Q2 2015 Financial Review

July 23, 2015

Agenda

Introduction and Key Recent Events

- John Lechleiter, Chairman, President and Chief Executive Officer

Q2 Financial Results, Key Future Events and Financial Guidance

- Phil Johnson, Vice President, Investor Relations
- 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.

Key Events Since the Last Earnings Call

Commercial:

- Launched Cyramza® in Japan for gastric cancer; and
- Launched Cyramza in the U.S. for second-line metastatic colorectal cancer.

Regulatory:

- Received Japanese approval for Trulicity™ for type 2 diabetes;
- Received FDA approval of Humalog® 200 units/mL KwikPen®, a pre-filled pen containing a concentrated formulation of Lilly's rapid-acting insulin Humalog®, to improve glycemic control in people with type 1 and type 2 diabetes;
- In collaboration with Boehringer Ingelheim:
  - received European Commission approval of Synjardy®, a single-pill combination therapy with empagliflozin/metformin hydrochloride for the treatment of adults with type 2 diabetes;
  - received FDA Complete Response Letter for Synjardy, a single-pill combination therapy with empagliflozin and metformin hydrochloride for the treatment of adults with type 2 diabetes; subsequently, resubmitted to the FDA and received a Class 1 (two-month) review status.
- Received FDA approval for Cyramza in combination with FOLFIRI chemotherapy for the treatment of patients with metastatic colorectal cancer with disease progression on or after prior therapy with bevacizumab, oxaliplatin, and a fluoropyrimidine;
- Submitted ramucirumab in Japan for second-line metastatic colorectal cancer;
- Participated in the FDA Oncologic Drugs Advisory Committee to discuss the data supporting the regulatory submission of necitumumab in combination with gemcitabine and cisplatin for use in first-line treatment of patients with advanced squamous non-small cell lung cancer; the company was encouraged by the constructive discussion on the benefit-risk profile of necitumumab and believes it represents a meaningful advancement;
- Submitted ixekizumab in Europe for moderate-to-severe plaque psoriasis.

Key Events Since the Last Earnings Call

Clinical:

- Presented Phase 3 data for basal insulin peglispro for diabetes at the American Diabetes Association;
- Presented Phase 3 data for baricitinib in rheumatoid arthritis at the European League Against Rheumatism;
- Presented Phase 3 data for ixekizumab in psoriasis at the World Congress of Dermatology; data from two of the trials was also published in The Lancet;
- Presented two-year extension data for solanezumab from the EXPEDITION-EXT trial at the Alzheimer's Association International Conference;
- Presented Phase 2 data for olaratumab in soft tissue sarcoma at the American Society of Clinical Oncology meeting; and
- Presented Phase 2b data for our CGRP monoclonal antibody in episodic migraine at the American Headache Society meeting.

Key Events Since the Last Earnings Call

Development/Other:

- Announced a collaboration with AstraZeneca to evaluate the safety and preliminary efficacy of AstraZeneca's investigational anti-PD-L1 immune checkpoint inhibitor, MEDI4736, in combination with ramucirumab as a treatment for patients with advanced solid tumors;
- Announced a collaboration with BioNTech AG to engineer and develop potent and selective cancer therapies by identifying and validating novel tumor targets and their corresponding T cell receptors;
- Announced a collaboration with Dana-Farber Cancer Institute to research new medicines to fight cancer;
- Announced a strategic partnership with Sarah Cannon Research Institute to co-develop an investigational oncology compound, LY3023414, a PI3K/mTOR dual inhibitor;
- Announced an immunotherapy-based collaboration with Immunocore Limited to explore the utility of Immunocore's lead T cell receptor-based investigational therapeutic, IMCgp100, in combination with Lilly's galunisertib and merestinib for the treatment of metastatic cutaneous and uveal melanomas;
- Announced a collaboration with Sanford-Burnham Medical Research Institute to discover and develop biologic therapeutics targeting immune checkpoint modulators for the treatment of immunological diseases;
- Announced a sales collaboration agreement for Trulicity in Japan with Sumitomo Dainippon Pharma;
- The UK Court of Appeal ruled that the Alimta® (pemetrexed disodium) vitamin regimen patent would be indirectly infringed by a generic competitor and it reversed the High Court's decision granting declarations of noninfringement in France, Italy and Spain;
- Announced plans to establish the Lilly Cambridge Innovation Center, a new drug delivery and device innovation center in Cambridge, Massachusetts;
- Announced plans to expand the Lilly Biotechnology Center in San Diego, California. The expansion will effectively double Lilly's research presence in San Diego;
- Issued €2.1 billion of Euro-denominated debt and repurchased $1.65 billion of USD-denominated debt; and
- Repurchased $125 million of stock in Q2 2015 under outstanding $5 billion share repurchase program.

Comparison Measures

"Reported" results

- Include all financial results as reported in accordance with 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
  - Inclusion of Novartis Animal Health as if the acquisition occurred on January 1, 2014

2015 Income Statement – Reported

Millions; except per share data

	Q2 2015	Change	YTD 2015	Change
Total Revenue	$4,979	1%	$9,623	0%
Gross Margin Percent	75.5%	(0.4)pp	74.9%	0.0pp
Total Operating Expense*	2,957	3%	5,884	7%
Operating Income	803	(9)%	1,328	(23)%
Other Income / (Expense)	(123)	NM	(31)	NM
Effective Tax Rate	*11.6%*	*(10.4)pp*	*12.9%*	*(7.3)pp*
Net Income	**$601**	**(18)%**	**$1,130**	**(23)%**
Diluted EPS	**$0.56**	**(18)%**	**$1.06**	**(22)%**

* 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.

Reconciliation of GAAP Reported to Non-GAAP Adjusted Information; certain line items (unaudited)

Millions; except per share data

	Q2 2015			
	GAAP Reported	Adjust-ments	Non-GAAP Adjusted	Non-GAAP Adjusted Change
Total Revenue	$4,979	-	$4,979	(4)%
Gross Margin	75.5%	3.7%	79.2%	2.5pp
Total Operating Expense	2,957	(188)	2,769	(7)%
Operating Income	803	373	1,176	15%
Other Income / (Expense)	(123)	153	29	61%
Effective Tax Rate	*11.6%*	*9.2%*	*20.8%*	*(2.3)pp*
Net Income	$601	$354	$955	20%
Diluted EPS	$0.56	$0.33	$0.90	22%

Note: Numbers may not add due to rounding; see slide 21 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

	YTD 2015			
	GAAP Reported	Adjust-ments	Non-GAAP Adjusted	Non-GAAP Adjusted Change
Total Revenue	$9,623	-	$9,623	(5)%
Gross Margin	74.9%	3.8%	78.7%	3.0pp
Total Operating Expense	5,884	(588)	5,296	(7)%
Operating Income	1,328	953	2,281	15%
Other Income / (Expense)	(31)	153	122	NM
Effective Tax Rate	*12.9%*	*8.9%*	*21.8%*	*0.3pp*
Net Income	$1,130	$748	$1,879	18%
Diluted EPS	$1.06	$0.70	$1.76	19%

Note: Numbers may not add due to rounding; see slide 21 for a complete list of significant adjustments.

EPS Reconciliation

	Q2 2015	Q2 2014	Change	YTD 2015	YTD 2014	Change
EPS (reported)	**$0.56**	**$0.68**	**(18)%**	**$1.06**	**$1.36**	**(22)%**
Novartis Animal Health 2014 results	-	(0.02)		-	(0.05)	
Novartis Animal Health inventory step up	0.05	-		0.09	-	
Amortization of intangible assets	0.10	0.08		0.20	0.16	
Acquired in-process R&D	0.05	-		0.20	0.02	
Net charge related to repurchase of debt	0.09	-		0.09	-	
Asset impairment, restructuring and other special charges	0.05	-		0.12	-	
EPS (non-GAAP)	**$0.90**	**$0.74**	**22%**	**$1.76**	**$1.48**	**19%**

Note: Numbers may not add due to rounding; see slide 21 for more details on these significant adjustments.

Effect of Price/Rate/Volume on Revenue

	Q2 2015					
Pharmaceuticals	Amount	Price	FX Rate	Volume	Total	CER
U.S.	$2,117.8	5%	-	(1)%	3%	3%
ACE*	968.5	(3)%	(17)%	2%	(19)%	(1)%
Japan	490.9	(1)%	(22)%	38%	14%	37%
Emerging Markets	560.7	0%	(12)%	(4)%	(15)%	(4)%
Total Pharma	4,137.9	1%	(9)%	3%	(5)%	4%
Animal Health	840.8	2%	(4)%	42%	40%	44%
Total Revenue	**$4,978.7**	**1%**	**(8)%**	**8%**	**1%**	**9%**
Non-GAAP:						
Animal Health	840.8	2%	(7)%	1%	(4)%	3%
Total Revenue	**$4,978.7**	**1%**	**(8)%**	**3%**	**(4)%**	**4%**

* includes Australia/New Zealand, Canada and Europe
CER = growth using constant exchange rates

Note: Numbers may not add due to rounding. Non-GAAP assumes the Novartis Animal Health acquisition occurred on January 1, 2014.

Effect of Price/Rate/Volume on Revenue

	YTD 2015					
Pharmaceuticals	Amount	Price	FX Rate	Volume	Total	CER
U.S.	$3,972.3	7%	-	(3)%	4%	4%
ACE*	1,959.8	(3)%	(15)%	1%	(18)%	(2)%
Japan	907.1	(0)%	(16)%	11%	(6)%	10%
Emerging Markets	1,193.7	(1)%	(10)%	1%	(10)%	1%
Total Pharma	8,032.9	2%	(8)%	0%	(5)%	2%
Animal Health	1,590.5	2%	(4)%	43%	41%	45%
Total Revenue	**$9,623.4**	**2%**	**(7)%**	**5%**	**0%**	**7%**
Non-GAAP:						
Animal Health	1,590.5	2%	(6)%	1%	(4)%	2%
Total Revenue	**$9,623.4**	**2%**	**(7)%**	**0%**	**(5)%**	**2%**

* includes Australia/New Zealand, Canada and Europe
CER = growth using constant exchange rates

Note: Numbers may not add due to rounding. Non-GAAP assumes the Novartis Animal Health acquisition occurred on January 1, 2014.

Effect of Foreign Exchange on 2015 Results

Year-on-Year Growth

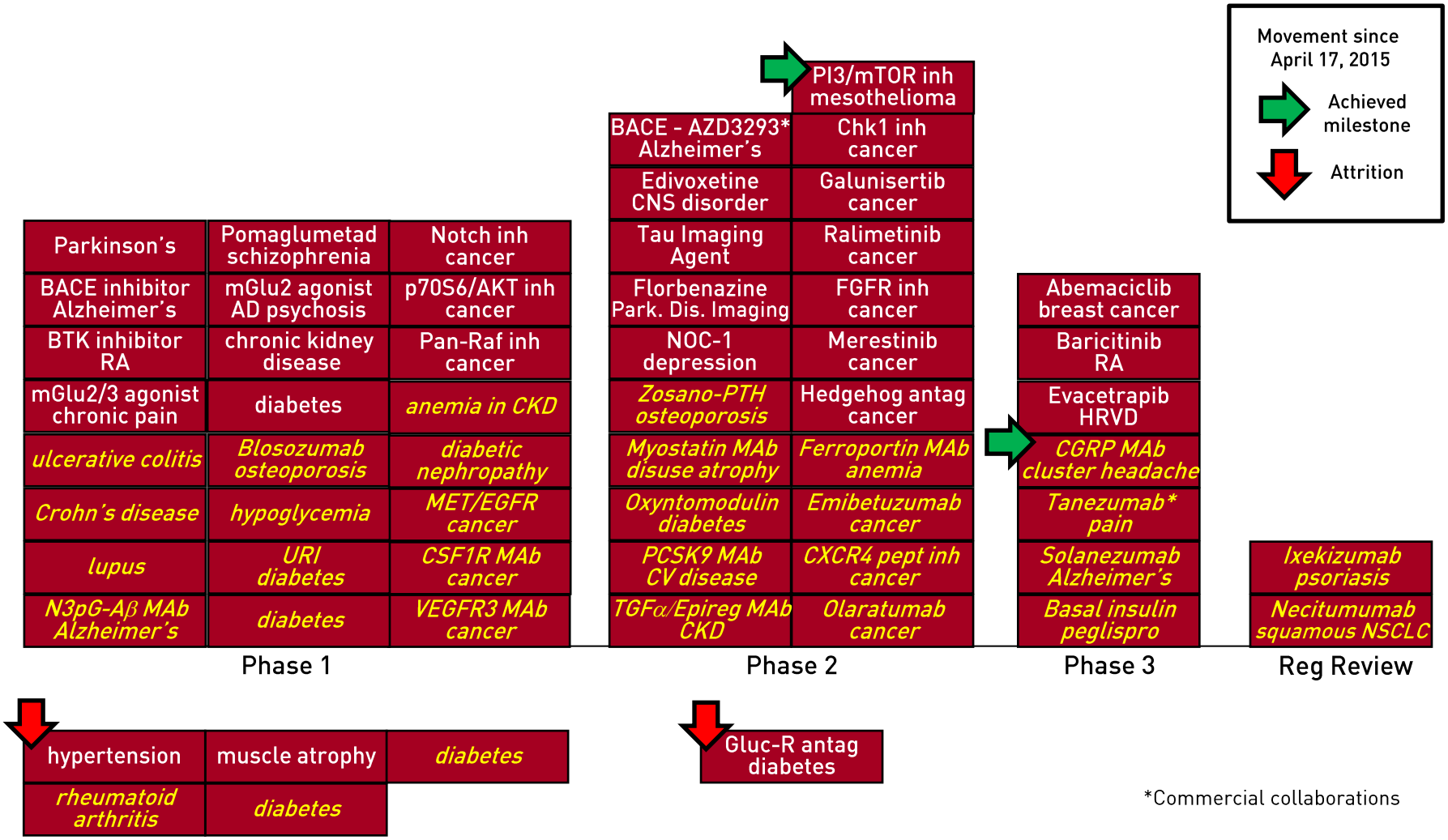
	Q2 2015		YTD 2015	
	With FX	w/o FX	With FX	w/o FX
Reported:				
Total Revenue	1%	9%	0%	7%
Cost of Sales	2%	27%	(0)%	25%
Gross Margin	0%	4%	0%	2%
Operating Expense	3%	8%	7%	11%
Operating Income	(9)%	(10)%	(23)%	(29)%
EPS	(18)%	(19)%	(22)%	(29)%
Non-GAAP:				
Total Revenue	(4)%	4%	(5)%	2%
Cost of Sales	(15)%	10%	(17)%	8%
Gross Margin	(1)%	2%	(1)%	1%
Operating Expense	(7)%	(3)%	(7)%	(3)%
Operating Income	15%	16%	15%	10%
EPS	22%	22%	19%	14%

Lilly NME Pipeline

July 20, 2015

New Chemical Entity (NCE)

New Biotech Entity (NBE)



*Commercial collaborations

Key Events in 2015

Potential Phase 3 initiations:

- Olaratumab for soft tissue sarcoma
- ✓+ Ramucirumab for first-line gastric cancer
- ✓+ Ramucirumab for first-line EGFR mutation positive non-small cell lung cancer
- ✓+ Ramucirumab for second-line urothelial cancer
- Ramucirumab for second-line hepatocelluar cancer
- ✓+ CGRP MAb for cluster headache
- Tanezumab for pain [1]

Potential Phase 3 data internal readouts:

- Jardiance® CV outcomes trial for type 2 diabetes [2]
- ✓+ Ixekizumab for psoriatic arthritis
- ✓+ Remaining trials of baricitinib in rheumatoid arthritis (BUILD – Feb; BEAM and BEGIN H2 2015)

Potential Phase 3 data external disclosures:

- ✓+ Ramucirumab for second-line metastatic colorectal cancer
- ✓+ Basal insulin peglispro for type 1 and type 2 diabetes
- Jardiance CV outcomes trial for type 2 diabetes [2]
- ✓+ Ixekizumab for psoriasis
- Ixekizumab for psoriatic arthritis
- ✓+ Initial trials of baricitinib in rheumatoid arthritis
- ✓+ Two-year data from the EXPEDITION-EXT (extension) study of solanezumab in Alzheimer's disease

Potential regulatory submissions:

- ✓+ Ramucirumab for second-line metastatic colorectal cancer (US/EU/Japan)
- ✓+ Ramucirumab for second-line NSCLC (Europe)
- ✓- Basal insulin peglispro for type 1 and type 2 diabetes
- Empagliflozin/linagliptin FDC for type 2 diabetes [2] (EU)
- ✓+ Ixekizumab for psoriasis (US/EU)
- Ixekizumab for psoriasis and psoriatic arthritis (Japan)
- Baricitinib for rheumatoid arthritis
- Olaratumab for soft tissue sarcoma (US)

Potential regulatory actions:

- ✓+ Ramucirumab for second-line gastric cancer (Japan)
- ✓+ Ramucirumab for second-line metastatic colorectal cancer (US)
- Necitumumab for first-line squamous NSCLC
- ✓+ Dulaglutide for type 2 diabetes (Japan)
- ✓+ Humalog U-200 Kwikpen for type 1 and type 2 diabetes (US)
- ✓+ Empagliflozin/linagliptin FDC for type 2 diabetes [2] (US)
- ✓+ Empagliflozin/metformin IR FDC for type 2 diabetes [2] (EU)

Other:

- ✓+ Complete acquisition of Novartis Animal Health
- ✓+ Partial clinical hold resolution for tanezumab [1]
- Rulings in ongoing Alimta patent litigation:
  - European Patent Office (Nov)
  - U.S.
  - ✓- Germany
  - ✓+ UK
  - Japan

1 in collaboration with Pfizer
2 in collaboration with Boehringer Ingelheim

2015 Guidance

	Prior	Revised
Total Revenue	$19.5 to $20.0 billion	$19.7 to $20.0 billion
Gross Margin % of Revenue (non-GAAP)	Approx. 78.0%	Approx. 78.0%
Gross Margin % of Revenue (GAAP)	Approx. 74.5%	Approx. 74.5%
Mktg, Selling & Admin. (non-GAAP)	$6.3 to $6.6 billion	$6.3 to $6.6 billion
Mktg, Selling & Admin (GAAP)	$6.4 to $6.7 billion	$6.4 to $6.7 billion
Research & Development	$4.7 to $4.9 billion	$4.7 to $4.9 billion
Other Income/(Expense) (non-GAAP)	$75 - $125 million	$100 - $150 million
Other Income/(Expense) (GAAP)		$(50) - $0 million
Tax Rate (non-GAAP)	Approx. 21.5%	Approx. 21.0%
Tax Rate (GAAP)	Approx. 16.5%	Approx. 14.5%
Earnings per Share (non-GAAP)	$3.10 - $3.20	$3.20 - $3.30
Earnings per Share (GAAP)	$2.21 - $2.31	$2.20 - $2.30
Capital Expenditures	Approx. $1.3 billion	Approx. $1.3 billion

Q2 2015 Summary

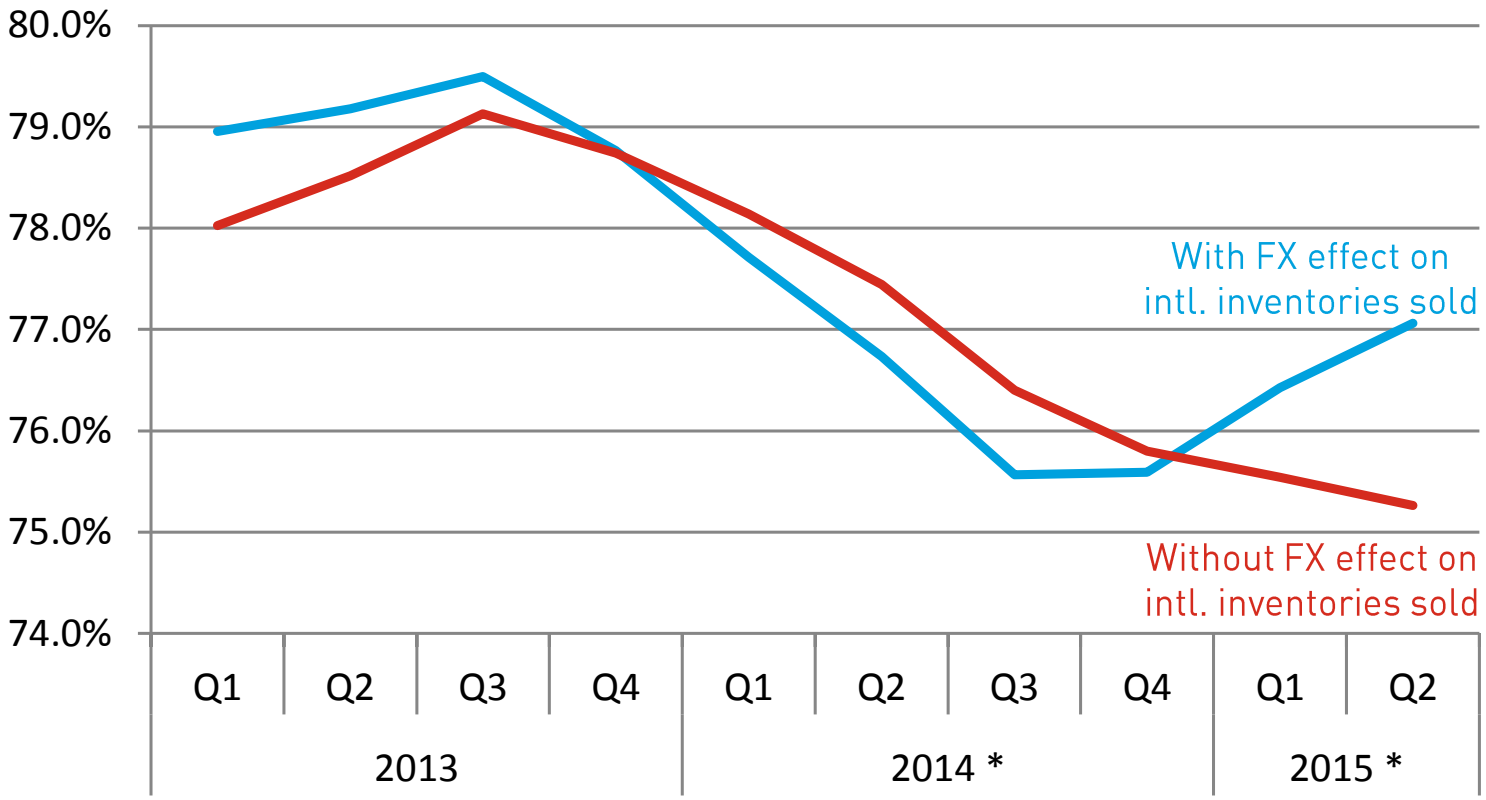
- **Remain on track to return to growth in 2015:**
  - revenue negatively affected by stronger U.S. Dollar and lingering effects of U.S. patent expirations for Cymbalta® and Evista®;
  - solid underlying business performance;
  - progress advancing our innovation-based strategy; and
  - continued focus on cost controls led to bottom-line leverage.

- **Continued pipeline advancement strengthens our confidence in our innovation-based strategy**

- **Positioned to grow revenue and expand margins through the balance of this decade**

Supplementary Slides

Gross Margin % - Moving Annual Total



Individual quarter GM% of Revenue*:

with FX effect on intl inv sold	79.3%	80.3%	79.2%	76.1%	74.6%	76.7%	74.8%	76.3%	78.2%	79.2%
w/o FX effect on intl inv sold	79.1%	79.9%	79.0%	77.0%	76.4%	77.2%	74.9%	74.7%	75.3%	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.

* 2014 and 2015 exclude amortization of intangibles from cost of sales and include Novartis Animal Health

Q2 2015 Income Statement Notes

- Q2 2015 non-GAAP information has been adjusted to eliminate:
  - inventory step-up costs associated with the acquisition of Novartis Animal Health totaling $68.4 million (pretax), or $0.05 per share (after-tax);
  - amortization of intangible assets primarily associated with costs of marketed products acquired or licensed from third parties totaling $151.9 million (pretax), or $0.10 per share (after-tax);
  - acquired in-process research and development costs totaling $80.0 million (pretax), or $0.05 per share (after-tax), comprised of a $50.0 million charge associated with a collaboration with Hanmi Pharmaceutical Co., Ltd. and a $30.0 million charge associated with a collaboration with BioNTech AG;
  - costs associated with restructuring to reduce the company's cost structure, asset impairments, and integration costs associated with the acquisition of Novartis Animal Health totaling $72.4 million (pretax), or $0.05 per share (after-tax); and
  - a charge associated with debt extinguishment of $152.7 million (pretax), or $0.09 per share (after-tax).

- Q2 2014 non-GAAP information has been adjusted to:
  - include the results of Novartis Animal Health as if the acquisition and the financing for the acquisition had occurred as of January 1, 2014 (see press release dated April 23, 2015 for details); and
  - eliminate amortization of intangible assets primarily associated with costs of marketed products acquired or licensed from third parties totaling $132.1 million (pretax), or $0.08 per share (after-tax).

- June YTD 2015 non-GAAP information has also been adjusted to eliminate:
  - inventory step-up costs associated with the acquisition of Novartis Animal Health totaling $63.5 million (pretax), or $0.04 per share (after-tax);
  - amortization of intangible assets primarily associated with costs of marketed products acquired or licensed from third parties totaling $152.7 million (pretax), or $0.10 per share (after-tax);
  - acquired in-process research and development costs totaling $256.0 million (pretax), or $0.15 per share (after-tax), comprised of a $200.0 million payment to Pfizer following the FDA decision allowing the resumption of the Phase 3 clinical program for tanezumab and a $56.0 million charge associated with a collaboration with Innovent to develop potential oncology therapies; and
  - costs associated with restructuring to reduce the company's cost structure, asset impairments, and integration costs associated with the acquisition of Novartis Animal Health totaling $108.0 million (pretax), or $0.07 per share (after-tax).

- June YTD 2014 non-GAAP information has also been adjusted to:
  - include the results of Novartis Animal Health as if the acquisition and the financing for the acquisition had occurred as of January 1, 2014 (see press release dated April 23, 2015 for details);
  - eliminate amortization of intangible assets primarily associated with costs of marketed products acquired or licensed from third parties totaling $128.8 million (pretax), or $0.08 per share (after-tax); and
  - eliminate costs primarily associated with restructuring to reduce the company's cost structure totaling $31.4 million (pretax), or $0.02 per share (after-tax).

Comparative EPS Summary 2014/2015

	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
Non-GAAP	0.70	0.68	0.66	0.75	2.78	0.87	0.90			
Reported	0.68	0.68	0.47	0.40	2.23	0.50	0.56			

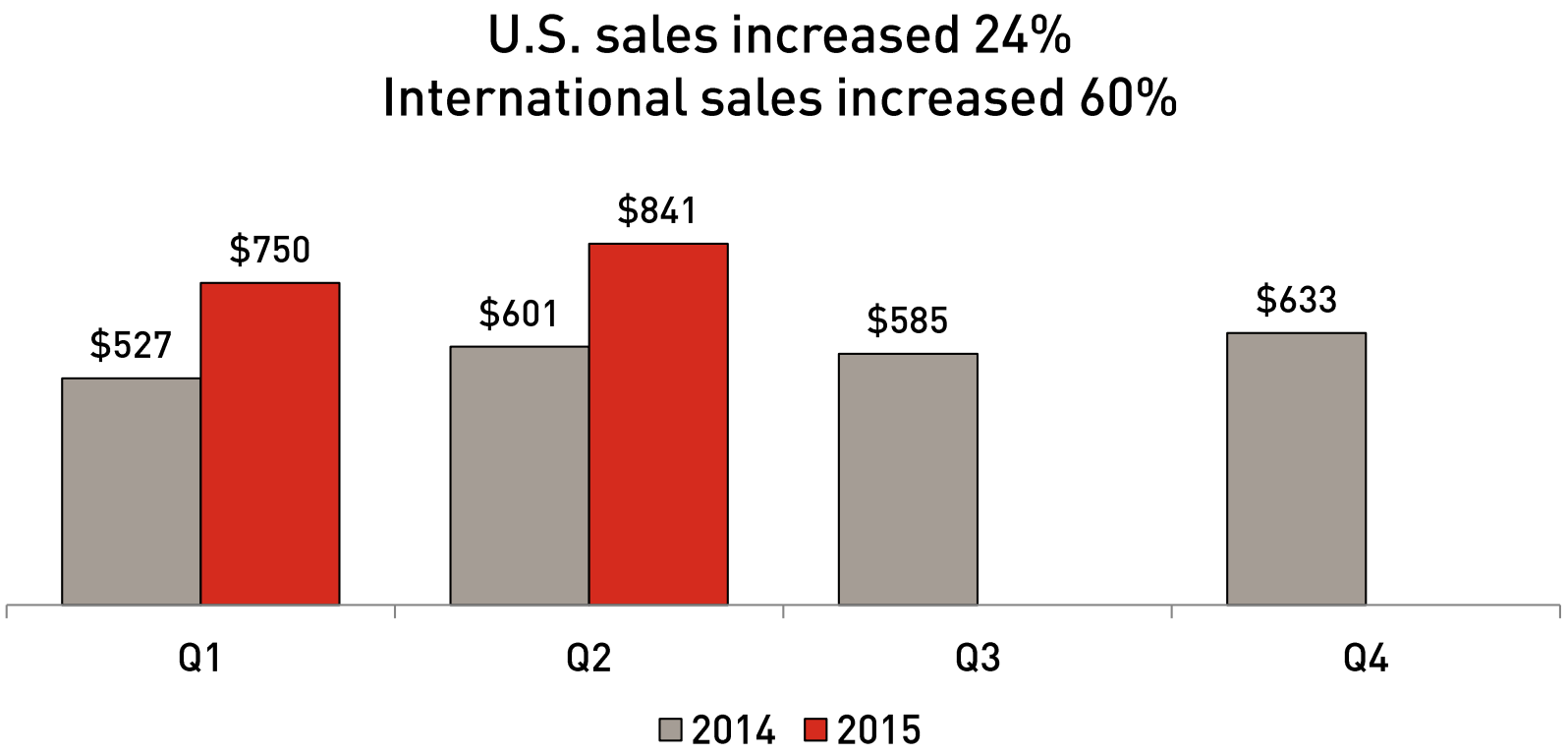
Note: Numbers may not add due to rounding.

For a complete reconciliation to reported earnings, see slide 21 and our earnings press release dated July 23, 2015.

Q2 Animal Health Sales Increased 40%

As reported

Millions

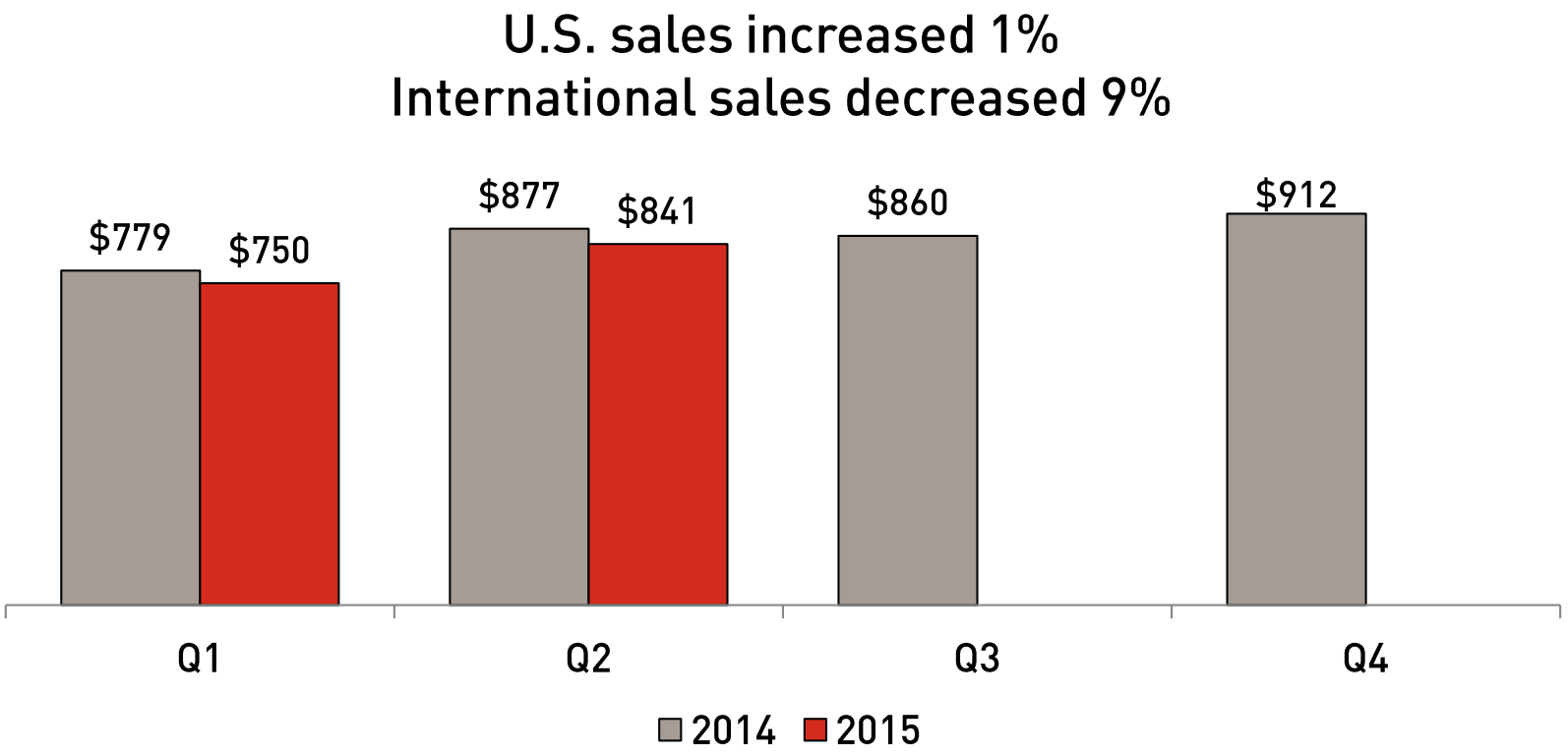


Note: Quarterly numbers may not add to year-to-date totals due to rounding.

Q2 Animal Health Sales Decreased 4%

Stated as if Novartis Animal Health had been acquired on 1/1/2014

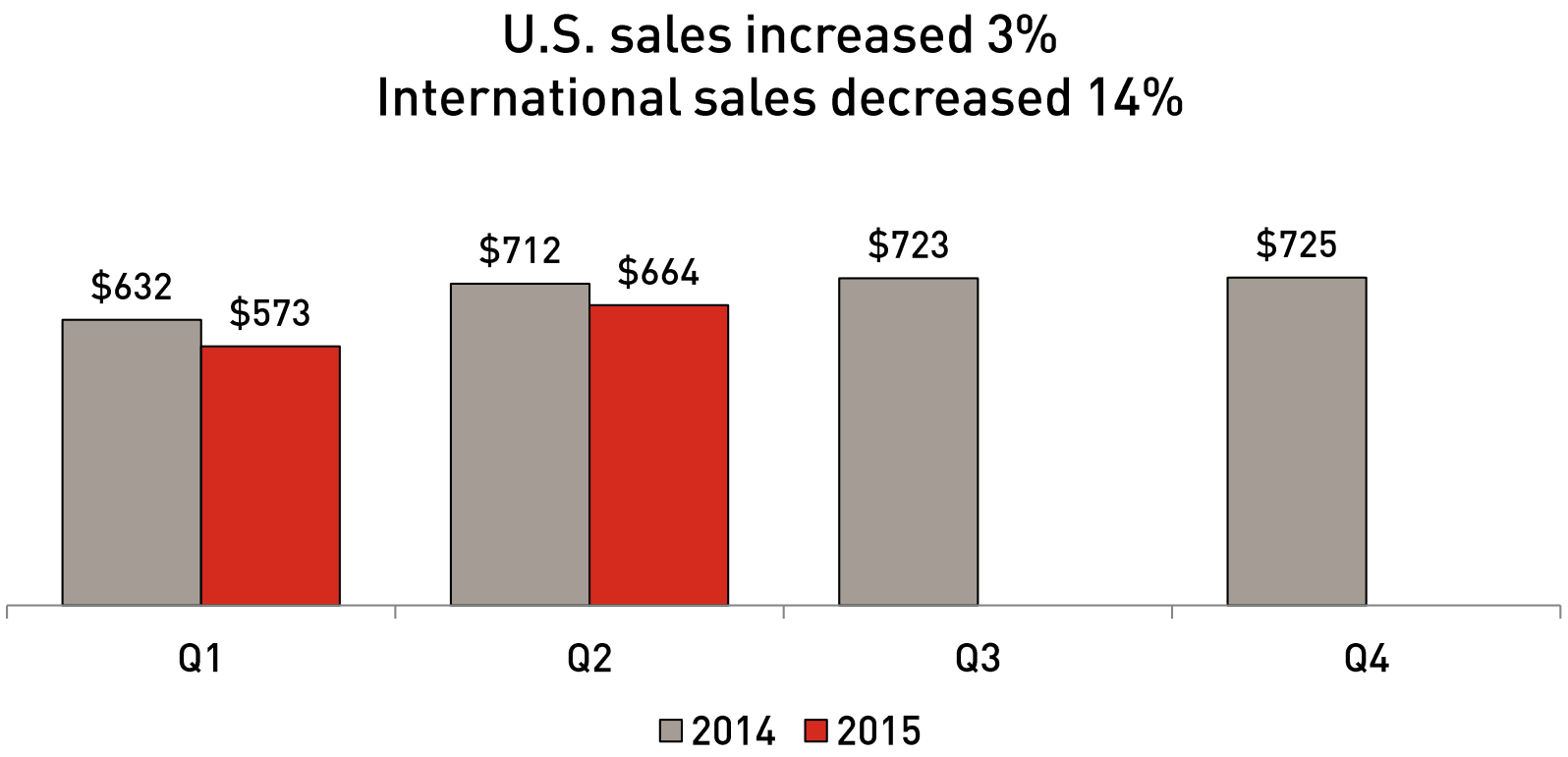
Millions



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

Q2 Alimta Sales Decreased 7%

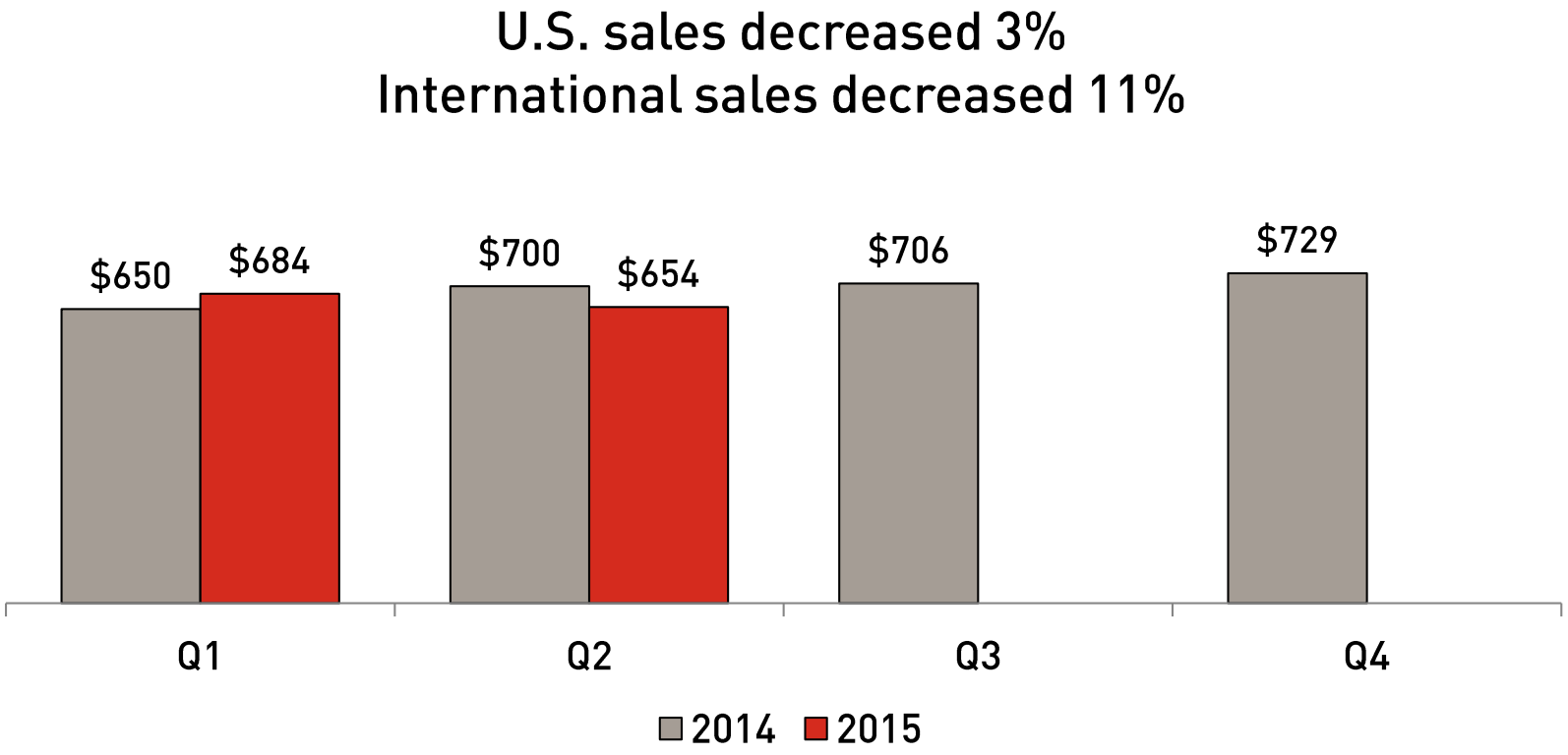
Millions



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

Q2 Humalog Sales Decreased 7%

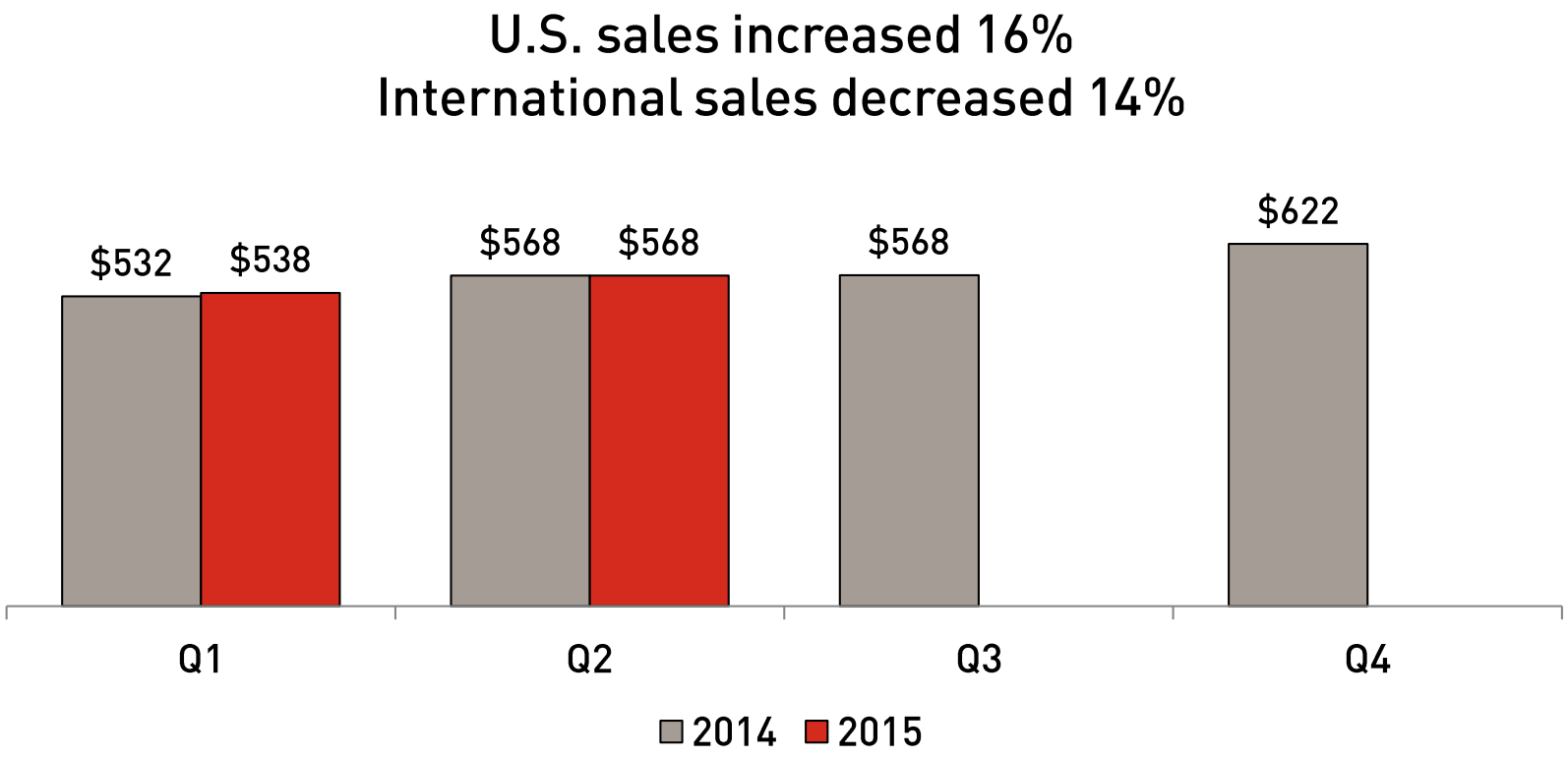
Millions



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

Q2 Cialis® Sales Essentially Flat

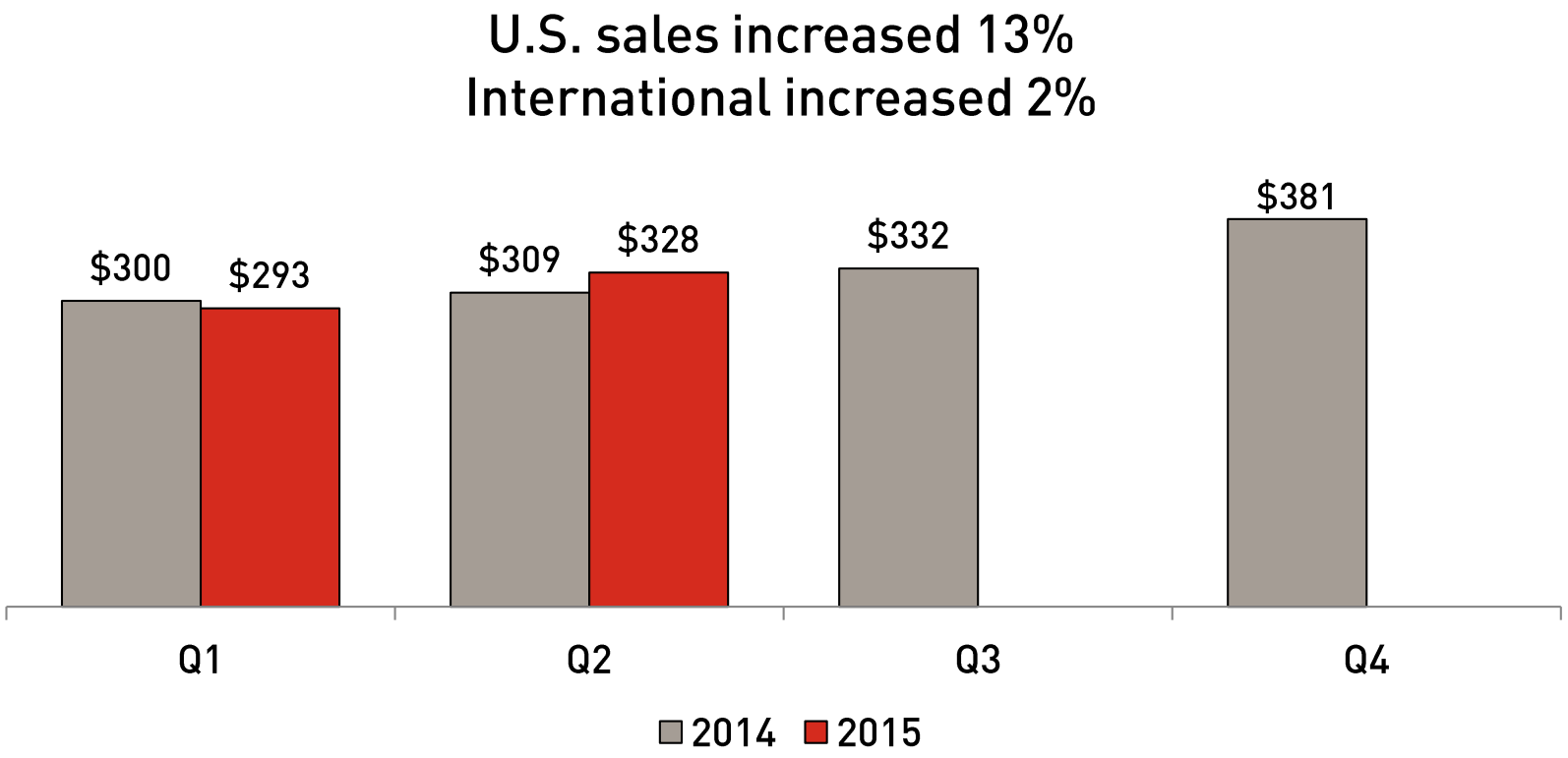
Millions



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

Q2 Forteo® Sales Increased 6%

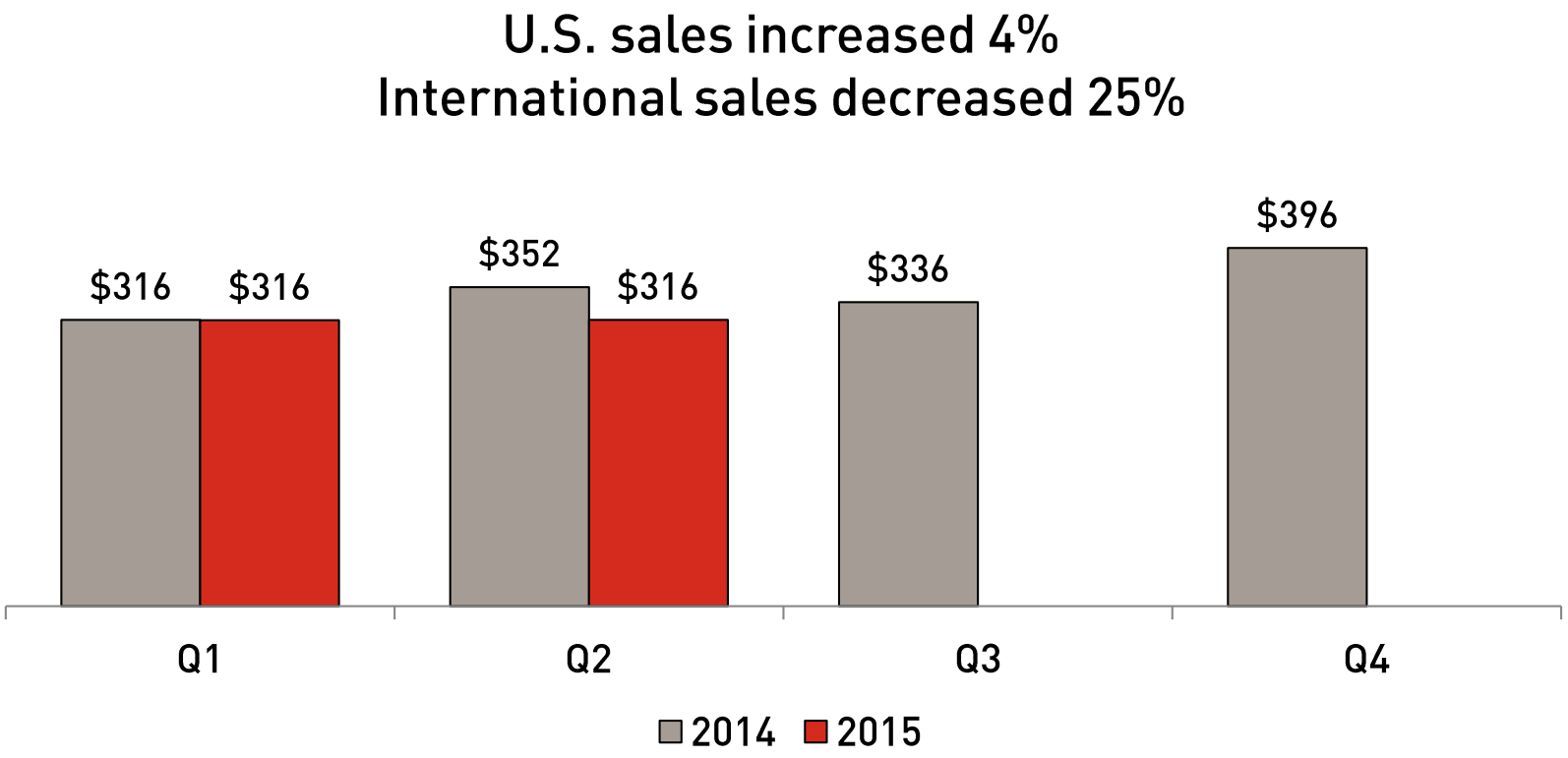
Millions



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

Q2 Humulin® Sales Decreased 10%

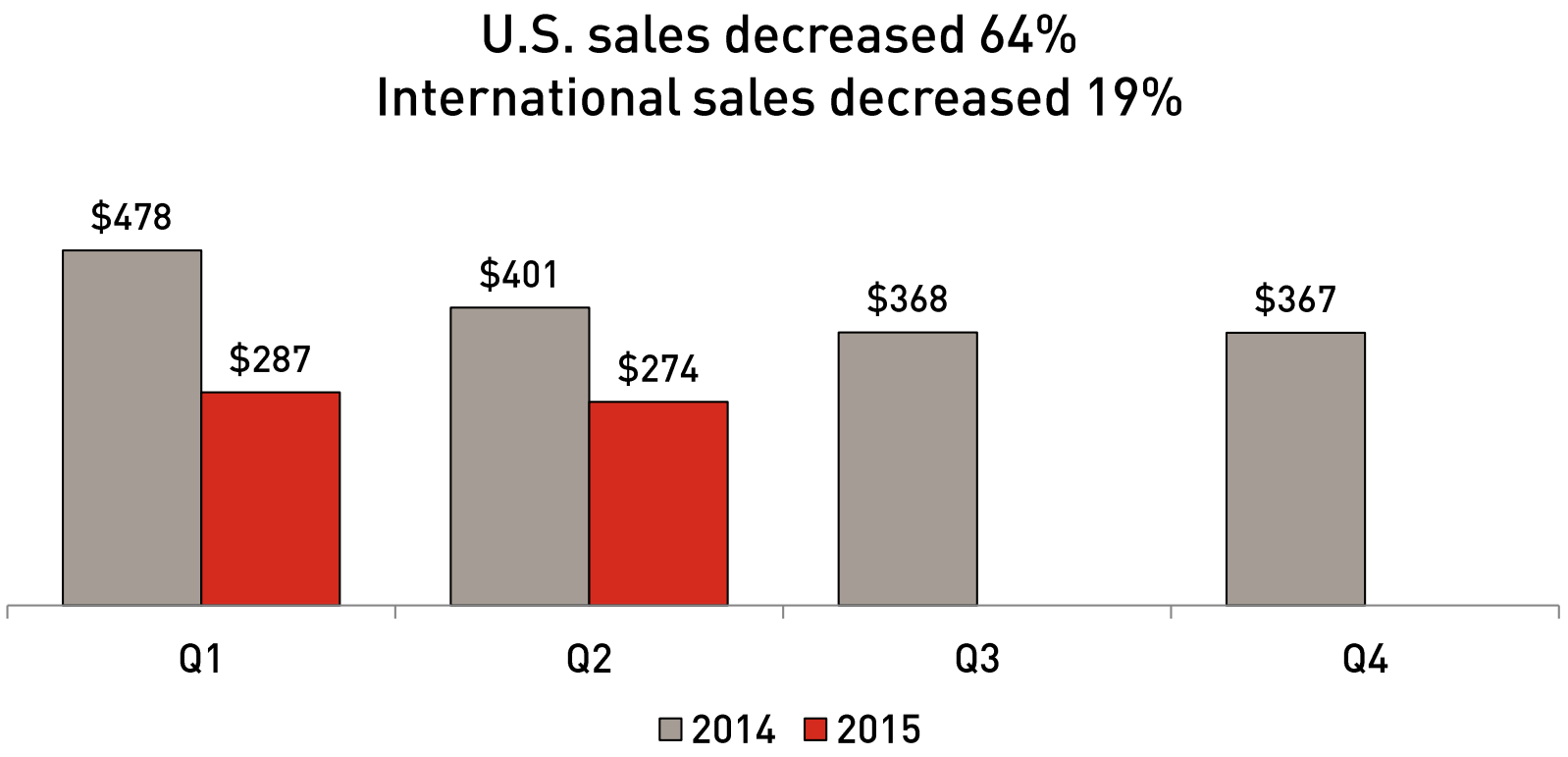
Millions



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

Q2 Cymbalta Sales Decreased 32%

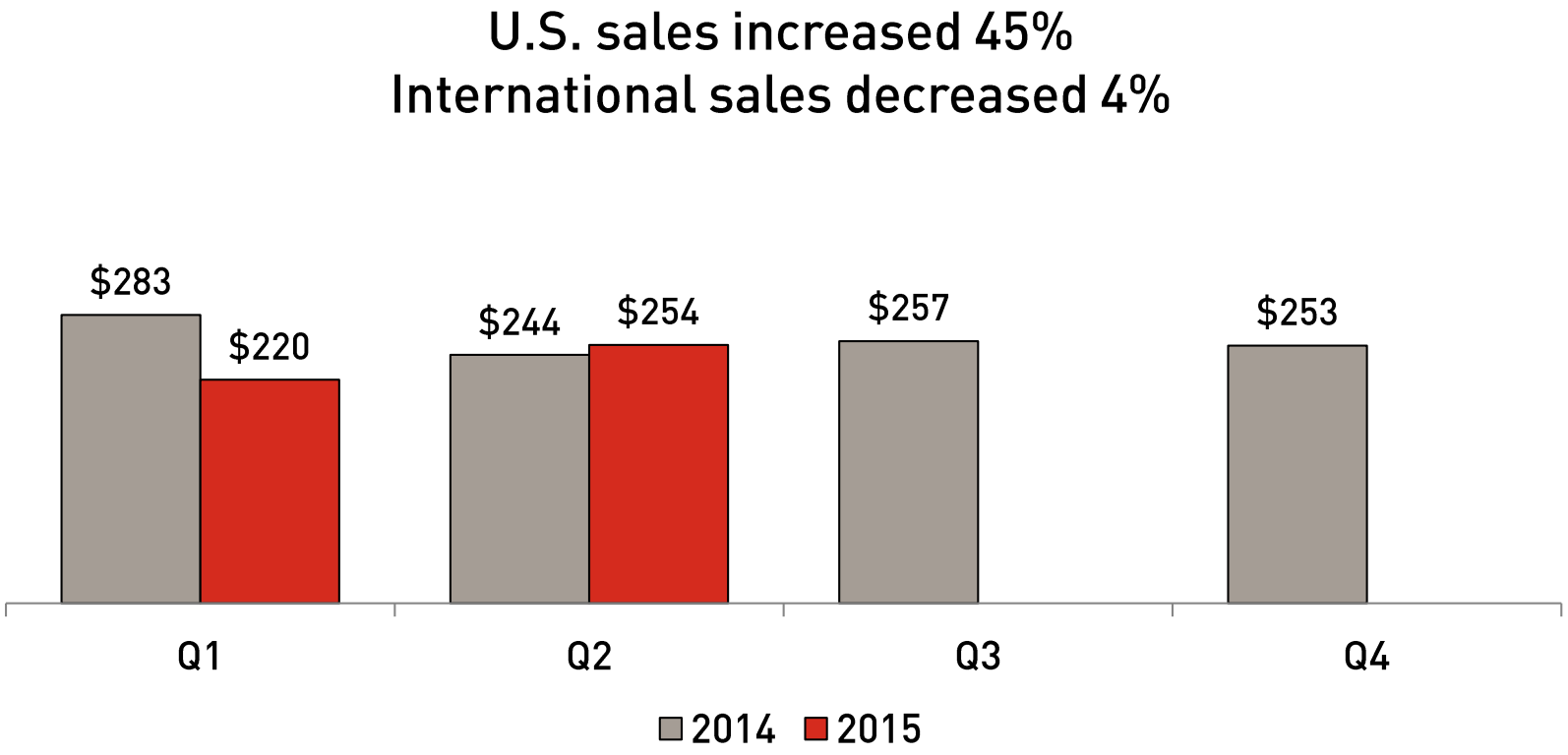
Millions



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

Q2 Zyprexa® Sales Increased 4%

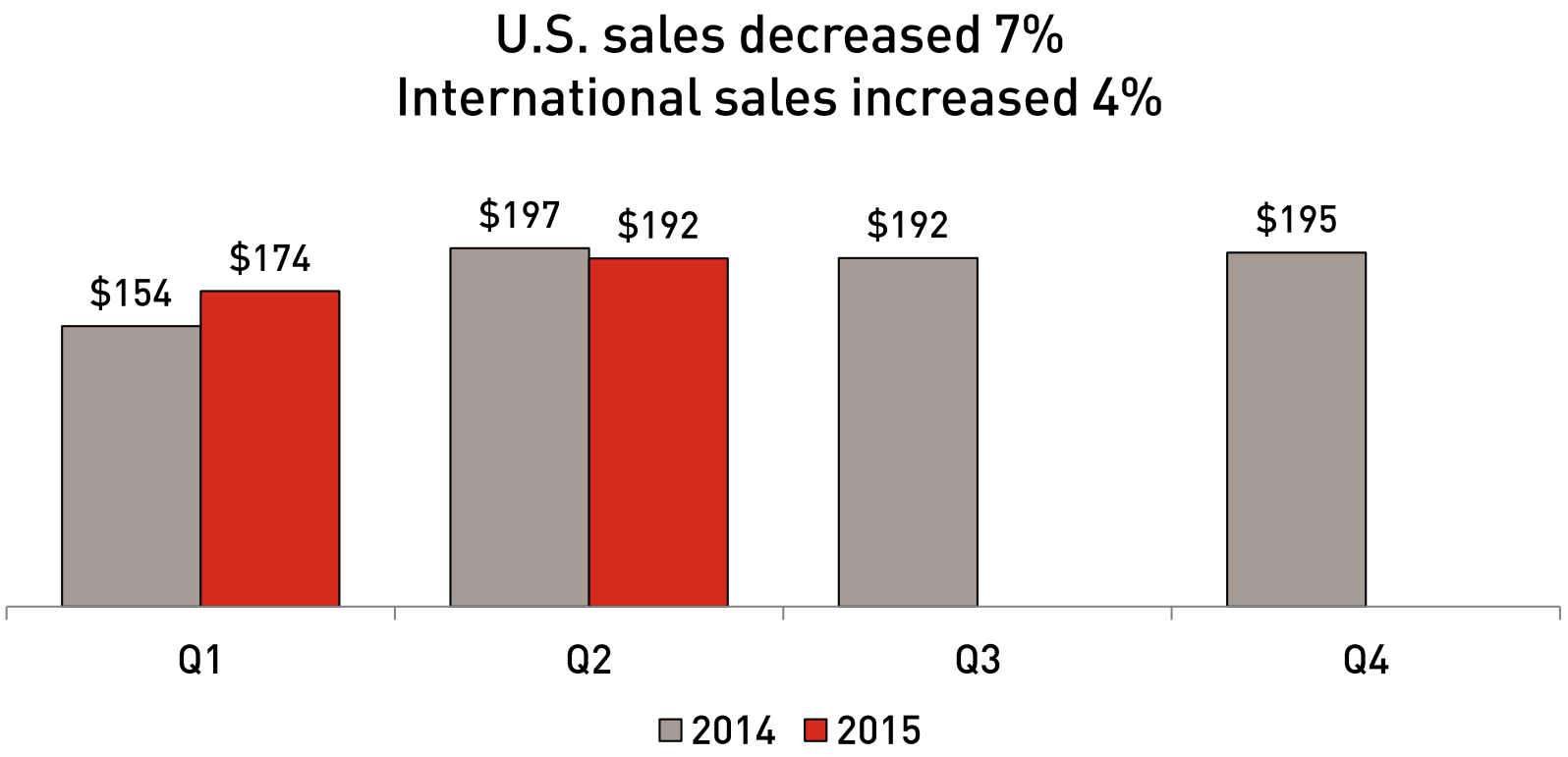
Millions



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

Q2 Strattera® Sales Decreased 3%

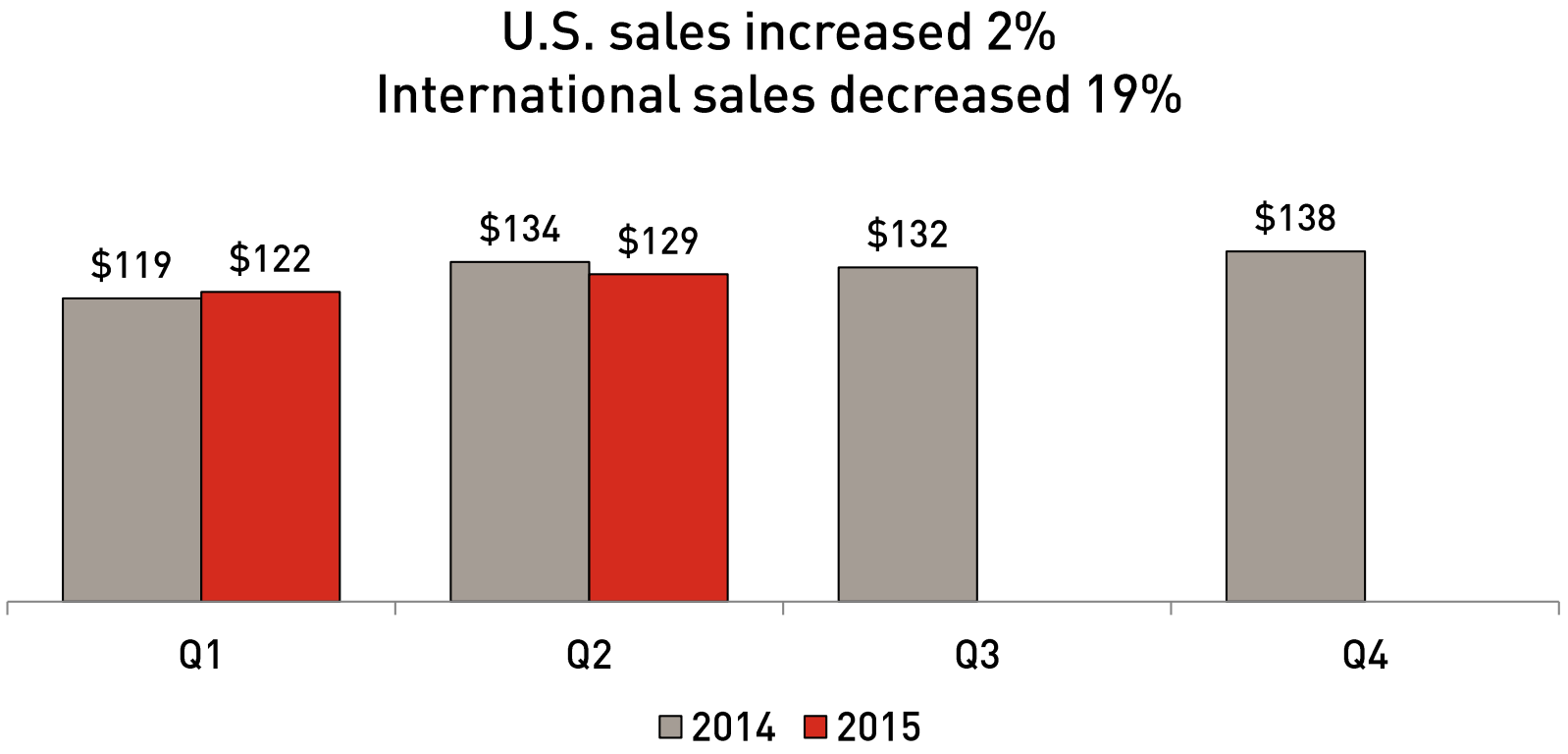
Millions



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

Q2 Effient® Sales Decreased 4%

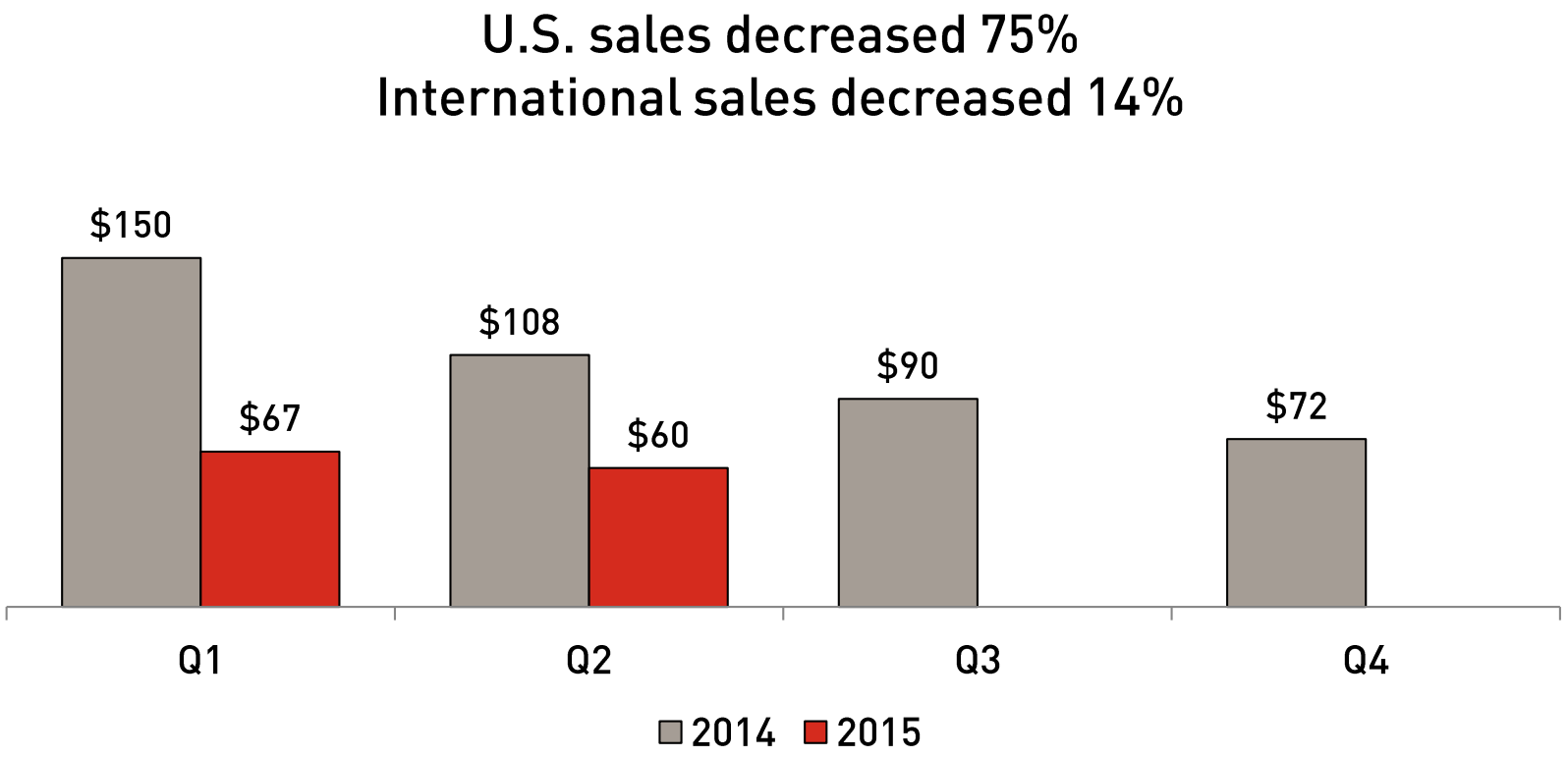
Millions



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

Q2 Evista Sales Decreased 45%

Millions



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