2017 Financial Guidance

December 15, 2016

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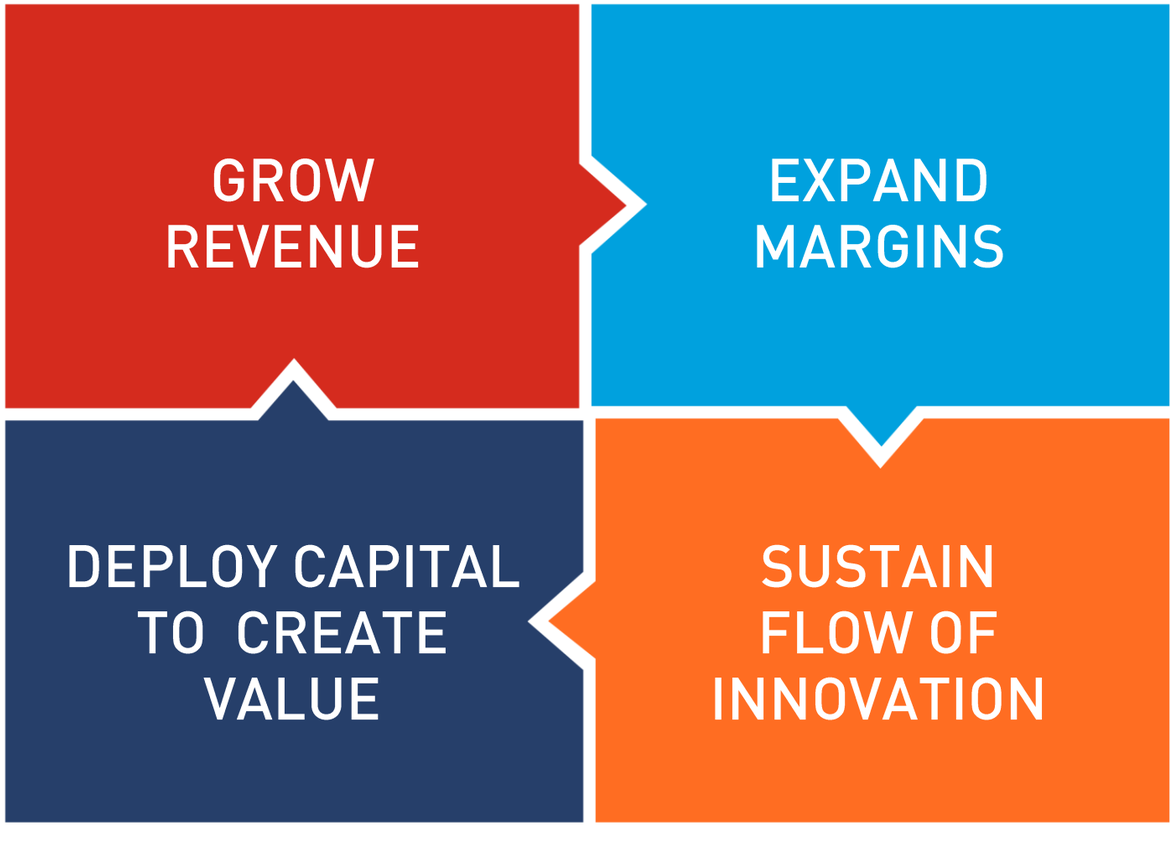
The company undertakes no duty to update forward-looking statements.

Agenda

1. Near-term goals (2017 guidance)
2. Medium-term goals (through 2020)
3. Q&A

Strategic Objectives 2015-2020



Updated 2016 Guidance

	Prior	Current	Drivers of Changes
Total Revenue	$20.8b - $21.2b	unchanged	
Gross Margin % (GAAP)	Approx. 73.0%	Approx. 73.5%	Business trends/mix and FX
Gross Margin % (non-GAAP)	Approx. 76.0%	Approx. 76.5%	
Mktg, Selling & Admin.	$6.2b - $6.4b	unchanged	
Research & Development	$4.9b - $5.1b	$5.0b - $5.2b	Expenses related to EXPEDITION3 study result
Other Income/(Expense) (GAAP)	$(150)m - $(100)m	unchanged	
Other Income/(Expense) (non-GAAP)	$50m - $100m	unchanged	
Tax Rate (GAAP)	Approx. 21.0%	Approx. 20.5%	Tax effect of charges related to EXPEDITION3 study result and to AZN collaboration for MEDI1814
Tax Rate (non-GAAP)	Approx. 21.0%	unchanged	
Earnings per Share (GAAP)	$2.66 - $2.76	$2.57 - $2.67	See above
Earnings per Share (non-GAAP)	$3.50 - $3.60	unchanged	
Capital Expenditures	$1.0b	unchanged	

Dynamics Affecting 2017 Financial Results

TAILWINDS

- Uptake of newer products:
  - Baricitinib*
  - Basaglar®
  - Cyramza®
  - Jardiance®
  - Lartruvo™
  - Taltz®
  - Trulicity®
- Continued growth of Humalog® and Forteo®
- Return to growth in Elanco, addition of Boehringer Ingelheim's U.S. vaccines business, and Novartis acquisition synergies
- Lower milestone payments in R&D expense and additional EXPEDITION3 R&D expense in 2016

* pending regulatory approval

HEADWINDS

- Loss of exclusivity for:
  - Axiron® U.S.
  - Effient® U.S.
  - Strattera® U.S.
  - Zyprexa® Japan
  - Multiple product/country combinations in emerging markets
- Uptake of immuno-oncology agents
- 2016 benefit from Cymbalta® returns reserve adjustment
- Continued pricing and access pressures
- Smaller FX benefit to cost of goods sold

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

Key Assumptions for 2017 Financial Guidance

No major U.S. healthcare reform changes

Intellectual property:

- Maintain Alimta® exclusivity in U.S. and Japan
- Experience minimal impact from pemetrexed generics in Europe
- Obtain Cialis® pediatric exclusivity in U.S.

FX rates of:

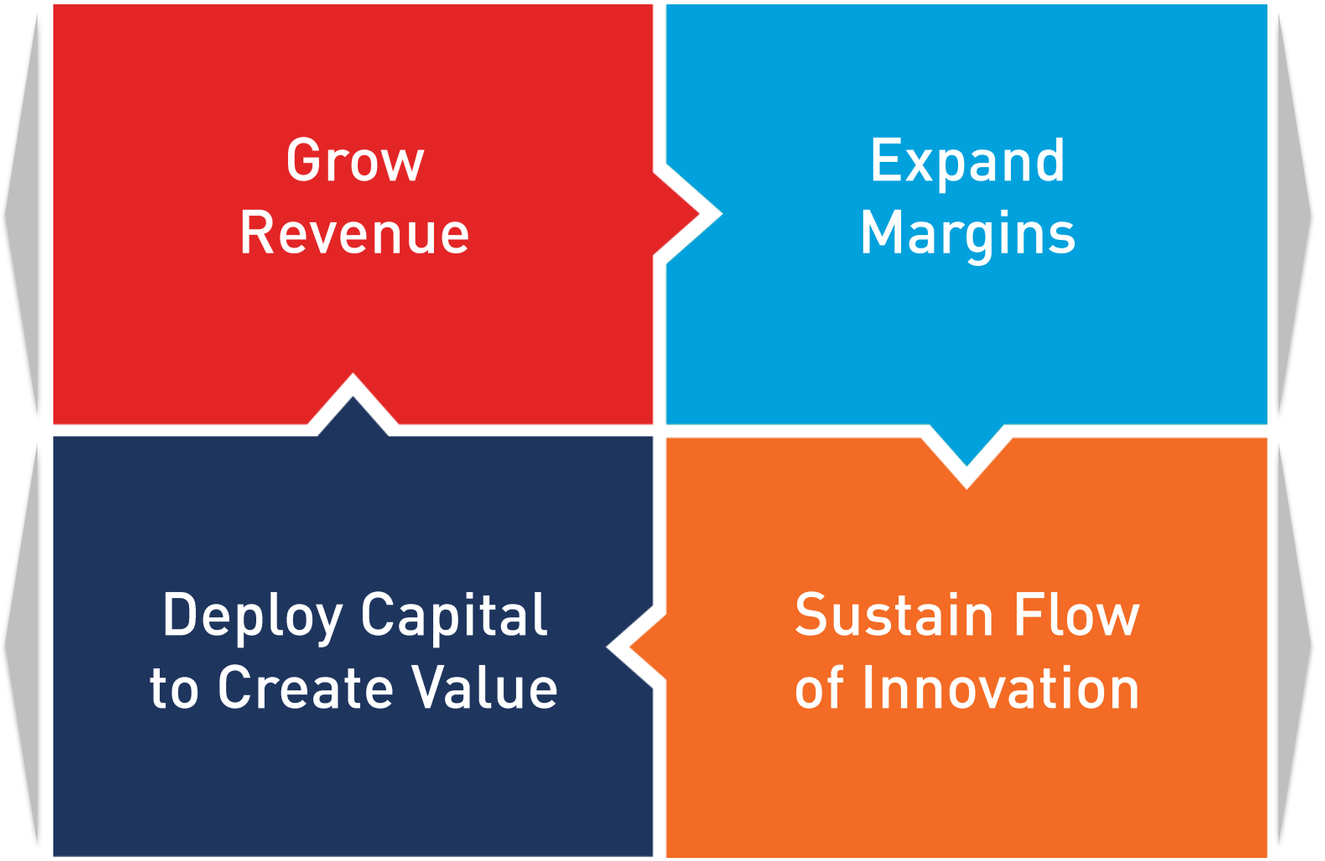
- Euro 1.05
- Yen 108
- GBP 1.30

Strategic Objectives

Near-term expectations; 2017 guidance

- Mid-single digit revenue growth*
- Driven by:
  - volume, not price
  - new products

- Excluding FX on int'l. inventories sold, gross margin as a % of revenue to increase roughly 50bp*
- OPEX % of revenue 52%, a decline of 2pp*



- Expect to close BI U.S. AH vaccines deal in early 2017
- 2% dividend increase

- Potential NME launches include baricitinib for RA
- NILEX launches include Jardiance for CV indication in the U.S.

* using the mid-points of the 2016 and 2017 guidance ranges

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

Updated 2016 and New 2017 Guidance

	Guidance		
	2016	2017	Comments
Total Revenue	$20.8b - $21.2b	$21.8b - $22.3b	Mid-single-digit growth; FX -1pp; BI U.S. AH vaccines acquisition +1pp
Gross Margin % (GAAP)	Approx. 73.5%	Approx. 73.5%	
Gross Margin % (non-GAAP)	Approx. 76.5%	Approx. 77.0%	50bp increase
Mktg, Selling & Admin.	$6.2b - $6.4b	$6.4b - $6.6b	New product spend and BI U.S. vaccines acquisition offset by reduced late life cycle product spend
Research & Development	$5.0b - $5.2b	$4.9b - $5.1b	Essentially flat excluding EXPEDITION3 expenses
Other Income/(Expense) (GAAP)	$(150)m - $(100)m	$0m - $100m	
Other Income/(Expense) (non-GAAP)	$50m - $100m	$0m - $100m	
Tax Rate (GAAP)	Approx. 20.5%	Approx. 20.0%	Favorable tax effect of GAAP charges
Tax Rate (non-GAAP)	Approx. 21.0%	Approx. 22.0%	Due to discrete tax benefits in 2016
Earnings per Share (GAAP)	$2.57 - $2.67	$3.51 - $3.61	Mid-30%s increase due to lower charges and factors listed below
Earnings per Share (non-GAAP)	$3.50 - $3.60	$4.05 - $4.15	Mid-teens increase driven by revenue increasing faster than OPEX and modest GM % increase, partially offset by a higher tax rate
Capital Expenditures	$1.0b	$1.2b	Increase primarily due to expansion of biologic manufacturing capacity

2017 vs. 2016 Non-GAAP Constant FX Comparison

	2016 Non-GAAP Guidance	Effect of FX on International Inventory Sold	2016 Non-GAAP Excl. FX	2017 Non-GAAP Constant FX
Total Revenue	$20.8b - $21.2b		$20.8b - $21.2b	$22.0b - $22.5b
Cost of Sales		Approx. $(145)m		-
Gross Margin % of Revenue	Approx. 76.5%		Approx. 76.0%	Approx. 76.5%
Mktg, Selling & Admin.	$6.2b - $6.4b		$6.2b - $6.4b	$6.4b - $6.6b
Research & Development	$5.0b - $5.2b		$5.0b - $5.2b	$4.9b - $5.1b
Other Income / (Expense)	$50m - $100m		$50m - $100m	$0m - $100m
Tax Rate	Approx. 21.0%	Approx. 21.0%	Approx. 21.0%	Approx. 22.0%
Earnings per Share	$3.50 - $3.60	$0.11	$3.39 - $3.49	$4.02 - $4.12

Based on midpoint of guidance ranges excluding FX:

- revenue to grow mid-single digits
- gross margin percent to grow by about 50bp
- OPEX to grow low-single digits
- OPEX/revenue % to decrease by about 200bp
- EPS to grow high-teens

2017 Non-GAAP Walkthrough

	Non-GAAP Constant FX	Effect of FX on International Inventory Sold	Operational Effect of FX	Non-GAAP Guidance
Total Revenue	$22.0b - $22.5b		Approx. $(160)m	$21.8b - $22.3b
Cost of Sales		Approx. $(110)m	Approx. $(75)m	
Gross Margin % of Revenue	Approx. 76.5%			Approx. 77.0%
Mktg, Selling & Admin.	$6.4b - $6.6b		Approx. $(25)m	$6.4b - $6.6b
Research & Development	$4.9b - $5.1b		nil	$4.9b - $5.1b
Other Income / (Expense)	$0m - $100m		nil	$0m - $100m
Tax Rate	Approx. 22.0%	Approx. 22.0%	Approx. 22.0%	Approx. 22.0%
Earnings per Share	$4.02 - $4.12	$0.08	$(0.05)	$4.05 - $4.15

2017 guidance assumes FX rates of:

- Euro at 1.05
- Yen at 108
- Pound at 1.30

2017 GAAP Walkthrough

	Non-GAAP Guidance	Inclusion of Amortization	Novartis AH and BI U.S. AH Vaccines Costs	GAAP Guidance
Total Revenue	$21.8b - $22.3b			$21.8b - $22.3b
Cost of Sales		Approx. $685m	Approx. $100m	
Gross Margin % of Revenue	Approx. 77.0%			Approx. 73.5%
Mktg, Selling & Admin.	$6.4b - $6.6b			$6.4b - $6.6b
Research & Development	$4.9b - $5.1b			$4.9b - $5.1b
Integration Costs			Approx. $50m	Approx. $50m
Other Income / (Expense)	$0m - $100m			$0m - $100m
Tax Rate	Approx. 22.0%	Approx. 31.5%	Approx. 32.0%	Approx. 20.0%
Earnings per Share	$4.05 - $4.15	Approx. $(0.45)	Approx. $(0.09)	$3.51 - $3.61

Note: Numbers may not add due to rounding

2017 Guidance vs. Consensus

	Analyst Estimates	2017 Non-GAAP Guidance		Comments
		Constant FX	With FX	
Total Revenue	$21.7b	$22.0b - $22.5b	$21.8b - $22.3b	Guidance slightly above consensus; consensus incorporating U.S. vaccines acquisition?
Gross Margin %	76.3%	Approx. 76.0%	Approx. 77.0%	Slightly different FX assumption?
Mktg, Selling & Admin.	$6.3b	$6.4b - $6.6b	$6.4b - $6.6b	Guidance slightly above consensus; difference due to investment in new product launches?
Research & Development	$5.0b	$4.9b - $5.1b	$4.9b - $5.1b	Guidance in-line with consensus
Other Income / (Expense)	$7m	$0m - $100m	$0m - $100m	Guidance in-line with consensus
Tax Rate	21.8%	Approx. 22.0%	Approx. 22.0%	Guidance in-line with consensus
Earnings per Share	$3.98	$4.02 - $4.12	$4.05 - $4.15	Guidance above consensus driven by higher revenue

Lilly

Potential Key Events in 2016

Phase 3 initiations:

- ✓+ BACE inhibitor for Alzheimer's disease [1]
- ✓+ CGRP MAb for migraine prevention
- ✓+ Ixekizumab for axial spondyloarthritis
- ✓+ Solanezumab for prodromal AD
- Ultra-rapid insulin for diabetes (possible in 2017)

Phase 3 data internal readouts:

- ✓+ Abemaciclib single-agent Phase 2 breast cancer
- CGRP MAb for cluster headache (possible in 2018)
- ✓+ Ixekizumab for psoriatic arthritis (SPIRIT-P2)
- ✓- Solanezumab for mild Alzheimer's disease

Phase 3 data external disclosures:

- ✓+ Abemaciclib single-agent Phase 2 breast cancer
- ✓+ Baricitinib RA-BEYOND study (long-term extension)
- ✓+ Linagliptin type 2 diabetes albuminuria study (MARLINA-T2D) [2]
- ✓+ Ixekizumab for psoriasis H2H vs ustekinumab (IXORA-S)

Regulatory submissions:

- ✓+ Olaratumab for soft-tissue sarcoma (US✓+/EU✓+)
- ✓+ Baricitinib for rheumatoid arthritis (US✓+/EU✓+/J✓+)
- ✓+ Empagliflozin/metformin XR [2] (US)

Regulatory actions:

- ✓+ Olaratumab for soft-tissue sarcoma (US✓+/EU✓+)
- ✓+ Necitumumab for first-line squamous NSCLC (EU)
- ✓+ Cyramza for second-line NSCLC (EU✓+/J✓+)
- ✓+ Cyramza for second-line mCRC (EU✓+/J✓+)
- ✓+ Ixekizumab for psoriasis (US✓+/EU✓+)
- ✓+ Ixekizumab for psoriasis and psoriatic arthritis (J)
- ✓+ Empagliflozin CV outcomes [2] (US✓+/EU)
- ✓+ Empagliflozin/linagliptin FDC for type 2 diabetes [2] (EU)
- ✓+ Linagliptin/metformin XR [2] (US)
- ✓+ Empagliflozin/metformin XR [2] (US)

Other:

- ✓+ Pediatric exclusivity for Effient
- Pediatric exclusivity for Cialis (possible in 2017)
- Rulings in ongoing Alimta patent litigation:
  - U.S.
  - ✓- UK
  - ✓+ Germany

[1] in collaboration with AstraZeneca
[2] in collaboration with Boehringer Ingelheim

Potential Key Events in 2017

Phase 3 initiations:

- Ultra-rapid insulin for diabetes
- Baricitinib for psoriatic arthritis
- Empagliflozin for heart failure (HFrEF) [2]
- Empagliflozin for heart failure (HFpEF) [2]

Phase 3 data internal readouts:

- Flortaucipir (18F AV-1451) tau imaging agent
- Abemaciclib MONARCH 3 study
- Abemaciclib JUNIPER study
- Ramucirumab RAINFALL 1L gastric (initial PFS readout)
- Alimta + Keytruda in 1L nonsquamous NSCLC [1]

Phase 3 data external disclosures:

- Galcanezumab for migraine prevention
- Abemaciclib MONARCH 2 study
- Ramucirumab RANGE study in 2L bladder cancer (PFS readout)

Regulatory submissions:

- Galcanezumab for migraine prevention (US)
- Abemaciclib for advanced breast cancer (US) (MONARCH 1)
- Abemaciclib + fulvestrant for 2L breast cancer (US/EU/J) (MONARCH 2)
- Fruquitinib for 3L metastatic colorectal cancer (China)
- Ixekizumab for psoriatic arthritis (US)

Regulatory actions:

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

Other:

- Closing of BI U.S. animal health vaccines acquisition
- Pediatric exclusivity for Cialis
- Rulings in ongoing Alimta patent litigation:
  - U.S. IPRs
  - UK
  - Germany
  - Japan

[1] in collaboration with Merck
[2] in collaboration with Boehringer Ingelheim

Strategic Objectives

Mid-term expectations

- Minimum average annual revenue growth of 5% in constant currency from 2015 through 2020

Grow Revenue

Expand Margins

- Excluding FX, gross margin % to increase from 2015 through 2020
- OPEX % of revenue of 50% or less in 2018

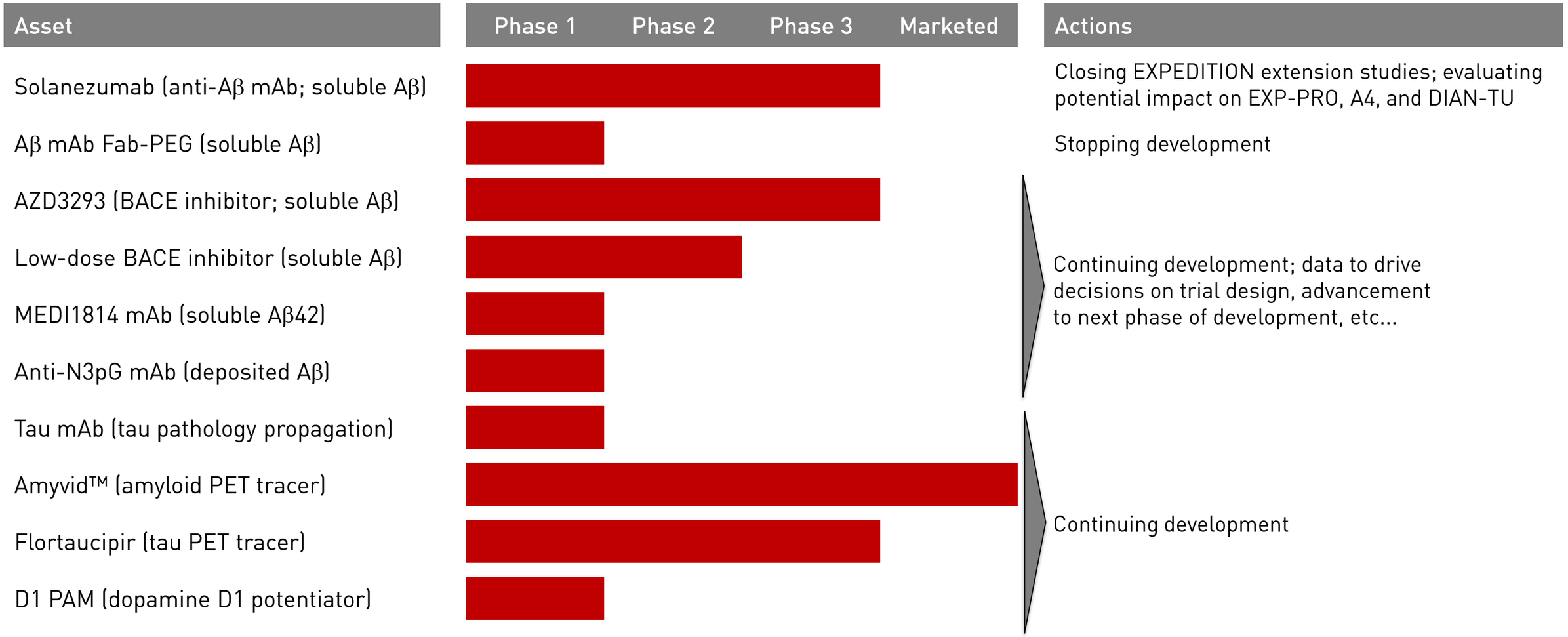
- Fund existing marketed and pipeline products
- Bolster growth prospects via business devt. in focus areas
- Annual dividend increases

Deploy Capital to Create Value

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

Update on AD Portfolio Post-EXPEDITION3

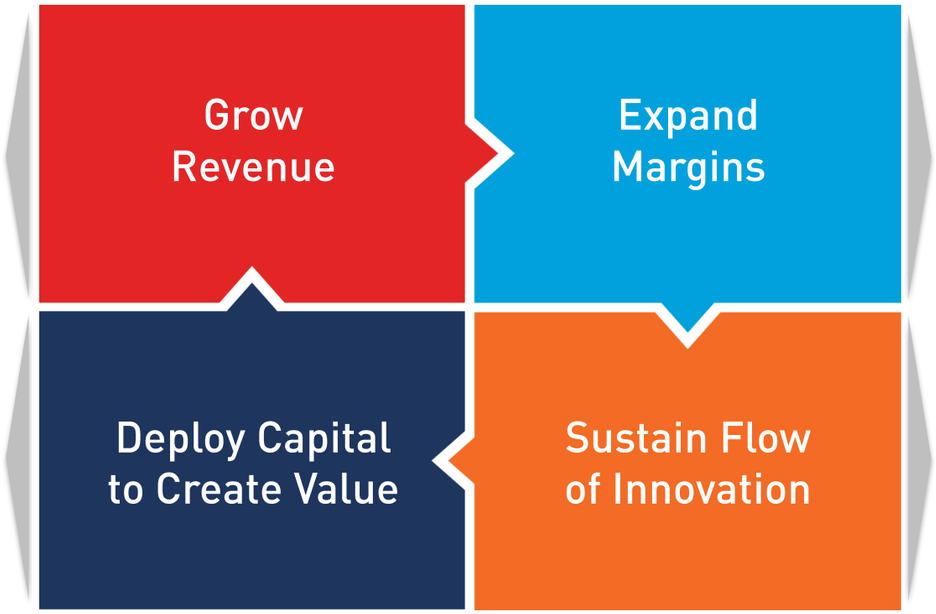


Summary

- Revenue growth in mid-single digits, driven by volume and new products
- Potential pipeline milestones include: global approvals and launches of baricitinib for RA and, in collaboration with Boehringer Ingelheim, launch of Jardiance for CV indication in the U.S.
- Strong momentum behind our innovation-based strategy; continued execution key to creating value for all our stakeholders, including shareholders

Strategic Objectives

Mid-term expectations



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