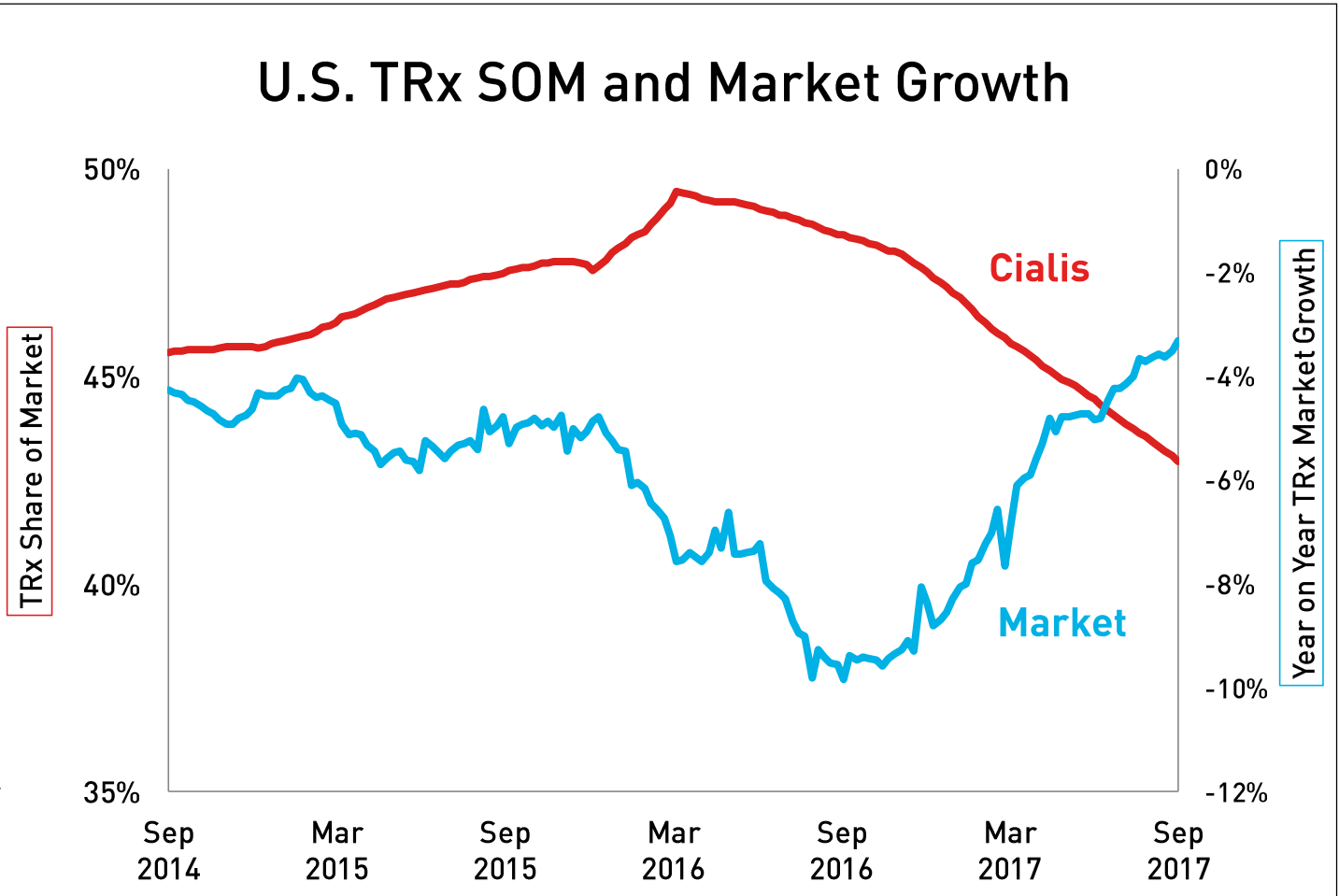
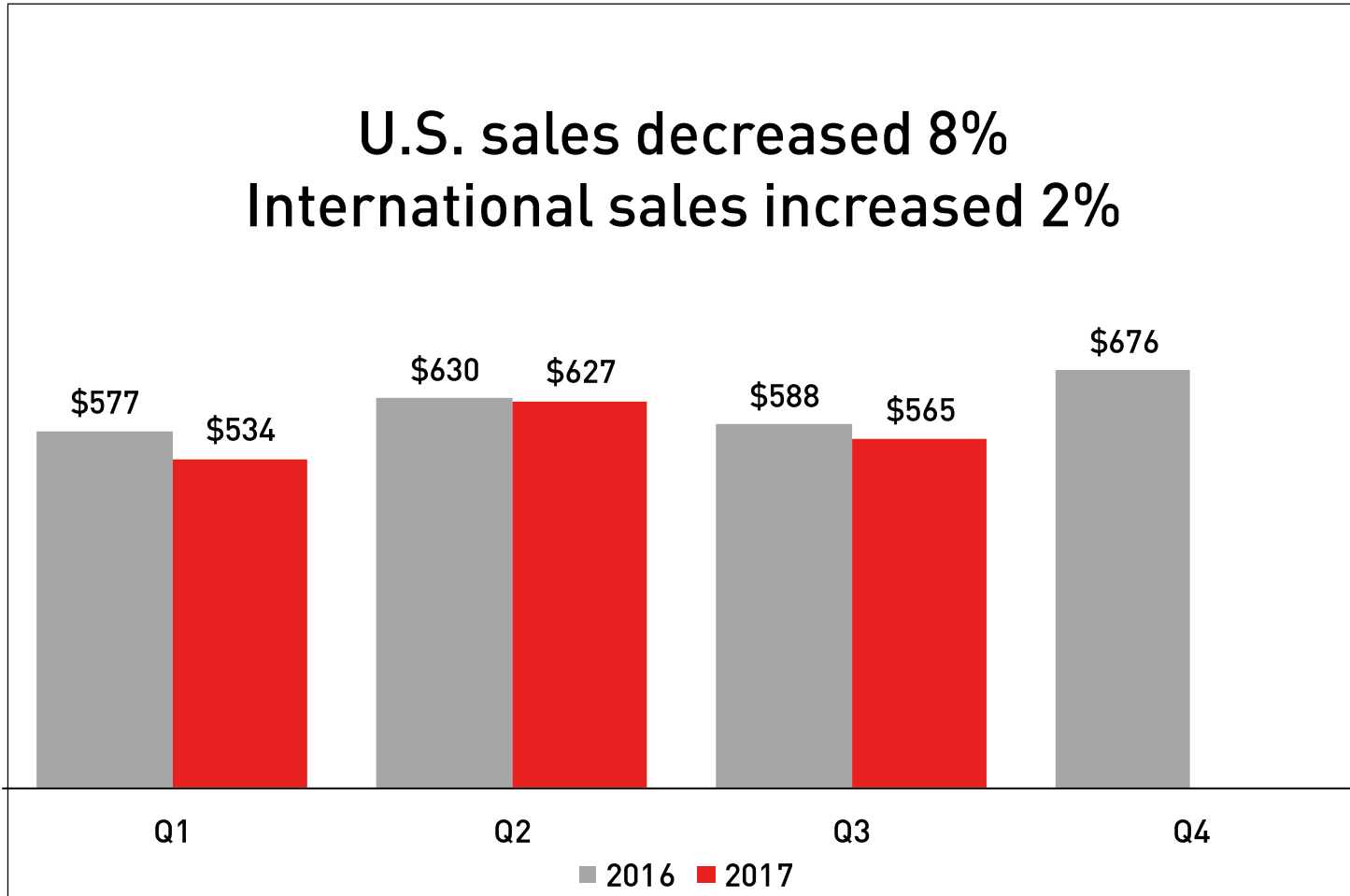


Source: QuintilesIMS Health NPA TRx 3MMA, weekly data September 29, 2017

Q3 2017 CIALIS SALES DECREASED 4%



Millions

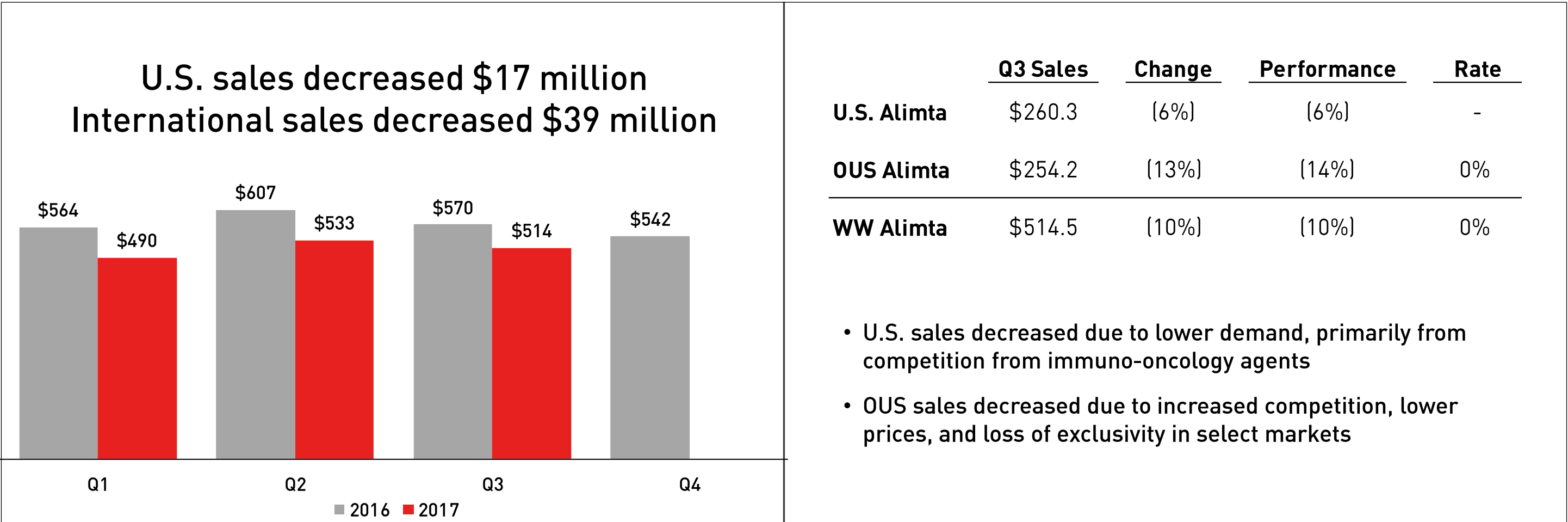


Source: QuintilesIMS Health NPA TRx 3MMA, weekly data September 29, 2017

Q3 2017 ALIMTA SALES DECREASED 10%



Millions

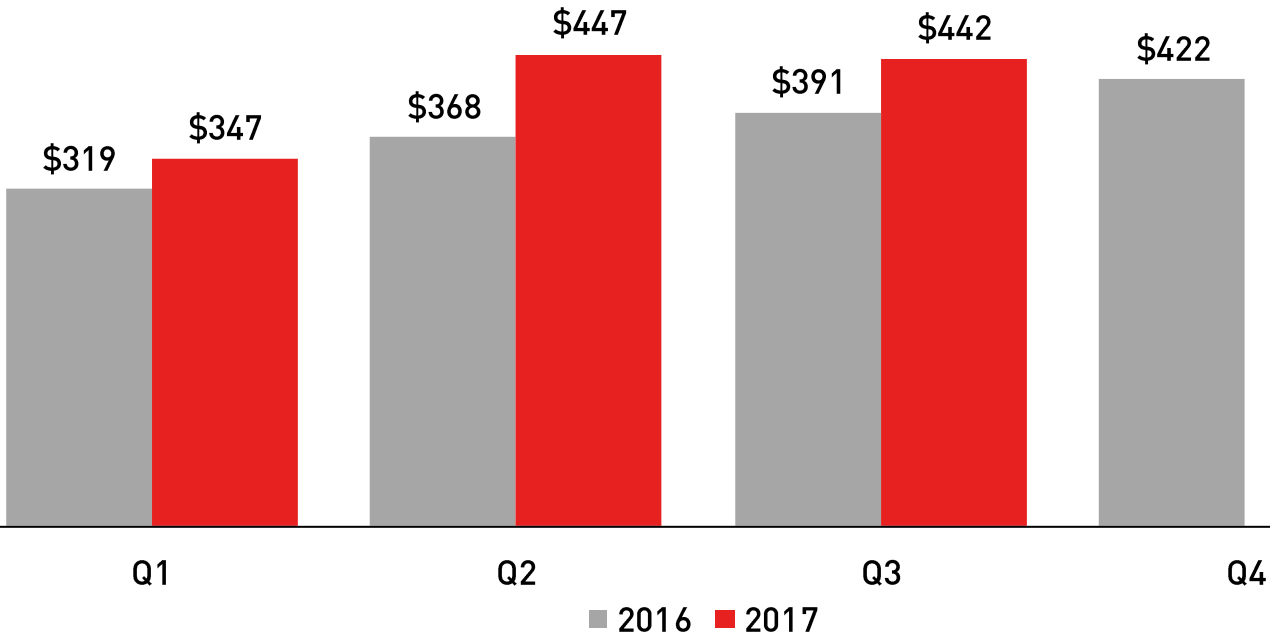


Q3 2017 FORTEO® SALES INCREASED 13%



Millions

U.S. sales increased \$27 million
International sales increased \$23 million



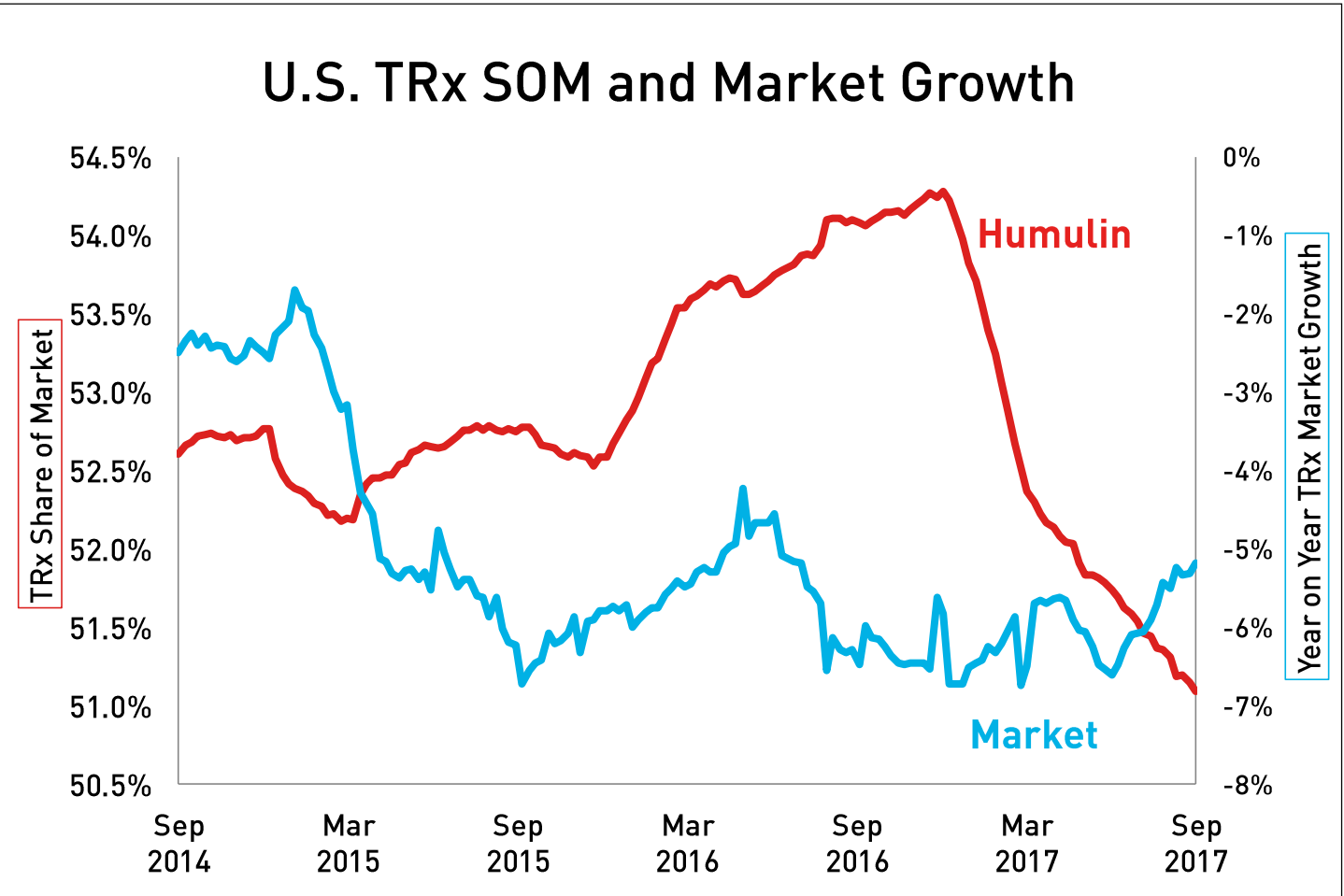
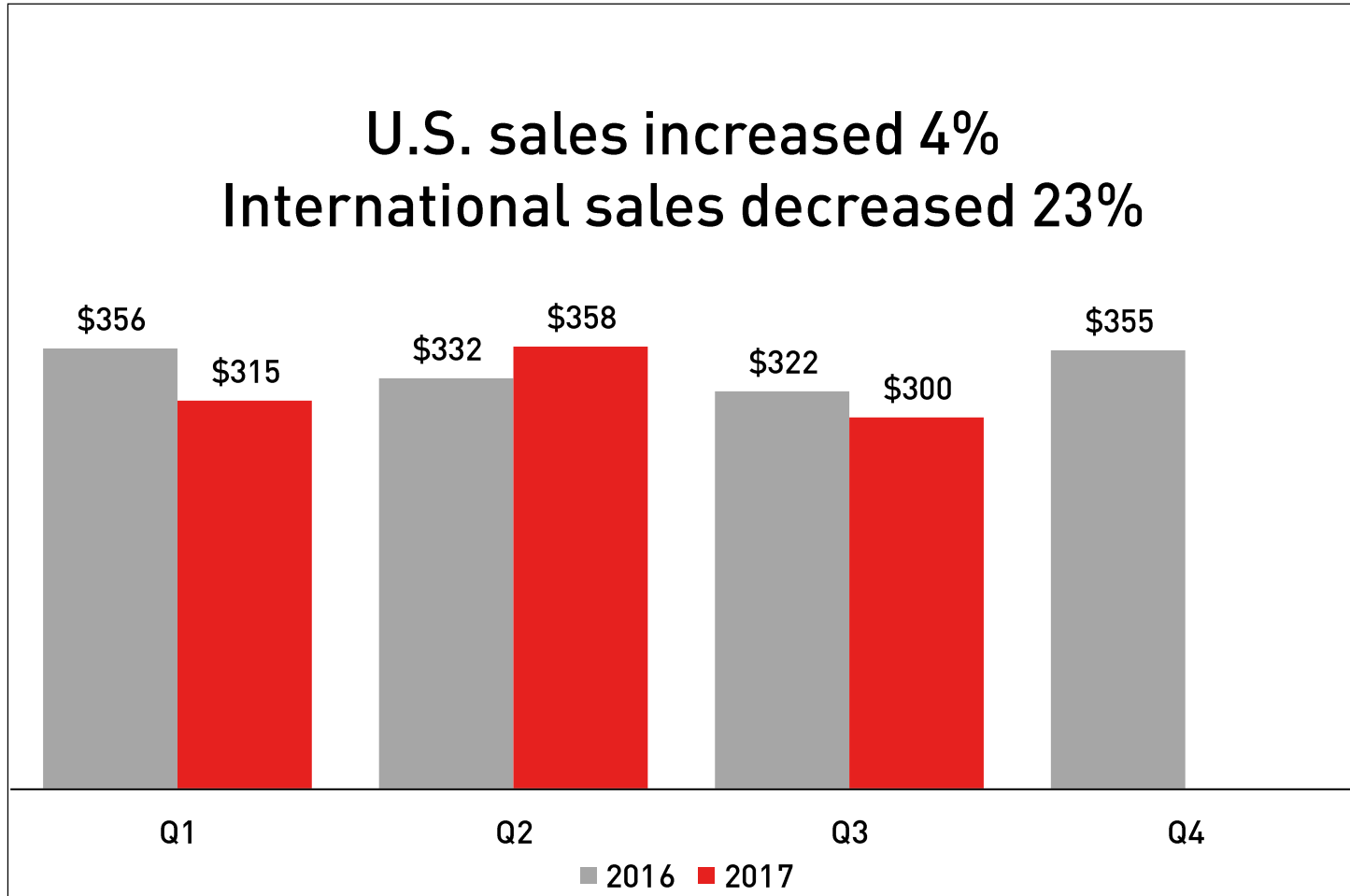
| | <u>Q3 Sales</u> | <u>Change</u> | <u>Performance</u> | <u>Rate</u> |
|--------------------|-----------------|---------------|--------------------|-------------|
| U.S. Forteo | \$234.1 | 13% | 13% | - |
| OUS Forteo | \$207.6 | 13% | 15% | (2%) |
| WW Forteo | \$441.7 | 13% | 14% | (1%) |

- U.S. sales increase driven by higher realized prices
- OUS sales increase primarily due to higher volume

Q3 2017 HUMULIN® SALES DECREASED 7%



Millions

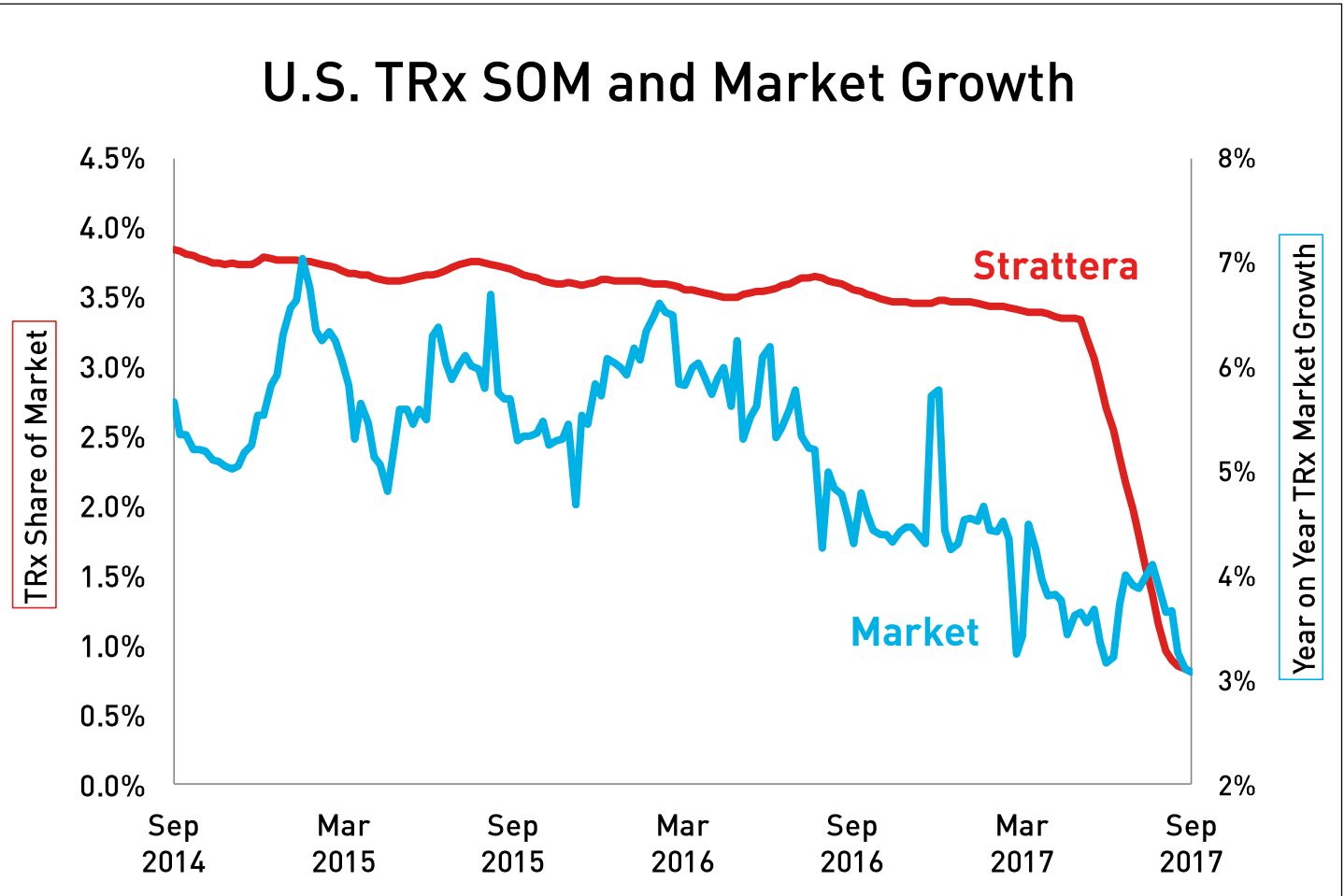
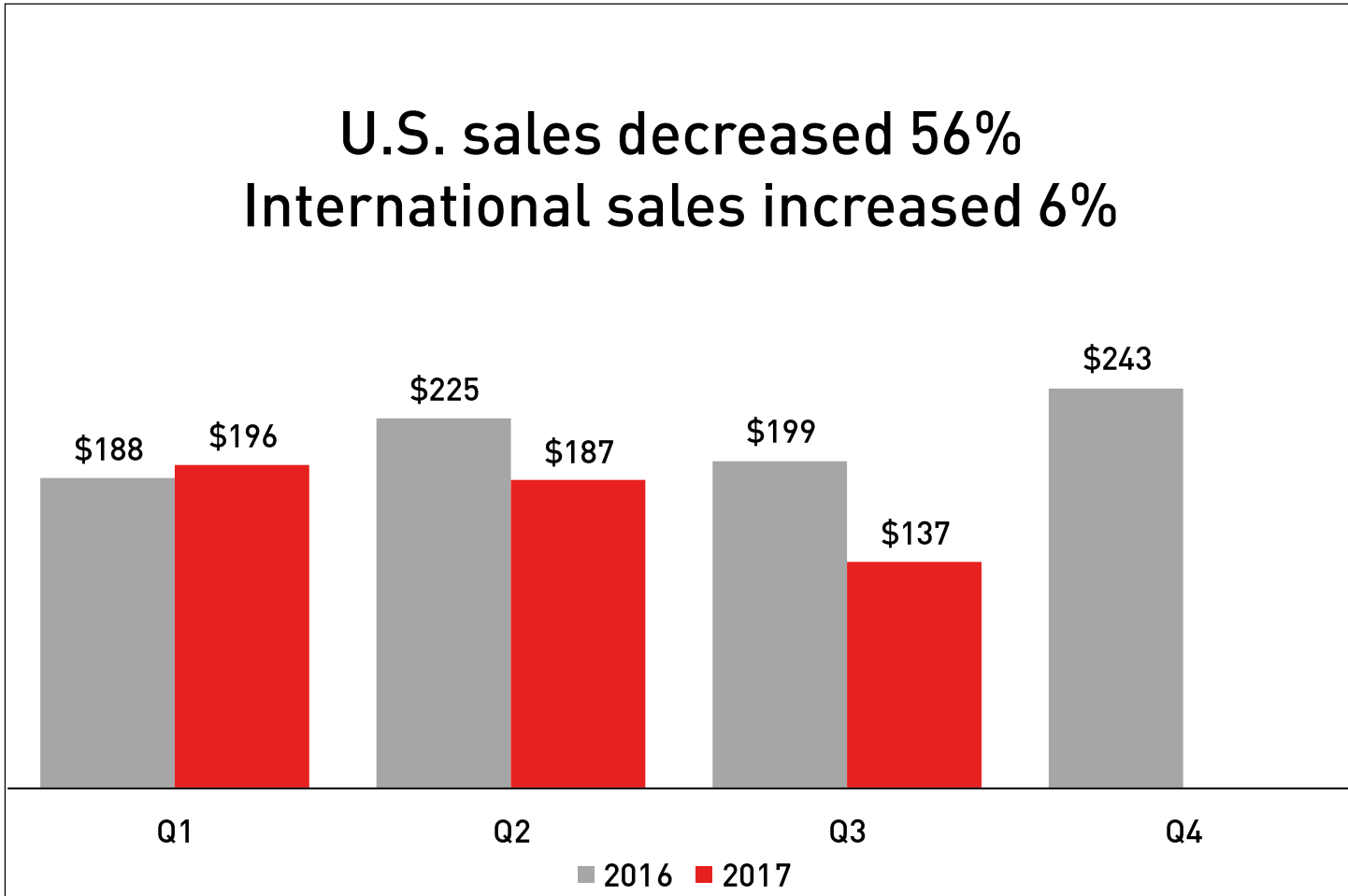


Source: QuintilesIMS Health NPA TRx 3MMA, weekly data September 29, 2017

Q3 2017 STRATTERA SALES DECREASED 31%



Millions



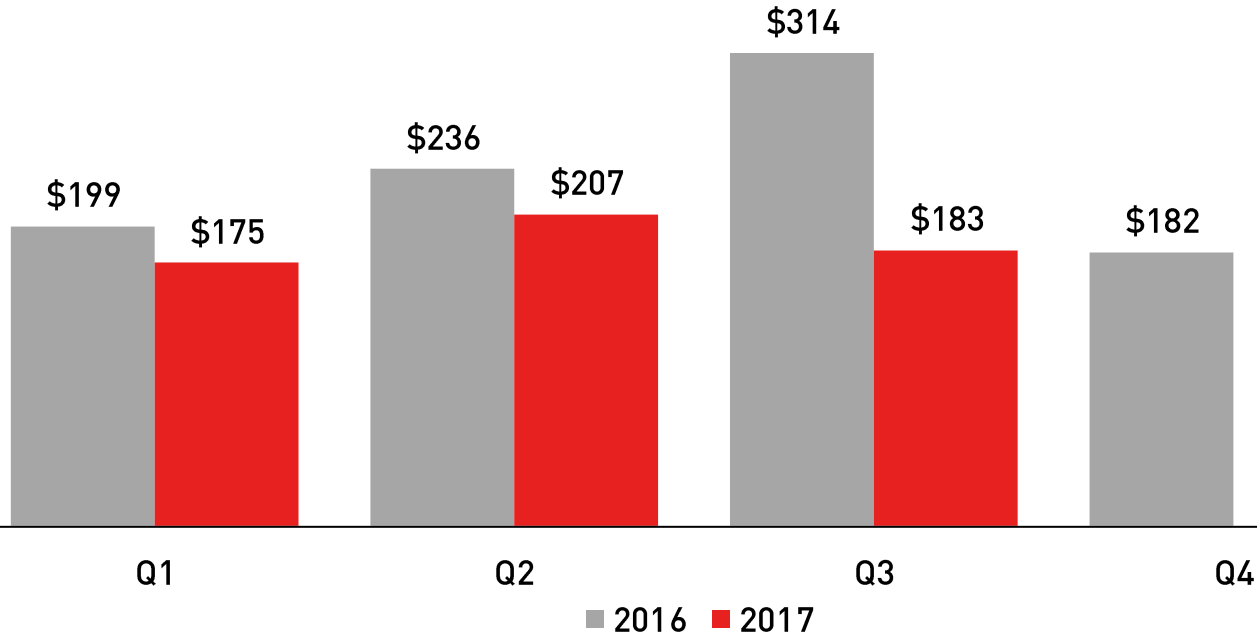
Source: QuintilesIMS Health NPA TRx 3MMA, weekly data September 29, 2017

Q3 2017 CYMBALTA SALES DECREASED 42%



Millions

U.S. sales decreased \$143 million
International sales increased \$12 million



| | <u>Q3 Sales</u> | <u>Change</u> | <u>Performance</u> | <u>Rate</u> |
|----------------------|-----------------|---------------|--------------------|-------------|
| U.S. Cymbalta | \$19.6 | (88%) | (88%) | - |
| OUS Cymbalta | \$163.5 | 8% | 13% | (5%) |
| WW Cymbalta | \$183.2 | (42%) | (39%) | (2%) |

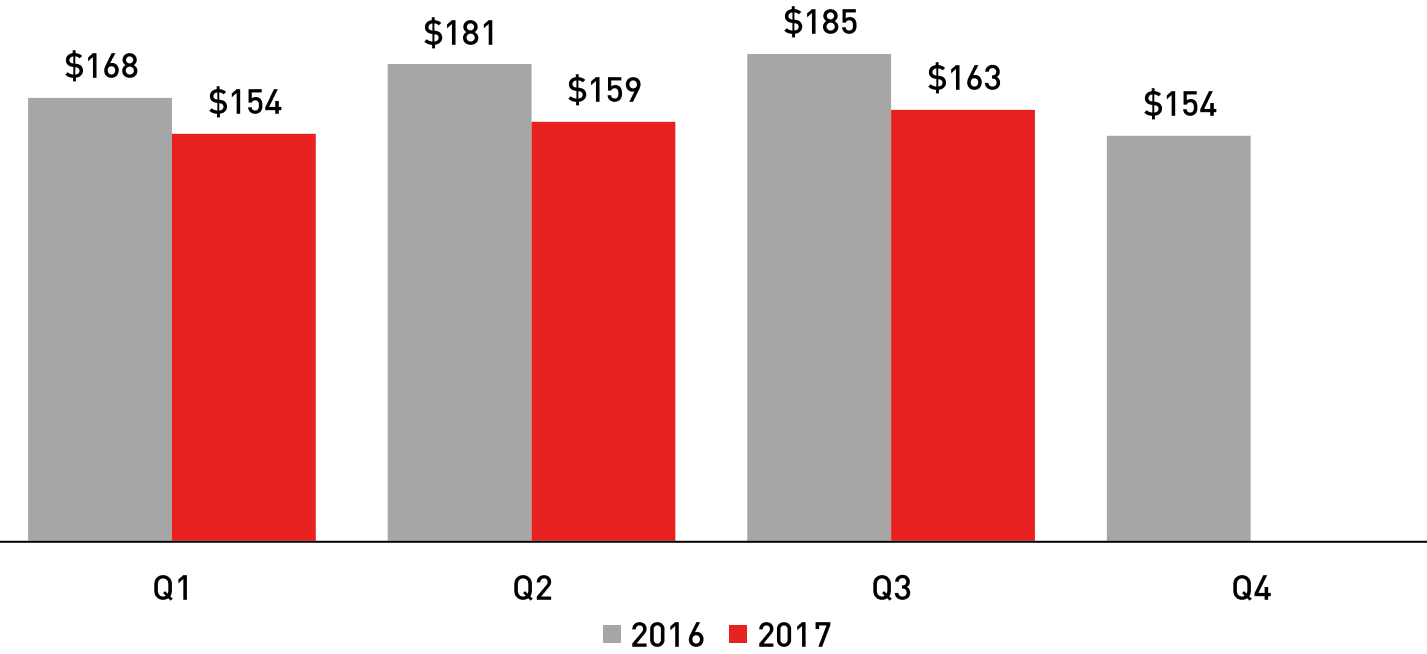
- US sales decrease driven by a reduction to the return reserve in the third quarter of 2016
- OUS sales increase driven by Japan partially offset by sales erosion in Canada and Europe following the loss of exclusivity in those markets

Q3 2017 ERBITUX® REVENUE DECREASED 11%



Millions

U.S. sales decreased \$18 million
International revenue decreased \$3 million



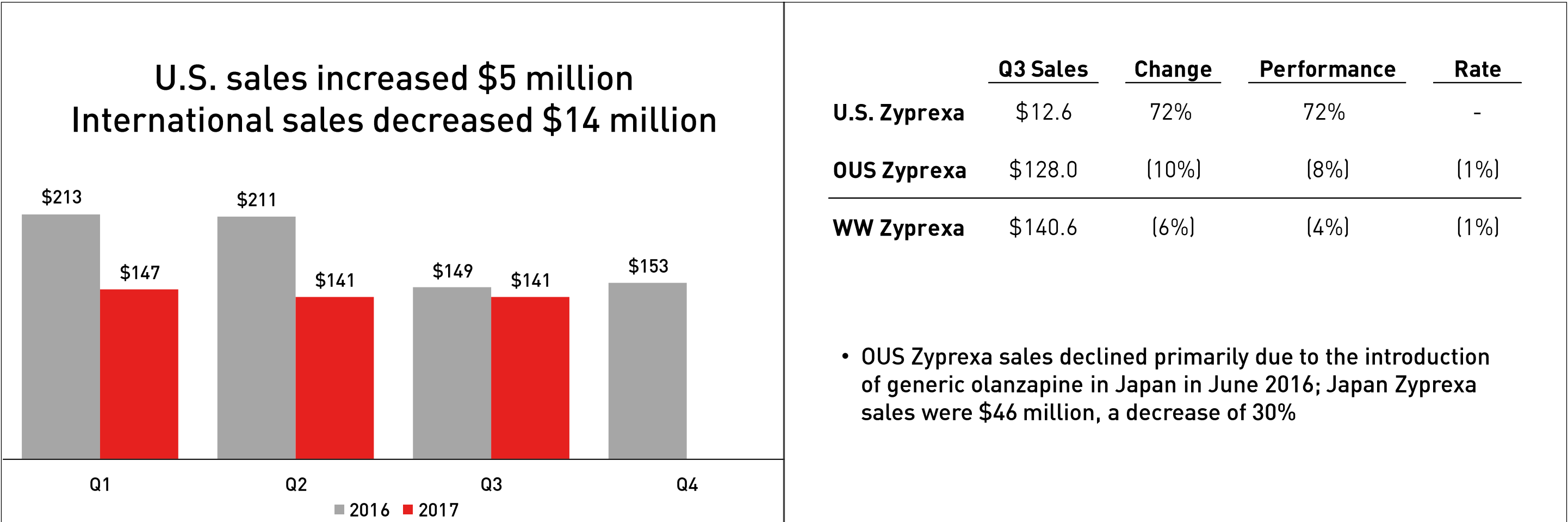
| | <u>Q3 Sales</u> | <u>Change</u> | <u>Performance</u> | <u>Rate</u> |
|---------------------|-----------------|---------------|--------------------|-------------|
| U.S. Erbitux | \$136.0 | (12%) | (12%) | - |
| OUS Erbitux | \$27.4 | (9%) | (8%) | (2%) |
| WW Erbitux | \$163.5 | (11%) | (11%) | (0%) |

- U.S. and OUS sales decrease driven by competition in the head and neck cancer and metastatic colorectal cancer indications

Q3 2017 ZYPREXA SALES DECREASED 6%



Millions



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BETTER LIVES.**

Lilly

