Q4 2014 Financial Review

January 30th, 2015

Agenda

Introduction and Key Recent Events

- John Lechleiter, Chairman, President and Chief Executive Officer

Q4 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 Trulicity™ (dulaglutide) in the U.S. and Europe

Regulatory:

- Received European Commission approval for Trulicity® to improve glycemic control in adults with type 2 diabetes as monotherapy or in combination with other diabetes medicines, including insulin;
- Resubmitted the NDA for Humalog U-200 to the FDA;
- In collaboration with Boehringer Ingelheim:
  - received Japanese approval for Jardiance® tablets as an adjunct to diet and exercise to improve glycemic control, or blood glucose levels, in adults with type 2 diabetes; and
  - received Japanese approval for Lilly's insulin glargine to improve glycemic control in adults with diabetes.
- Ramucirumab:
  - Received European Commission approval of Cyramza® for the treatment of advanced gastric cancer or gastro-oesophageal adenocarcinoma in combination with paclitaxel and as monotherapy in those patients for whom treatment in combination with paclitaxel is not appropriate;
  - Received FDA approval of Cyramza, in combination with docetaxel, for the treatment of patients with metastatic non-small cell lung cancer with disease progression on or after platinum-based chemotherapy; and

Key Events Since the Last Earnings Call

Regulatory:

- Ramucirumab (cont.):
  - Received FDA approval of Cyramza, in combination with paclitaxel as a treatment for people with advanced or metastatic gastric or gastroesophageal junction adenocarcinoma whose cancer has progressed on or after prior fluoropyrimidine- or platinum-containing chemotherapy.
- Completed the rolling FDA submission – and submitted the European dossier – for necitumumab in combination with gemcitabine and cisplatin for the first-line treatment of patients with locally advanced or metastatic squamous non-small cell lung cancer.

Clinical:

- Along with Incyte Corporation announced that the primary endpoint of improved ACR20 response compared to placebo after 12 weeks of treatment was met in the Phase 3 RA-BEACON study of baricitinib in patients with moderately-to-severely active rheumatoid arthritis who previously failed one or more tumor necrosis factor (TNF) inhibitors; and
- Along with AstraZeneca, announced initiation of the Phase 2/3 AMARANTH study of AZD3293, an oral beta secretase cleaving enzyme (BACE) inhibitor currently in development as a potential treatment for Alzheimer's disease;
- Presented Phase 3 data at ASCO-GI from the RAISE trial evaluating ramucirumab (Cyramza) in combination with chemotherapy in patients with metastatic colorectal cancer; and
- Began the second Phase 3 trial of abemaciclib in breast cancer as well as a Phase 3 trial in lung cancer.

Key Events Since the Last Earnings Call

Development/Other:

- Announced a collaboration with Bristol-Myers Squibb to study their PD-1 inhibitor, nivolumab (Opdivo®), with galunisertib, a TGF-beta kinase inhibitor, in a Phase 1/2 study in patients with glioblastoma, hepatocellular and non-small cell lung (NSCLC) cancers;
- Announced a collaboration with Merck to study their PD-1 inhibitor, pembrolizumab (Keytruda®) in a:
  - Phase 2 study with pemetrexed (Alimta®) in non-squamous NSCLC;
  - Phase 1/2 study with ramucirumab (Cyramza) in gastric, bladder and NSCLC; and
  - Phase 1/2 study with necitumumab in NSCLC;
- Announced a worldwide licensing collaboration with Adocia focused on developing an ultra-rapid insulin, known as BioChaperone Lispro, for treatment in people with type 1 and type 2 diabetes;
- Lilly and Boehringer Ingelheim announced changes to our diabetes collaboration; the companies will continue co-promotion work in 17 countries, representing over 90 percent of the collaboration's anticipated market opportunity; in the other countries, the companies will exclusively commercialize the molecules they brought to the collaboration;
- Completed the acquisition of Novartis Animal Health;
- Authorized a 2% increase in the company's quarterly dividend; and
- Repurchased $300 million of stock in Q4 2014 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
  - For 2015 guidance, excludes amortization of intangible assets

2014 Income Statement – Reported

Millions; except per share data

	Q4 2014	Change	2014	Change
Total Revenue	$5,121	(12)%	$19,616	(15)%
Gross Margin Percent	75.5%	(0.6)pp	74.9%	(3.9)pp
Total Operating Expense*	3,492	(1)%	12,023	(6)%
Operating Income	376	(58)%	2,660	(50)%
Other Income / (Deductions)	137	NM	340	(34)%
Effective Tax Rate	*16.6%*	*(3.4)pp*	*20.3%*	*(0.2)pp*
Net Income	$428	(41)%	$2,390	(49)%
Diluted EPS	$0.40	(40)%	$2.23	(48)%

* 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

	Q4 2014			
	GAAP Reported	Adjust-ments	Non-GAAP Adjusted	Non-GAAP Adjusted Change
Total Revenue	**$5,121**	-	$5,121	(12)%
Gross Margin	**75.5%**	-	75.5%	(0.6)pp
Total Operating Expense	**3,492**	(506)	2,986	(13)%
Operating Income	**376**	506	883	(11)%
Other Income / (Expense)	**137**	(92)	45	NM
Effective Tax Rate	***16.6%***	*(2.6)%*	*14.0%*	*(6.5)pp*
Net Income	**$428**	$370	$798	0%
Diluted EPS	**$0.40**	$0.35	$0.75	1%

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

	2014			
	GAAP Reported	Adjust-ments	Non-GAAP Adjusted	Non-GAAP Adjusted Change
Total Revenue	$19,616	-	$19,616	(15)%
Gross Margin	74.9%	-	74.9%	(3.9)pp
Total Operating Expense	12,023	(788)	11,235	(11)%
Operating Income	2,660	788	3,448	(38)%
Other Income / (Expense)	340	(92)	248	NM
Effective Tax Rate	*20.3%*	*(1.1)%*	*19.2%*	*0.0pp*
Net Income	$2,390	$598	$2,988	(34)%
Diluted EPS	$2.23	$0.55	$2.78	(33)%

Note: Numbers may not add due to rounding; see slide 22 for a complete list of significant adjustments.

EPS Reconciliation

	Q4 2014	Q4 2013	Change	2014	2013	Change
EPS (reported)	**$0.40**	**$0.67**	**(40)%**	**$2.23**	**$4.32**	**(48)%**
U.S. Branded Prescription Drug fee	-	-		0.11	-	
Acquired in-process R&D charges	0.06	0.03		0.12	0.03	
Asset impairment, restructuring and other special charges	0.34	0.03		0.38	0.08	
Income related to revised diabetes agreement with Boehringer Ingelheim	(0.06)	-		(0.06)	-	
Income from the transfer of exenatide commercial rights	-	-		-	(0.29)	
EPS (non-GAAP)	**$0.75**	**$0.74**	**1%**	**$2.78**	**$4.15**	**(33)%**

Note: Numbers may not add due to rounding; see slides 21 and 22 for more details on these significant adjustments.

Effect of Price/Rate/Volume on Revenue

Q4 2014

Pharmaceuticals	Amount	Price	FX Rate	Volume	Total	CER
U.S.	$2,130.5	2%	-	(24)%	(22)%	(22)%
ACE*	1,172.2	0%	(7)%	3%	(4)%	3%
Japan	517.3	(3)%	(12)%	5%	(10)%	2%
Emerging Markets	668.1	(1)%	(9)%	7%	(3)%	5%
Total Pharma	4,488.0	1%	(4)%	(11)%	(14)%	(10)%
Animal Health	633.3	5%	(3)%	7%	9%	12%
Total Revenue	$5,121.3	1%	(4)%	(9)%	(12)%	(8)%

2014

Pharmaceuticals	Amount	Price	FX Rate	Volume	Total	CER
U.S.	$7,859.7	(1)%	-	(31)%	(33)%	(33)%
ACE*	4,739.2	(2)%	(0)%	2%	(0)%	0%
Japan	2,000.0	(2)%	(10)%	10%	(2)%	8%
Emerging Markets	2,670.2	1%	(5)%	11%	6%	11%
Total Pharma	17,269.0	(1)%	(2)%	(15)%	(18)%	(16)%
Animal Health	2,346.6	4%	(1)%	6%	9%	10%
Total Revenue	$19,615.6	(1)%	(2)%	(13)%	(15)%	(14)%

Note: Numbers may not add due to rounding.

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

Effect of Foreign Exchange on 2014 Results

Year-on-Year Growth

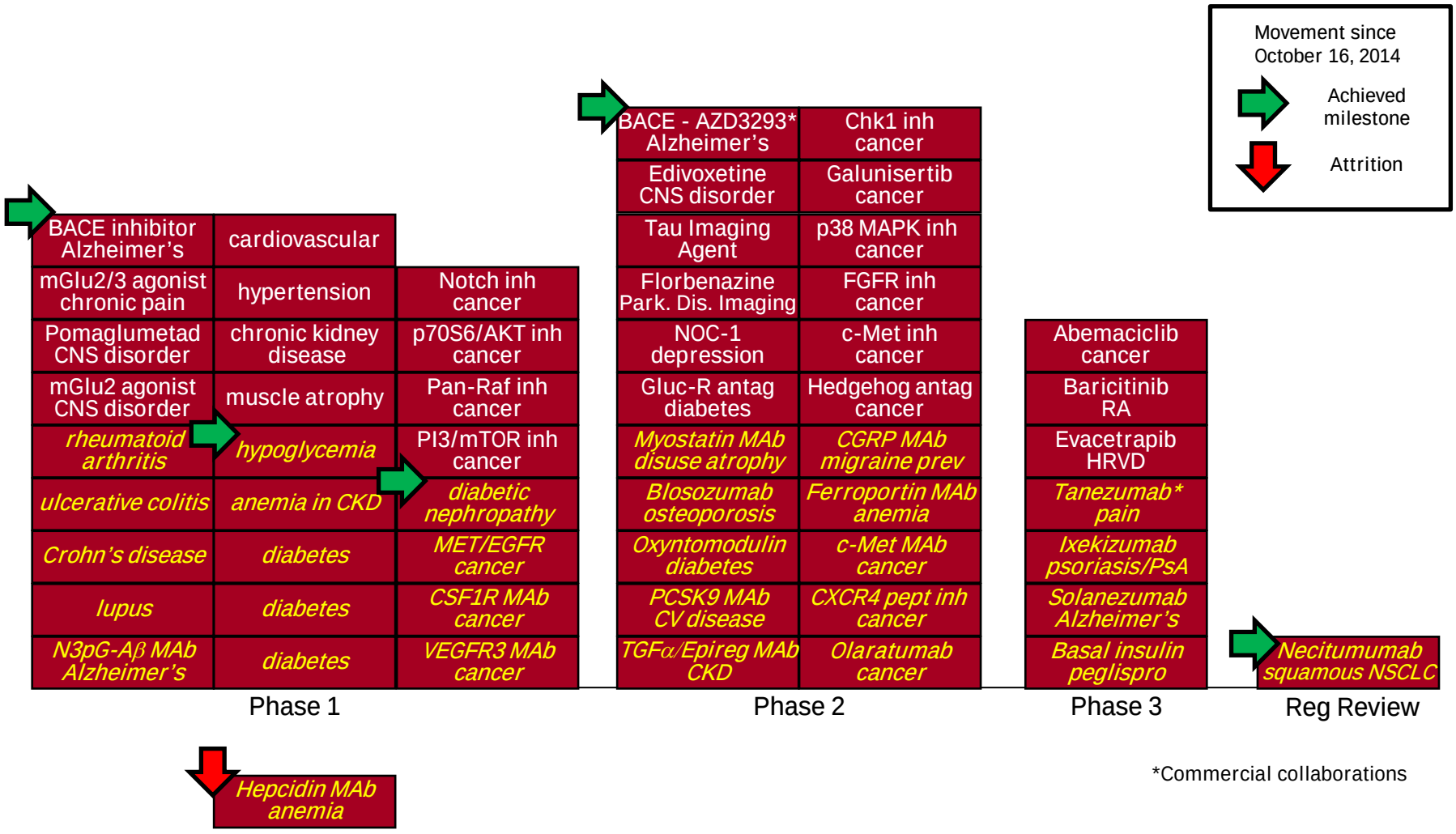
	Q4 2014		2014	
	With FX	w/o FX	With FX	w/o FX
Total Revenue	(12)%	(8)%	(15)%	(14)%
Cost of Sales	(10)%	5%	0%	2%
Gross Margin	(13)%	(12)%	(19)%	(18)%
Reported Operating Expense	(1)%	1%	(6)%	(5)%
Reported Operating Income	(58)%	(63)%	(50)%	(47)%
Reported EPS	(40)%	(45)%	(48)%	(45)%
Non-GAAP Operating Expense	(13)%	(11)%	(11)%	(10)%
Non-GAAP Operating Income	(11)%	(15)%	(38)%	(34)%
Non-GAAP EPS	1%	(4)%	(33)%	(30)%

Lilly NME Pipeline

January 23, 2015

New Chemical Entity (NCE)

New Biotech Entity (NBE)



*Commercial collaborations

Key Events in 2014

Potential Phase 3 initiations:

- ✓+ CDK4/6 (abemaciclib) for cancer
- ✓- Blosozumab for osteoporosis

Potential Phase 3 data internal readouts:

- ✓+ Basal insulin peglispro for type 1 and type 2 diabetes
- ✓+ Ramucirumab for second-line metastatic colorectal cancer
- ✓+ Ixekizumab for psoriasis
- ✓- Tabalumab for lupus
- ✓+ First trial of baricitinib in rheumatoid arthritis

Potential Phase 3 data external disclosures:

- ✓+ AWARD-2 and AWARD-4 of dulaglutide for type 2 diabetes
- ✓+ AWARD-6 of dulaglutide for type 2 diabetes
- ✓+ New insulin glargine product for type 1 and type 2 diabetes[1] (ELEMENT1 and ELEMENT2)
- ✓+ Necitumumab for first-line squamous NSCLC (SQUIRE)
- ✓+ Ramucirumab as combination therapy for second-line gastric cancer (RAINBOW)
- ✓+ Ramucirumab for second-line NSCLC (REVEL)
- ✓- Ramucirumab for second-line hepatocellular cancer (REACH)

Potential regulatory submissions:

- Basal insulin peglispro for type 1 and type 2 diabetes
- ✓+ Empagliflozin + linagliptin FDC for type 2 diabetes[1]
- ✓+ Empagliflozin + metformin IR FDC for type 2 diabetes[1]
- ✓+ Necitumumab for first-line squamous NSCLC[3]
- ✓+ Ramucirumab as combination therapy for second-line gastric cancer
- ✓+ Ramucirumab for second-line NSCLC
- ✓- Ramucirumab for second-line hepatocellular cancer

Potential regulatory actions:

- ✓+ Empagliflozin for type 2 diabetes[1]
- ✓+ Dulaglutide for type 2 diabetes
- ✓+ Ramucirumab as monotherapy for second-line gastric cancer
- ✓+ Ramucirumab as combination therapy for second-line gastric cancer
- ✓+ New insulin glargine product[1]
- ✓+ Ramucirumab for second-line NSCLC

Other:

- ✓+ Ruling in Alimta District Court trial for method-of-use patent
- ✓ Evista® U.S. patent expiration (March)
- ✓ Cymbalta® EU data package exclusivity expiration
- Partial clinical hold resolution for tanezumab[2] (now expected in 2015)

1 in collaboration with Boehringer Ingelheim
2 in collaboration with Pfizer
3 rolling FDA submission underway

Key Events in 2015

Potential Phase 3 initiations:

- Olaratumab for soft tissue sarcoma
- Ramucirumab for first-line gastric cancer
- Ramucirumab 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:

- ✓+ 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
- 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
- Ramucirumab 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:

- Ramicirumab for second-line gastric cancer (Japan)
- Ramucirumab for second-line metastatic colorectal cancer
- 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]

Other:

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

1 in collaboration with Pfizer
2 in collaboration with Boehringer Ingelheim

2015 Guidance

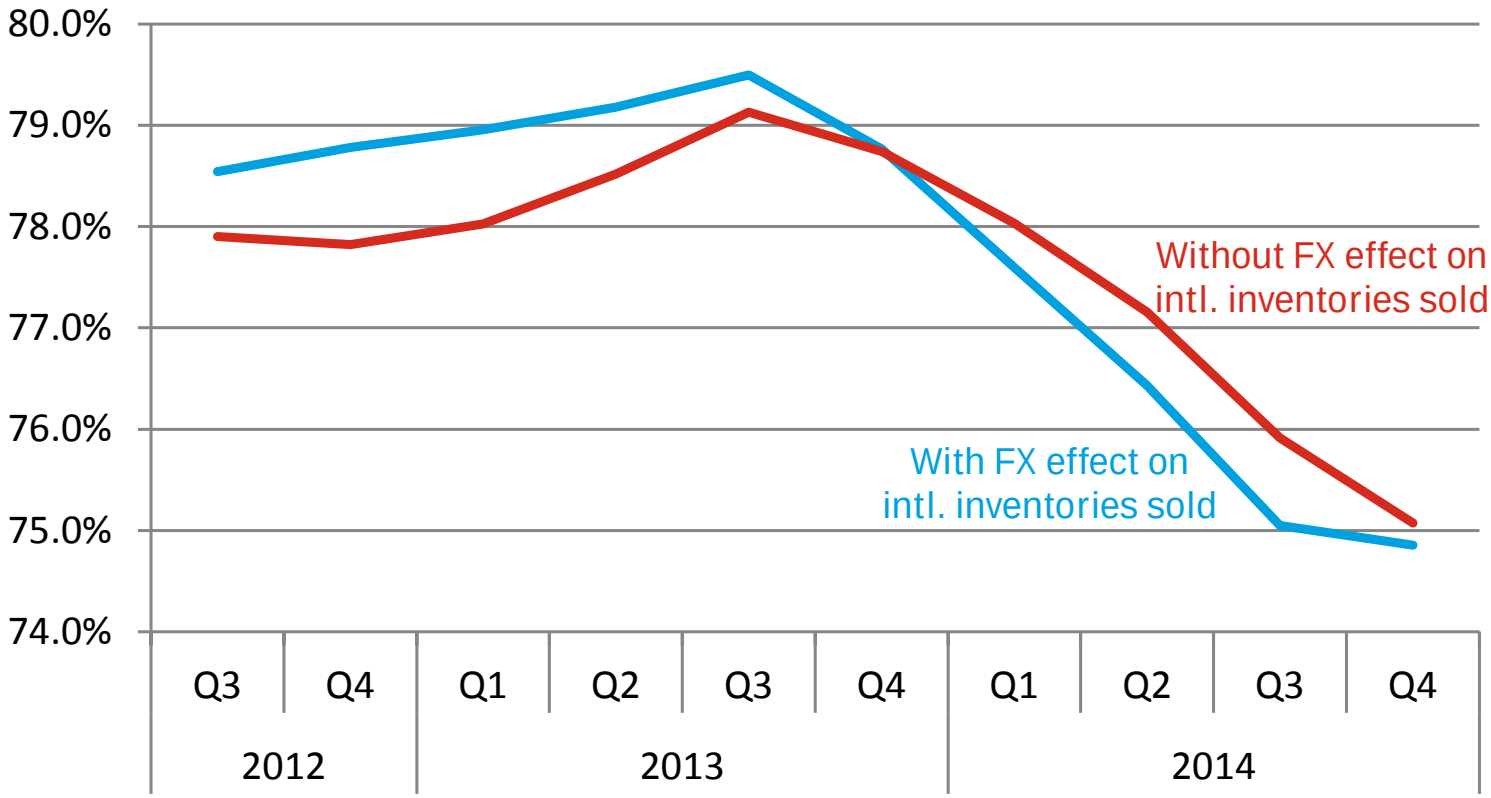
	Prior	Revised
Total Revenue	$20.3 to $20.8 billion	$19.5 to $20.0 billion
Gross Margin % of Revenue (non-GAAP)	Approx. 76.5%	Approx. 78.0%
Gross Margin % of Revenue (GAAP)	Approx. 73.5%	Approx. 75.0%
Mktg, Selling & Admin. (non-GAAP)	$6.5 to $6.8 billion	$6.3 to $6.6 billion
Mktg, Selling & Admin (GAAP)	$6.7 to $7.0 billion	$6.5 to $6.8 billion
Research & Development	$4.8 to $5.0 billion	$4.7 to $4.9 billion
Other Income/(Expense)	$75 - $125 million	$75 - $125 million
Tax Rate (non-GAAP)	Approx. 21.5%	Approx. 21.5%
Tax Rate (GAAP)	Approx. 18.5%	Approx. 18.5%
Earnings per Share (non-GAAP)	$3.10 - $3.20	$3.10 - $3.20
Earnings per Share (GAAP)	$2.40 - $2.50	$2.40 - $2.50
Capital Expenditures	Approx. $1.3 billion	Approx. $1.3 billion

2014 Summary

- Successfully navigated YZ period of patent expirations
  - delivered on financial commitments
  - advanced our pipeline
  - built a sustainable R&D engine
- Continued pipeline advancement and restructuring of our cost base strengthens our confidence in our innovation-based strategy
  - Three NME launches in 2014:
    - Cyramza in Q2
    - Jardiance in Q3
    - Trulicity in Q4
  - Total non-GAAP operating expenses (SG&A + R&D) reduced by over $1.4 billion from 2013 to 2014
- 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	77.9%	79.0%	79.3%	80.3%	79.2%	76.1%	73.9%	75.9%	74.0%	75.5%
w/o FX effect on intl inv sold	76.4%	78.5%	79.1%	79.9%	79.0%	77.0%	75.8%	76.5%	74.2%	73.9%

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.

Q4 2014 Income Statement Notes

- Fourth quarter 2014 non-GAAP information has been adjusted to eliminate:
  - expense totaling $401.0 million (pretax), or $0.34 per share (after-tax), related to asset impairments primarily associated with the closure of a manufacturing site in Puerto Rico, severance costs related to ongoing cost containment efforts to reduce the Company's cost structure and global workforce, and integration costs for the acquisition of Novartis Animal Health;
  - expense totaling $105.2 million (pretax), or $0.06 per share (after-tax), related to the revised diabetes agreement with Boehringer Ingelheim, and the acquired in-process research and development charge for the collaboration agreement with Adocia; and
  - income totaling $92.0 million (pretax), or $0.06 per share (after-tax), related to the revised diabetes agreement with Boehringer Ingelheim.

- Fourth quarter 2013 non-GAAP information has been adjusted to eliminate:
  - expense totaling $57.1 million (pretax), or $0.03 per share (after-tax), related to the acquired in-process research and development for the CGRP antibody; and
  - expense totaling $35.4 million (pretax), or $0.03 per share (after-tax), primarily related to costs associated with restructuring to reduce the Company's cost structure and global workforce.

2014 Income Statement Notes

- Full year 2014 non-GAAP information has been adjusted to eliminate:
  - expense totaling $468.7 million (pretax), or $0.38 per share (after-tax), associated with severance costs related to ongoing cost containment efforts to reduce the company's cost structure and global workforce, asset impairments primarily associated with the closure of a manufacturing site in Puerto Rico, and integration costs for the acquisition of Novartis Animal Health;
  - expense totaling $200.2 million (pretax), or $0.12 per share (after-tax), related to the revised diabetes agreement with Boehringer Ingelheim, and collaboration agreements with Adocia, AstraZeneca, and Immunocore Limited;
  - expense totaling $119.0 million (pretax), or $0.11 per share (after-tax), related to a charge associated with the Branded Prescription Drug Fee; and
  - income totaling $92.0 million (pretax), or $0.06 per share (after-tax), related to the revised diabetes agreement with Boehringer Ingelheim.

- Full year 2013 non-GAAP information has been adjusted to eliminate:
  - income totaling $495.4 million (pretax), or $0.29 per share (after-tax), related to the transfer of exenatide commercial rights outside the U.S. to Amylin;
  - expense totaling $120.6 million (pretax), or $0. 08 per share (after-tax), primarily related to the closure of a packaging and distribution facility in Germany as well as severance costs for actions taken to reduce cost structure and global workforce; and
  - expense totaling $57.1 million (pretax), or $0.03 per share (after-tax), related to the CGRP antibody.

Comparative EPS Summary 2013/2014

	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
Non-GAAP	1.14	1.16	1.11	0.74	4.15	0.70	0.68	0.66	0.75	2.78
Reported	1.42	1.11	1.11	0.67	4.32	0.68	0.68	0.47	0.40	2.23

Note: Numbers may not add due to rounding.

For a complete reconciliation to reported earnings, see slides 21 and 22 and our earnings press release dated January 30, 2015.

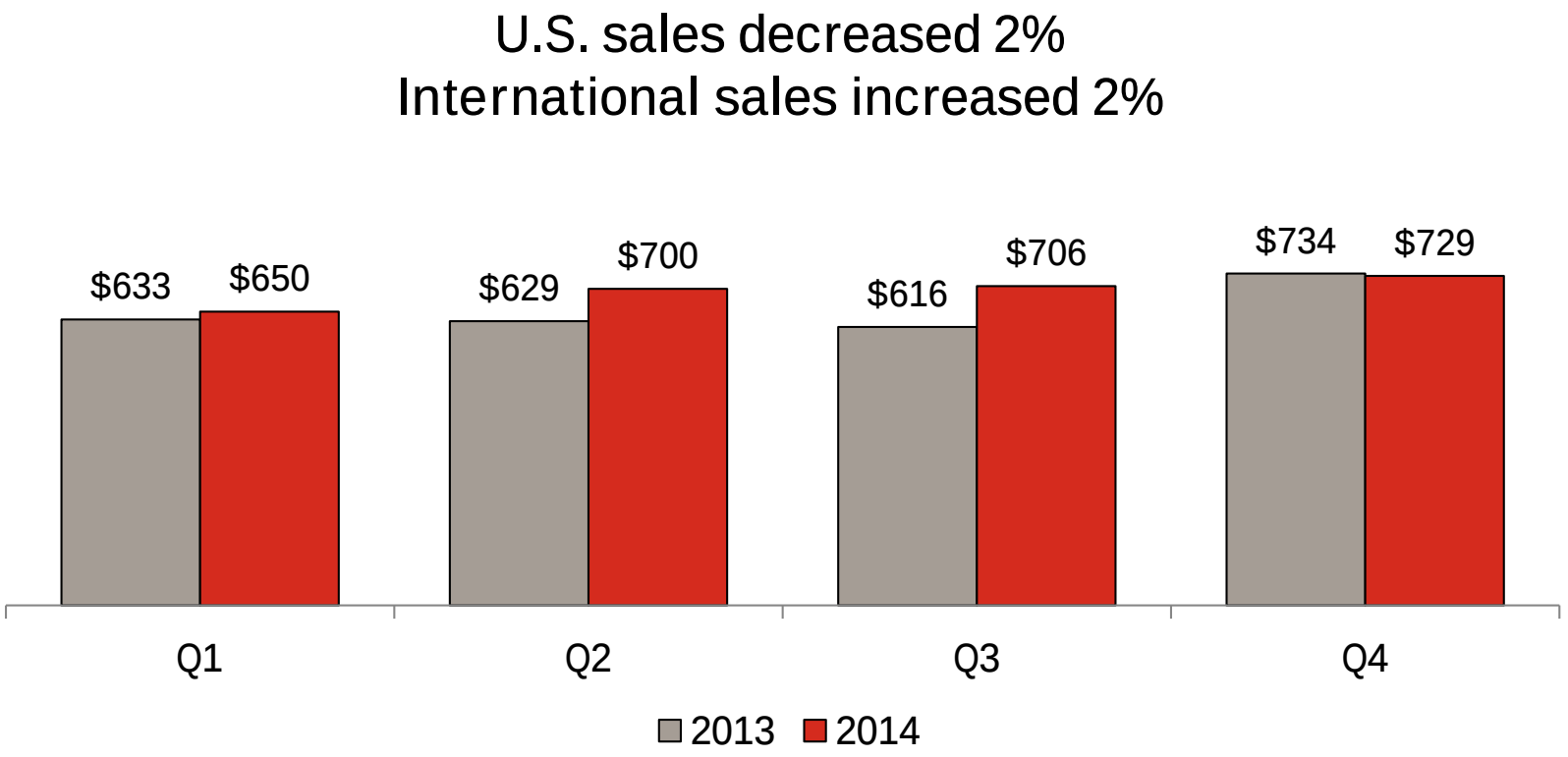
2015 Guidance Reconciliation

	Non-GAAP	Inclusion of Amortization [1]	Novartis AH and Lohmann Costs [2]	GAAP
Total Revenue	$19.5b - $20.0b			$19.5b - $20.0b
Cost of Sales		Approx. $520m	Approx. $130m	-
Gross Margin % of Revenue	Approx. 78.0%			Approx. 75.0%
Mktg, Selling & Admin.	$6.3b - $6.6b	Approx. $160m		$6.5b - $6.8b
Research & Development	$4.7b - $4.9b			$4.7b - $4.9b
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

Q4 Humalog® Sales Decreased 1%

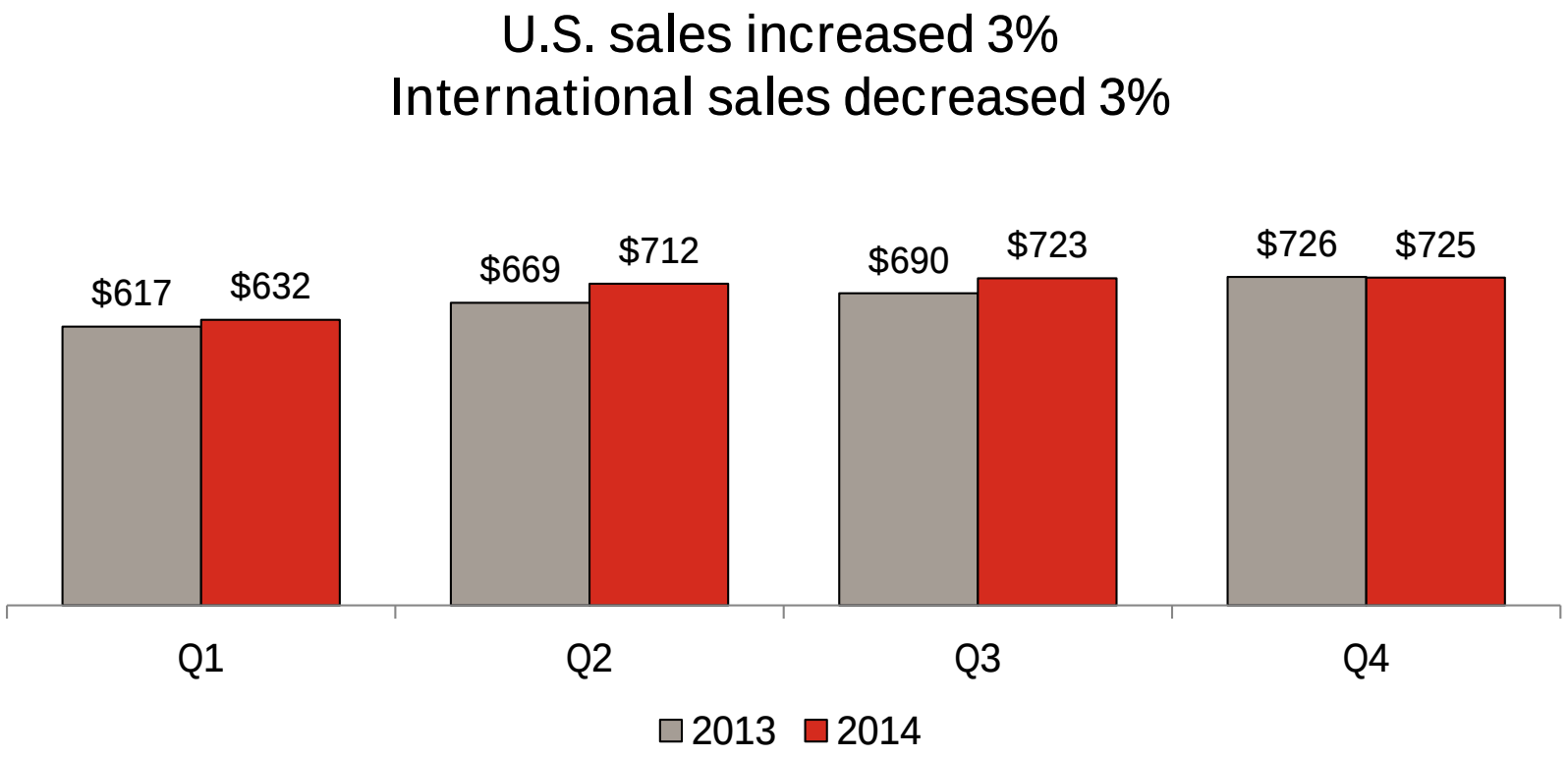
Millions



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

Q4 Alimta Sales Essentially Flat

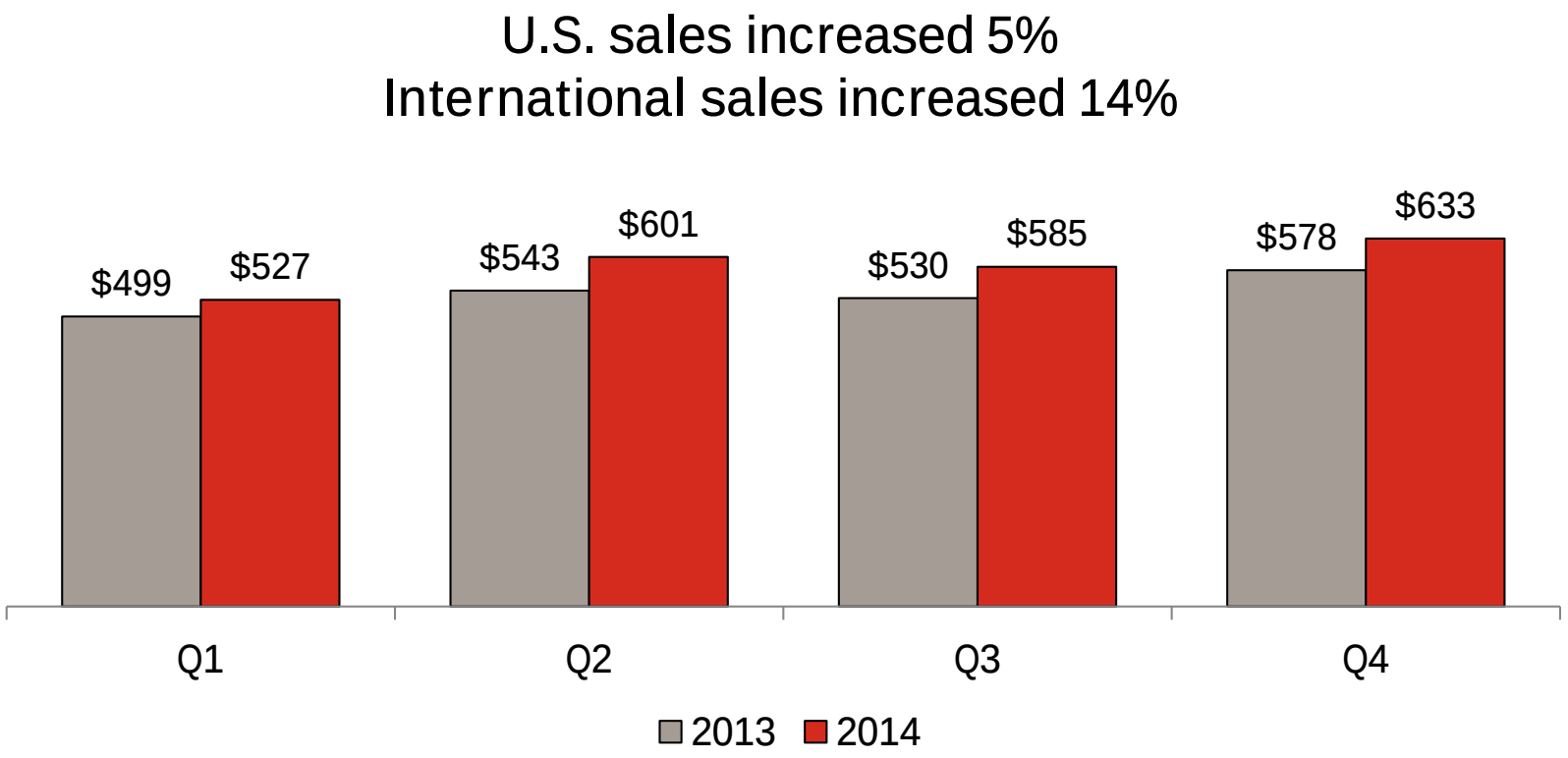
Millions



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

Q4 Animal Health Sales Increased 9%

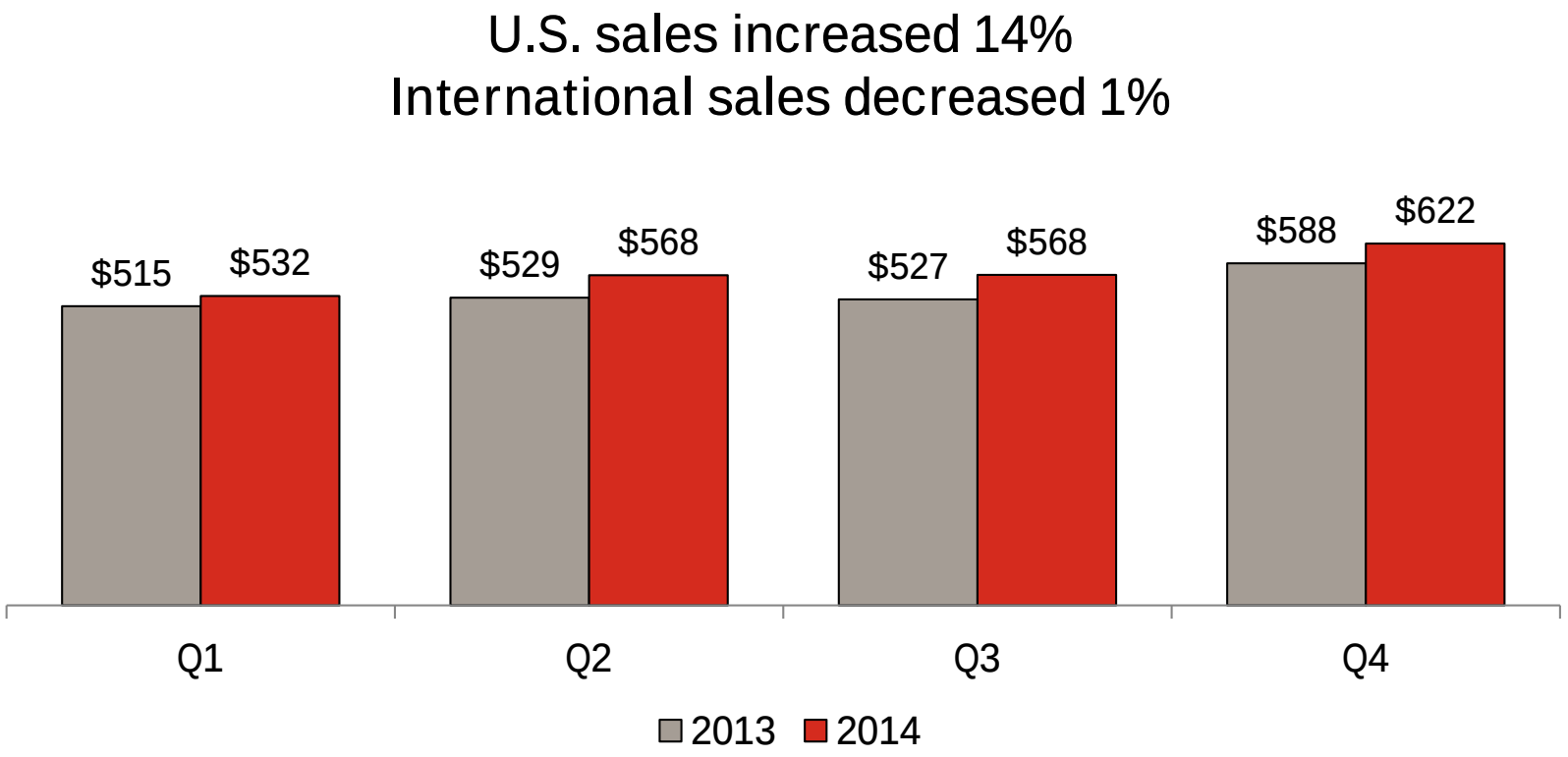
Millions



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

Q4 Cialis® Sales Increased 6%

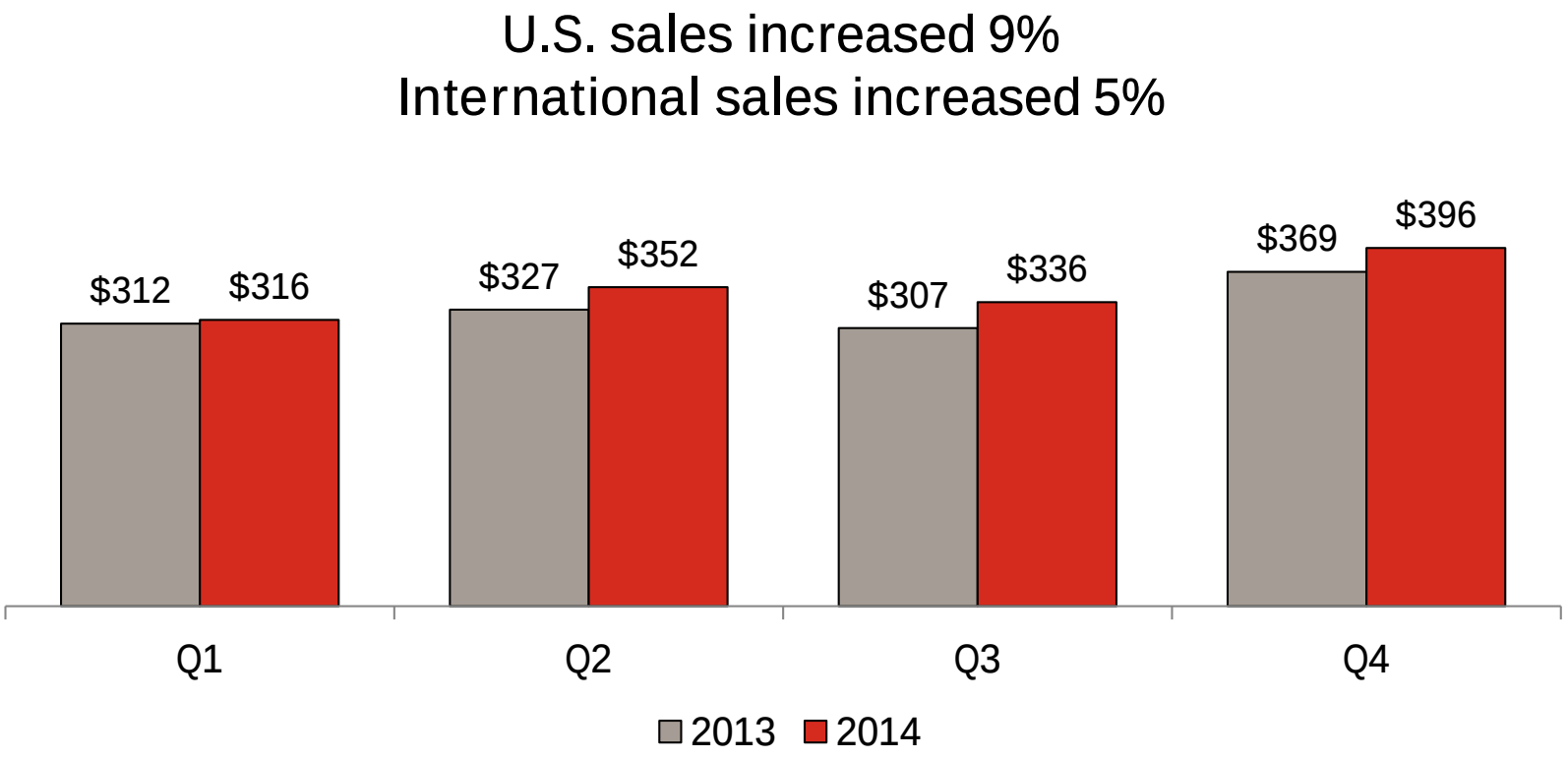
Millions



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

Q4 Humulin® Sales Increased 7%

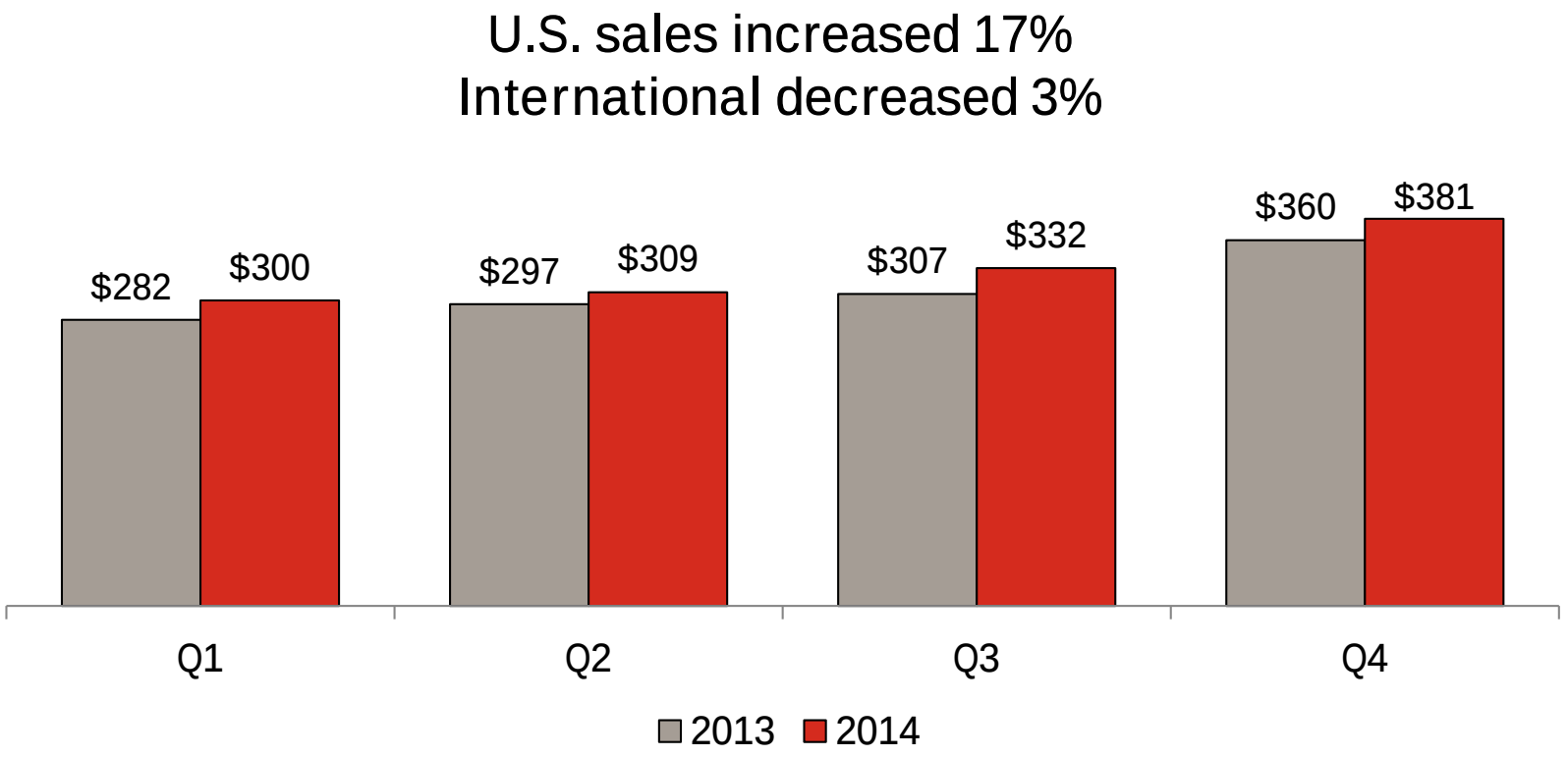
Millions



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

Q4 Forteo® Sales Increased 6%

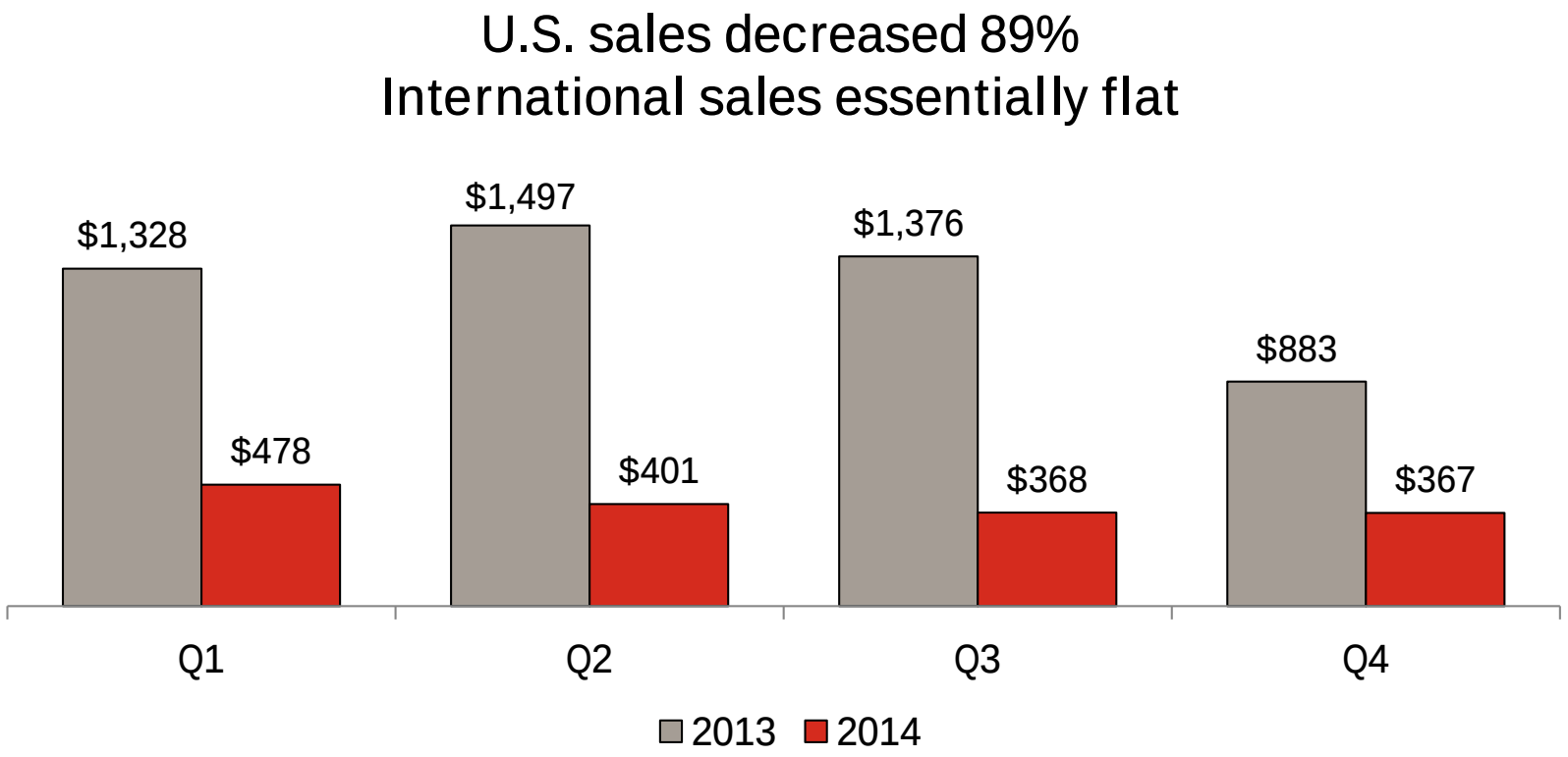
Millions



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

Q4 Cymbalta Sales Decreased 58%

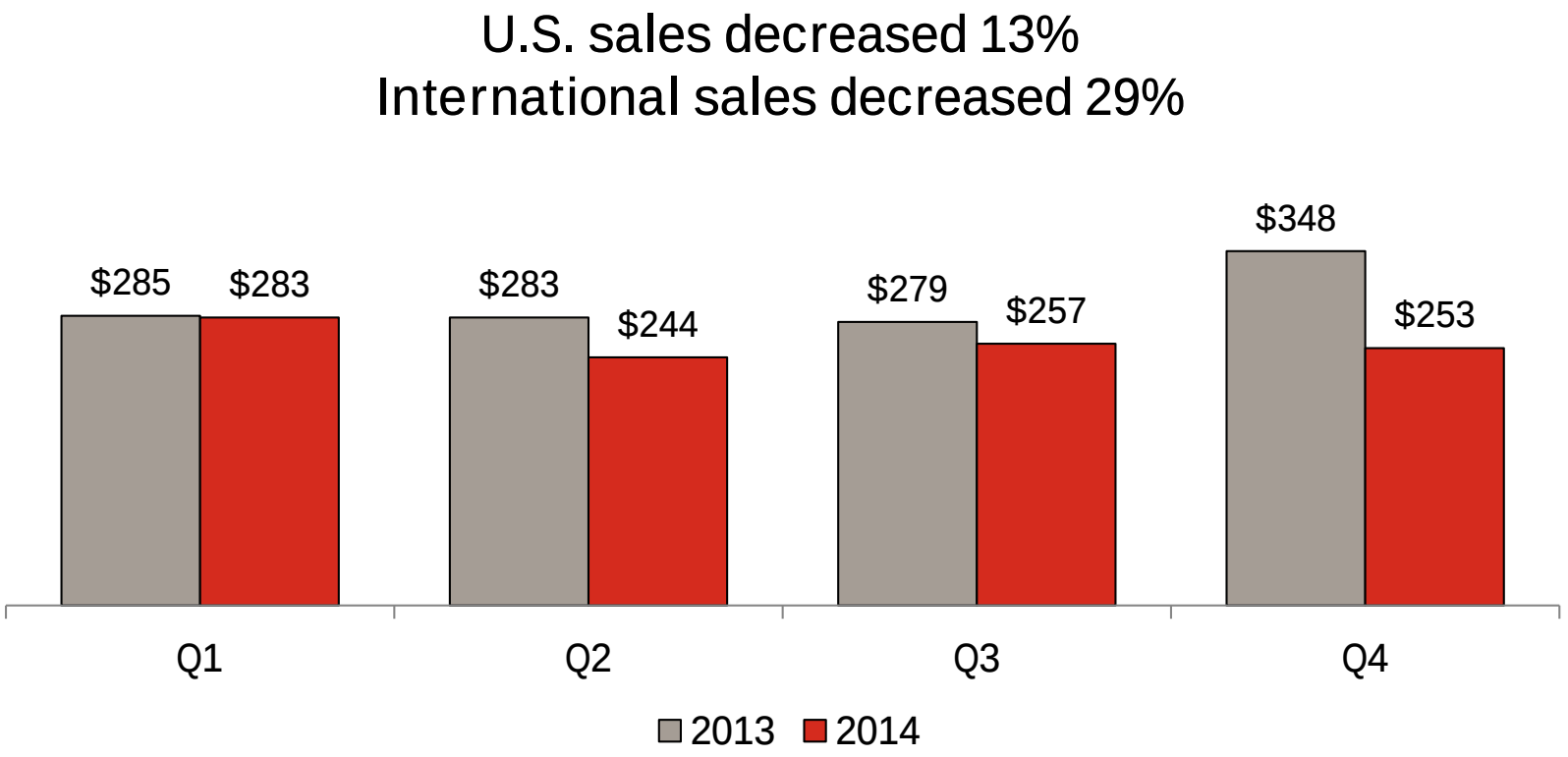
Millions



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

Q4 Zyprexa® Sales Decreased 27%

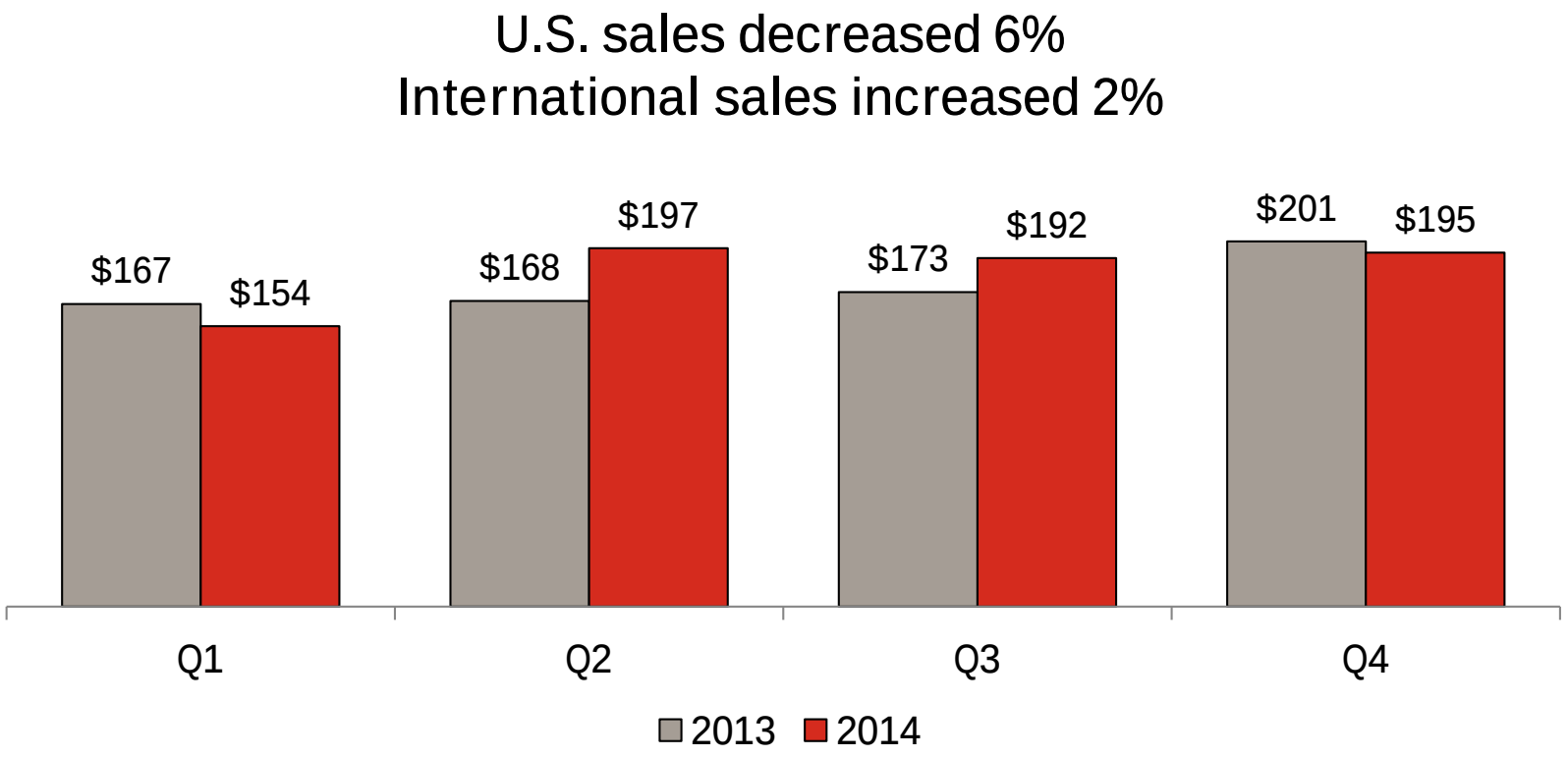
Millions



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

Q4 Strattera® Sales Decreased 3%

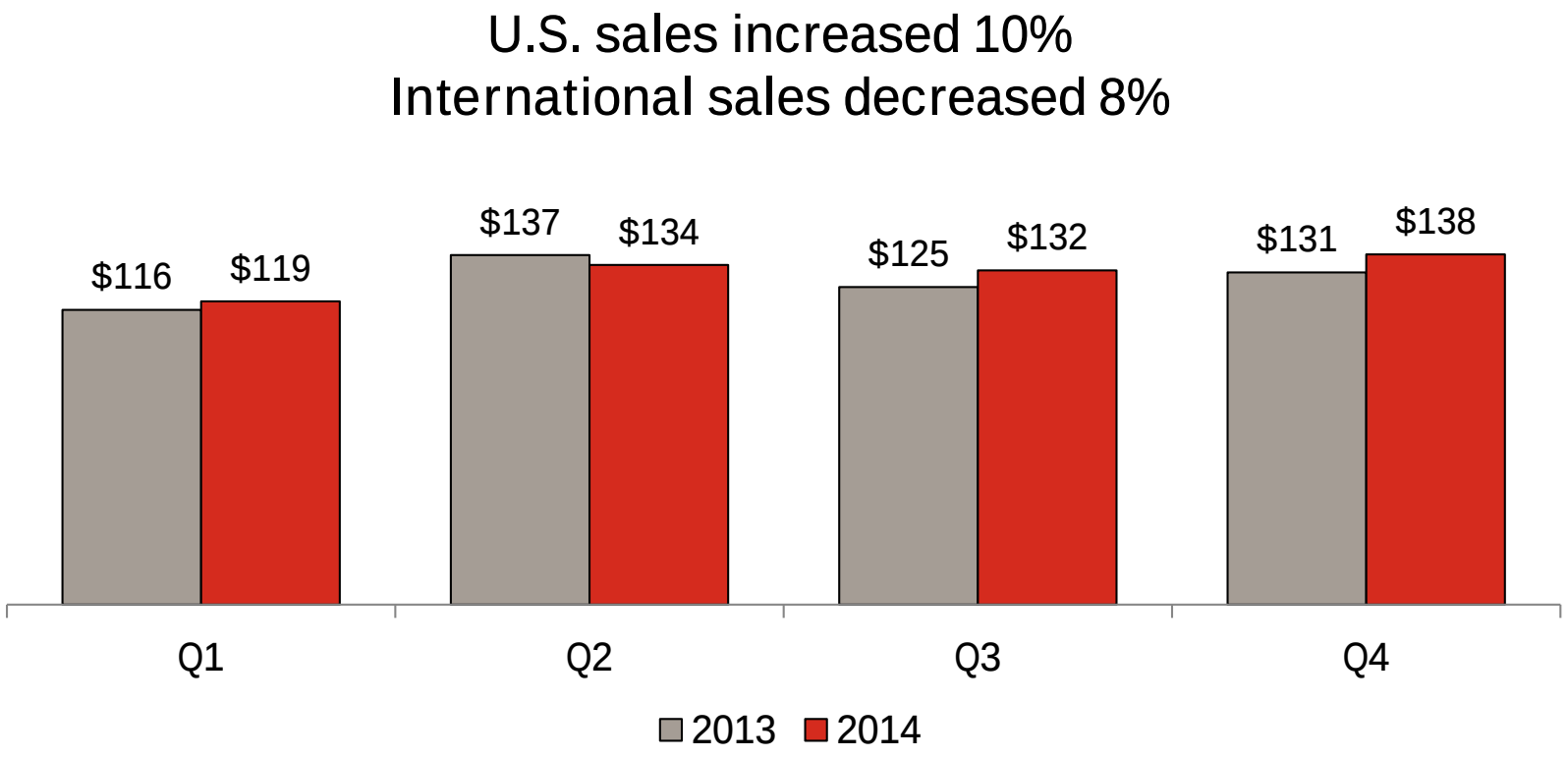
Millions



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

Q4 Effient® Sales Increased 6%

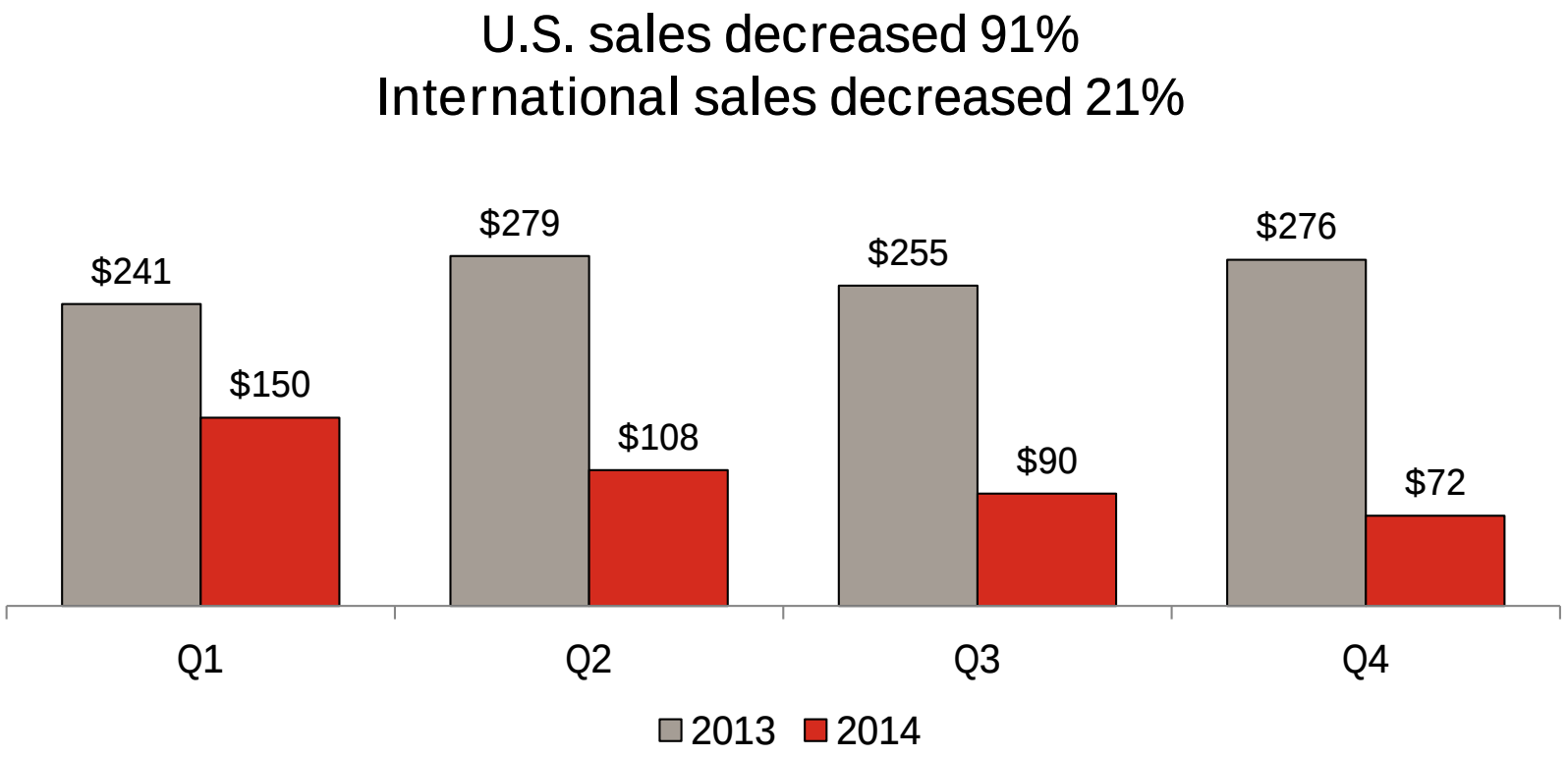
Millions



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

Q4 Evista Sales Decreased 74%

Millions



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