Q2 2017 FINANCIAL REVIEW

JULY 25, 2017

AGENDA

INTRODUCTION, KEY RECENT EVENTS, AND Q2 FINANCIAL RESULTS

Dave Ricks, Chairman and Chief Executive Officer

ONCOLOGY R&D STRATEGY UPDATE

Dr. Sue Mahony, President, Lilly Oncology

Dr. Levi Garraway, Senior Vice President, Oncology Global Development and Medical Affairs

KEY FUTURE EVENTS AND FINANCIAL GUIDANCE

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

QUESTION AND ANSWER SESSION

SAFE HARBOR PROVISION

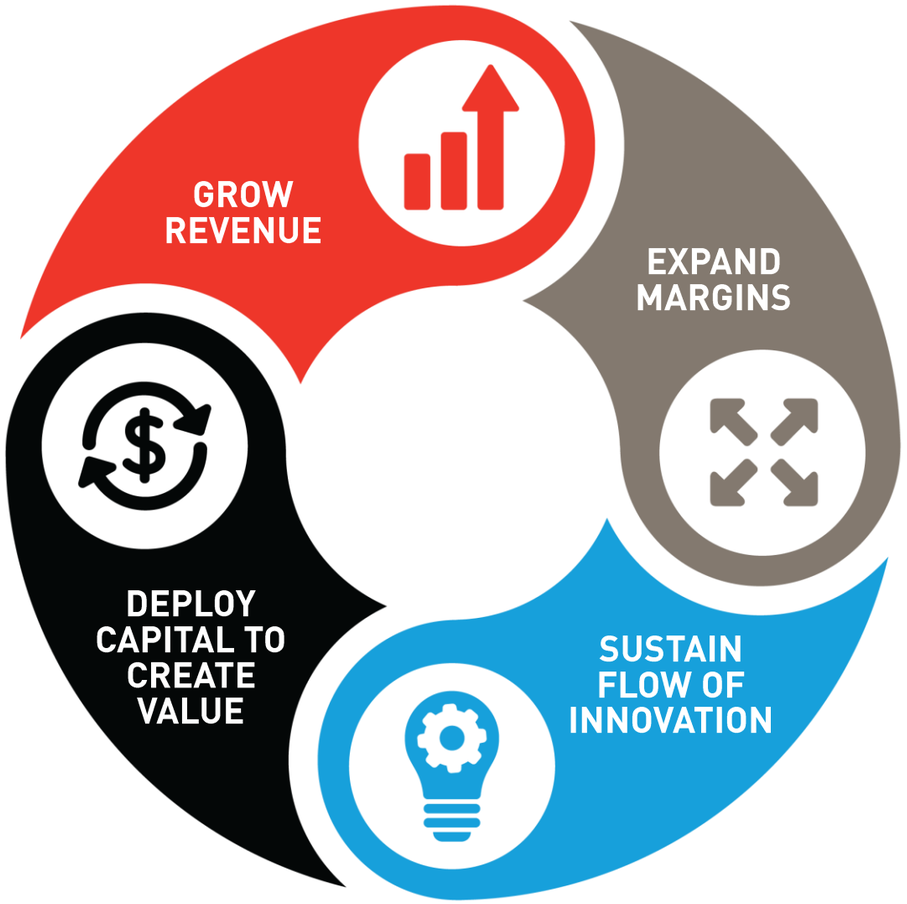
This presentation contains forward-looking statements that are based on management's current expectations, but actual results may differ materially due to various factors. The company's results may be affected by factors including, but not limited to, the risks and uncertainties in pharmaceutical research 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 8%

Pharmaceutical volume growth of 8%

New products drove 10.7pp of volume growth

EXPAND MARGINS

Excluding FX on international inventories sold, GM % increased over 90bp vs. Q2 2016

OPEX % of revenue decreased over 390bp vs. Q2 2016

DEPLOY CAPITAL TO CREATE VALUE

Nektar alliance on NKTR-358, a novel autoimmune therapy

KeyBioscience collaboration on DACRAs

Purchased $200 million of stock and paid over $500 million via dividend

SUSTAIN FLOW OF INNOVATION

Approval of Olumiant® in Japan

FDA granted Priority Review for abemaciclib in advanced breast cancer (MONARCH 1 and 2)

Presented positive Phase 3 data for galcanezumab in migraine

KEY EVENTS SINCE THE LAST EARNINGS CALL

REGULATORY

- Japan's Ministry of Health, Labor and Welfare (MHLW) granted marketing approval for Olumiant (baricitinib) 2-mg and 4-mg tablets for the treatment of rheumatoid arthritis (RA) (including the prevention of structural injury of joints) in patients with inadequate response to standard-of-care therapies;
- Along with Incyte, announced that the companies expect it will be a minimum of 18 months before Lilly will resubmit the NDA for baricitinib for the treatment of moderate-to-severe rheumatoid arthritis to the FDA; the companies are evaluating options for resubmission, including further discussions with the FDA or conducting an additional clinical study;
- Announced that the FDA granted Priority Review designation to abemaciclib for metastatic breast cancer (MONARCH 1 and MONARCH 2];
- FDA granted Fast Track designation for tanezumab for the treatment of chronic pain in patients with osteoarthritis and chronic lower back pain; tanezumab is being developed in collaboration with Pfizer;
- FDA approved Merck's Keytruda® (pembrolizumab) as first-line combination therapy with Alimta® + carboplatin for patients with metastatic nonsquamous non-small cell lung cancer (NSCLC), irrespective of PD-L1 expression; continued approval for this indication may be contingent upon verification and description of clinical benefit in confirmatory trials; and
- the China Food and Drug Administration accepted the application for fruquintinib, an oral VEGFR inhibitor, as a treatment for colorectal cancer (in collaboration with Hutchison China MediTech).

CLINICAL

- At ASCO, presented detailed data from the Phase 3 MONARCH 2 study showing that abemaciclib in combination with fulvestrant significantly improved progression-free survival (PFS) compared to treatment with fulvestrant alone in women with HR+, HER2-, advanced breast cancer who have relapsed or progressed after endocrine therapy;
- At AHS, presented detailed data from:
  - three Phase 3 studies of galcanezumab for the prevention of episodic and chronic migraine; in each study, galcanezumab met the primary endpoint demonstrating statistically significant reductions in the number of monthly migraine headache days compared to placebo at both studied doses; and
  - the first of two Phase 3 studies of lasmiditan for the acute treatment of migraine; in the SAMURAI 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;
- Announced that the Phase 3 RANGE study of Cyramza® (ramucirumab) in combination with docetaxel in patients with locally advanced or unresectable or metastatic urothelial carcinoma whose disease progressed on or after platinum-based chemotherapy met its primary endpoint of improved progression-free survival (PFS); Lilly anticipates that overall survival (OS) results are likely to be required for global regulatory submissions;
- Passed an interim analysis in the Phase 3 AMARANTH study of lanabecestat in patients with early Alzheimer's disease; as a result, Lilly will make a $50 million milestone payment to AstraZeneca in Q3; and
- Initiated a Phase 3 study (monarchE) investigating abemaciclib as an adjuvant treatment for patients with HR+, HER2- breast cancer.

KEY EVENTS SINCE THE LAST EARNINGS CALL

BUSINESS DEVELOPMENT & OTHER

- Announced a collaboration with KeyBioscience AG focused on the development of Dual Amylin Calcitonin Receptor Agonists (DACRAs), a potential new class of treatments for metabolic disorders such as type 2 diabetes; the collaboration includes KBP-042, currently in Phase 2 development; in Q3, Lilly will make an initial payment of $55 million, or $0.03 per share;
- Announced a collaboration with Nektar Therapeutics to co-develop NKTR-358, currently in Phase 1 development as a potential treatment for autoimmune and other chronic inflammatory conditions; upon closing of the transaction, Lilly will pay Nektar $150 million, resulting in an acquired in-process research and development charge to earnings of approximately $0.09 per share;
- Announced that, in the litigation relating to alternative salt forms of Alimta, the UK Supreme Court decided that Actavis's products directly infringe Lilly's vitamin regimen patents in the UK, France, Italy, and Spain; in addition, the UK Supreme Court affirmed the indirect infringement finding of the UK Court of Appeal;
- Announced a settlement agreement with generic companies to resolve pending patent litigation in the U.S. District Court for the Eastern District of Virginia regarding the Cialis® (tadalafil) unit dose patent; this patent was previously set to expire on April 26, 2020; as part of the agreement, Cialis exclusivity is now expected to end at the earliest on September 27, 2018; and
- Repurchased $200 million in stock and distributed over $500 million to shareholders via the dividend.

BUSINESS DEVELOPMENT & OTHER (continued)

- The company and Purdue University announced a strategic collaboration to conduct life science research in a five-year agreement, where Lilly will provide up to $52 million;
- The company announced completion of a $90 million expansion of its Biotechnology Center in San Diego, California; Lilly's new space will help foster and accelerate the discovery of medicines within the company's core therapeutic areas of immunology, diabetes, oncology and neurodegeneration, as well as the emerging area of pain;

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

	Q2 2017	Change	2017	Change
Total Revenue	$5,824	8%	$11,053	8%
Gross Margin	73.4%	0.5pp	73.9%	1.0pp
Total Operating Expense*	3,008	(0%)	6,863	17%
Operating Income	1,264	37 %	1,310	(20)%
Other Income (Expense)	(4)	NM	11	NM
Effective Tax Rate	20.0%	(0.8pp)	32.1%	10.7pp
Net Income	**$1,008**	**35%**	**$897**	**(24%)**
Diluted EPS	**$0.95**	**34%**	**$0.85**	**(24%)**

* 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

	Q2 2017			
	GAAP Reported	Adjust-ments	**Non-GAAP Adjusted**	Non-GAAP Adjusted Change
Total Revenue	$5,824	-	**$5,824**	8%
Gross Margin	73.4%	3.3%	**76.7%**	0.7pp
Total Operating Expense	3,008	(52)	**2,957**	0%
Operating Income	1,264	244	**1,509**	31%
Other Income (Expense)	(4)	-	**(4)**	NM
Effective Tax Rate	20.0%	1.7%	**21.7%**	(0.7pp)
Net Income	$1,008	$170	**$1,177**	30%
Diluted EPS	$0.95	$0.16	**$1.11**	29%

Note: Numbers may not add due to rounding; see slide 35 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			
	GAAP Reported	Adjust-ments	**Non-GAAP Adjusted**	Non-GAAP Adjusted Change
Total Revenue	$11,053	-	**$11,053**	8%
Gross Margin	73.9%	3.4%	**77.4%**	1.3pp
Total Operating Expense	6,863	(1,125)	**5,738**	2%
Operating Income	1,310	1,502	**2,813**	30%
Other Income (Expense)	11	-	**11**	(85%)
Effective Tax Rate	32.1%	(10.6%)	**21.5%**	1.3pp
Net Income	$897	$1,320	**$2,217**	24%
Diluted EPS	$0.85	$1.25	**$2.10**	24%

Note: Numbers may not add due to rounding; see slide 36 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

	Q2 2017	Q2 2016	Change	2017	2016	Change
EPS (reported)	**$0.95**	**$0.71**	**34%**	**$0.85**	**$1.12**	**(24%)**
Acquired in-process R&D	-	-		0.81	-	
Amortization of intangible assets	0.12	0.11		0.23	0.22	
Asset impairment, restructuring, and other special charges	0.03	0.04		0.19	0.16	
BI Vetmedica inventory step up	0.01	-		0.02	-	
Venezuela charge	-	-		-	0.19	
EPS (non-GAAP)	**$1.11**	**$0.86**	**29%**	**$2.10**	**$1.69**	**24%**

Note: Numbers may not add due to rounding; see slides 35 and 36 for more details on these significant adjustments.

EFFECT OF PRICE/RATE/VOLUME ON REVENUE

Millions

	Q2 2017					
Pharmaceuticals	**Amount**	**Price**	**FX Rate**	**Volume**	**Total**	**CER**
U.S.	$2,917.4	10%	-	9%	19%	19%
Europe	825.8	(3%)	(4%)	7%	0%	4%
Japan	604.3	(0%)	(0%)	3%	2%	2%
Rest of World	691.9	(2%)	(2%)	6%	1%	3%
Total Pharma	5,039.4	4%	(1%)	8%	11%	12%
Animal Health	784.8	1%	(1%)	(9%)	(9%)	(8%)
Total Revenue	**$5,824.3**	4%	(1%)	5%	8%	9%

Note: Numbers may not add due to rounding.

CER = price change + volume change

EFFECT OF PRICE/RATE/VOLUME ON REVENUE

Millions

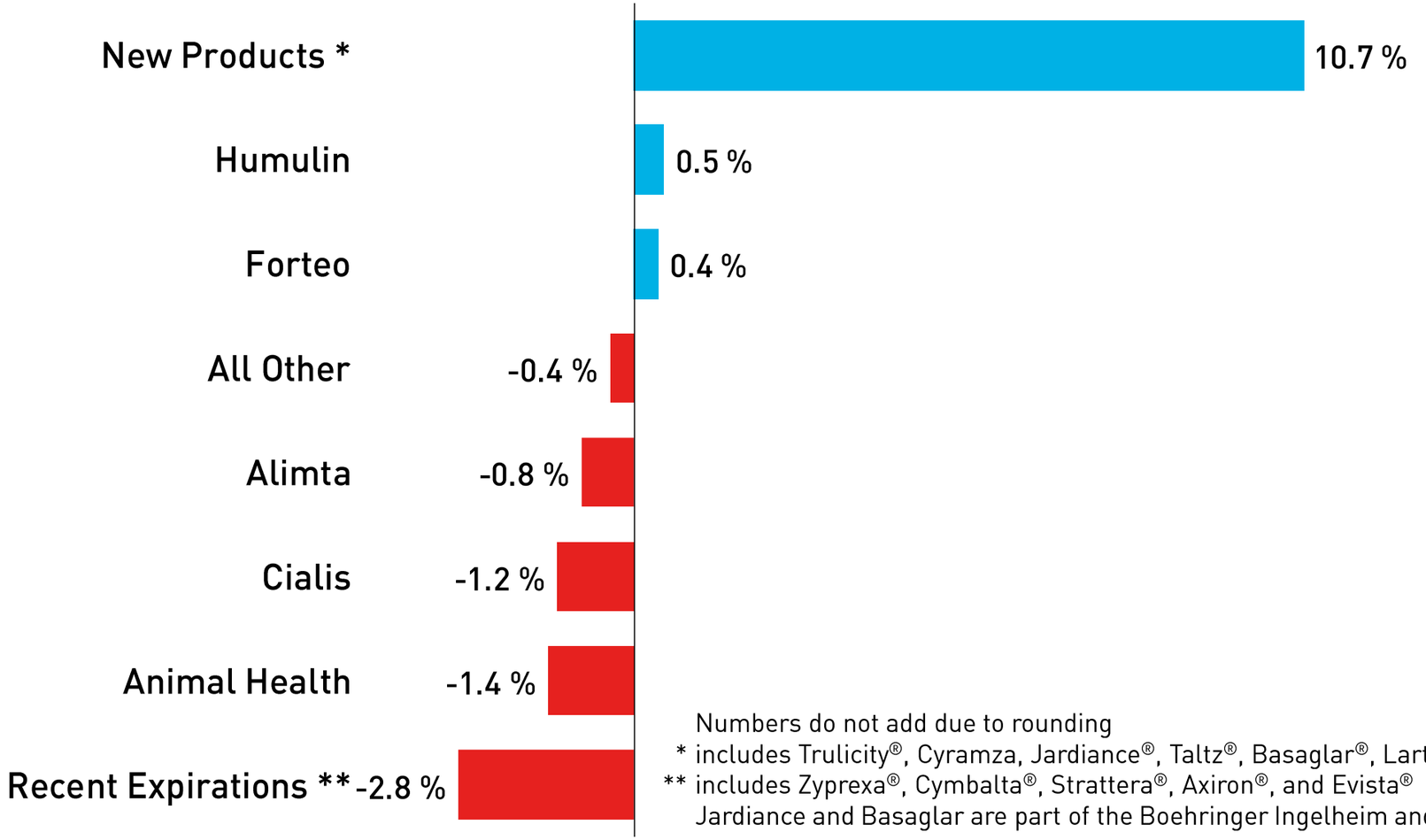
	2017					
Pharmaceuticals	**Amount**	**Price**	**FX Rate**	**Volume**	**Total**	**CER**
U.S.	$5,437.1	7%	-	11%	18%	18%
Europe	1,591.1	(4%)	(4%)	5%	(3%)	1%
Japan	1,108.9	(2%)	1%	4%	3%	2%
Rest of World	1,361.3	(3%)	(2%)	6%	2%	4%
Total Pharma	9,498.4	3%	(1%)	8%	10%	11%
Animal Health	1,554.2	0%	(1%)	(4%)	(4%)	(3%)
Total Revenue	**$11,052.6**	2%	(1%)	6%	8%	9%

Note: Numbers may not add due to rounding.

CER = price change + volume change

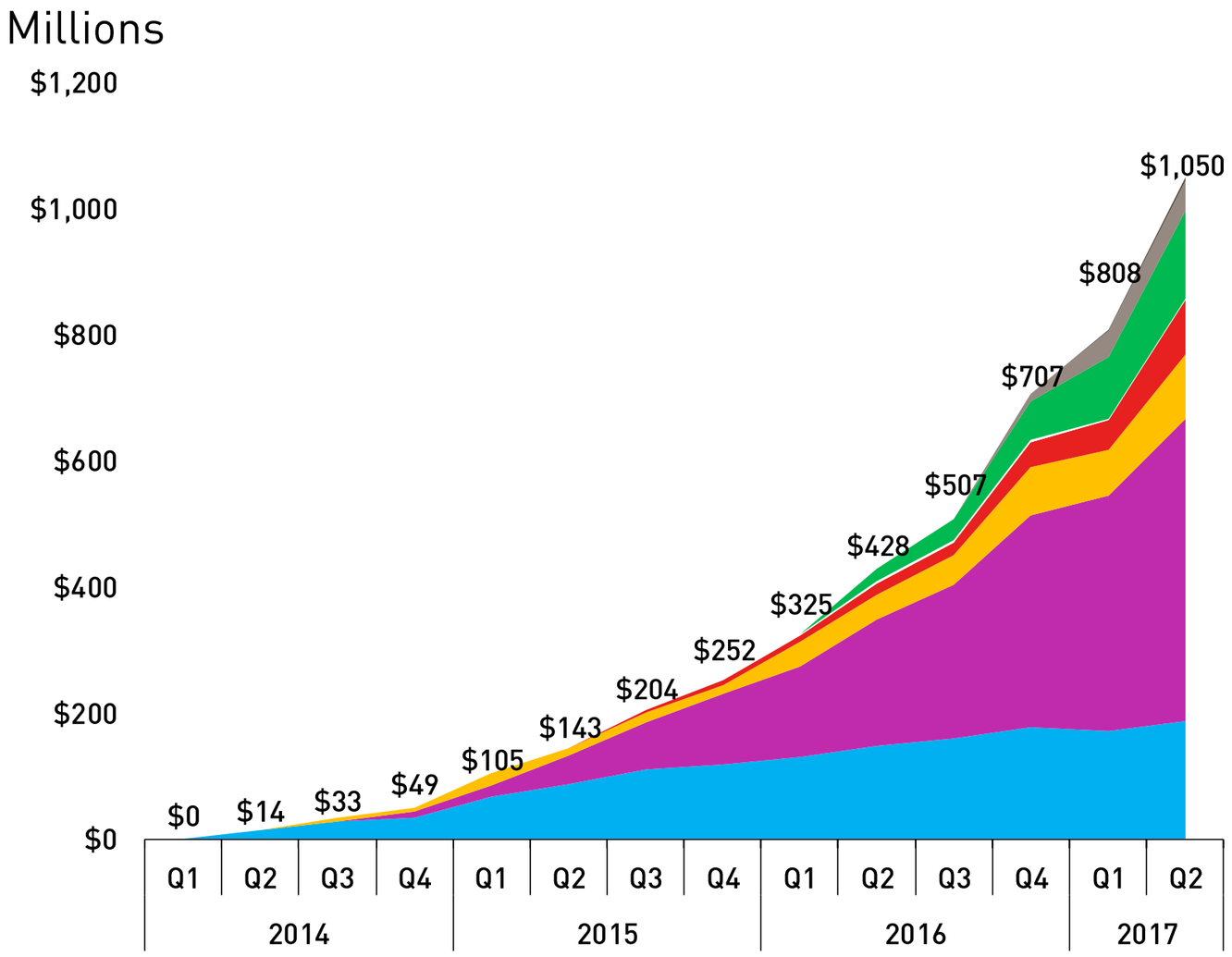
NEW PRODUCTS DRIVING WW REVENUE GROWTH

Contribution to 5% Q2 WW Volume Growth



Numbers do not add due to rounding
* includes Trulicity®, Cyramza, Jardiance®, Taltz®, Basaglar®, Lartruvo™, Olumiant, and Portrazza®
** includes Zyprexa®, Cymbalta®, Strattera®, Axiron®, and Evista®
Jardiance and Basaglar are part of the Boehringer Ingelheim and Lilly Diabetes Alliance

UPDATE ON NEW PRODUCT LAUNCH PROGRESS



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

TRULICITY
- U.S. TRx SOM now over 35%
- GLP-1 class TRx growing nearly 25% in U.S. due to PCP adoption

CYRAMZA
- 64% SOM in 2nd-line metastatic gastric cancer in Japan
- Competitive pressure in NSCLC in the U.S. from IO agents

JARDIANCE
- TRx SOM has grown over 7 points since approval of CV indication
- Market leader in U.S. NBRx SOM at about 45%

TALTZ
- U.S. NBRx Derm SOM nearly 14%; strong IL-17A class growth
- Global launches continue; over 15,000 patients treated worldwide

BASAGLAR
- U.S. NBRx similar to Levemir; TRx similar to Tresiba
- Basal DoT SOM over 17% in Japan and nearing 5% in Europe

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

OLUMIANT
- European launches ongoing

EFFECT OF FOREIGN EXCHANGE ON 2017 RESULTS

Year-on-Year Growth

	Q2 2017		2017	
Reported	**With FX**	**w/o FX**	**With FX**	**w/o FX**
Total Revenue	8%	9%	8%	9%
Cost of Sales	6%	6%	3%	4%
Gross Margin	8%	10%	9%	10%
Operating Expense	(0)%	1%	17%	18%
Operating Income	37%	40%	(20)%	(19)%
EPS	34%	38%	(24)%	(23)%
Non-GAAP				
Total Revenue	8%	9%	8%	9%
Cost of Sales	5%	5%	2%	2%
Gross Margin	9%	10%	9%	10%
Operating Expense	0%	1%	2%	2%
Operating Income	31%	34%	30%	33%
EPS	29%	32%	24%	27%

ONCOLOGY R&D STRATEGY UPDATE

LILLY IS ADAPTING TO THE CHANGING ONCOLOGY MARKET

SIGNIFICANT OPPORTUNITY EXISTS

- Cancer mortality remains high
- Unmet need exists across many tumors
- Record level of FDA approvals (2015)
- Market expected to grow 12% CAGR (2015-2022)*

COMPETITIVE INTENSITY IS ON THE RISE

- Many companies seeking growth from oncology
- Similar targets being pursued
- Innovation/combinations driving price pressure
- Payer restrictions increasing

INNOVATION EXPECTATIONS HAVE INCREASED

- Speed of innovation increasing
- Innovation driving future growth
- Use of IO and targeted therapies increasing
- Biomarkers critically important

* Source: EvaluatePharma

LILLY ONCOLOGY R&D STRATEGY

Build **foundational agents** and **foundational regimens** that transform outcomes

BUILD ON KEY THERAPEUTICS AS FOUNDATIONAL AGENTS

- Cyramza
- Lartruvo
- Abemaciclib

PURSUE NEW STANDARD-OF-CARE CHANGING THERAPIES AND REGIMENS

- Target tumor dependencies in molecularly enriched populations
- Build rational combinations that overcome resistance
- Develop next generation immunotherapies

BUILD ON KEY THERAPEUTICS

CYRAMZA (VEGFR2 MAb)

- Expand in 1L gastric cancer, 1L EGFR lung, 2L AFP high HCC, and 2L urothelial cancer
- Explore combinations that yield synergistic effect (e.g. IO in lung)

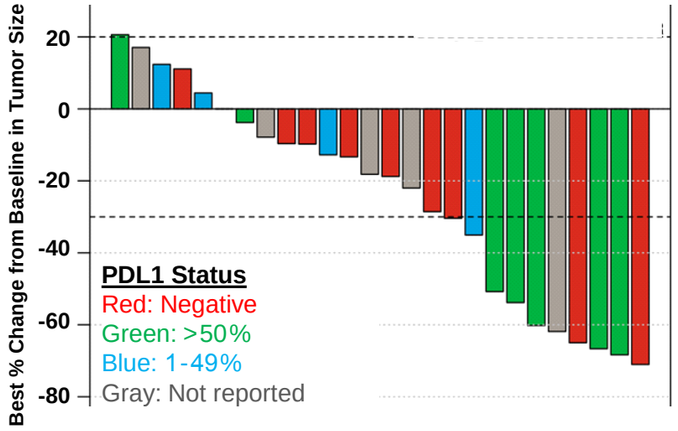
LARTUVO (PDGFRa MAb)

- Extend across STS lines
- Become partner of choice for existing and future regimens
- Leverage biologic understanding to expand into other tumor types

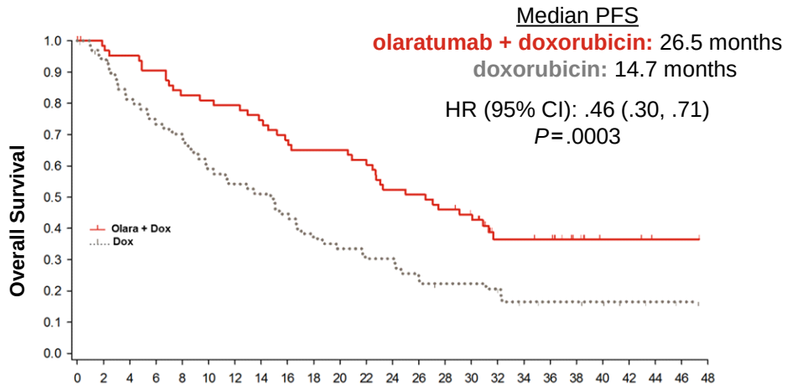
ABEMACICLIB (CDK4&6 Inh)

- Establish broad presence in ER+ breast cancer, including HER2+ and adjuvant
- Pursue Ras-dependent tumors (e.g. KRas lung)
- Rational combinations to target tumor dependencies and resistance pathways

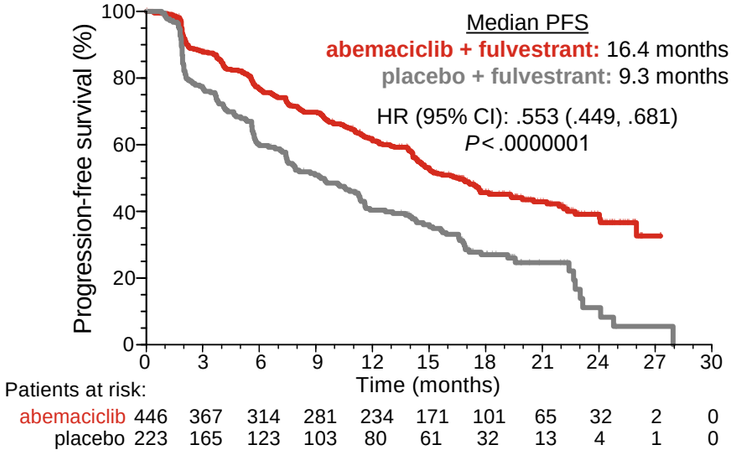
Phase 1: 2L NSCLC (Cyramza + pembrolizumab)



PHASE 2



MONARCH 2



IDENTIFY FUTURE FOUNDATIONAL AGENTS

CHARACTERISTICS

TARGET

Inhibits a key dependency operant in multiple tumor subtypes

TUMOR

Meaningful clinical impact in an "index" malignancy

FRANCHISE

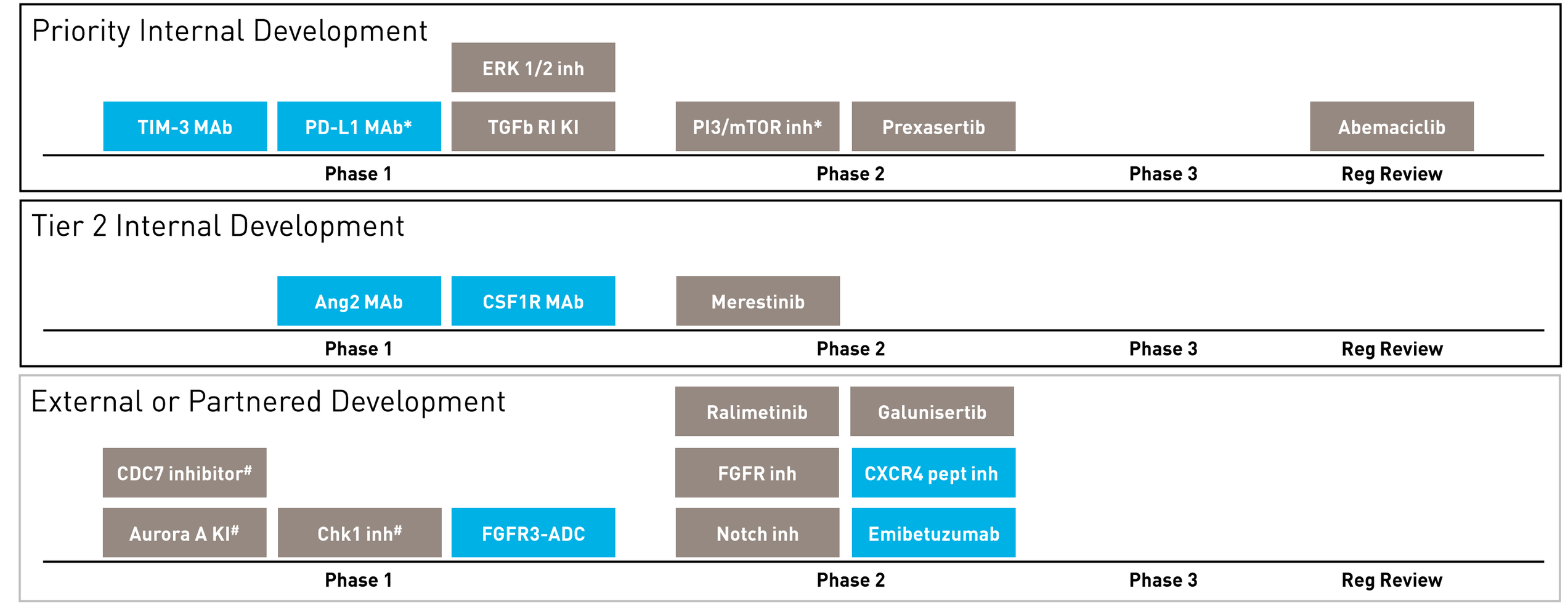
Anchors standard-of-care changing regimens across its life cycle (combinations, next generation molecules)

SCREENING CRITERIA

1. **Cogent hypothesis**
   Compelling biology; robust preclinical data
2. **Molecular enrichment**
   Early biomarker plan; response and resistance mechanisms
3. **Treatment optimization**
   Rigorous PK/PD throughout; on vs. off-target toxicities
4. **Clinical impact**
   Meaningful benefit; breakthrough therapy
5. **Opportunity to win**
   First-in-class or best-in-class; building a franchise

LILLY ONCOLOGY NME PIPELINE

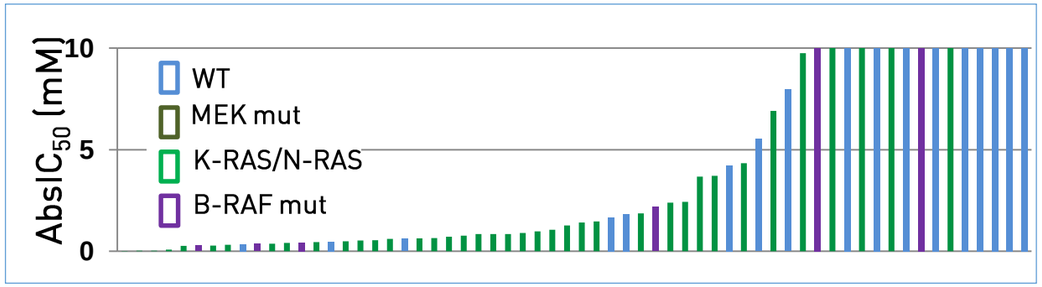
JULY 21, 2017



New Biotech Entity (NBE) | New Chemical Entity (NCE) | *For development in combinations | #Owned by third parties; Lilly retains rights

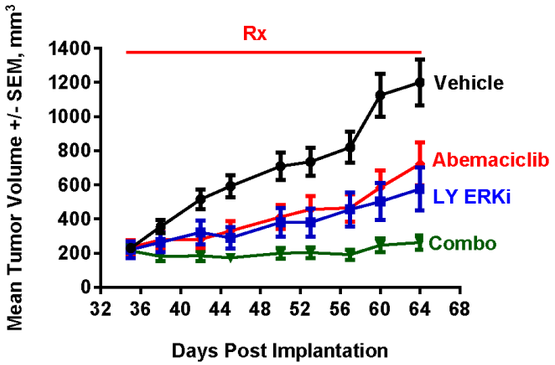
ERK1/2 INHIBITOR

ERK INHIBITION CORRELATES WITH RAS-PATHWAY ACTIVATION

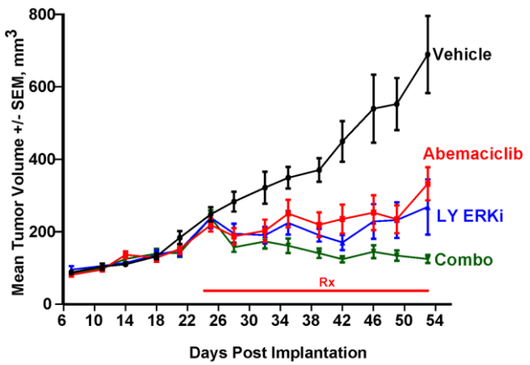


PRECLINICAL ACTIVITY SEEN IN COLORECTAL AND NSCLC MODELS

KRAS-mutant CRC xenograft



KRAS-mutant NSCLC xenograft

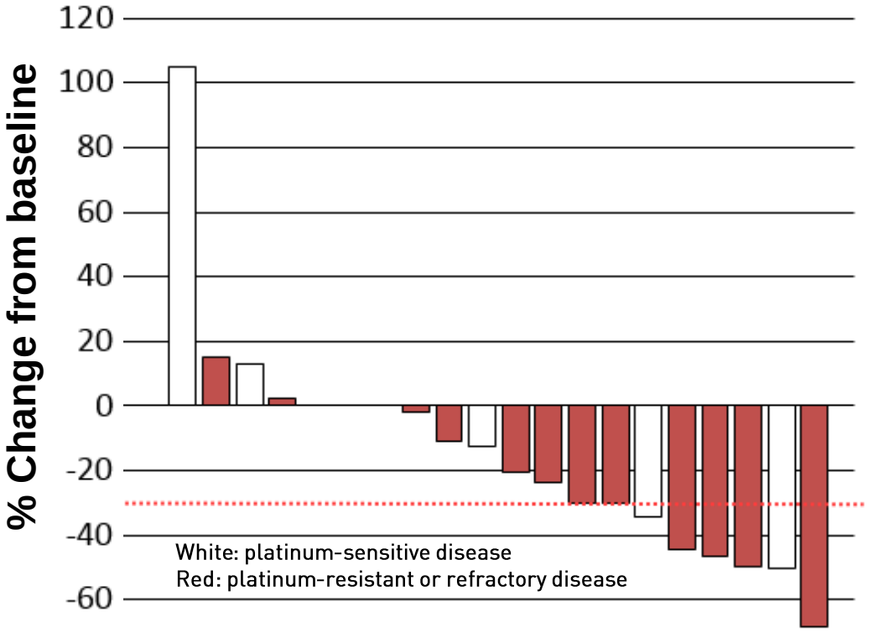


KEY MESSAGES:

- ERK is a key oncogenic driver in many cancers (including RAS, BRAF, and certain RTK-driven malignancies)
- Promising initial safety and pharmacokinetic data
- Possible basis for multiple rational combinations

PREXASERTIB

PREXASERTIB IS ACTIVE IN BRCA WT HIGH-GRADE OVARIAN CANCER



35% of BRCAwt 3L+ ovarian cancer patients achieved a partial response (~2x higher than historical controls)

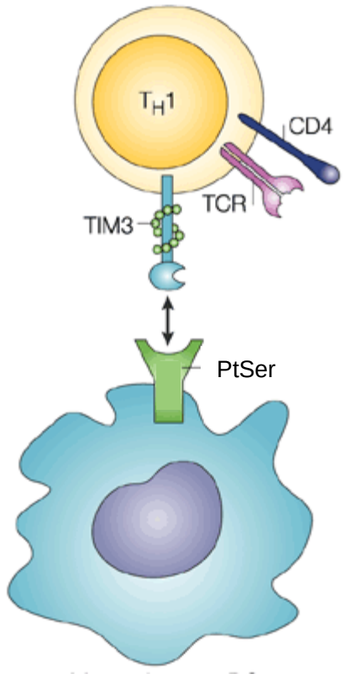
Interim data from NCI: Center for Cancer Research ExIST Study
Investigator: Jung-min Lee MD; presented at ESMO 2016; NCT02203513

KEY MESSAGES:

- CHK1 inhibition has shown efficacy in tumors with DNA repair defects or replicative stress
- Potential first-in-class agent
- Potential biomarker-driven opportunities in ovarian cancer and other indications

TIM-3 INHIBITOR

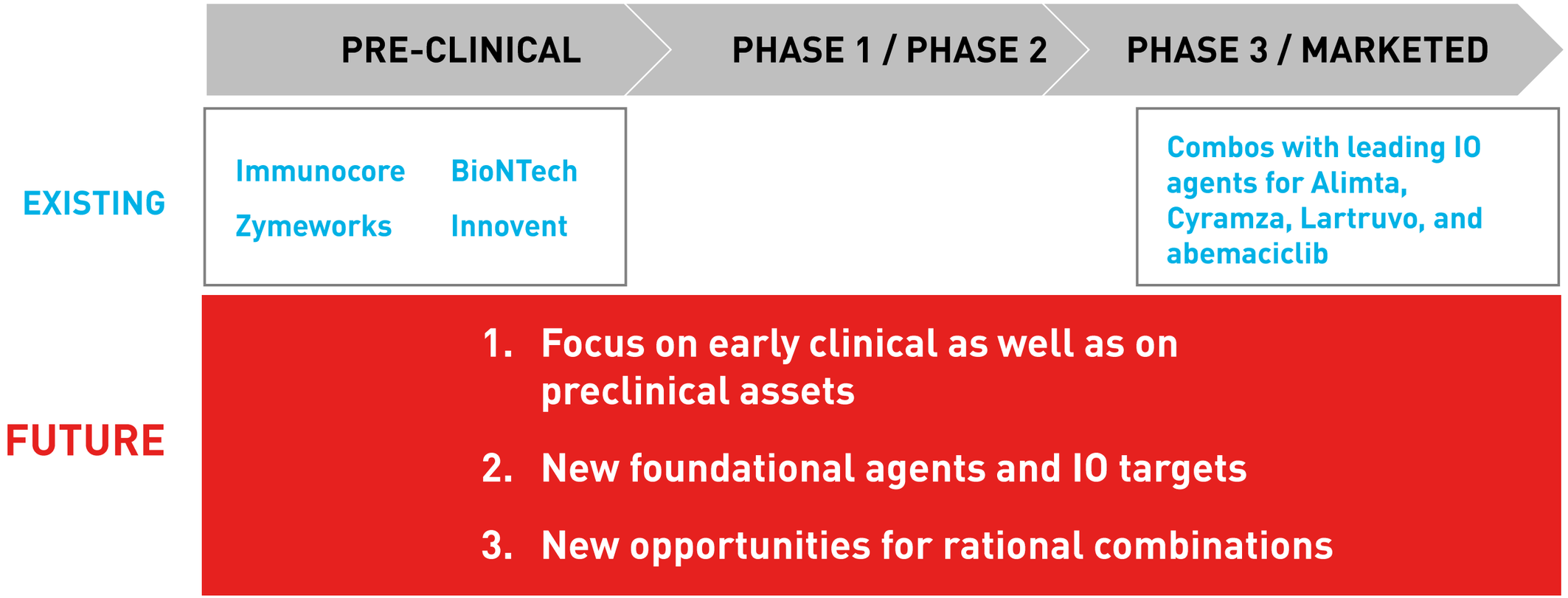
TIM-3: a PD-1-like immune checkpoint protein that can become up-regulated in exhausted T cells



KEY MESSAGES:

- Distinct mechanism of TIM-3 inhibition
- Biomarker-specific development path
- Enables combinations with PD(L)1 inhibitors or other pipeline agents

EXTERNAL INNOVATION

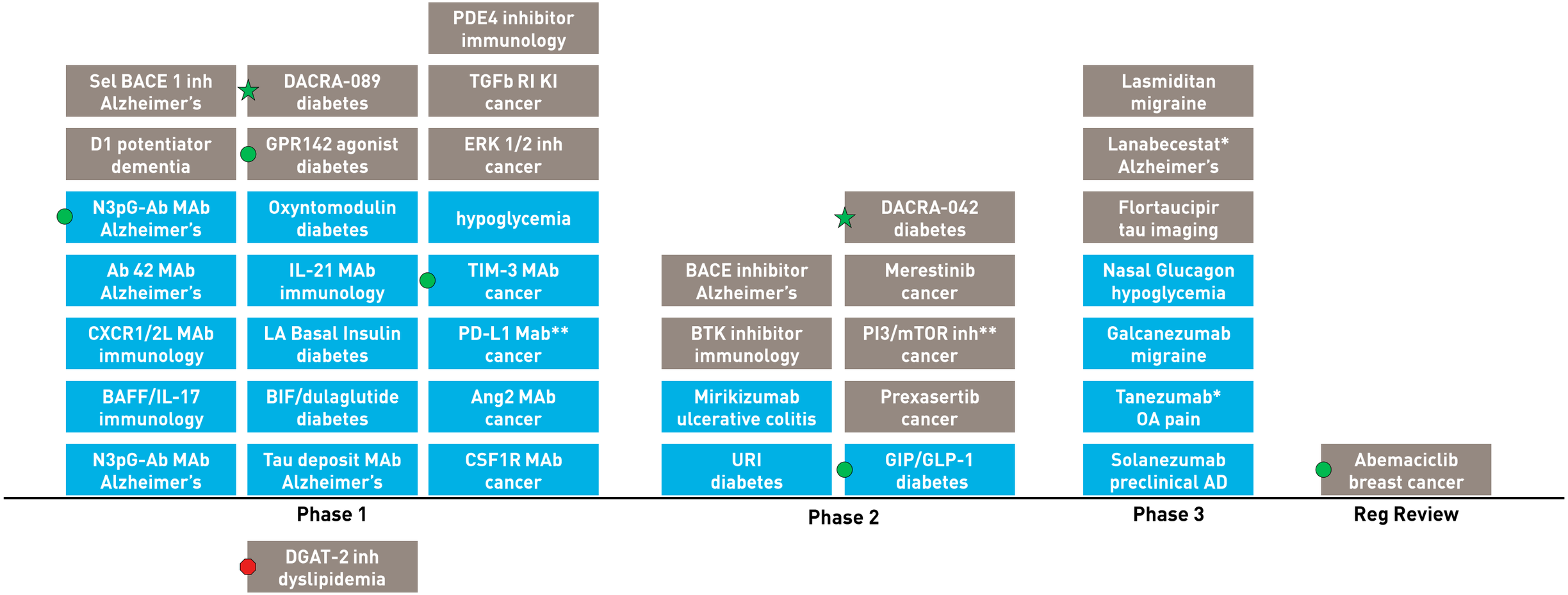


LILLY ONCOLOGY MOVING FORWARD

- **Leverage existing base of assets** to build foundational agents and regimens
- **Focus on breakthrough innovation** with a bias toward first-in-class/best-in-class targets
- **Access more external innovation** to maintain a competitive pipeline
- **Move decisively** to accelerate and capitalize on opportunities
- **Invest strategically** to maximize opportunities

LILLY SELECT NME PIPELINE

JULY 21, 2017



New Chemical Entity (NCE)

New Biotech Entity (NBE)

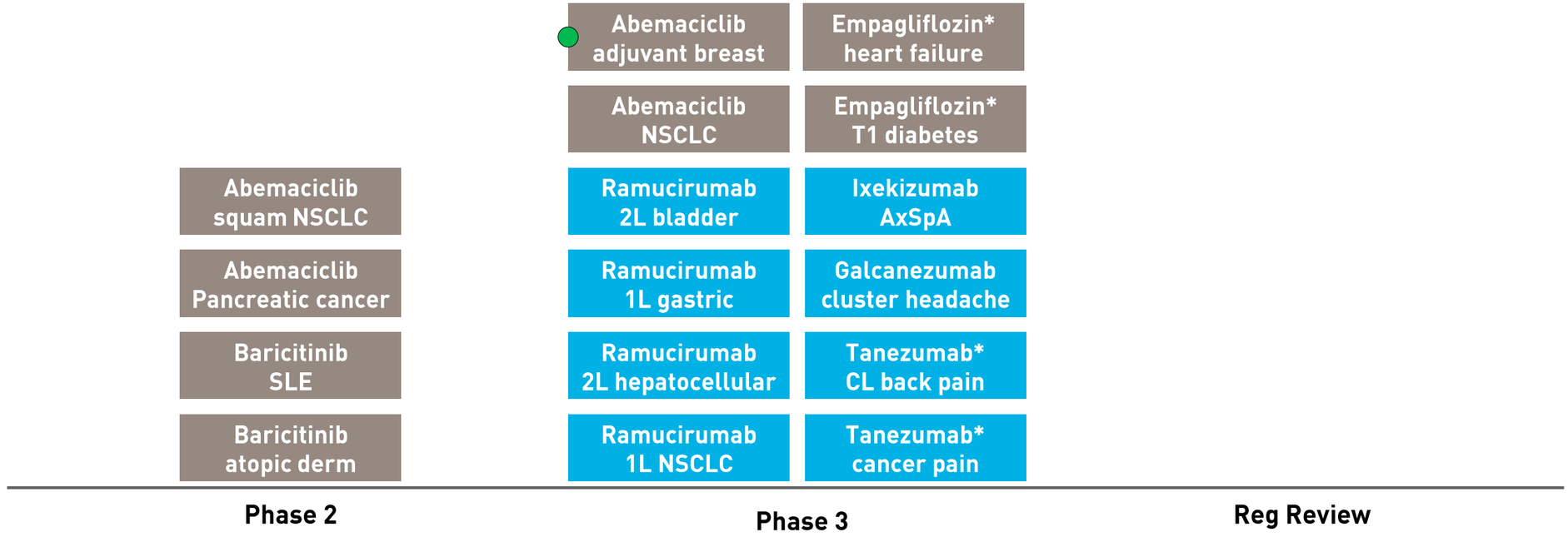
MOVEMENT SINCE APRIL 18, 2017: Achieved milestone Attrition New molecule

*Commercial collaborations **For development in combinations

LILLY SELECT NILEX PIPELINE

JULY 21, 2017

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



New Chemical Entity (NCE)

New Biotech Entity (NBE)

MOVEMENT SINCE APRIL 18, 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)

PHASE 3 DATA INTERNAL READOUTS

- Flortaucipir (18F AV-1451) tau imaging agent
- 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)

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

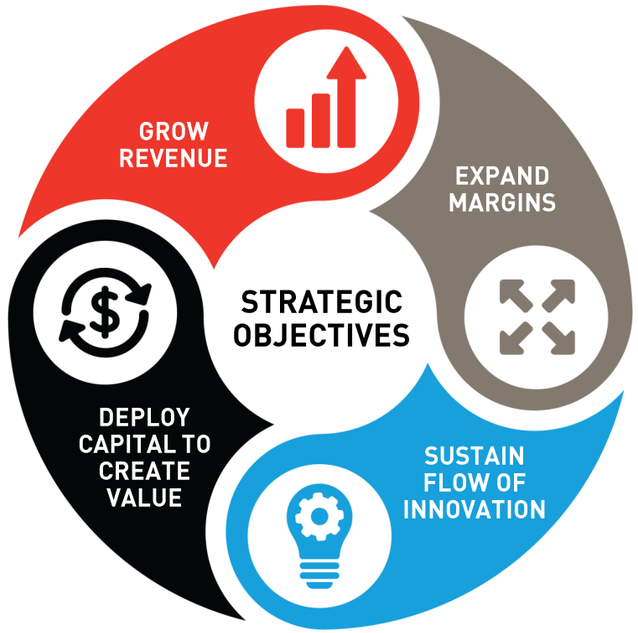
	Prior	Current
Total Revenue	$21.8 to $22.3 billion	$22.0 to $22.5 billion
Gross Margin % of Revenue (GAAP)	Approx. 73.5%	Approx. 72.5%
Gross Margin % of Revenue (non-GAAP)	Approx. 77.0%	Approx. 76.0%
Marketing, Selling & Administrative	$6.4 to $6.6 billion	unchanged
Research & Development	$4.9 to $5.1 billion	$5.0 to $5.2 billion
Other Income/(Expense)	$0 - $100 million	unchanged
Tax Rate (GAAP)	Approx. 24.5%	Approx. 23.5%
Tax Rate (non-GAAP)	Approx. 22.0%	unchanged
Earnings per Share (GAAP)	$2.60 to $2.70	$2.51 to $2.61
Earnings per Share (non-GAAP)	$4.05 to $4.15	$4.10 to $4.20
Capital Expenditures	Approx. $1.2 billion	Approx. $1.1 billion

FX rates for current guidance:

- Euro at 1.14
- Yen at 113
- Pound at 1.30

SUMMARY

- Continued momentum with our innovation-based strategy
- Eight product launches since 2014, two more launches possible by year end 2018
- Focused on continued execution of strategy of innovation, 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

DEPLOY CAPITAL TO CREATE VALUE

Fund existing marketed and pipeline products

Bolster growth prospects via business development in focus areas

Annual dividend increases

EXPAND MARGINS

Excluding FX on int'l inventories sold, gross margin % to increase from 2015 through 2020

OPEX % of revenue of 50% or less in 2018

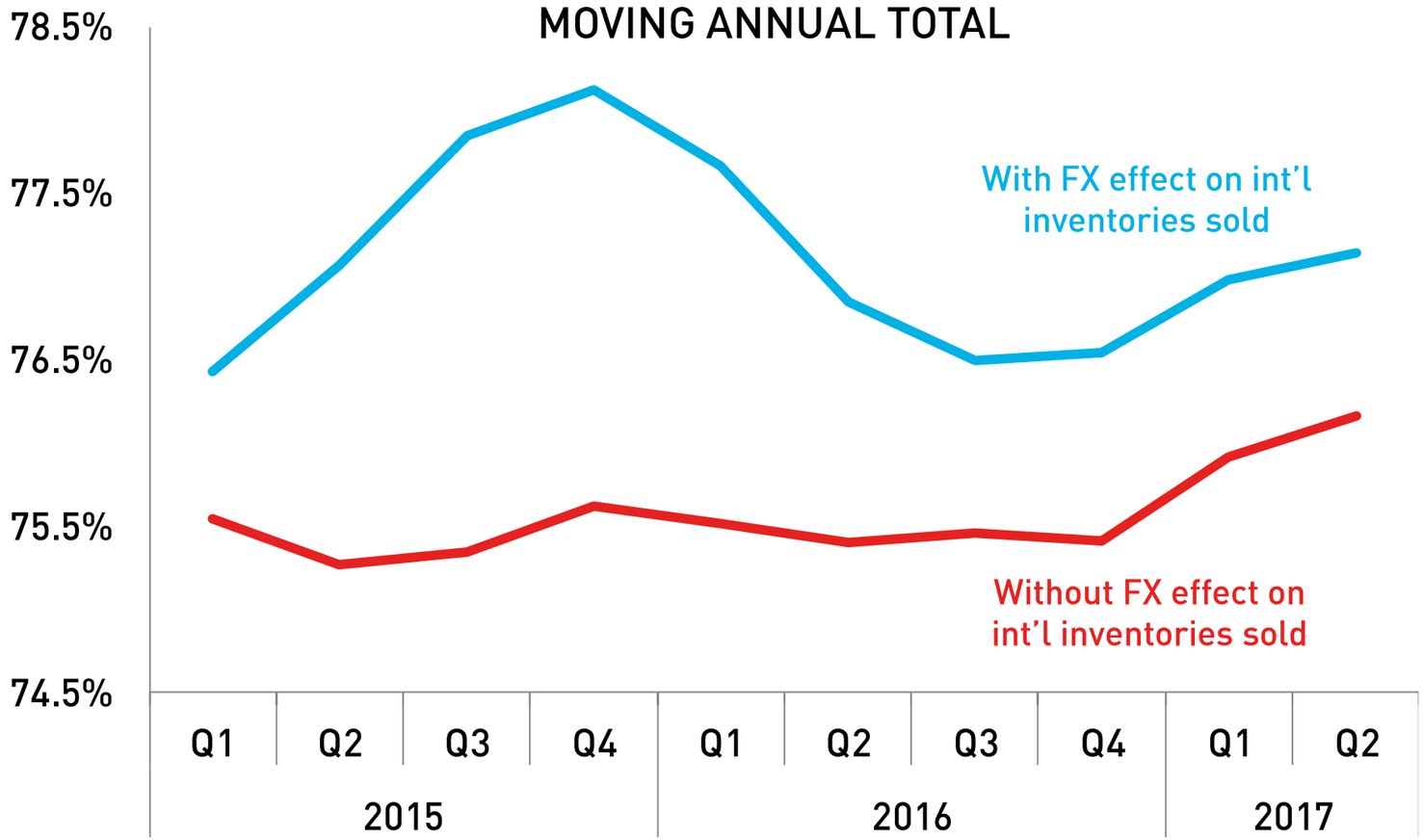
SUSTAIN FLOW OF INNOVATION

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	78.2%	79.2%	77.8%	77.3%	76.3%	76.0%	76.4%	77.4%	78.1%	76.7%
w/o FX effect on int'l inv sold	75.3%	76.2%	75.2%	75.7%	74.9%	75.7%	75.5%	75.5%	77.1%	76.6%

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.

Q2 2017 INCOME STATEMENT NOTES

Q2 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 $178.1 million (pretax), or $0.12 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 $16.1 million (pretax), or $0.01 per share (after-tax); and
- charges primarily associated with integration costs and asset impairments related to the acquisition and integration of Novartis Animal Health, totaling $50.0 million, or $0.03 per share (after-tax).

Q2 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 $168.6 million (pretax), or $0.11 per share (after-tax);
- charges primarily associated with integration and severance costs for Novartis Animal Health totaling $58.0 million (pretax), or $0.04 per share (after-tax); and

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 $354.2 million (pretax), or $0.23 per share (after-tax);
- an acquired in-process research and development charge related to the acquisition of CoLucid Pharmaceuticals totaling $857.6 million (pretax), or $0.81 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 $26.5 million (pretax), or $0.02 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 and asset impairments related to the acquisition and integration of Novartis Animal Health, totaling $263.9 million, or $0.19 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 $341.1 million (pretax), or $0.22 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 $189.4 million (pretax), or $0.16 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).

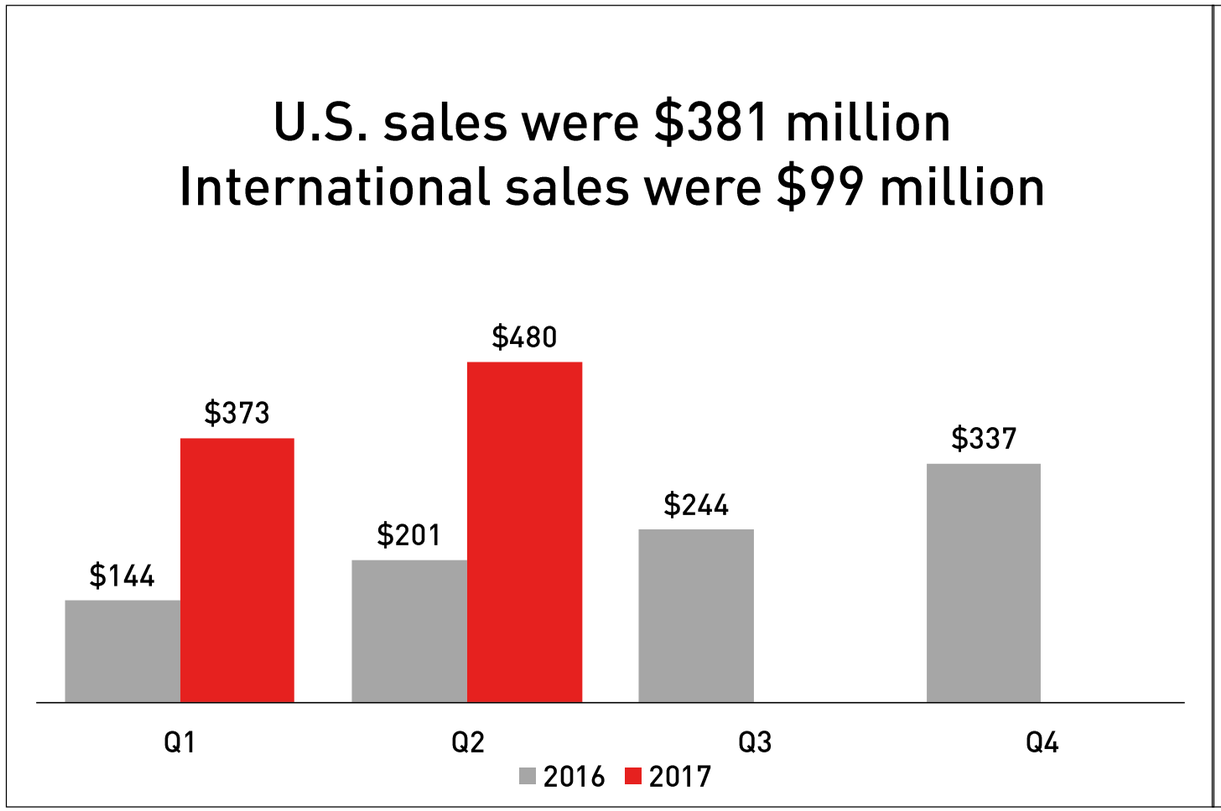
COMPARATIVE EPS SUMMARY 2016/2017

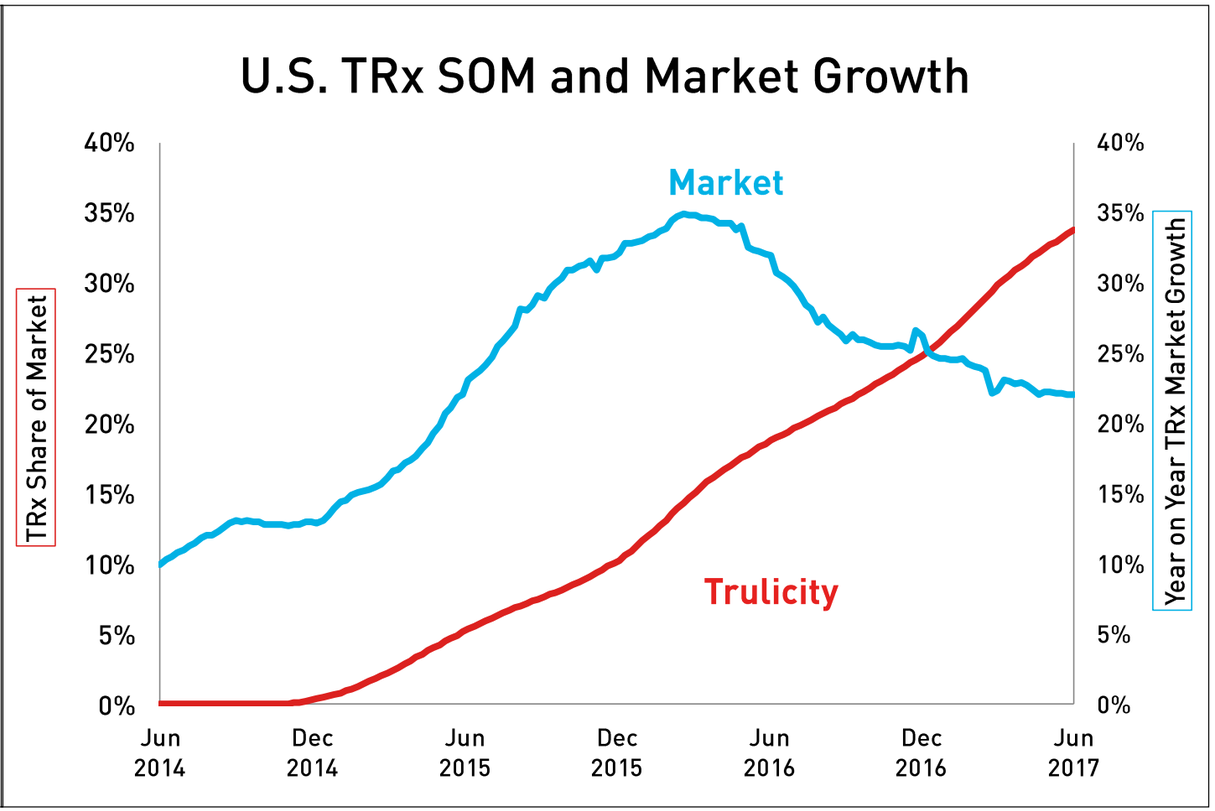
	1Q16	2Q16	3Q16	4Q16	2016	1Q17	2Q17	3Q17	4Q17	2017
Reported	0.41	0.71	0.73	0.73	2.58	(0.10)	0.95			
Non-GAAP	0.83	0.86	0.88	0.95	3.52	0.98	1.11			

Note: Numbers may not add due to rounding.
For a complete reconciliation to reported earnings, see slides 35 and 36 and our earnings press release dated July 25, 2017.

Q2 2017 TRULICITY SALES WERE UP 139%

Millions

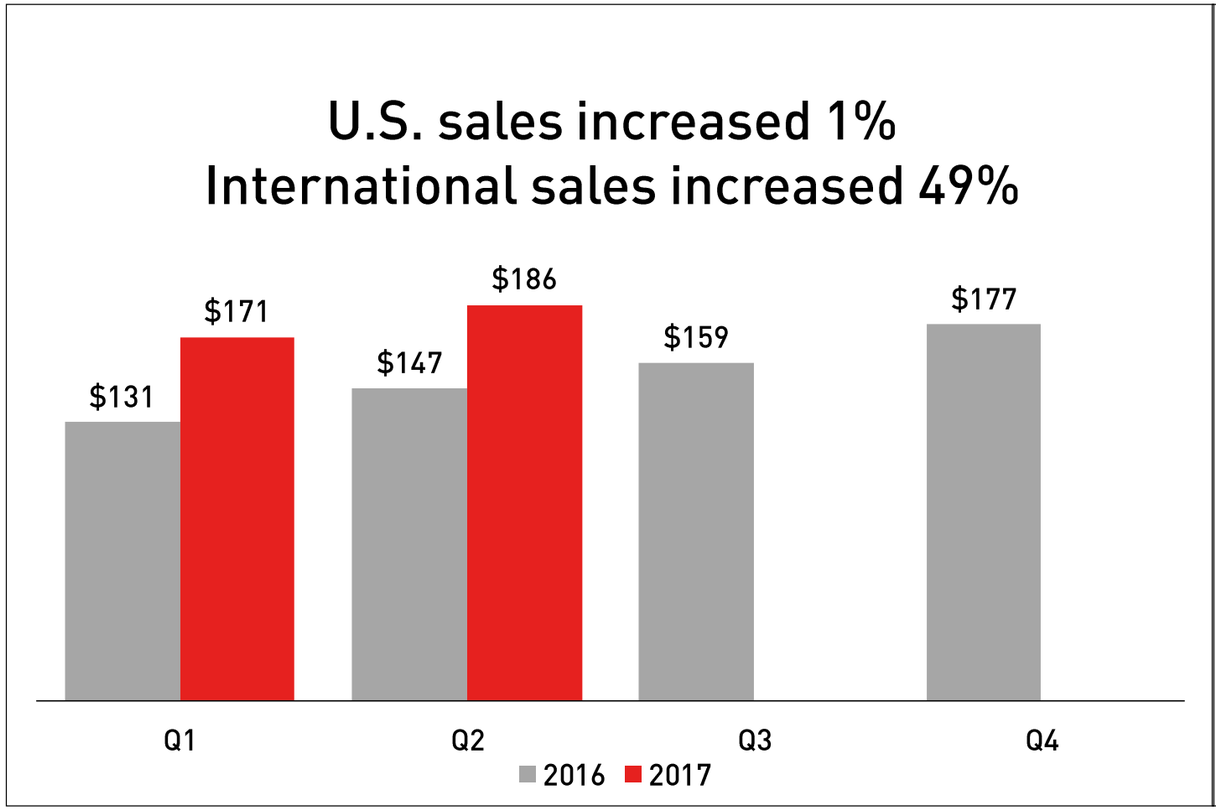


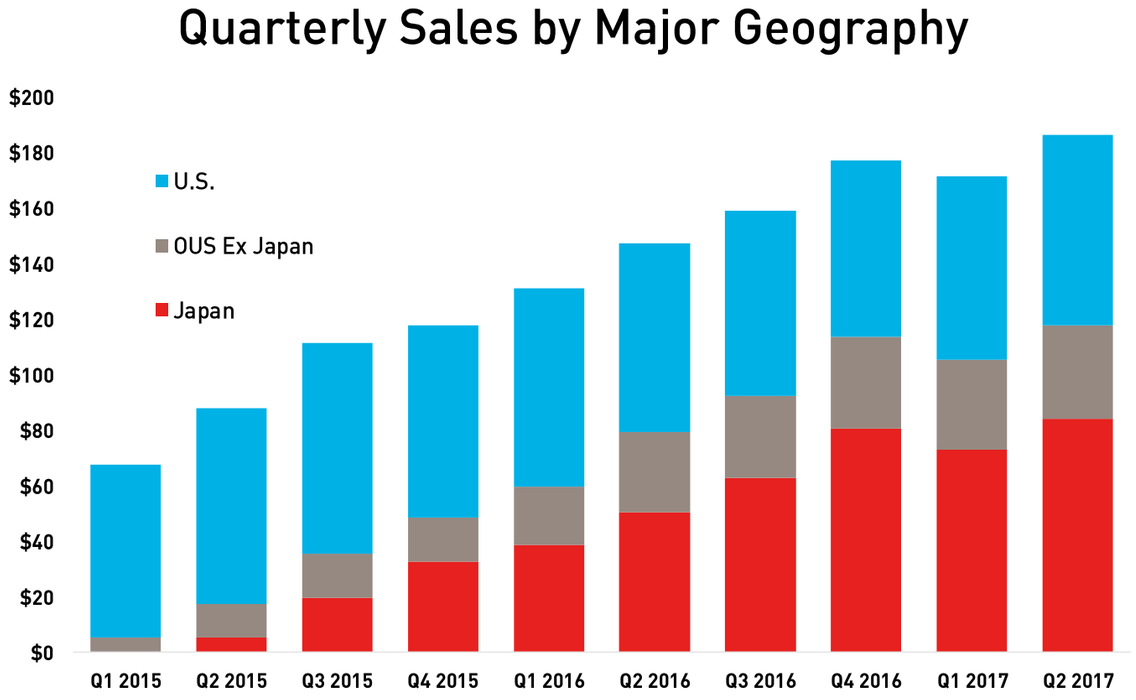


Source: QuintilesIMS Health NPA TRx 3MMA, weekly data June 30, 2017

Q2 2017 CYRAMZA SALES INCREASED 27%

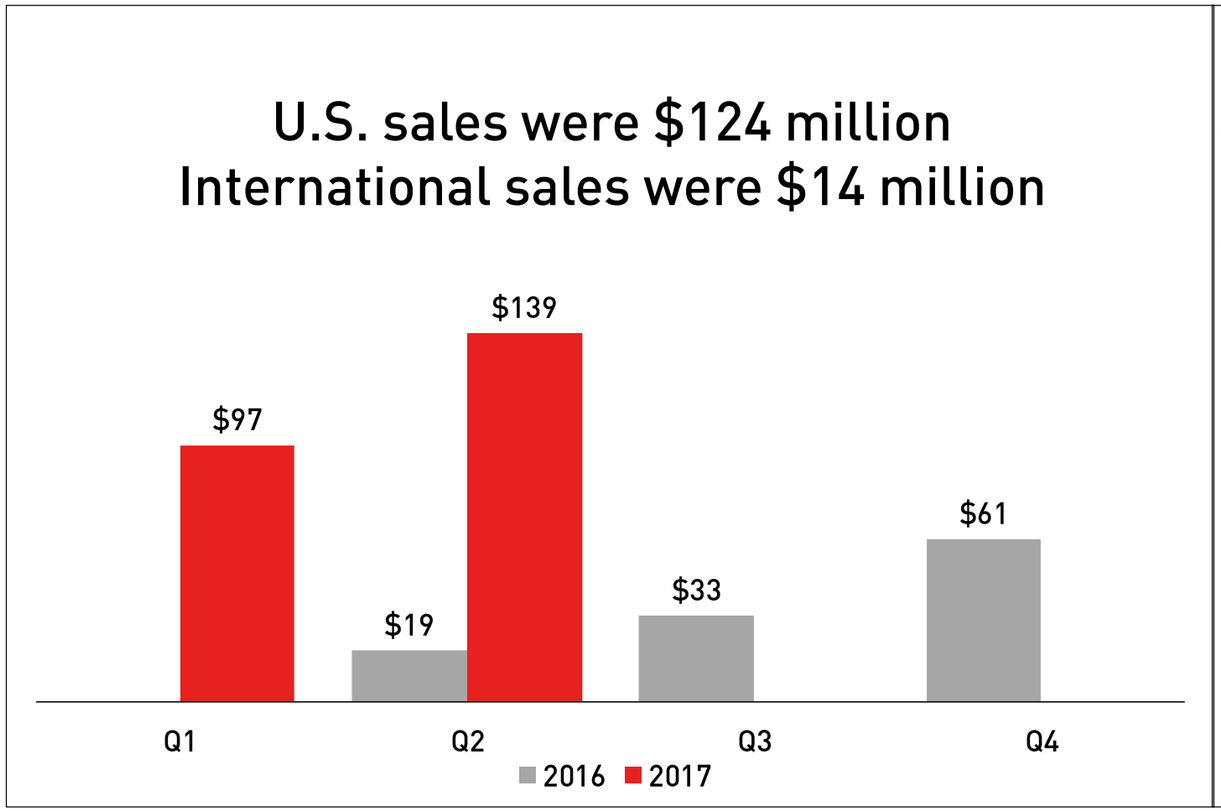
Millions

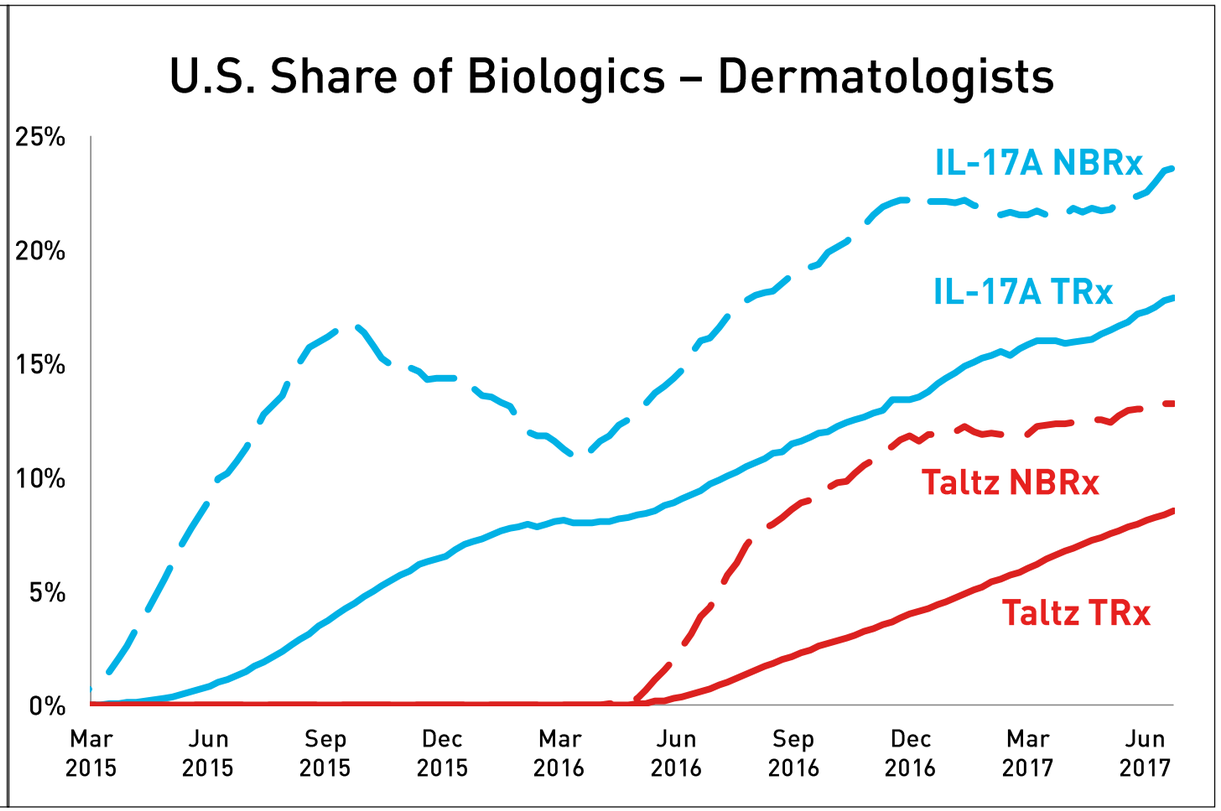




Q2 2017 TALTZ SALES WERE $139 MILLION

Millions



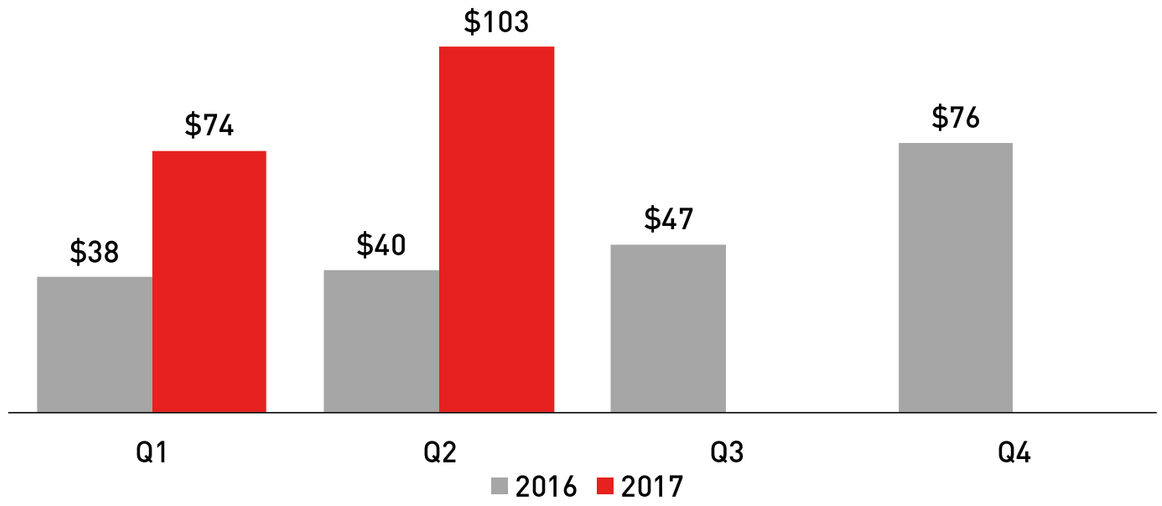


Source: QuintilesIMS Health NPA TRx and NBRx 3MMA, weekly data June 30, 2017

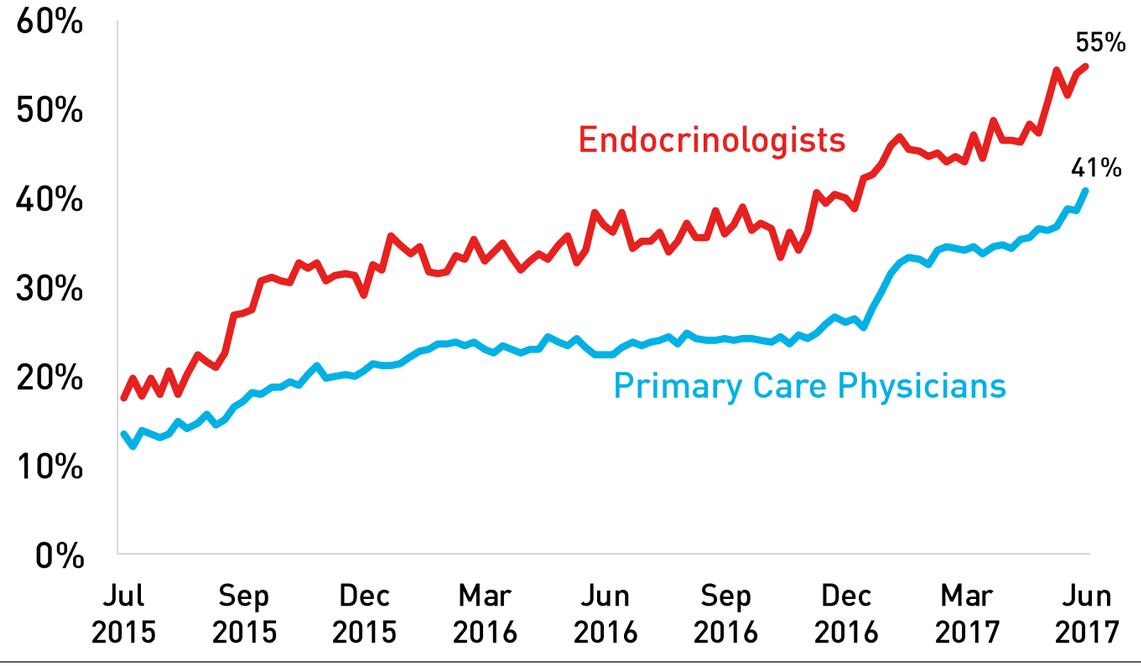
Q2 2017 JARDIANCE REVENUE WAS $103 MILLION

Millions

U.S. revenue increased $41 million
International revenue increased $22 million



U.S. New Therapy Starts (NTS Rx) SOM

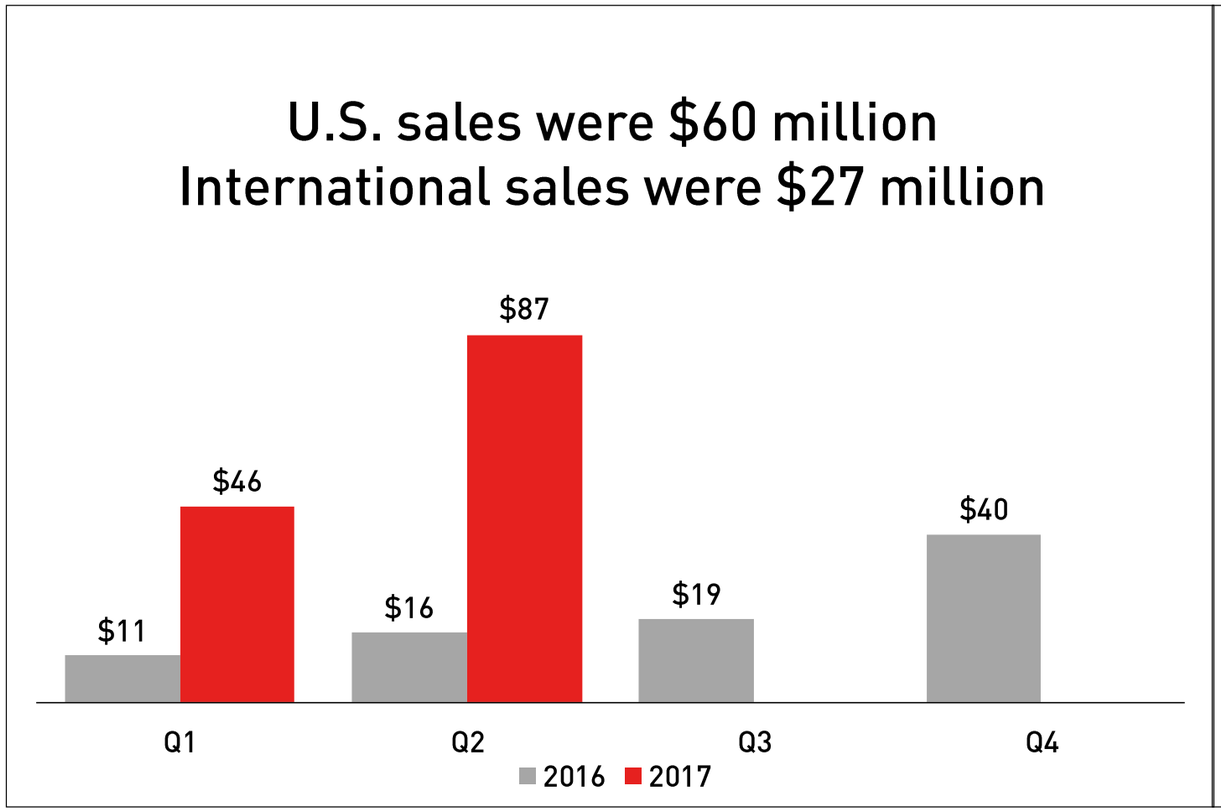


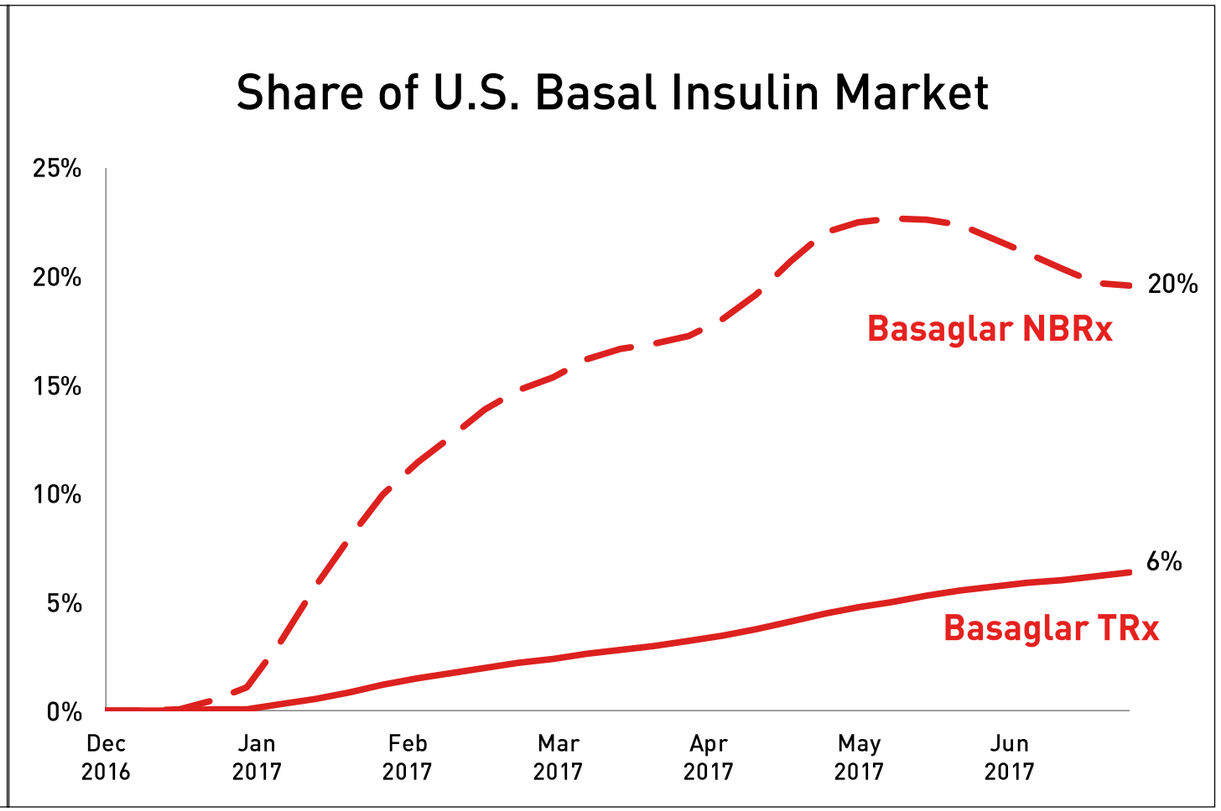
Source: QuintilesIMS Health NPA NTS Rx 3MMA, weekly data June 30, 2017

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

Q2 2017 BASAGLAR SALES WERE $87 MILLION

Millions



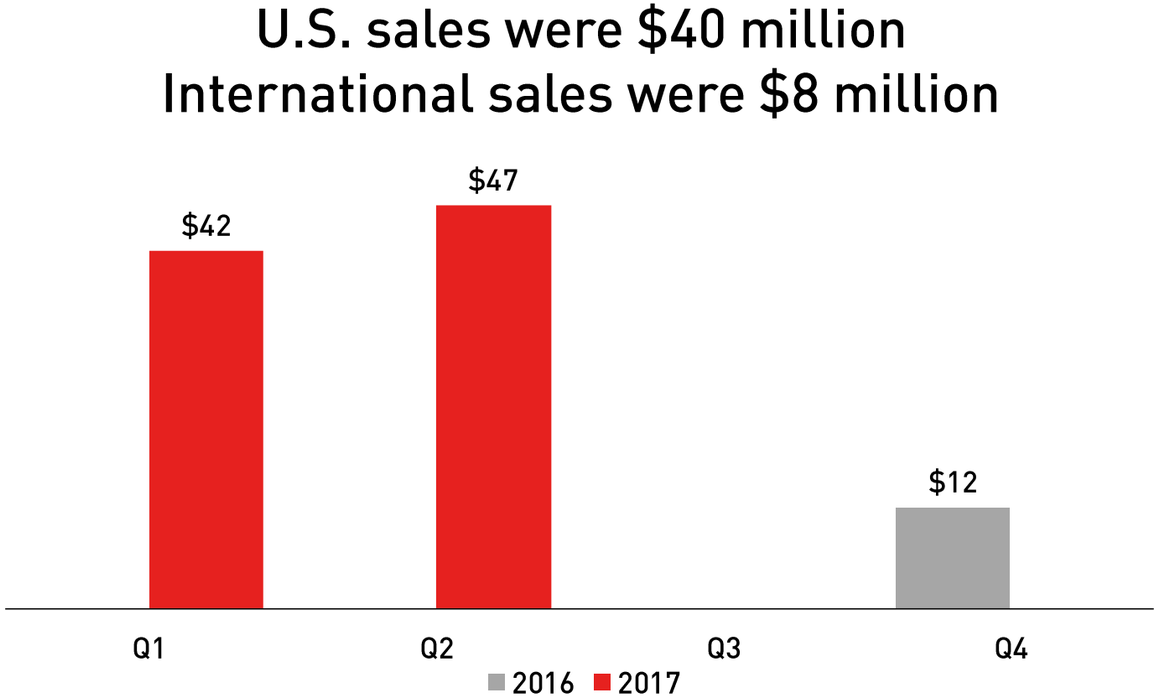


Source: QuintilesIMS Health NPA TRx and NBRx 1MMA, weekly data June 30, 2017

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

Q2 2017 LARTRUVO SALES WERE $47 MILLION

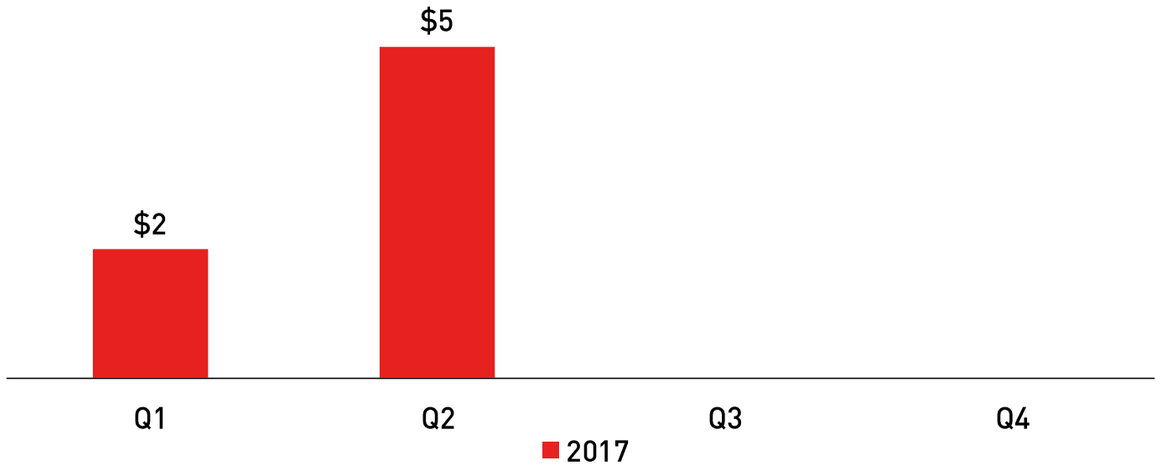
Millions



- Strong early uptake in the U.S. with positive KOL feedback
- Initial launches in select European countries began in December 2016

Q2 2017 OLUMIANT SALES WERE $5 MILLION

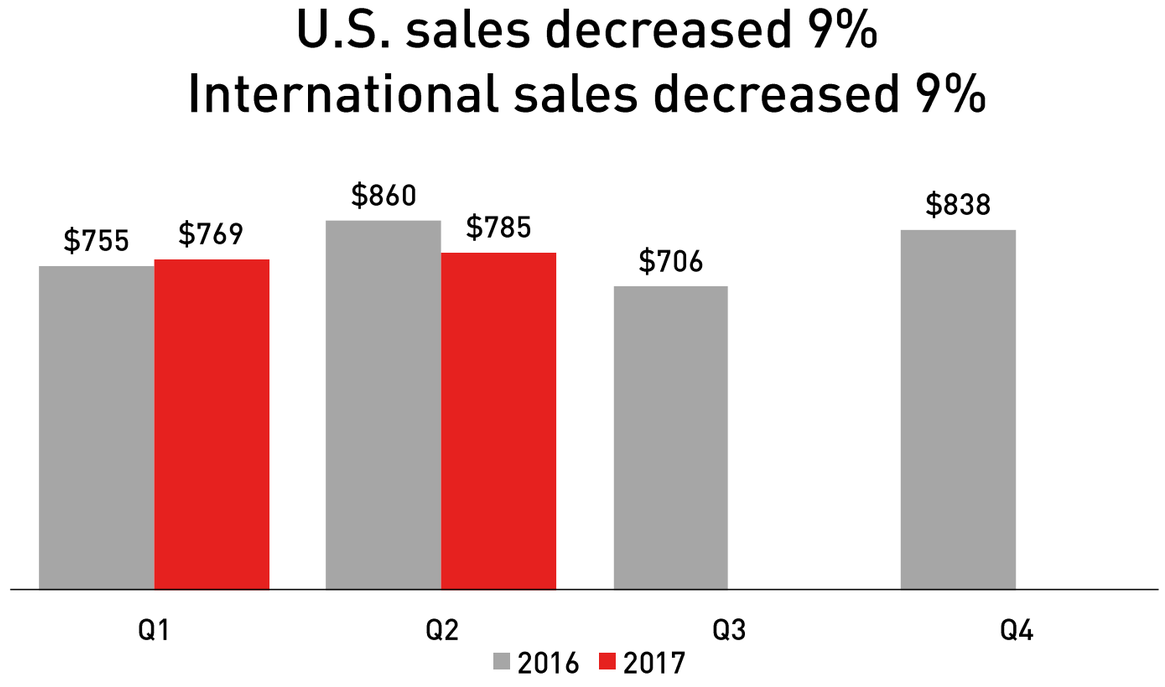
Millions



- Q2 sales driven by the initial launch in Germany

Q2 2017 ANIMAL HEALTH SALES DECREASED 9%

Millions



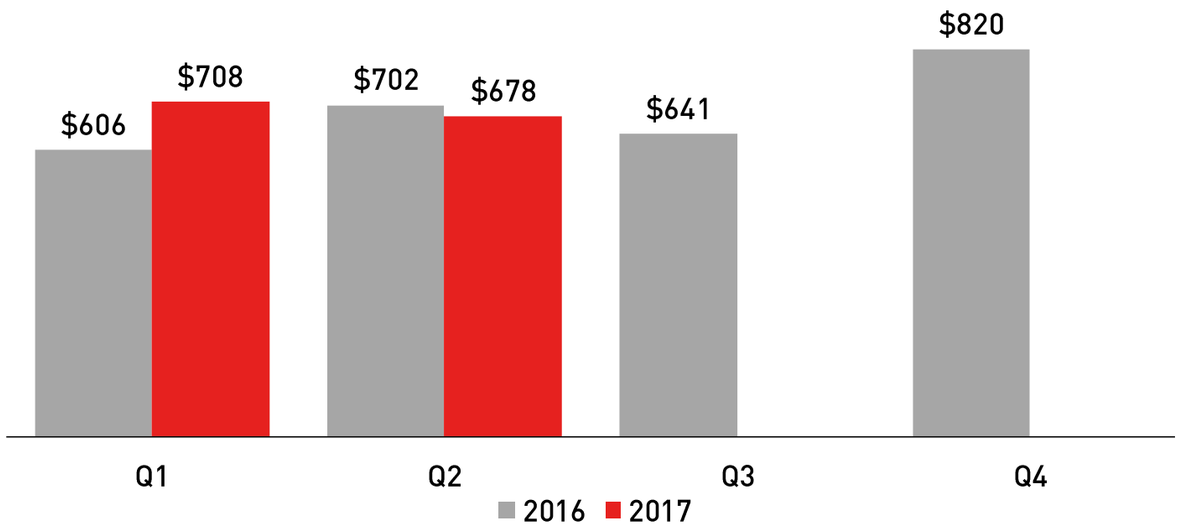
	Q2 Sales	Change	Performance	Rate
U.S. Companion	$222.8	9%	9%	-
U.S. Food and Other	$183.7	(23%)	(23%)	-
OUS Companion	$88.9	(16%)	(13%)	(2%)
OUS Food and Other	$289.4	(7%)	(5%)	(2%)
WW Animal Health	$784.8	(9%)	(8%)	(1%)

- U.S. companion animal sales increase driven by the acquisition of Boehringer Ingelheim Vetmedica's U.S. feline, canine, and rabies vaccine portfolio, partially offset by competitive pressures in the parasiticides market
- U.S. food animal sales decrease due to competitive pressures and market access pressures in cattle and swine

Q2 2017 HUMALOG ® SALES DECREASED 3%

Millions

U.S. sales decreased 7%
International sales increased 2%

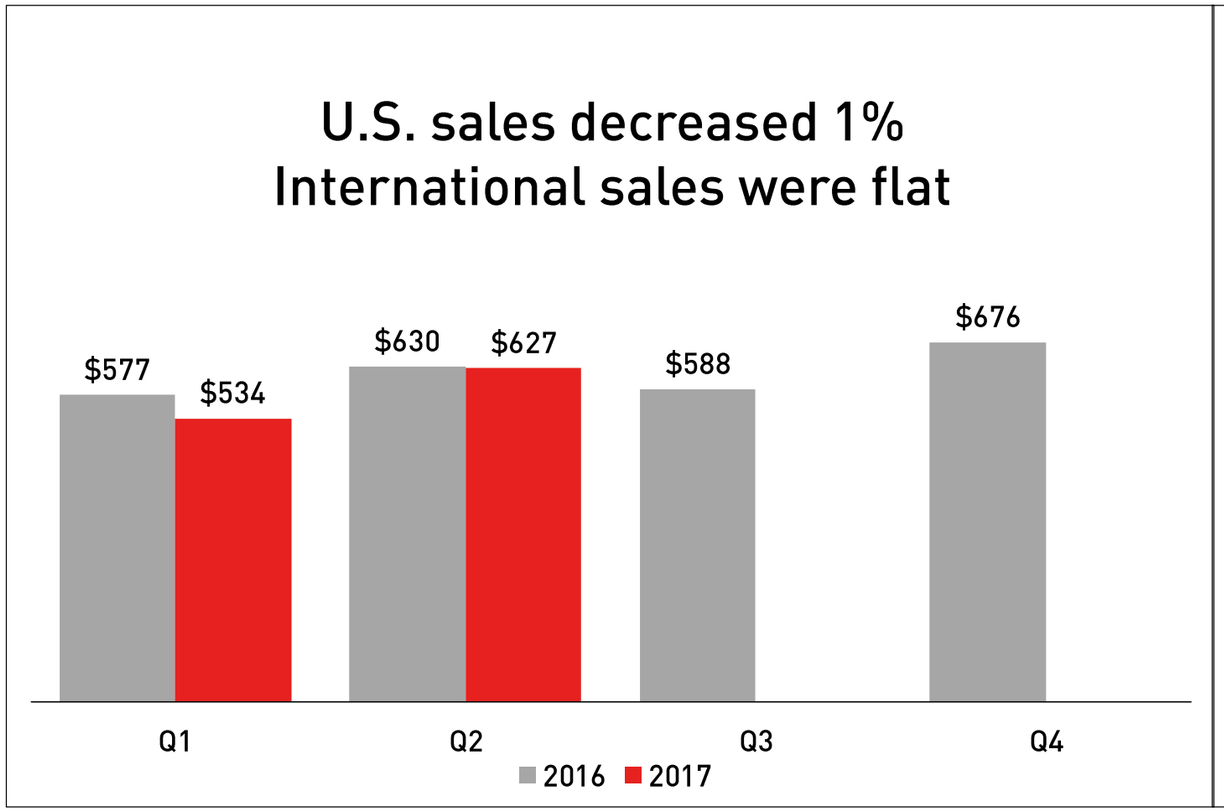


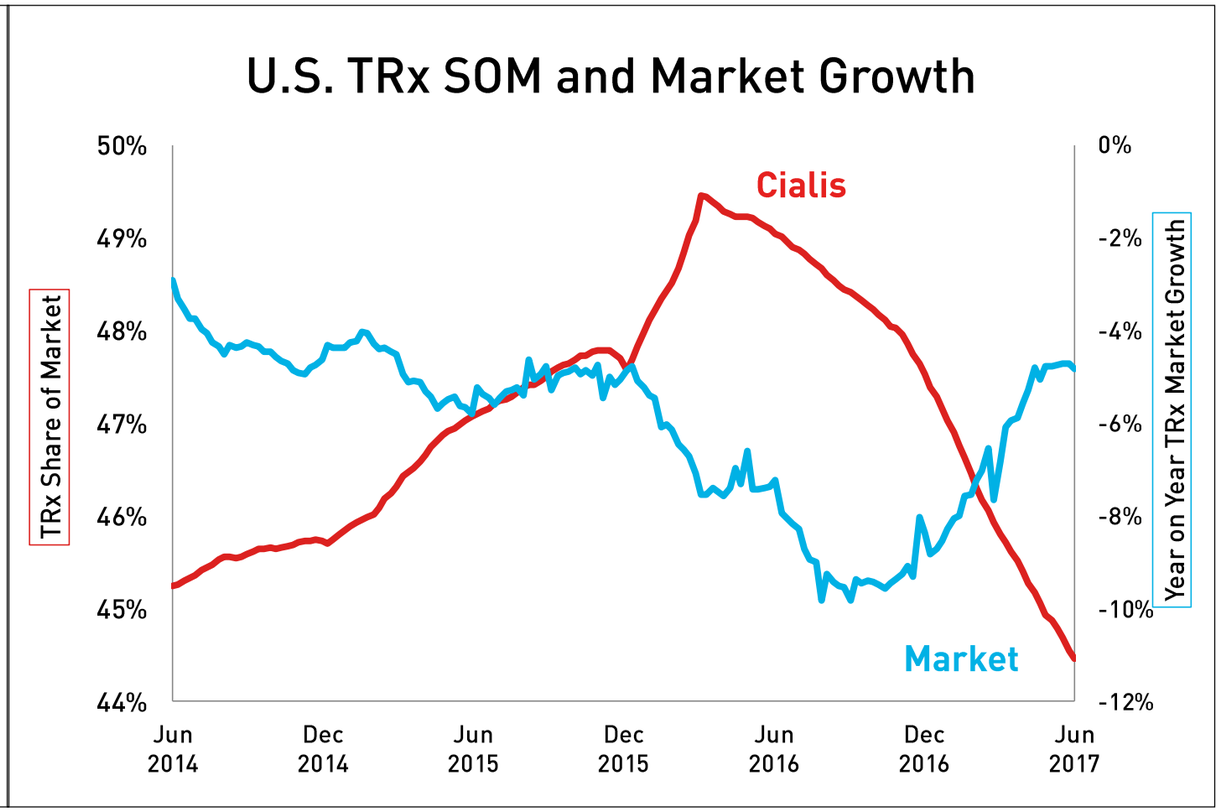
U.S. TRx SOM and Market Growth

Source: QuintilesIMS Health NPA TRx 3MMA, weekly data June 30, 2017

Q2 2017 CIALIS SALES WERE FLAT

Millions

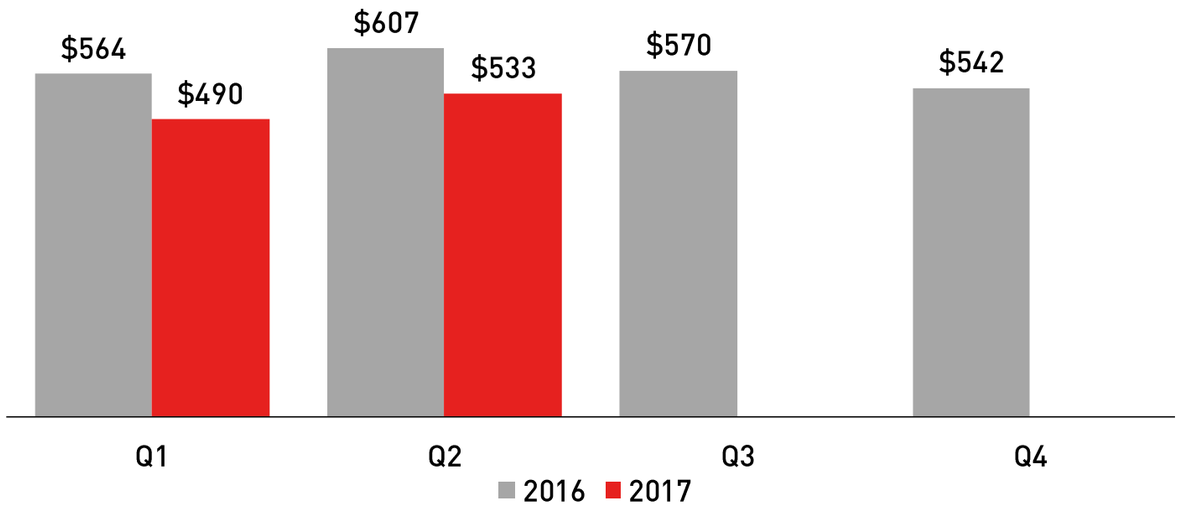




Source: QuintilesIMS Health NPA TRx 3MMA, weekly data June 30, 2017

Q2 2017 ALIMTA SALES DECREASED 12%

Millions



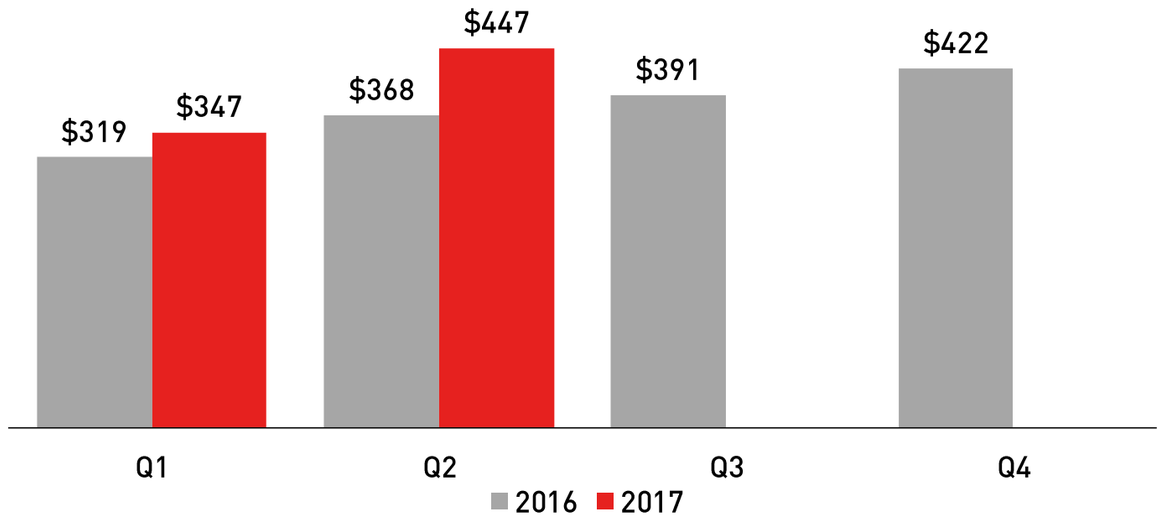
	Q2 Sales	Change	Performance	Rate
U.S. Alimta	$274.3	(6%)	(6%)	-
OUS Alimta	$258.6	(18%)	(17%)	(2%)
WW Alimta	$532.9	(12%)	(11%)	(1%)

- U.S. sales decreased due to lower demand, primarily from competition from immuno-oncology agents
- OUS sales decreased due to increased competition, lower prices, and loss of exclusivity in select markets

Q2 2017 FORTEO SALES INCREASED 22%

Millions

U.S. sales increased $63 million
International sales increased $16 million

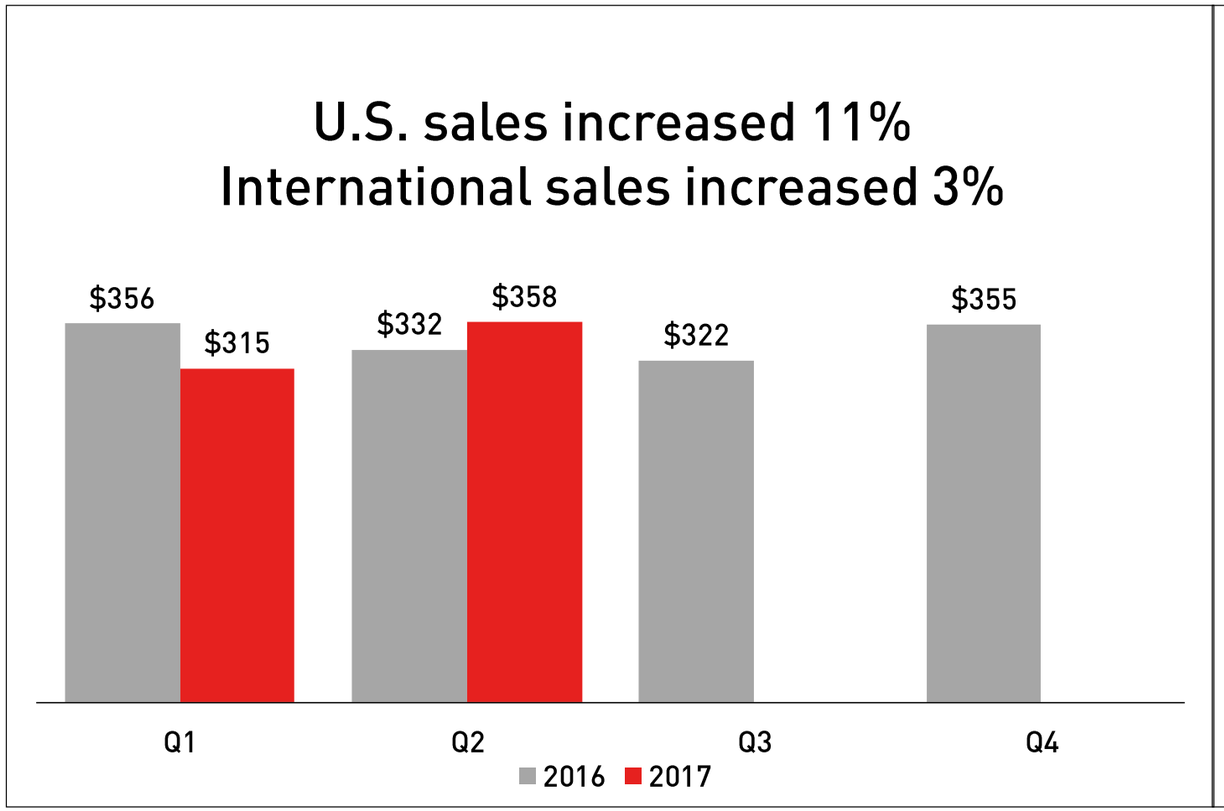


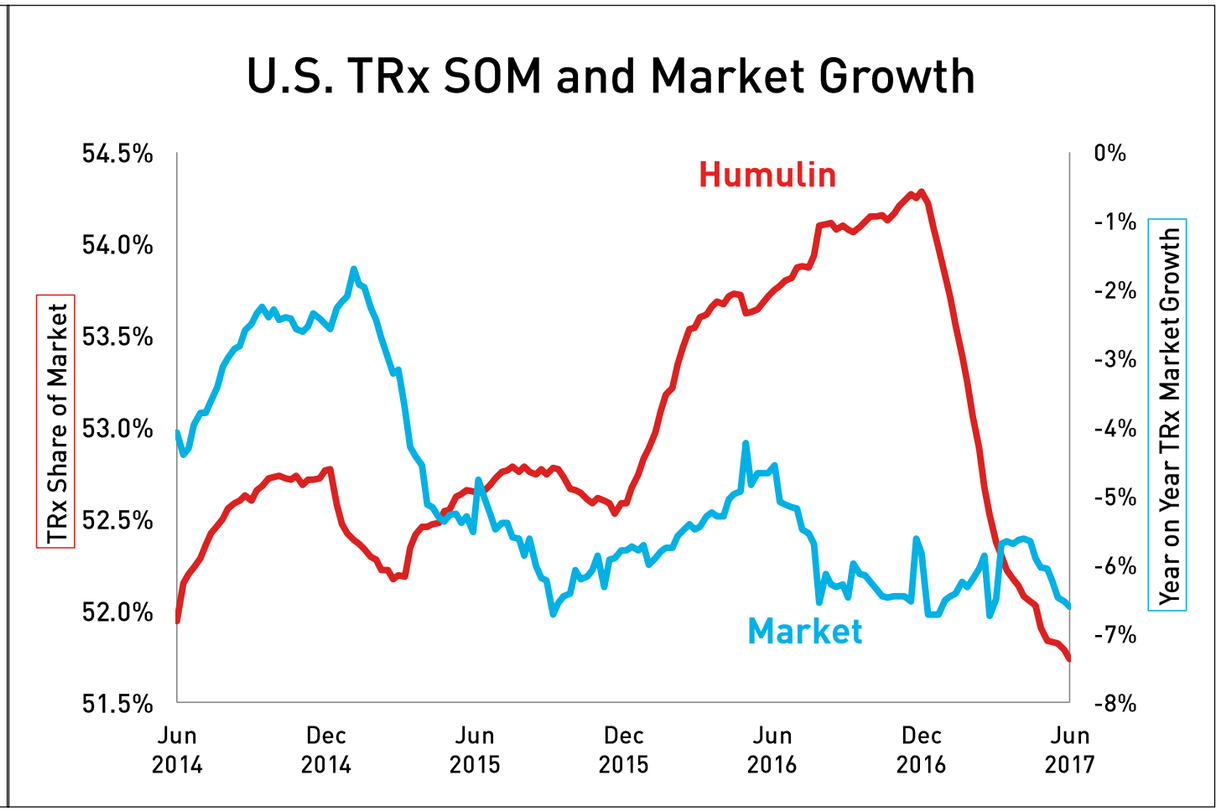
	Q2 Sales	Change	Performance	Rate
U.S. Forteo	$249.8	34%	34%	-
OUS Forteo	$196.9	9%	10%	(1%)
WW Forteo	$446.7	22%	22%	(1%)

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

Q2 2017 HUMULIN SALES INCREASED 8%

Millions

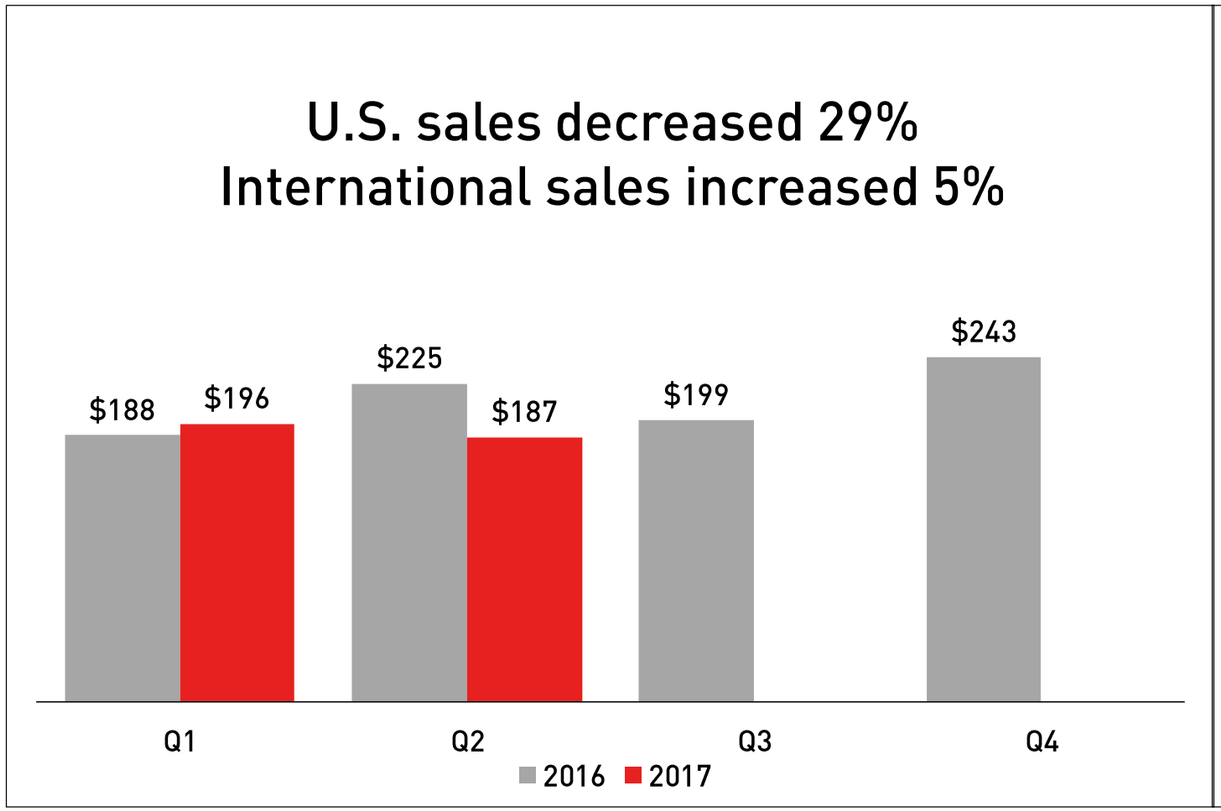


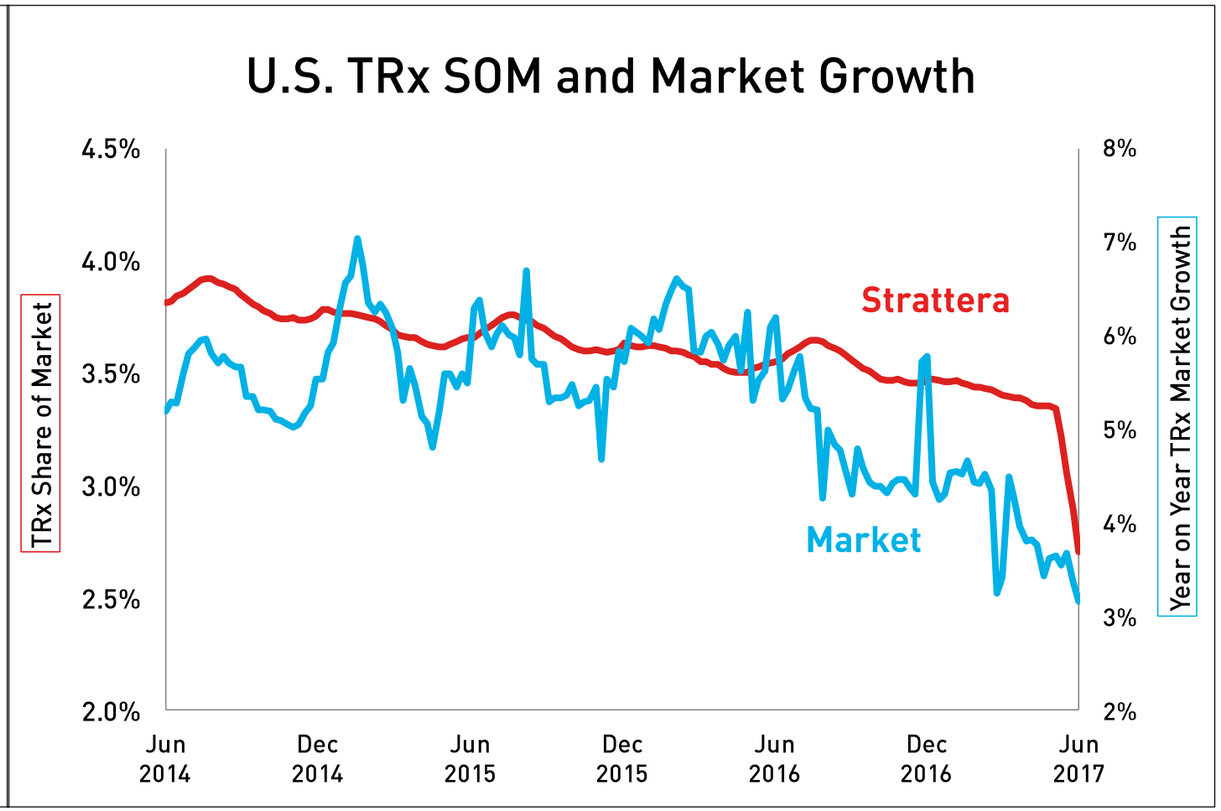


Source: QuintilesIMS Health NPA TRx 3MMA, weekly data June 30, 2017

Q2 2017 STRATTERA SALES DECREASED 17%

Millions



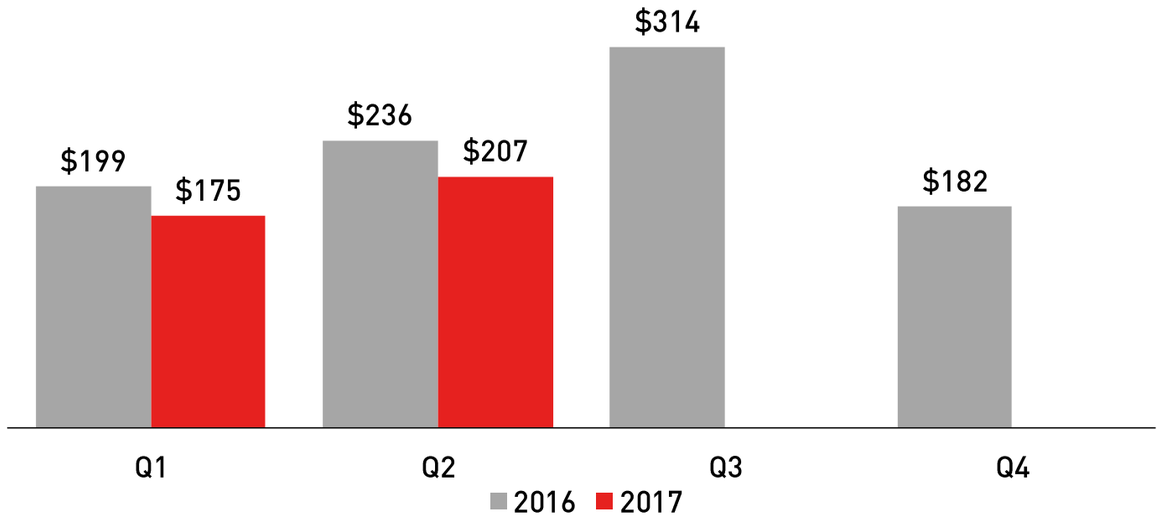


Source: QuintilesIMS Health NPA TRx 3MMA, weekly data June 30, 2017

Q2 2017 CYMBALTA SALES DECREASED 13%

Millions

U.S. sales decreased $13 million
International sales decreased $16 million



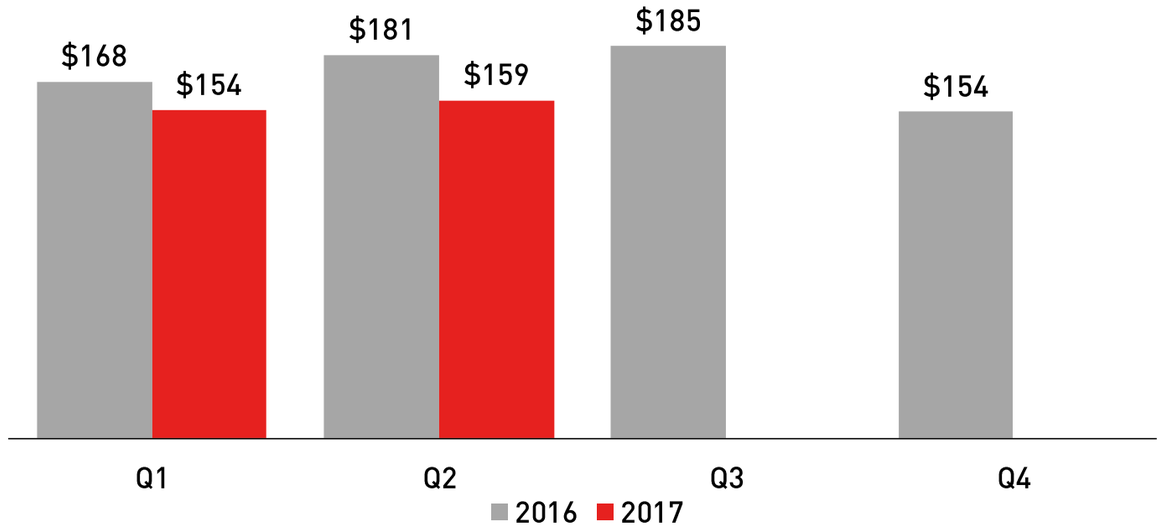
	Q2 Sales	Change	Performance	Rate
U.S. Cymbalta	$47.1	(22%)	(22%)	-
OUS Cymbalta	$159.6	(9%)	(8%)	(1%)
WW Cymbalta	$206.6	(13%)	(12%)	(1%)

- OUS sales decrease driven by continued sales erosion following the loss of exclusivity in Canada and Europe, partially offset by an increase in Japan

Q2 2017 ERBITUX® REVENUE DECREASED 12%

Millions

U.S. sales decreased $24 million
International revenue increased $2 million



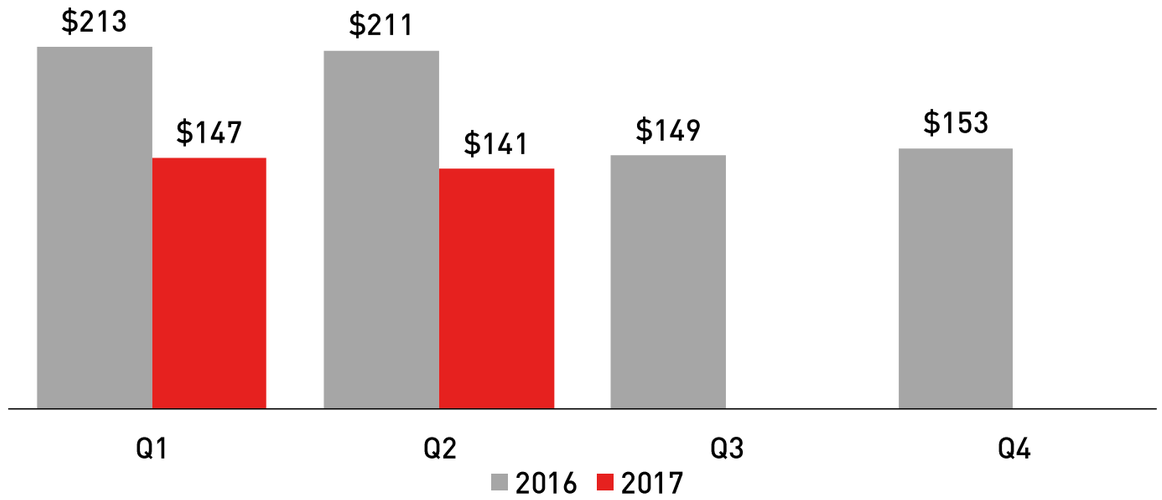
	Q2 Sales	Change	Performance	Rate
U.S. Erbitux	$133.0	(15%)	(15%)	-
OUS Erbitux	$26.1	10%	11%	(1%)
WW Erbitux	$159.1	(12%)	(12%)	(0%)

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

Q2 2017 ZYPREXA SALES DECREASED 33%

Millions

U.S. sales decreased $2 million
International sales decreased $68 million



	Q2 Sales	Change	Performance	Rate
U.S. Zyprexa	$13.0	(10%)	(10%)	-
OUS Zyprexa	$127.8	(35%)	(34%)	(1%)
WW Zyprexa	$140.8	(33%)	(32%)	(1%)

- OUS Zyprexa sales declined primarily due to the introduction of generic olanzapine in Japan in June 2016; Japan Zyprexa sales were $50.9 million, a decrease of 56%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