Strategy Update and 2015 Financial Guidance

January 7th, 2015

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.

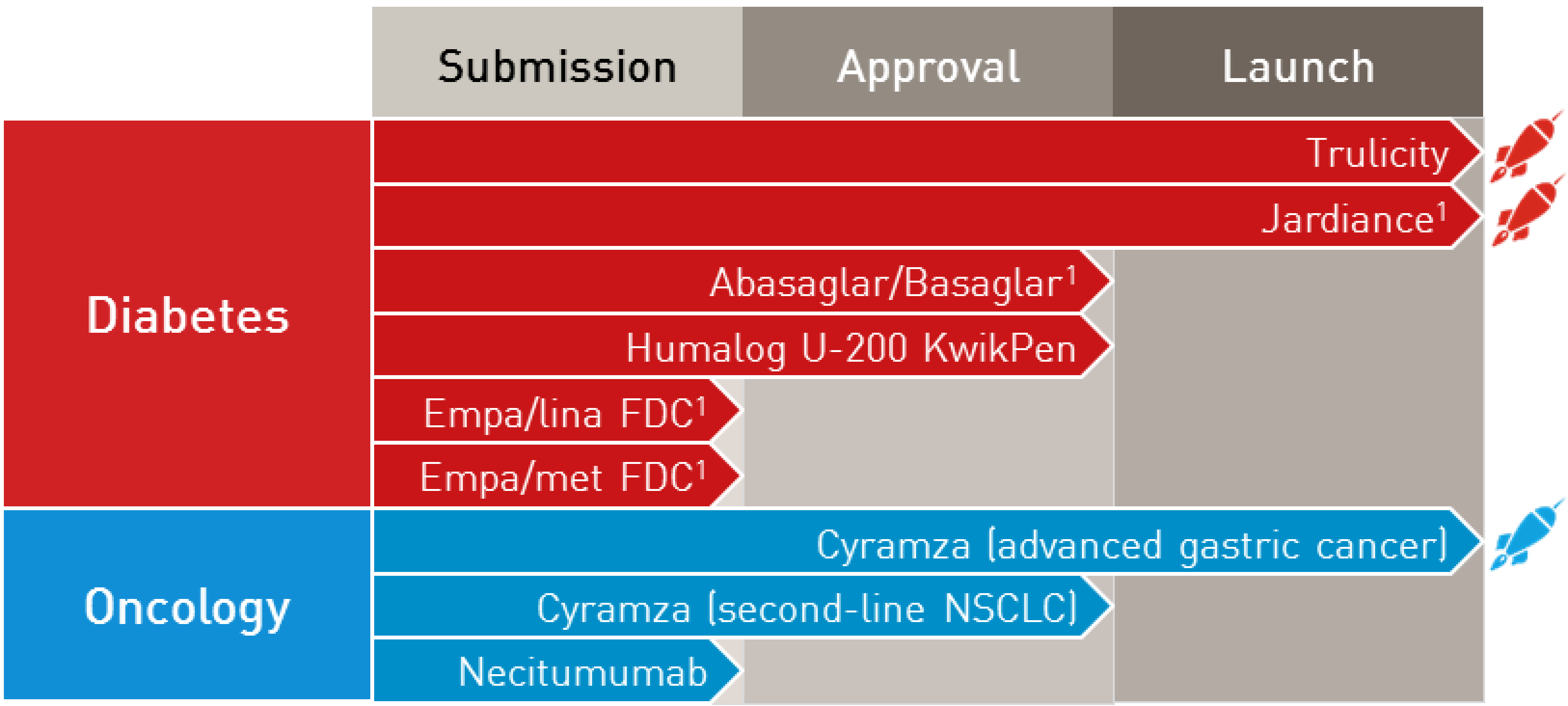
Agenda

Strategy Update	**John Lechleiter** – Chairman, President and Chief Executive Officer
Objectives, Mid-term Financial Outlook and 2015 Guidance	**Derica Rice** – Chief Financial Officer
Q&A Session	**John Lechleiter** **Derica Rice** **Jan Lundberg** – President, Lilly Research Laboratories **Sue Mahony** – President, Lilly Oncology **Enrique Conterno** – President, Lilly Diabetes **Dave Ricks** – President, Lilly Bio-Medicines **Chito Zulueta** – President, Lilly Emerging Markets **Jeff Simmons** – President, Elanco Animal Health

YZ Strategy and Results

Drive revenue growth	• Japan, Emerging Markets and Elanco • Brands not losing patent protection	✓ Elanco among fastest-growing AH companies; doubled revenue ✓ Among fastest-growing companies in Japan; doubled volume ✓ Solid growth in emerging markets; doubled revenue in China ✓ Solid growth for on-patent brands
Replenish & advance the pipeline	• Achieve 10 Phase 3 NMEs by YE 2011	✓ 12 Phase 3 NMEs at YE 2011 ✓ 13 Phase 3 NMEs in late 12/early 13
Reduce cost structure, increase productivity	• Reduce 2011 HC by 5,500 • Reduce projected 2011 expenses by $1b	✓ Exceeded headcount and expense reduction goals
Achieve minimum financial targets	• $20b revenue • $3b net income • $4b operating cash flow	✓ Exceeded goals 2009-2013 • 2014 may fall slightly short of revenue and net income goals

Progress in the Pipeline – 2014 Events

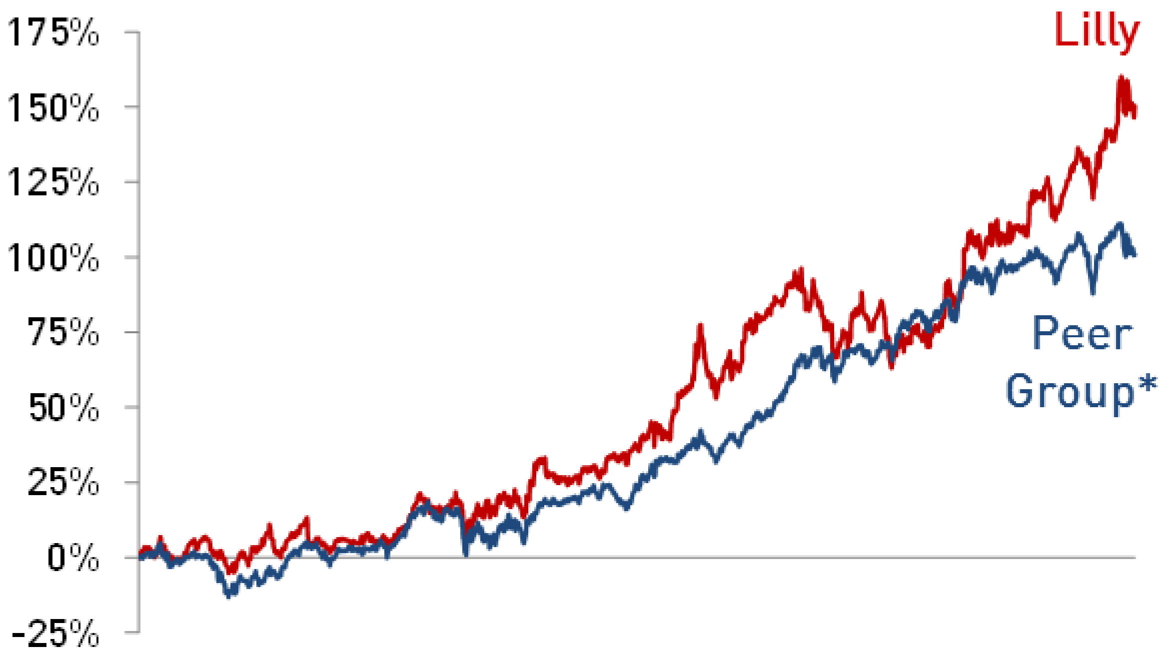


» Significant pipeline progress in 2014; many more potential submissions, approvals and launches in 2015 and 2016

1 in collaboration with Boehringer Ingelheim

Total Shareholder Return

December 10, 2009 to January 2, 2015



* market value-weighted TSR

Rank by TSR

1. Novo Nordisk
2. Amgen
3. Bristol-Myers Squibb
4. **Eli Lilly**
5. AstraZeneca
6. Novartis
7. Roche
8. Pfizer
9. Merck
10. Johnson & Johnson
11. Sanofi
12. GlaxoSmithKline

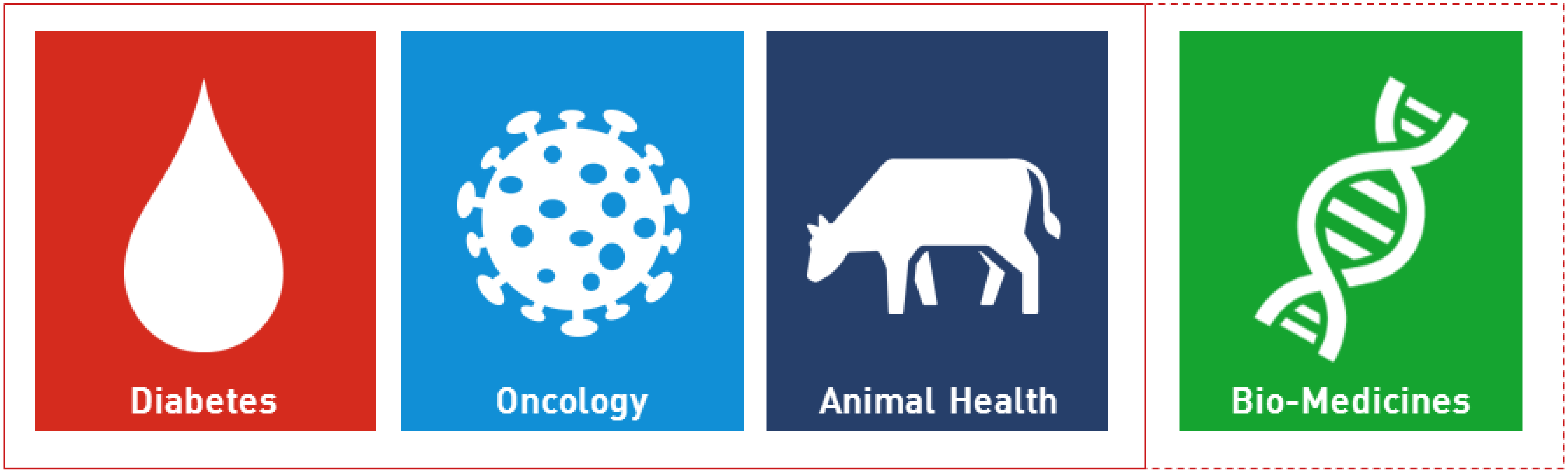
Lilly in top third of peer group

Environmental Challenges

- Uncertain global economy
- Evolution of U.S. Affordable Care Act
- Budget pressures affecting pricing, reimbursement and access
- Customers demanding greater value
- Competition intensifying

Commercial Focus

Business areas

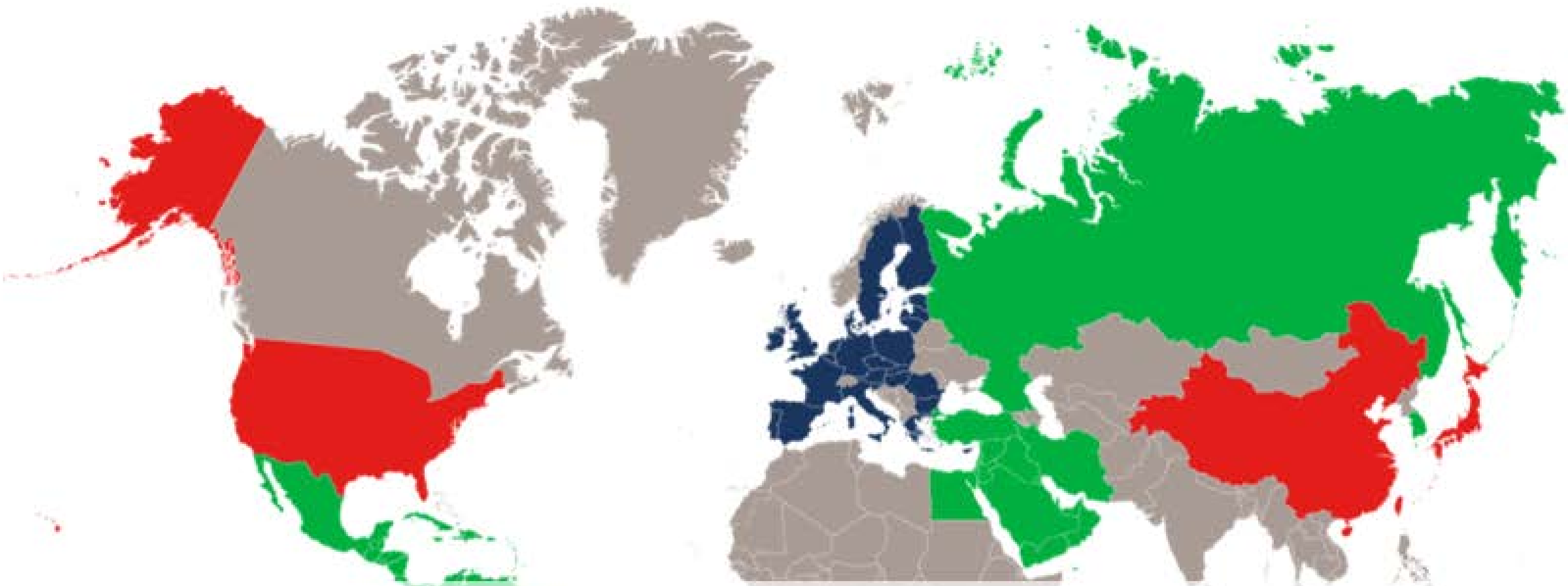


Significant growth opportunities in the near-term and in the long-term

Bio-Medicines transitioning to immunology, neurodegeneration, pain and cardiovascular disease

Commercial Focus

Geographies



- U.S. market of preeminent importance
- East Asia, particularly Japan and China, of increasing importance
- Europe to experience revenue challenges
- Other emerging markets countries selectively targeted for investment

Research and Development Focus

Therapeutic Area Focus

Diabetes

Oncology

Neurodegeneration

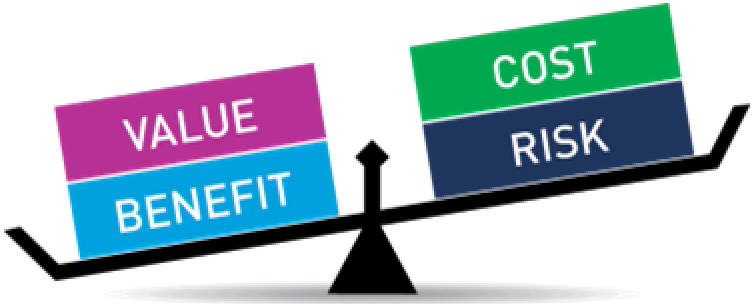
Immunology

Pain

Increased access to external innovation

Getting medicines to patients faster

Greater Value



Strategic Objectives During YZ

2009 - 2014

Exceed financial minimums

2015 – 2020

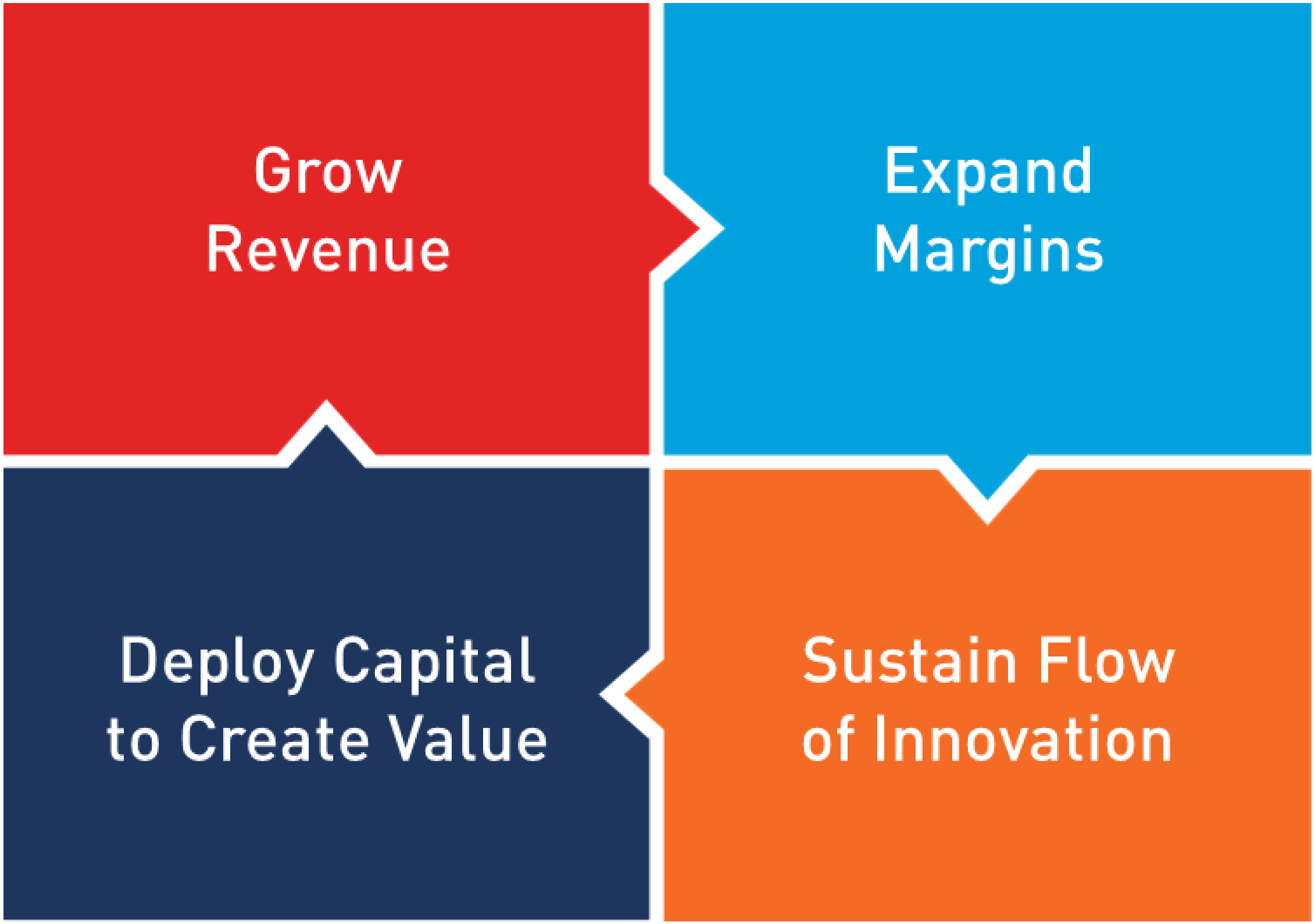
Grow revenue and expand margins

Beyond 2020

Sustain R&D output to drive long-term growth

Balance near-, medium- and long-term objectives

Strategic Objectives Post-YZ



Strategic Objectives

Grow revenue

Growing product portfolio, increasing revenue

Potential Mid-Term Launches

- Tanezumab
- CGRP monoclonal antibody
- Solanezumab
- Evacetrapib
- 3G3
- Abemaciclib

Potential Near-Term Launches

- Baricitinib
- Ixekizumab
- Necitumumab
- Cyramza
- Basal Insulins
- Trulicity
- Jardiance

Base Business

Diabetes | Oncology | Bio-Medicines | Emerging Markets | Animal Health

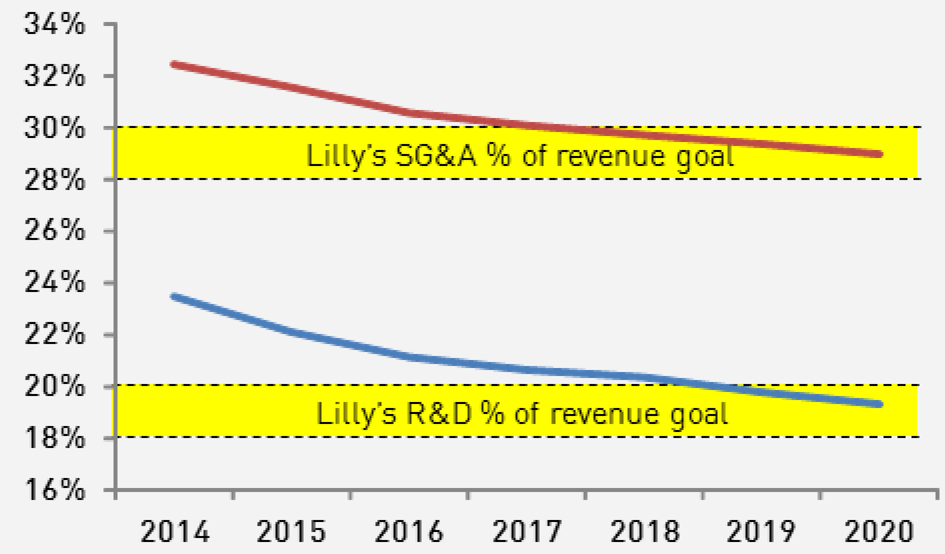
Strategic Objectives
Expand margins

SG&A:
- Diabetes
  - Leverage current sales footprint (additional Lilly and BI product launches)
- Oncology
  - Leverage current sales footprint (one product to multiple products)
- Emerging Markets
  - Leverage infrastructure investments in priority markets, such as China
- Elanco
  - Leverage combined Elanco-Novartis-Lohmann business

R&D:
- Grow R&D slower than revenue (fewer assets; higher quality; faster, more efficient development)

Cost of Goods Sold:
- Leverage existing infrastructure
- Drive incremental operating efficiencies

Sell-Side Consensus*



Sell-side models project OPEX at 50% of revenue in 2018; we believe this is an achievable goal

* Average of 17 sell-side models

Strategic Objectives

Sustain flow of innovation

As of January 2, 2015

Phase 1

BACE inh Alzheimer's		
mGlu2/3 agonist chronic pain	cardiovascular	Notch inh cancer
Pomaglumetad CNS disorder	hypertension	p70S6/AKT inh cancer
mGlu2 agonist CNS disorder	chronic kidney disease	Pan-Raf inh cancer
rheumatoid arthritis	muscle atrophy	PI3/mTOR inh cancer
ulcerative colitis	*anemia in CKD*	*diabetic nephropathy*
Crohn's disease	*diabetes*	*MET/EGFR cancer*
lupus	*diabetes*	*CSF1R MAb cancer*
N3pG-Aβ MAb Alzheimer's	*diabetes*	*VEGFR3 MAb cancer*

Phase 2

BACE - AZD3293* Alzheimer's	Chk1 inh cancer
Edivoxetine CNS disorder	Galunisertib cancer
Tau Imaging Agent	p38 MAPK inh cancer
Florbenazine Park. Dis. Imaging	FGFR inh cancer
NOC-1 depression	c-Met inh cancer
Gluc-R antag diabetes	Hedgehog antag cancer
Myostatin MAb disuse atrophy	*CGRP MAb migraine prev*
Blosozumab osteoporosis	*Ferroportin MAb anemia*
Oxyntomodulin diabetes	*c-Met MAb cancer*
PCSK9 MAb CV disease	*CXCR4 pept inh cancer*
TGFα/Epireg MAb CKD	*Olaratumab cancer*

Phase 3

- Abemaciclib cancer
- Baricitinib RA
- Evacetrapib HRVD
- *Tanezumab* pain*
- *Ixekizumab psoriasis/PsA*
- *Solanezumab Alzheimer's*
- *Basal insulin peglispro*

Reg Review

- *Necitumumab squamous NSCLC*

Launched

- *Cyramza gastric cancer*
- Jardiance* diabetes
- *Trulicity diabetes*

Approved - EU/Japan

- *New Insulin* Glargine Product*

*Commercial collaborations

Robust Phase 1/2 pipeline to maintain flow of innovative molecules

Strategic Objectives

Deploy capital to create value

Fund Existing Business

- Marketed products
- Clinical pipeline
- Research
- Capex
- Dividend

Access External Innovation

- Human pharma
  (at earlier stages of development)
- Animal health

Return Excess Cash to Shareholders

- Dividend increase
- Share repurchase

2015 Financial Guidance Framework

Lilly Base Business −

- Lilly pre-Novartis Animal Health
- Including intangible amortization
- 2014 FX rates
- Provides 2015 on a similar basis to 2014

Effect of FX +

- Reflects impact of significant FX movements late in 2014
- Negative EPS impact reduced due to benefit in cost of goods sold

Remove Intangible Amortization +

- Reflects decision to remove amortization of intangibles from non-GAAP results
- Intangible amortization for base Lilly business

Novartis Animal Health =

- Reflects anticipated 2015 results
- Reflects divestitures
- At 2015 FX rates
- Excludes intangible amortization

New Lilly Non-GAAP Guidance ±

GAAP Reconciling Items =

- Intangible amortization on base Lilly and NAH
- Inventory step-up for NAH
- Anticipated integration & restructuring costs for NAH and Lohmann

Lilly GAAP Guidance

2015 Non-GAAP Financial Expectations

Lilly base business*

	2015 Expectations	2014 Guidance
Total Revenue	$19.7 to $20.2 billion	$19.4 to $19.8 billion
Gross Margin % of Revenue	Approx. 75.0%	Approx. 74.5%
Mktg, Selling & Admin.	$6.2 to $6.5 billion	$6.3 to $6.5 billion
Research & Development	$4.7 to $4.9 billion	$4.6 to $4.8 billion
Other Income/(Expense)	$200 - $250 million	$200 - $250 million
Tax Rate	Approx. 20%	Approx. 19%
Earnings per Share	$2.90 - $3.00	$2.72 - $2.80
Capital Expenditures	Approx. $1.2 billion	Approx. $1.2 billion

* Includes amortization of intangibles, excludes Novartis Animal Health and assumes constant foreign exchange rates for 2014 and 2015

2015 Non-GAAP Walkthrough

	Existing Lilly Non-GAAP	Foreign Exchange	Exclusion of Amortization [1]	Addition of Novartis AH [2]	New Lilly Non-GAAP
Total Revenue	$19.7b - $20.2b	Approx. $(500)m		$1.0b - $1.2b	$20.3b - $20.8b
Cost of Sales		Approx. $(310)m	Approx. $(360)m		
Gross Margin %	Approx. 75.0%			56% - 58%	Approx. 76.5%
Mktg, Selling & Admin.	$6.2b - $6.5b	Approx. $(100)m	Approx. $(110)m	$450m - $500m	$6.5b - $6.8b
Research & Development	$4.7b - $4.9b	Approx. $(50)m		$75m - $100m	$4.8b - $5.0b
Other Income/(Expense)	$200m - $250m			Approx. $(125)m	$75m - $125m
Tax Rate	Approx. 20%	Approx. 20%	Approx. 34%	Approx. 32.5%	Approx. 21.5%
Earnings per Share	$2.90 - $3.00	Approx. $(0.03)	Approx. $0.29	Approx. $(0.03)	$3.10 - $3.20
Capital Expenditures	Approx. $1.2b			Approx. $100m	Approx. $1.3b

1 amortization on base Lilly business

2 base Novartis Animal Health business and effect on interest income/(expense) from purchase price; excludes amortization, inventory step up and other transaction costs

2015 GAAP Walkthrough

	New Lilly Non-GAAP	Inclusion of Amortization [1]	Novartis AH and Lohmann Costs [2]	Lilly GAAP
Total Revenue	$20.3b - $20.8b			$20.3b - $20.8b
Cost of Sales		Approx. $520m	Approx. $130m	-
Gross Margin % of Revenue	Approx. 76.5%			Approx. 73.5%
Mktg, Selling & Admin.	$6.5b - $6.8b	Approx. $160m		$6.7b - $7.0b
Research & Development	$4.8b - $5.0b			$4.8b - $5.0b
Integration Costs			Approx. $265m	Approx. $265m
Other Income/(Expense)	$75m - $125m			$75m - $125m
Tax Rate	Approx. 21.5%	Approx. 32%	Approx. 27.5%	Approx. 18.5%
Earnings per Share	$3.10 - $3.20	Approx. $(0.44)	Approx. $(0.27)	$2.40 - $2.50
Capital Expenditures	Approx. $1.3b			Approx. $1.3b

1 amortization on both base Lilly business and on Novartis Animal Health acquisition
2 includes inventory step up and other transaction costs

2015 Guidance

Total Revenue	$20.3 to $20.8 billion
Gross Margin % of Revenue (non-GAAP)	Approx. 76.5%
Gross Margin % of Revenue (GAAP)	Approx. 73.5%
Mktg, Selling & Admin. (non-GAAP)	$6.5 to $6.8 billion
Mktg, Selling & Admin (GAAP)	$6.7 to $7.0 billion
Research & Development	$4.8 to $5.0 billion
Other Income/(Expense)	$75 - $125 million
Tax Rate (non-GAAP)	Approx. 21.5%
Tax Rate (GAAP)	Approx. 18.5%
Earnings per Share (non-GAAP)	$3.10 - $3.20
Earnings per Share (GAAP)	$2.40 - $2.50
Capital Expenditures	Approx. $1.3 billion

Key Events in 2015

Potential Phase 3 initiations:

- Olaratumab for soft tissue sarcoma
- Cyramza for first-line gastric cancer
- Cyramza for non-small cell lung cancer
- Tanezumab for pain [1]

Potential Phase 3 data internal readouts:

- Jardiance CV outcomes trial for type 2 diabetes [2]
- Remaining trials of baricitinib in rheumatoid arthritis

Potential Phase 3 data external disclosures:

- Cyramza 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
- Initial trials of baricitinib in rheumatoid arthritis

Potential regulatory submissions:

- Cyramza for second-line metastatic colorectal cancer
- Cyramza for second-line NSCLC (Europe)
- Basal insulin peglispro for type 1 and type 2 diabetes
- Empagliflozin/linagliptin FDC for type 2 diabetes [2] (Europe)
- Ixekizumab for psoriasis
- Baricitinib for rheumatoid arthritis

Potential regulatory actions:

- Cyramza for second-line gastric cancer (Japan)
- Cyramza for second-line metastatic colorectal cancer
- Necitumumab for first-line squamous NSCLC
- Trulicity 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]

Other:

- Complete acquisition of Novartis Animal Health
- Partial clinical hold resolution for tanezumab [1]
- U.S., Germany and UK court rulings in on-going Alimta patent litigation; initial ruling in Japan

1 in collaboration with Pfizer
2 in collaboration with Boehringer Ingelheim

Summary

Successfully navigated through period of patent expirations	• Delivered on financial commitments • Advanced our pipeline • Built a sustainable R&D engine
Poised to grow revenue and expand margins over the balance of the decade	• Solid base business • Multiple new product launches expected to drive growth
Refined strategy focuses on areas where we're best positioned to compete and win	• Commercial focus – business areas – geographies • R&D focus