Q1 2017
FINANCIAL REVIEW

APRIL 25, 2017

AGENDA

INTRODUCTION AND KEY RECENT EVENTS

Dave Ricks, President and Chief Executive Officer

Q1 FINANCIAL RESULTS, KEY FUTURE EVENTS, 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

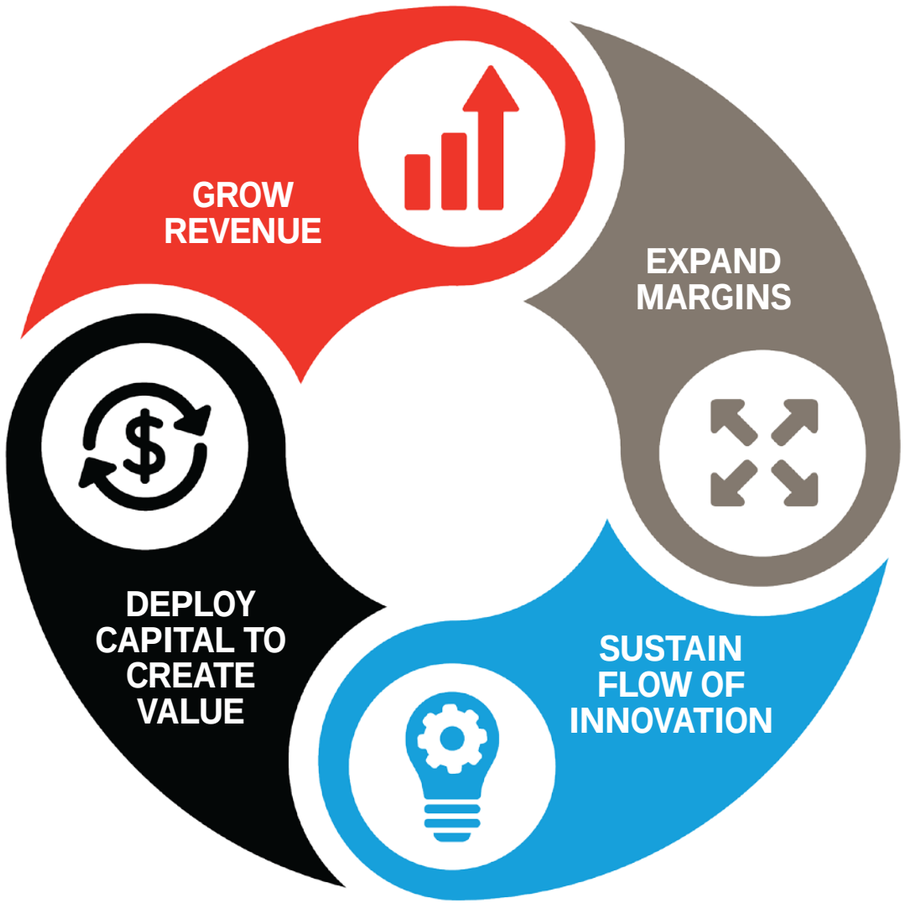
This presentation contains forward-looking statements that are based on management's current expectations, but actual results may differ materially due to various factors. The company's results may be affected by factors including, but not limited to, the risks and uncertainties in pharmaceutical research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

STRATEGIC OBJECTIVES

PROGRESS SINCE THE LAST EARNINGS CALL



GROW REVENUE

Revenue growth of 7%

Pharmaceutical volume growth of 9%

New products drove 10.1pp of volume growth

EXPAND MARGINS

Excluding FX on international inventories sold, GM % increased nearly 220bp vs. Q1 2016

OPEX % of revenue decreased nearly 220bp vs. Q1 2016

DEPLOY CAPITAL TO CREATE VALUE

Closed CoLucid acquisition

Paid over $500 million via dividend

SUSTAIN FLOW OF INNOVATION

Launch of Olumiant® in EU

Baricitinib U.S. delay given FDA complete response letter

Positive Phase 3 readouts from MONARCH 2, MONARCH 3, IXORA-S, and RAINFALL studies

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

KEY EVENTS SINCE THE LAST EARNINGS CALL

COMMERCIAL

- In collaboration with Boehringer Ingelheim, launched Synjardy® XR tablets in the U.S. for adults with type 2 diabetes (T2D); and
- Launched Olumiant (baricitinib) in Europe for adults with moderate-to-severe active rheumatoid arthritis.

REGULATORY

- Received European Commission (EC) approval of Olumiant for the treatment of moderate-to-severe active rheumatoid arthritis in adult patients who have responded inadequately to, or who are intolerant to, one or more disease-modifying antirheumatic drugs;
- Received a complete response letter from the U.S. Food and Drug Administration (FDA) for the New Drug Application (NDA) for baricitinib for the treatment of moderate-to-severe rheumatoid arthritis indicating the FDA is unable to approve the application in its current form;
- Received FDA approval of an update to the Trulicity® label to include combination use with basal insulin in adults with T2D; and
- In collaboration with Boehringer Ingelheim, received EC approval of an update to the Synjardy label to include a change to the indication statement as well as data on the reduction of risk of cardiovascular (CV) death in patients with T2D and established CV disease when treated with empagliflozin.

CLINICAL

- Announced that the MONARCH 2 study of abemaciclib met its primary endpoint demonstrating that women with HR+, HER2- advanced breast cancer who had relapsed or progressed after endocrine therapy experienced a statistically significant improvement in progression-free survival (PFS) when treated with abemaciclib plus fulvestrant compared to placebo plus fulvestrant; Lilly intends to begin global regulatory submission of these results in Q2 2017;
- Announced that the MONARCH 3 study of abemaciclib met its primary endpoint at an interim analysis demonstrating that women with HR+, HER2- advanced breast cancer who had not received prior systemic therapy experienced a statistically significant improvement in PFS when treated with abemaciclib plus an aromatase inhibitor compared to placebo plus an aromatase inhibitor; improvement was also shown in a key secondary endpoint of objective response rate; Lilly intends to begin global regulatory submissions of these results in Q3 2017;
- Announced that the RAINFALL study of ramucirumab in first-line gastric cancer met its primary endpoint of improved PFS; as expected, the trial will continue until overall survival (OS) data are mature in 2018;
- At the American Academy of Dermatology Annual Meeting, presented data from the IXORA-S study showing Taltz® (ixekizumab) demonstrated superior efficacy to Stelara® (ustekinumab) at 24 weeks in patients with moderate-to-severe plaque psoriasis; and
- Along with Boehringer Ingelheim, announced initiation of two Phase 3 studies investigating empagliflozin for the treatment of adults with chronic heart failure; the trials will enroll adults with and without T2D as well as with preserved ejection fraction or reduced ejection fraction.

KEY EVENTS SINCE THE LAST EARNINGS CALL

BUSINESS DEVELOPMENT & OTHER

- Completed the acquisition of CoLucid Pharmaceuticals, adding lasmiditan, a potential first-in-class, non-vasoconstrictive migraine treatment, to our pain management pipeline;
- The Japan IP High Court confirmed the decisions of the Japan Patent Office and ruled in Lilly's favor in the invalidation trials initiated by Sawai regarding Lilly's vitamin regimen patents for Alimta®; if the patents are ultimately upheld through all challenges they could provide intellectual property protection for Alimta in Japan until June 2021;
- Announced plans to invest $850 million in the company's U.S. operations in 2017, including research laboratories, manufacturing facilities, and administrative areas; and
- Distributed over $500 million to shareholders via the dividend.

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

	Q1 2017	Change
Total Revenue	$5,228	7%
Gross Margin	74.6%	1.8pp
Total Operating Expense*	3,854	36%
Operating Income	46	(94)%
Other Income (Expense)	15	NM
Effective Tax Rate	281.0%	NM
Net Income (Loss)	**($111)**	**NM**
Diluted EPS	**($0.10)**	**NM**

* 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

	Q1 2017			
	GAAP Reported	Adjust-ments	**Non-GAAP Adjusted**	Non-GAAP Adjusted Change
Total Revenue	$5,228	-	**$5,228**	7%
Gross Margin	74.6%	3.5%	**78.1%**	1.8pp
Total Operating Expense	3,854	(1,073)	**2,781**	3%
Operating Income	46	1,258	**1,304**	28%
Other Income (Expense)	15	-	**15**	(72%)
Effective Tax Rate	281.0%	(259.8%)	**21.2%**	3.3pp
Net Income (Loss)	($111)	$1,150	**$1,040**	18%
Diluted EPS	($0.10)	$1.09	**$0.98**	18%

Note: Numbers may not add due to rounding; see slide 22 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

	Q1 2017	Q1 2016	Change
EPS (reported)	**($0.10)**	**$0.41**	**NM**
Amortization of intangible assets	0.11	0.11	
Asset impairment, restructuring, and other special charges	0.16	0.11	
Venezuela charge	-	0.19	
Acquired in-process R&D	0.81	-	
BI Vetmedica inventory step up	0.01	-	
EPS (non-GAAP)	**$0.98**	**$0.83**	**18%**

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

EFFECT OF PRICE/RATE/VOLUME ON REVENUE

Millions

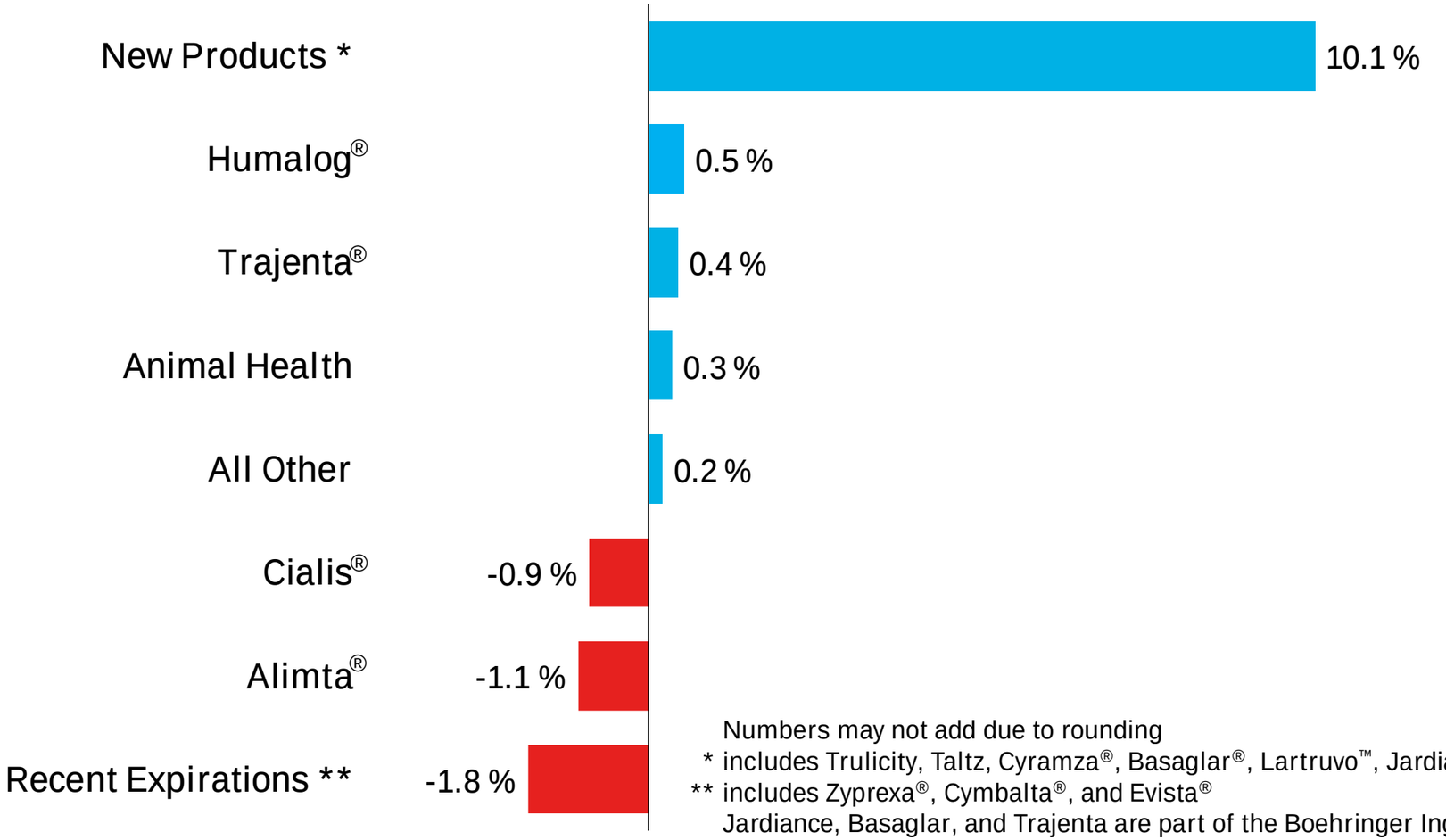
	Q1 2017					
Pharmaceuticals	**Amount**	**Price**	**FX Rate**	**Volume**	**Total**	**CER**
U.S.	$2,519.7	4%	-	12%	16%	16%
Europe	765.3	(4%)	(4%)	3%	(5%)	(1%)
Japan	504.5	(4%)	2%	6%	5%	3%
Rest of World	669.4	(3%)	(2%)	7%	2%	4%
Total Pharma	4,459.0	1%	(1%)	9%	8%	9%
Animal Health	769.4	(0%)	(0%)	2%	2%	2%
Total Revenue	**$5,228.3**	0%	(1%)	8%	7%	8%

Note: Numbers may not add due to rounding.

CER = price change + volume change

NEW PRODUCTS DRIVING WW REVENUE GROWTH

Contribution to 8% Q1 WW Volume Growth



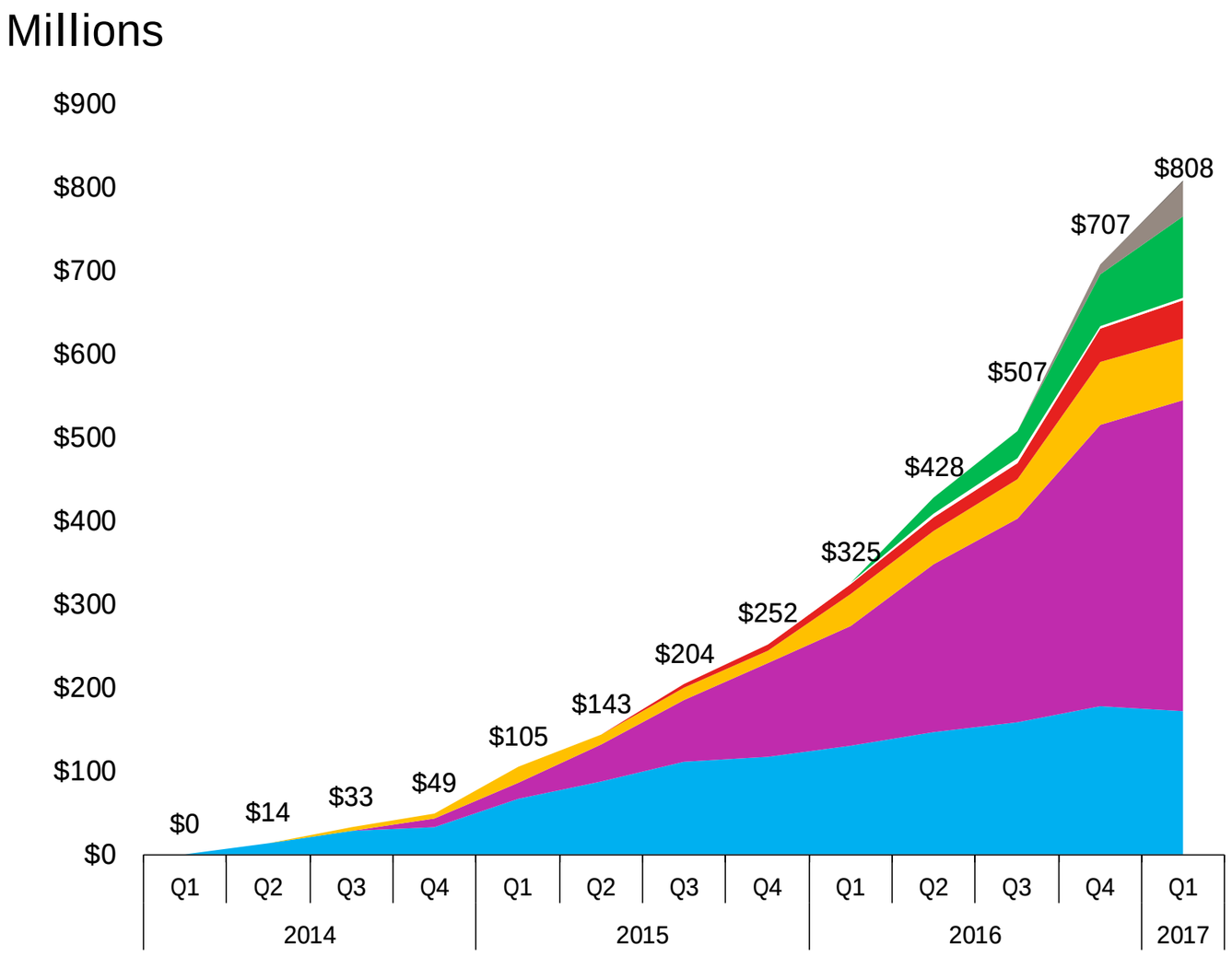
Numbers may not add due to rounding

* includes Trulicity, Taltz, Cyramza®, Basaglar®, Lartruvo™, Jardiance®, Olumiant, and Portrazza®

** includes Zyprexa®, Cymbalta®, and Evista®

Jardiance, Basaglar, and Trajenta 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. NBRx SOM among Endos similar to Victoza®
- GLP-1 class TRx growing ~25% in U.S. due to PCP adoption

CYRAMZA
- 57% SOM in 2nd-line metastatic gastric cancer in Japan
- Competitive pressure in NSCLC in the U.S. from IO agents

JARDIANCE
- New CV indication driving increase in SGLT-2 new patient starts
- Market leader in U.S. NBRx SOM among Endos

TALTZ
- U.S. NBRx Derm SOM nearly 14%; strong IL-17A class growth
- Global launches continue

BASAGLAR
- U.S. NBRx over 20%, surpassing Tresiba and Toujeo
- Basal DoT SOM over 16% in Japan and nearing 4% in Europe

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

OLUMIANT
- European launches ongoing
- U.S. FDA issued complete response letter

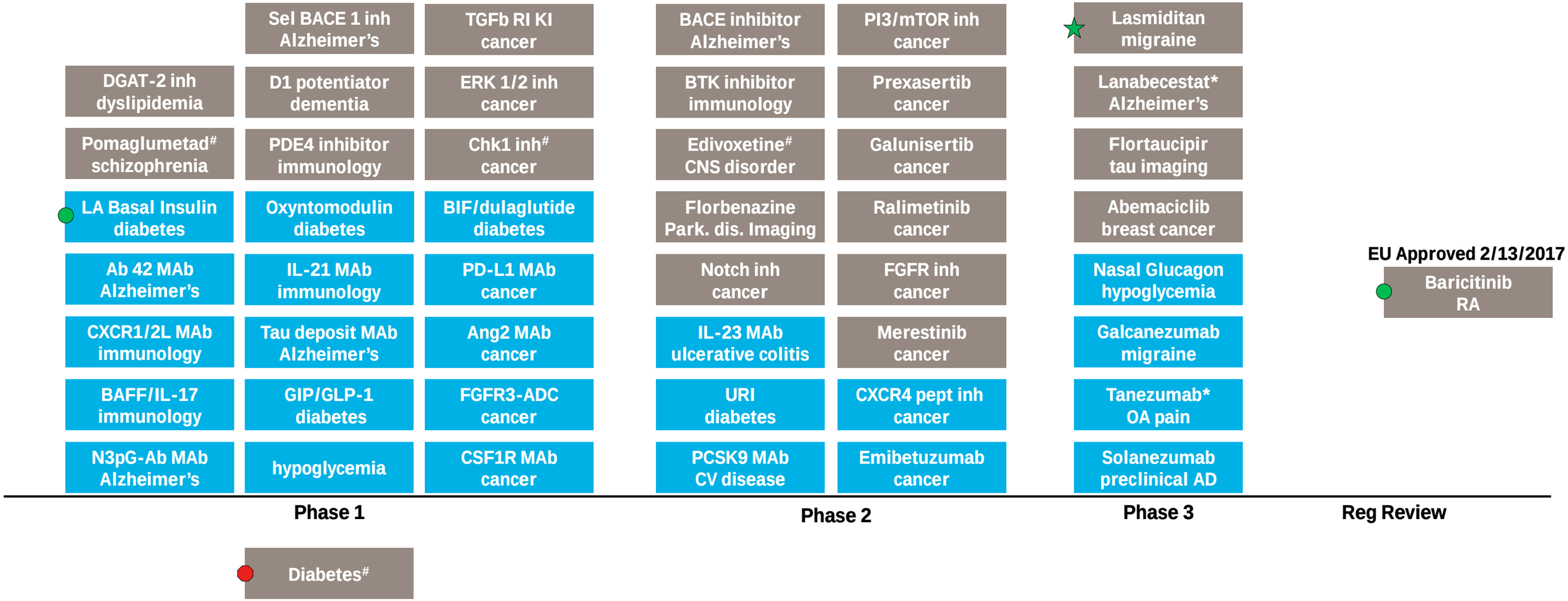
EFFECT OF FOREIGN EXCHANGE ON 2017 RESULTS

Year-on-Year Growth

	Q1 2017	
Reported	**With FX**	**w/o FX**
Total Revenue	7%	8%
Cost of Sales	0%	1%
Gross Margin	10%	11%
Operating Expense	36%	37%
Operating Income	(94)%	(100)%
EPS	NM	NM
Non-GAAP		
Total Revenue	7%	8%
Cost of Sales	(1)%	(0)%
Gross Margin	10%	11%
Operating Expense	3%	4%
Operating Income	28%	32%
EPS	18%	22%

LILLY NME PIPELINE

APRIL 18, 2017



New Chemical Entity (NCE)

New Biotech Entity (NBE)

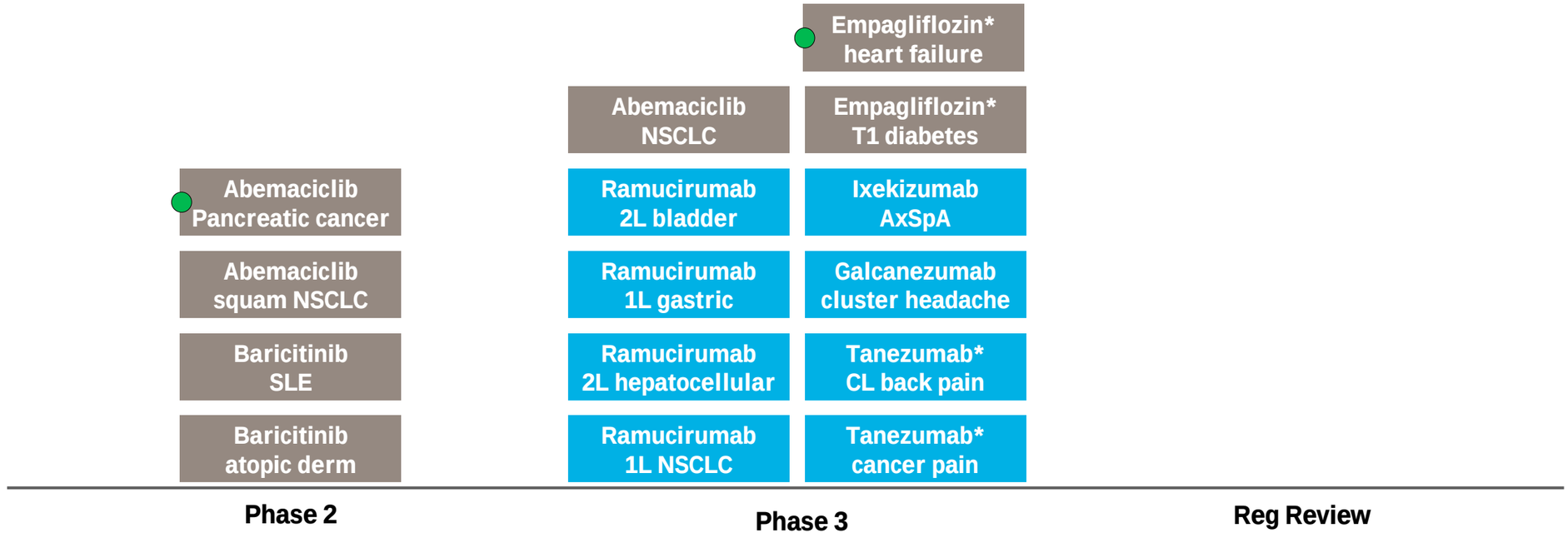
MOVEMENT SINCE JANUARY 18, 2017: Achieved milestone Attrition New molecule

*Commercial collaborations #Owned by third parties; Lilly retains rights

LILLY SELECT NILEX PIPELINE

APRIL 18, 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 JANUARY 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
- Empagliflozin for heart failure (HFrEF) [1]
- Empagliflozin for heart failure (HFpEF) [1]

PHASE 3 DATA INTERNAL READOUTS

- Flortaucipir (18F AV-1451) tau imaging agent
- Abemaciclib JUNIPER study
- Ramucirumab RAINFALL 1L gastric (initial PFS readout)
- Alimta+platinum+Keytruda in 1L nonsquamous NSCLC (KN-189) [2]

PHASE 3 DATA EXTERNAL DISCLOSURES

- Galcanezumab for migraine prevention
- Lasmiditan SPARTAN study
- Abemaciclib MONARCH 2 study
- Abemaciclib MONARCH 3 study
- Ramucirumab RANGE study in 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)
- Fruquitinib for 3L metastatic colorectal cancer (China)
- Ixekizumab for psoriatic arthritis (US)

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
  - Germany
  - Japan

[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	unchanged
Gross Margin % of Revenue (GAAP)	Approx. 73.5%	unchanged
Gross Margin % of Revenue (non-GAAP)	Approx. 77.0%	unchanged
Marketing, Selling & Administrative	$6.4 to $6.6 billion	unchanged
Research & Development	$4.9 to $5.1 billion	unchanged
Other Income/(Expense)	$0 - $100 million	unchanged
Tax Rate (GAAP)	Approx. 24.5%	unchanged
Tax Rate (non-GAAP)	Approx. 22.0%	unchanged
Earnings per Share (GAAP)	$2.69 to $2.79	$2.60 to $2.70
Earnings per Share (non-GAAP)	$4.05 to $4.15	unchanged
Capital Expenditures	Approx. $1.2 billion	unchanged

FX rates for current guidance:

- Euro at 1.07
- Yen at 111
- Pound at 1.25

SUMMARY

- Continued momentum with our innovation-based strategy
- Eight product launches since 2014, two more launches possible by year end 2018
- Raising expectations for outcomes and delivering value to the healthcare system, leading to volume-based revenue growth and expanding margins
- Focused on continued execution of strategy 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

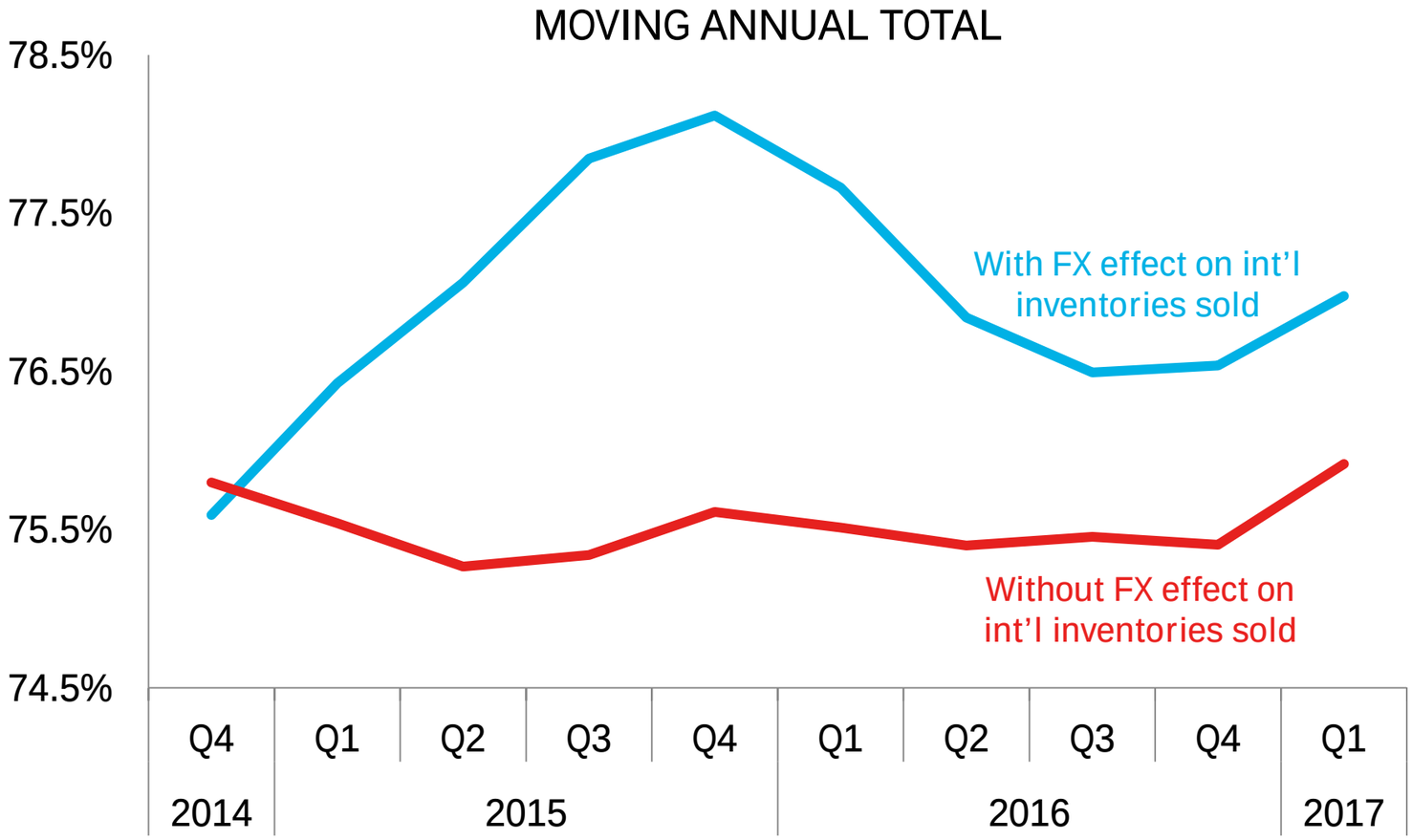
SUSTAIN FLOW OF INNOVATION

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	76.3%	78.2%	79.2%	77.8%	77.3%	76.3%	76.0%	76.4%	77.4%	78.1%
w/o FX effect on int'l inv sold	74.7%	75.3%	76.2%	75.2%	75.7%	74.9%	75.7%	75.5%	75.5%	77.1%

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.

Q1 2017 INCOME STATEMENT NOTES

Q1 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 $176.1 million (pretax), or $0.11 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 $10.4 million (pretax), or $0.01 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 related to the acquisition of Novartis Animal Health, totaling $213.9 million, or $0.16 per share (after-tax).

Q1 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 $172.5 million (pretax), or $0.11 per share (after-tax);
- charges associated with asset impairments related to the closure of an animal health manufacturing facility in Ireland and integration costs related to the acquisition of Novartis Animal Health totaling $131.4 million (pretax), or $0.11 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).

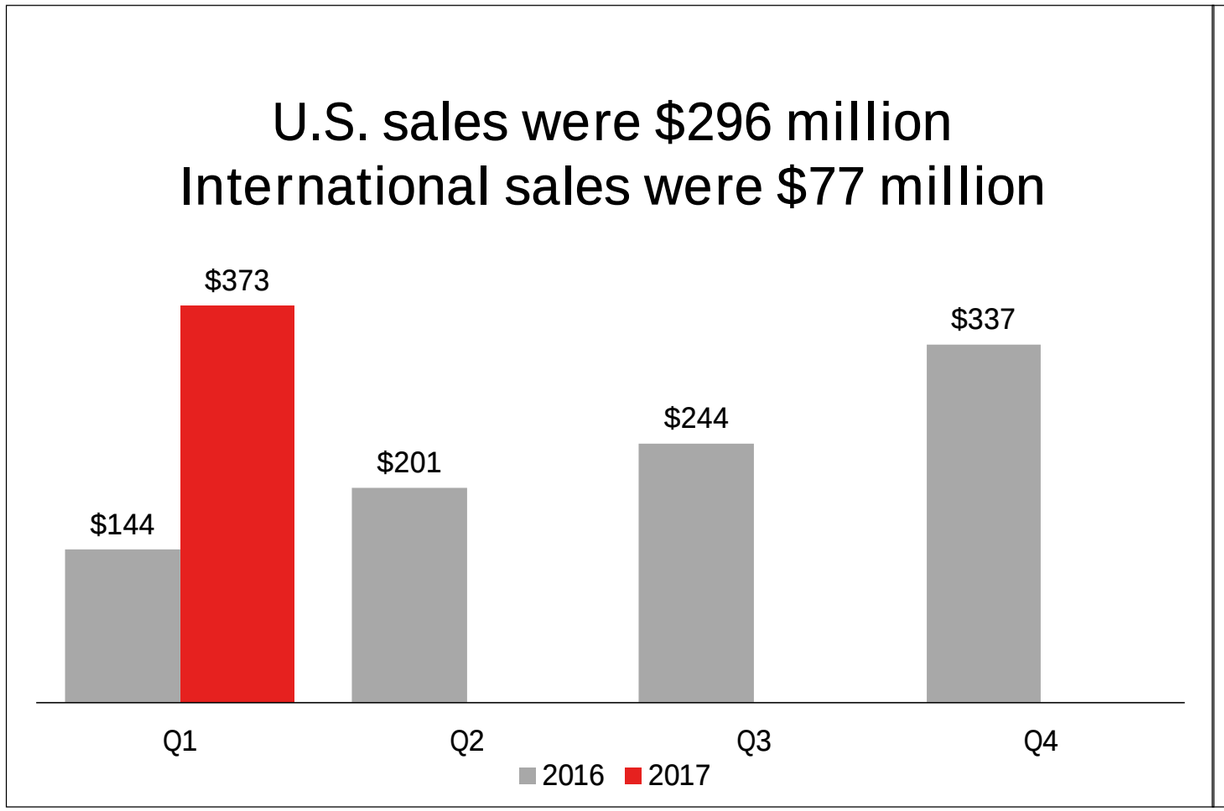
COMPARATIVE EPS SUMMARY 2016/2017

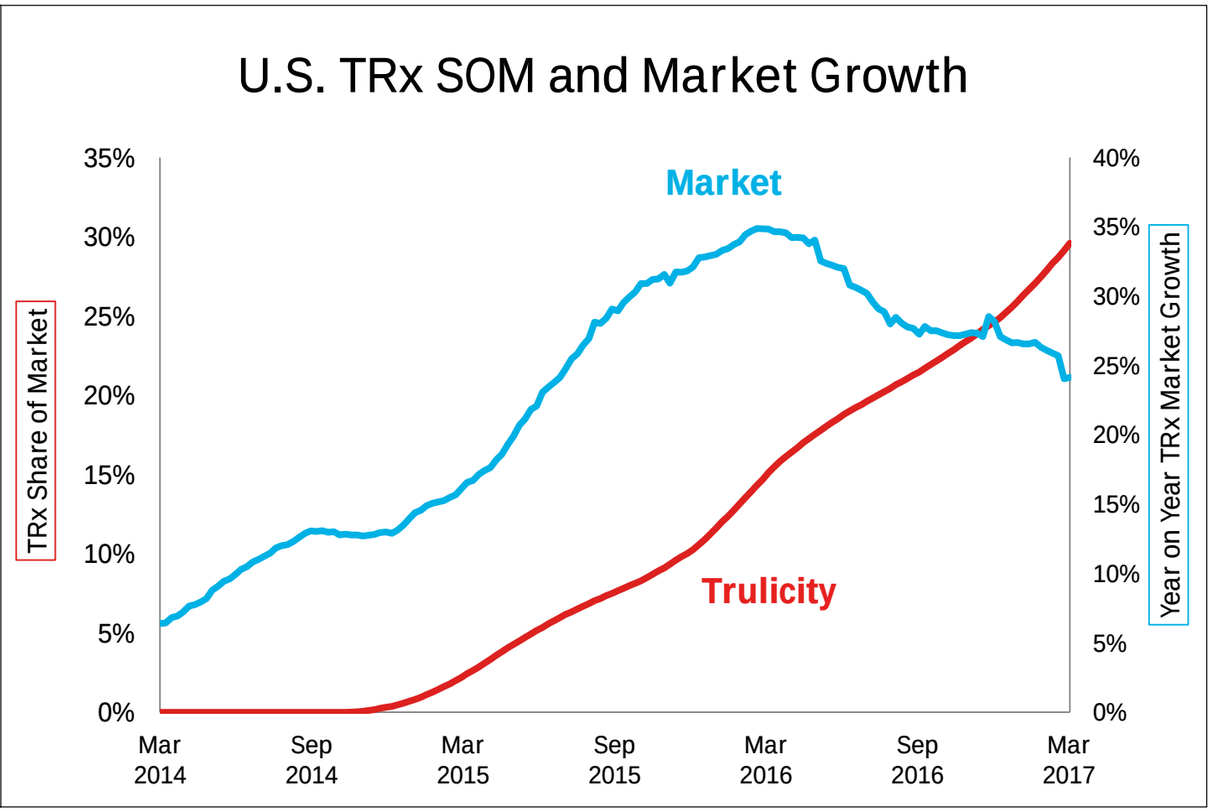
	1Q16	2Q16	3Q16	4Q16	2016	1Q17	2Q17	3Q17	4Q17	2017
Reported	0.41	0.71	0.73	0.73	2.58	(0.10)				
Non-GAAP	0.83	0.86	0.88	0.95	3.52	0.98				

Note: Numbers may not add due to rounding.
For a complete reconciliation to reported earnings, see slide 22 and our earnings press release dated April 25, 2017.

Q1 2017 TRULICITY SALES WERE UP 160%

Millions

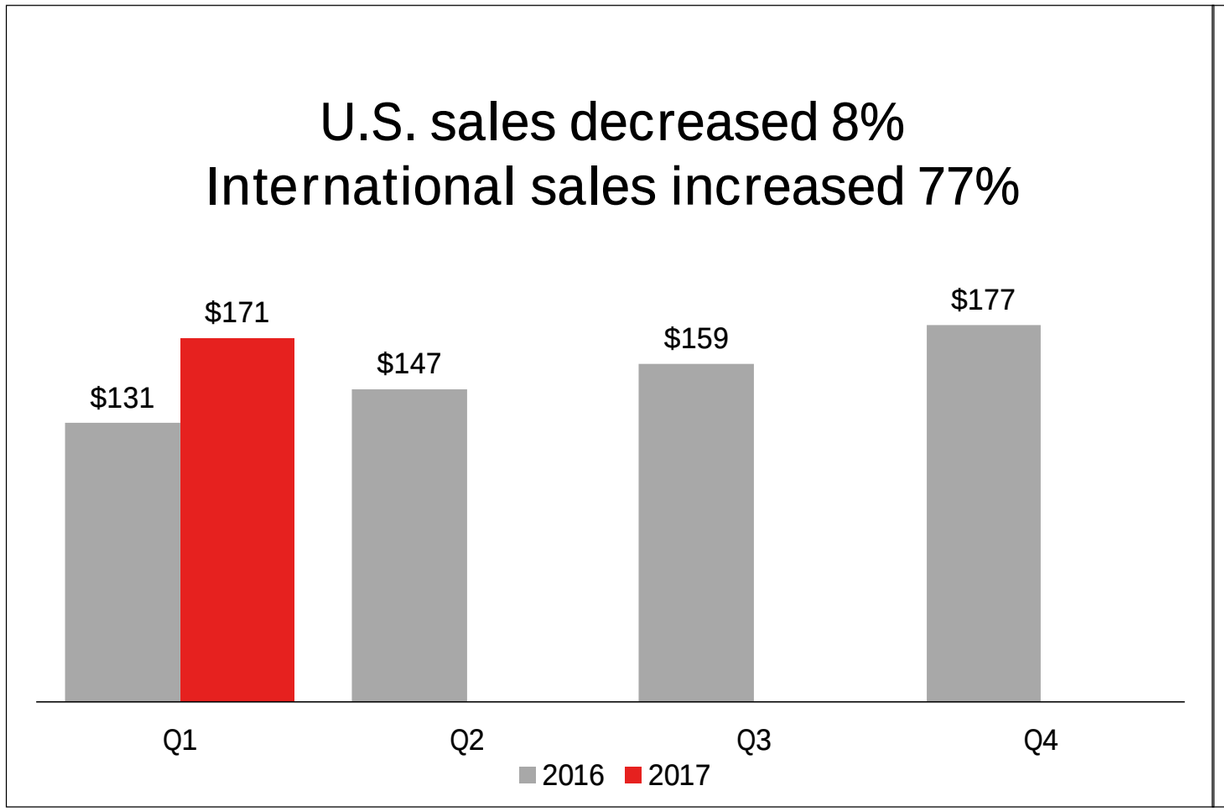


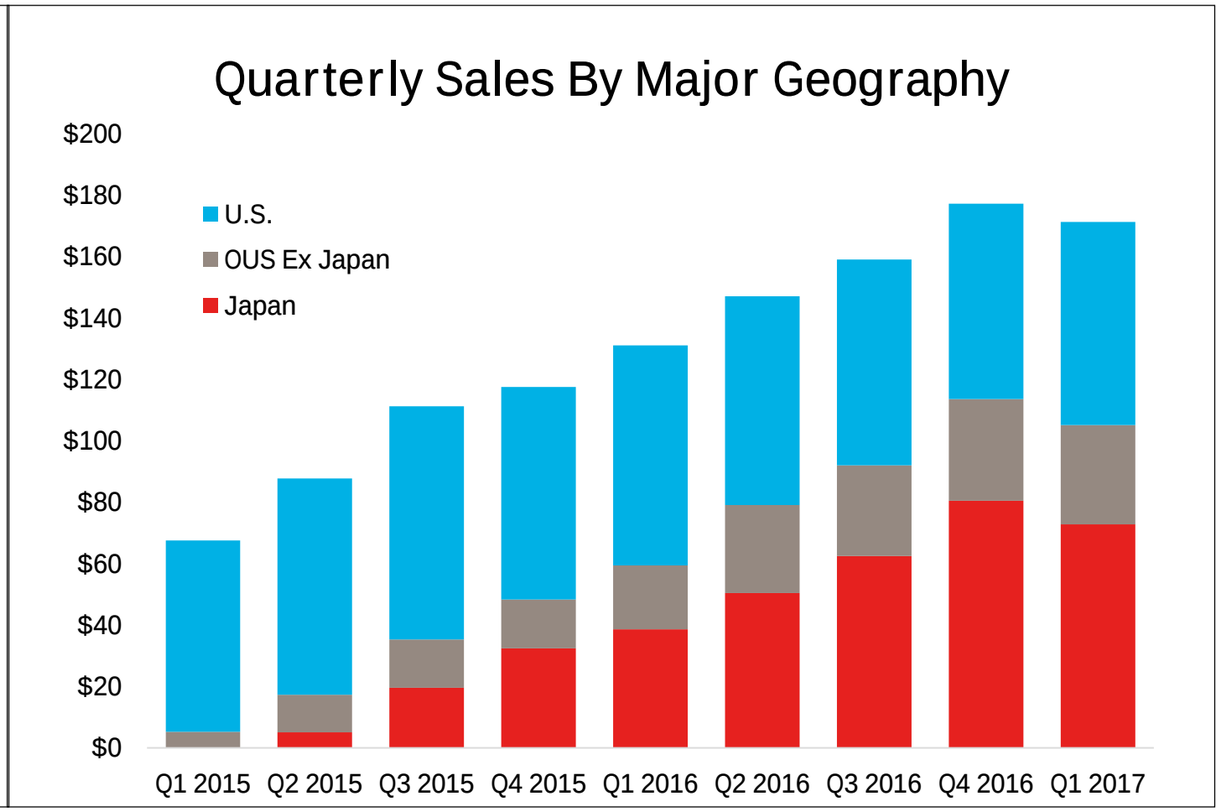


Source: QuintilesIMS Health NPA TRx 3MMA, weekly data March 31, 2017

Q1 2017 CYRAMZA SALES INCREASED 31%

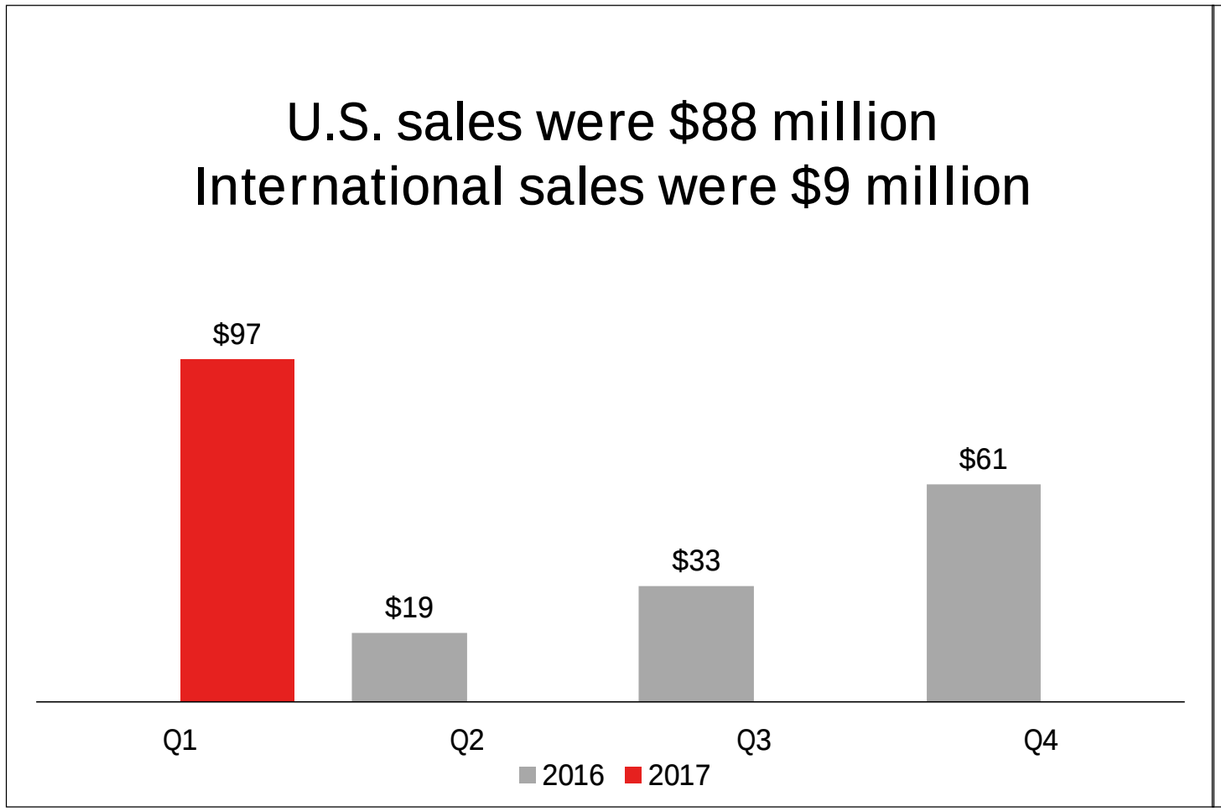
Millions

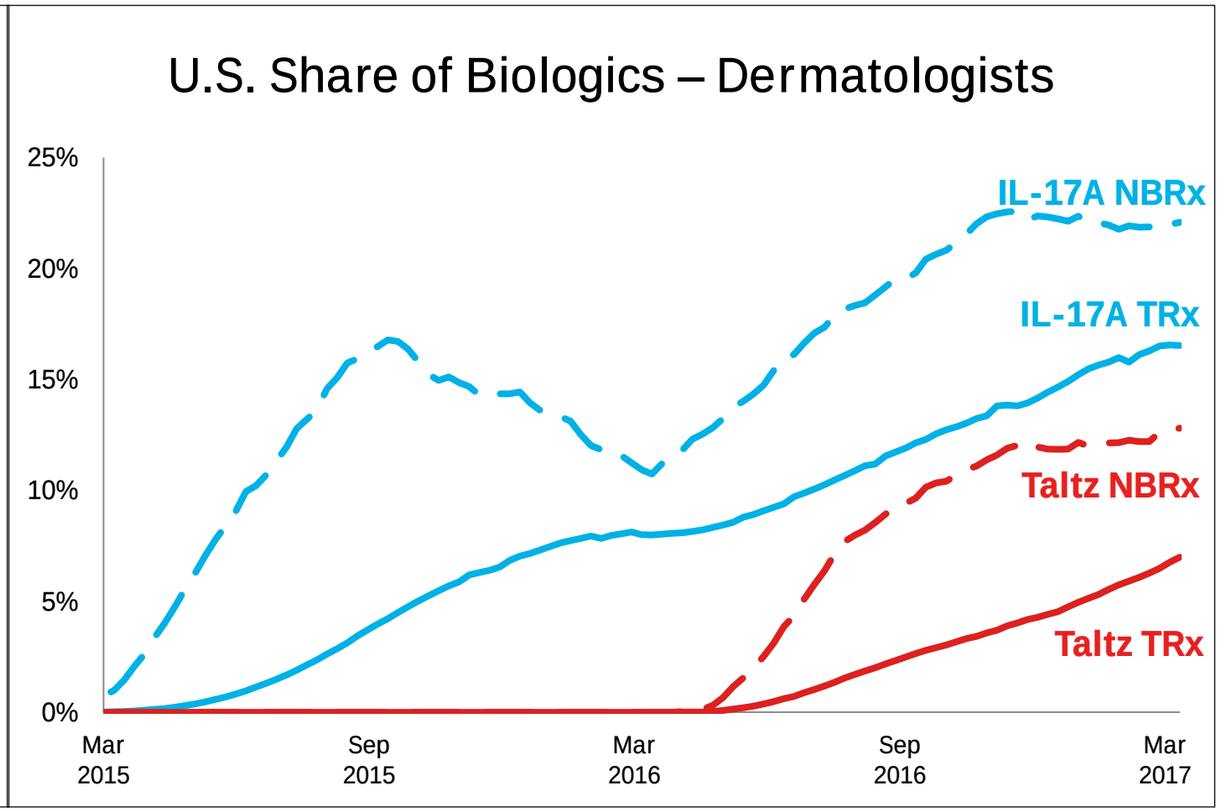




Q1 2017 TALTZ SALES WERE $97 MILLION

Millions

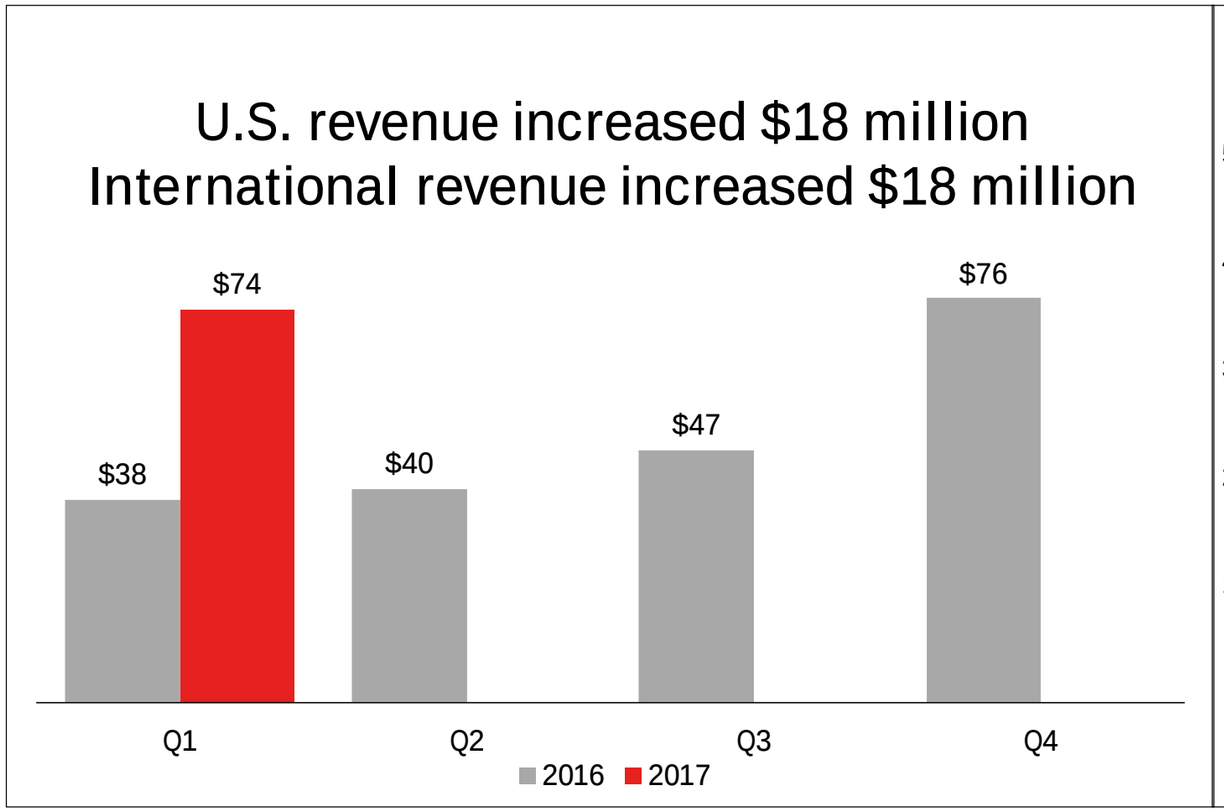


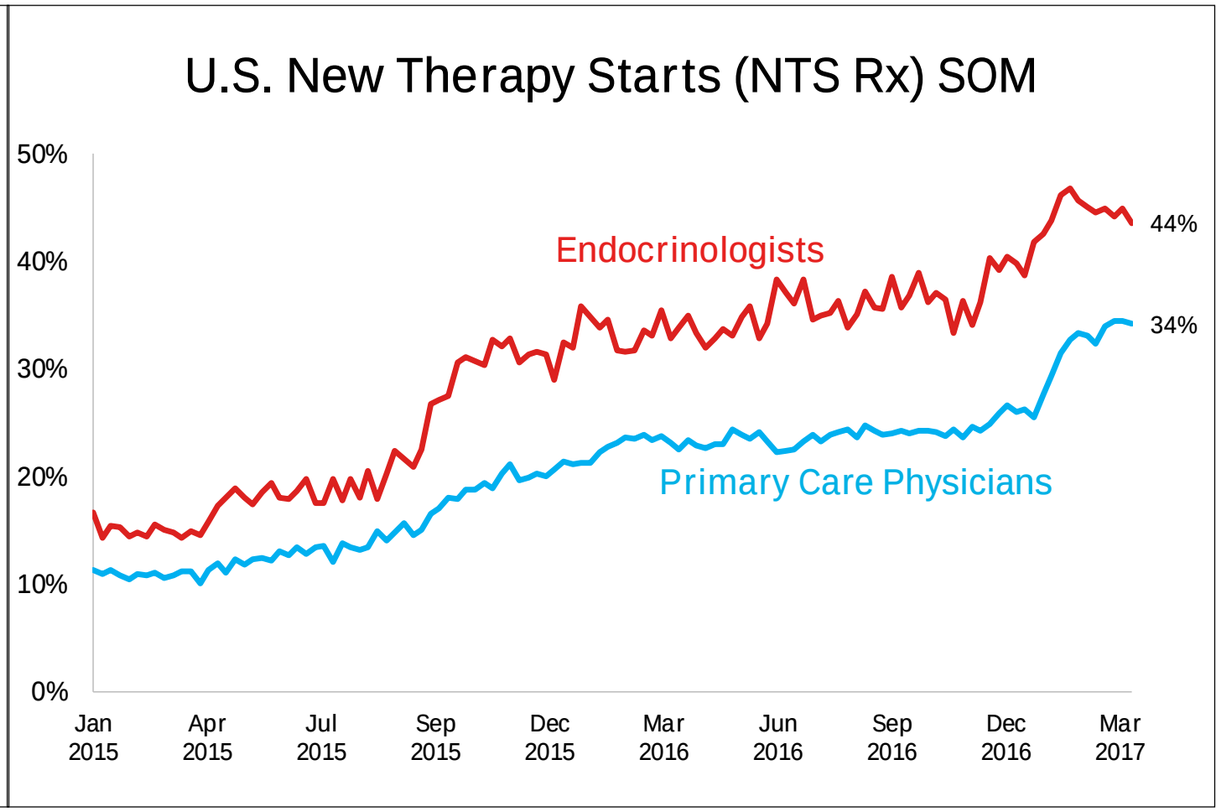


Source: QuintilesIMS Health NPA TRx and NBRx 3MMA, weekly data March 31, 2017

Q1 2017 JARDIANCE REVENUE WAS $74 MILLION

Millions



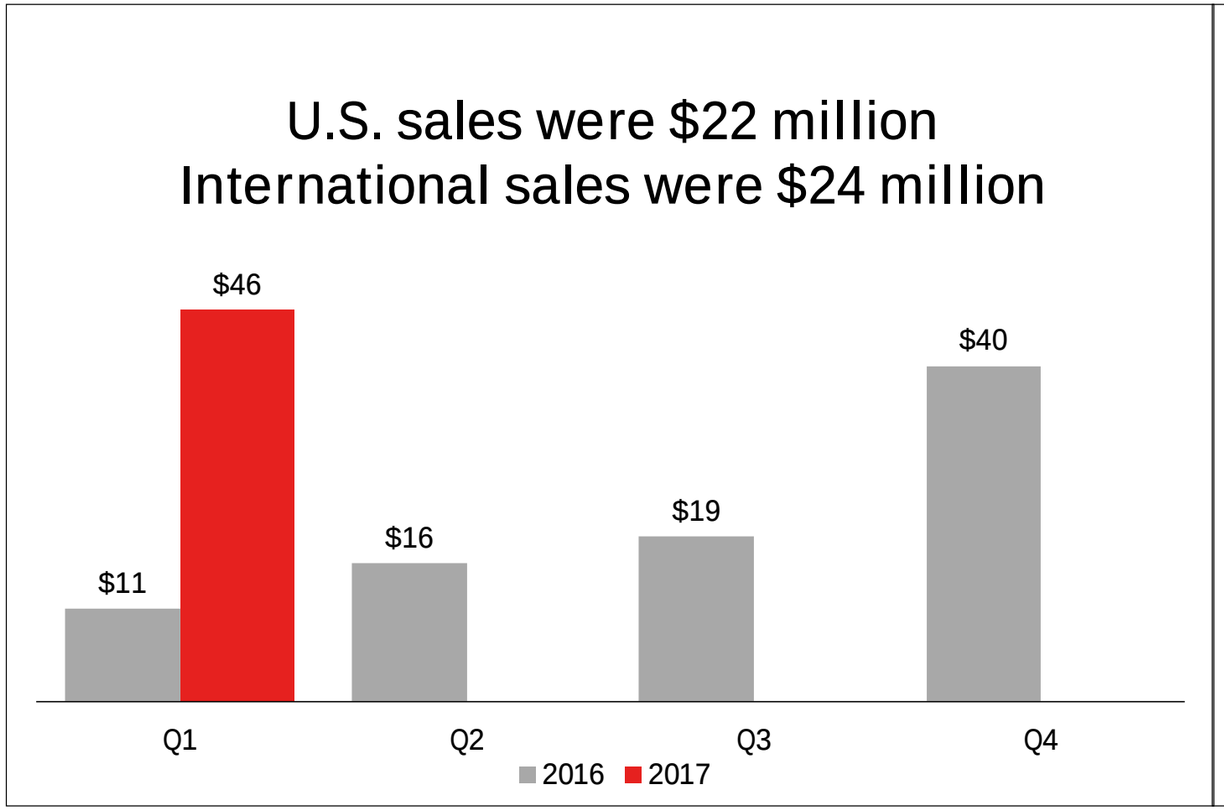


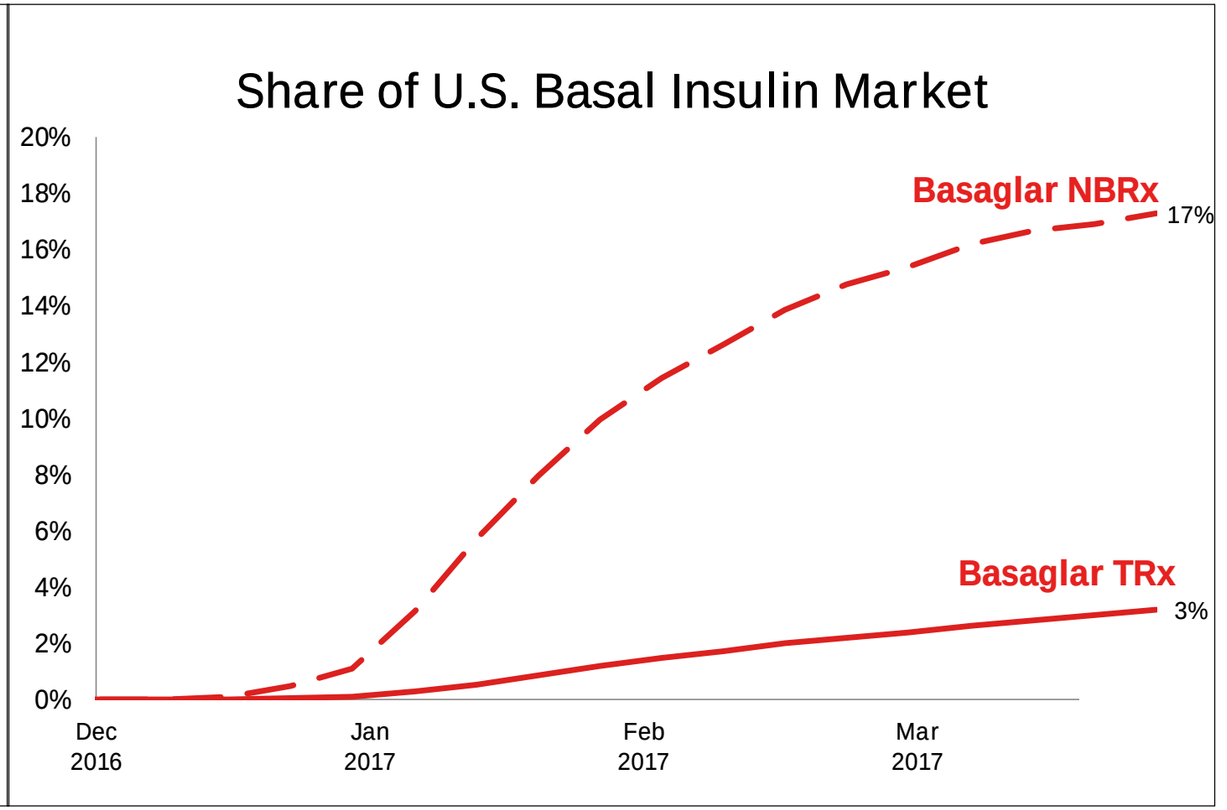
Source: QuintilesIMS Health NPA NTS Rx 3MMA, weekly data March 31, 2017

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

Q1 2017 BASAGLAR SALES WERE $46 MILLION

Millions





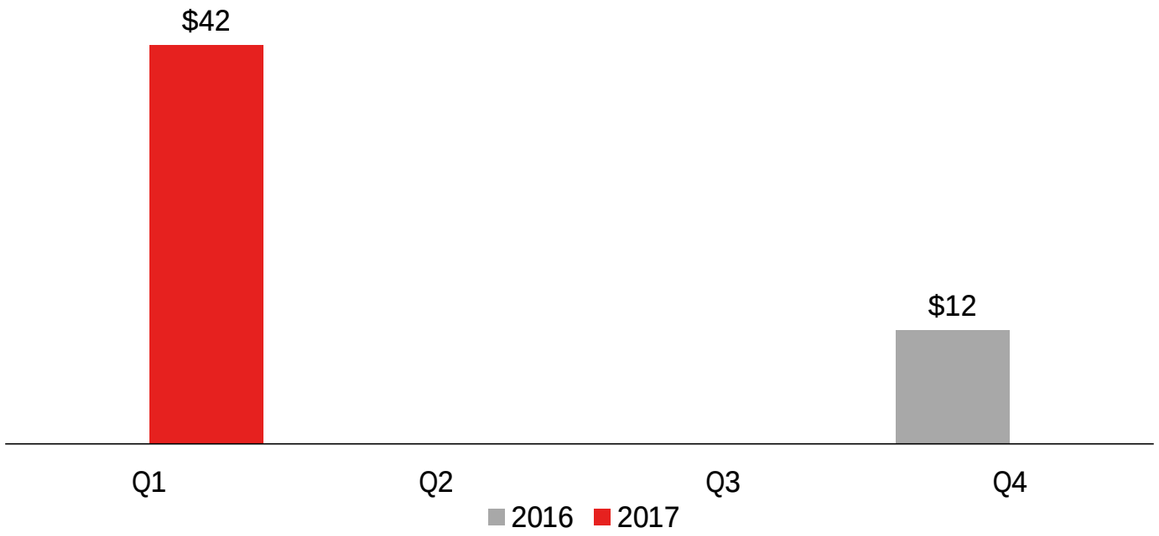
Source: QuintilesIMS Health NPA TRx and NBRx 1MMA, weekly data March 31, 2017

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

Q1 2017 LARTRUVO SALES WERE $42 MILLION

Millions

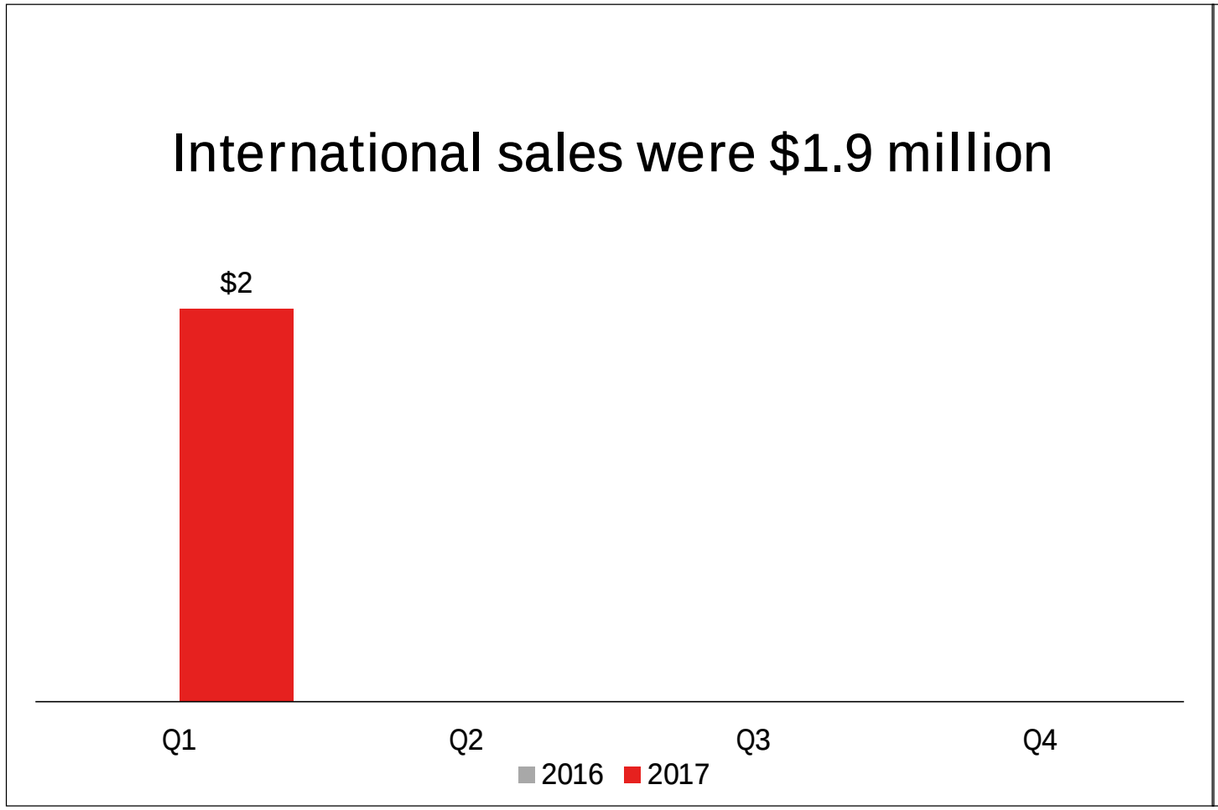
U.S. sales were $38 million
International sales were $4 million



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

Q1 2017 OLUMIANT SALES WERE $2 MILLION

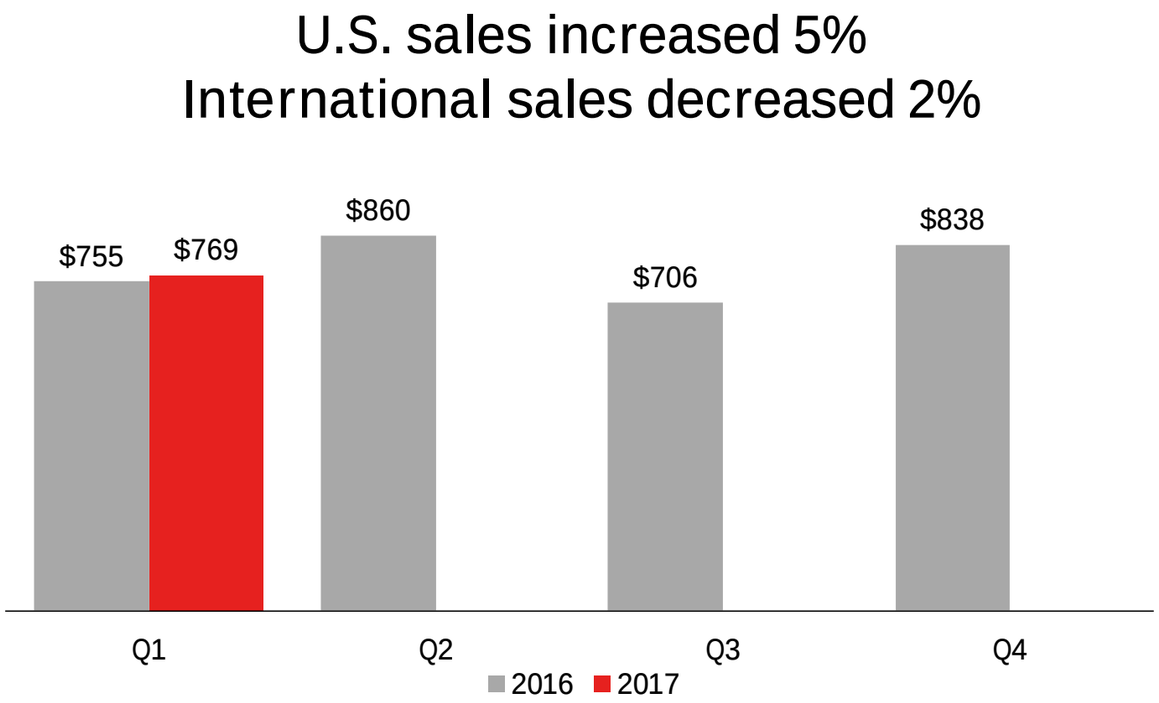
Millions



- Q1 sales reflect the initial launch in Germany

Q1 2017 ANIMAL HEALTH SALES INCREASED 2%

Millions

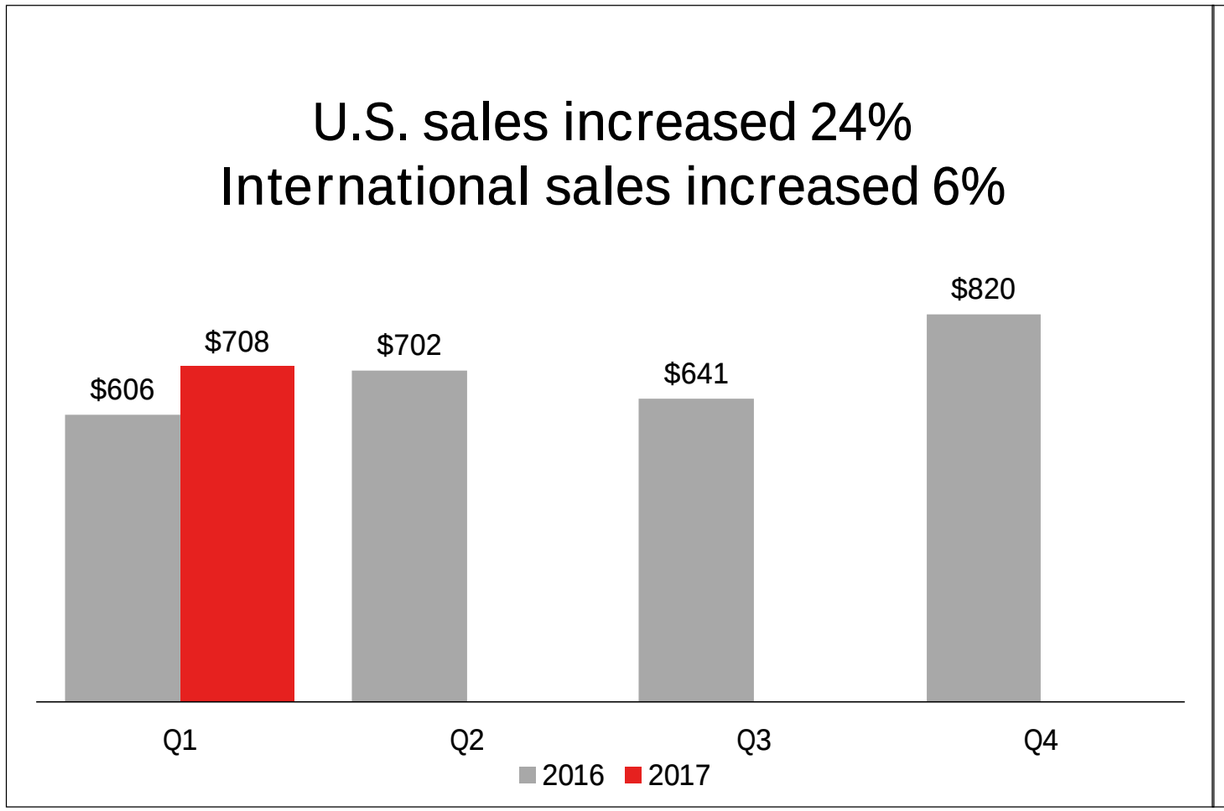


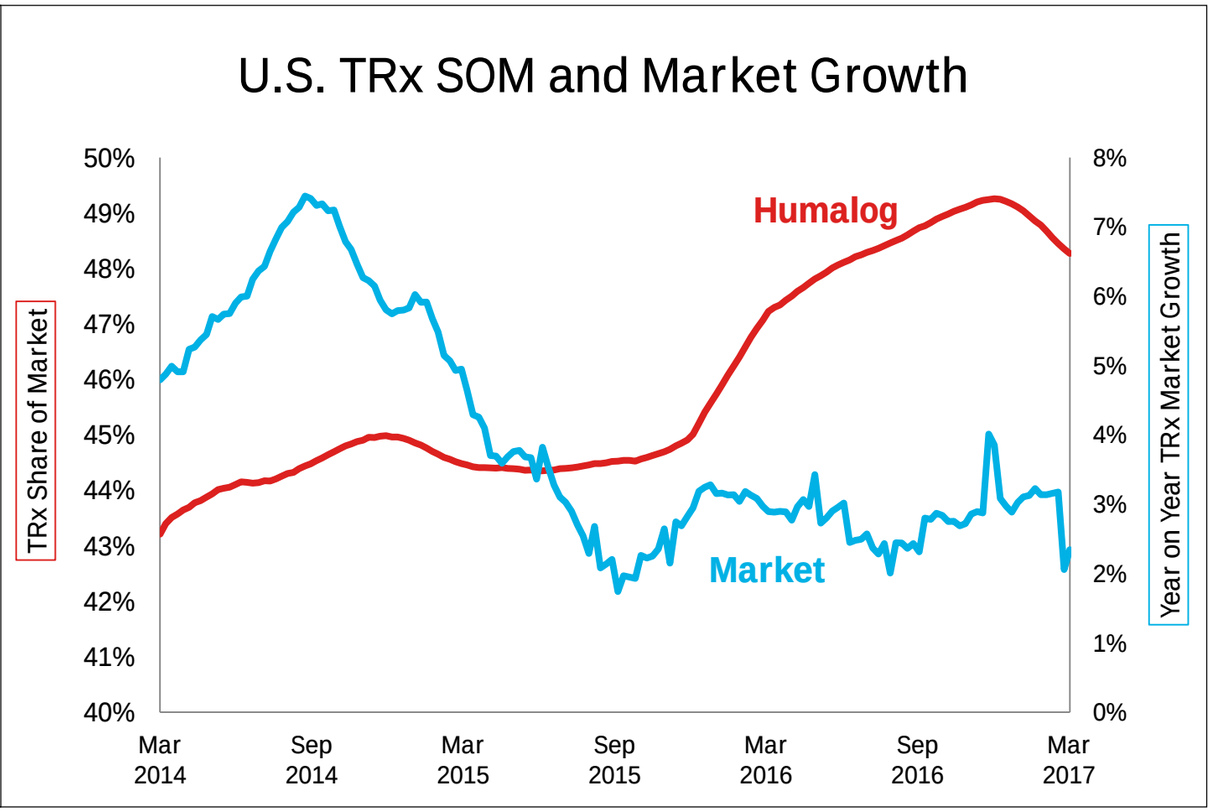
	Q1 Sales	Change	Performance	Rate
U.S. Companion	$175.0	23%	23%	-
U.S. Food and Other	$238.8	(4%)	(4%)	-
OUS Companion	$86.3	(3%)	(2%)	(1%)
OUS Food and Other	$269.3	(1%)	(1%)	(0%)
WW Animal Health	$769.4	2%	2%	(0%)

- U.S. companion animal sales increase driven by revenue from the acquisition of Boehringer Ingelheim Vetmedica's U.S. feline, canine, and rabies vaccine portfolio
- U.S. food animal sales decrease due to continued economic pressure in the dairy market

Q1 2017 HUMALOG SALES INCREASED 17%

Millions

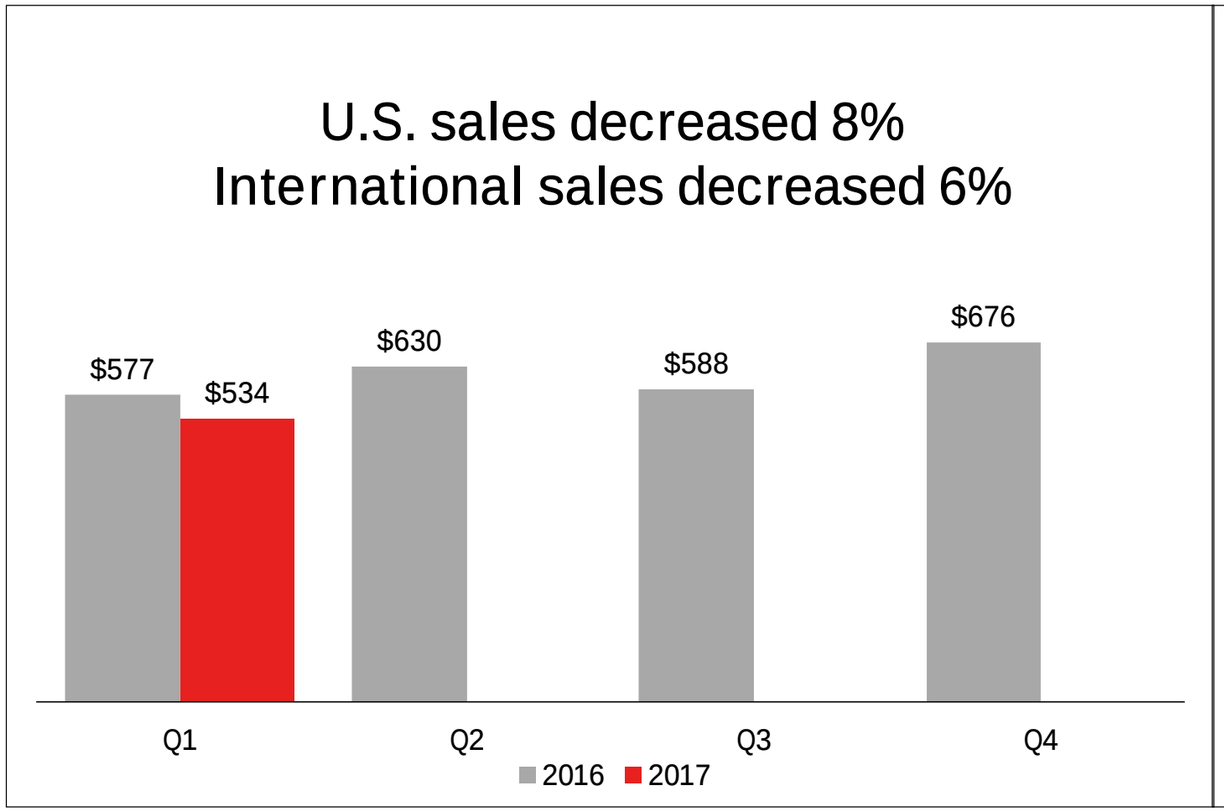


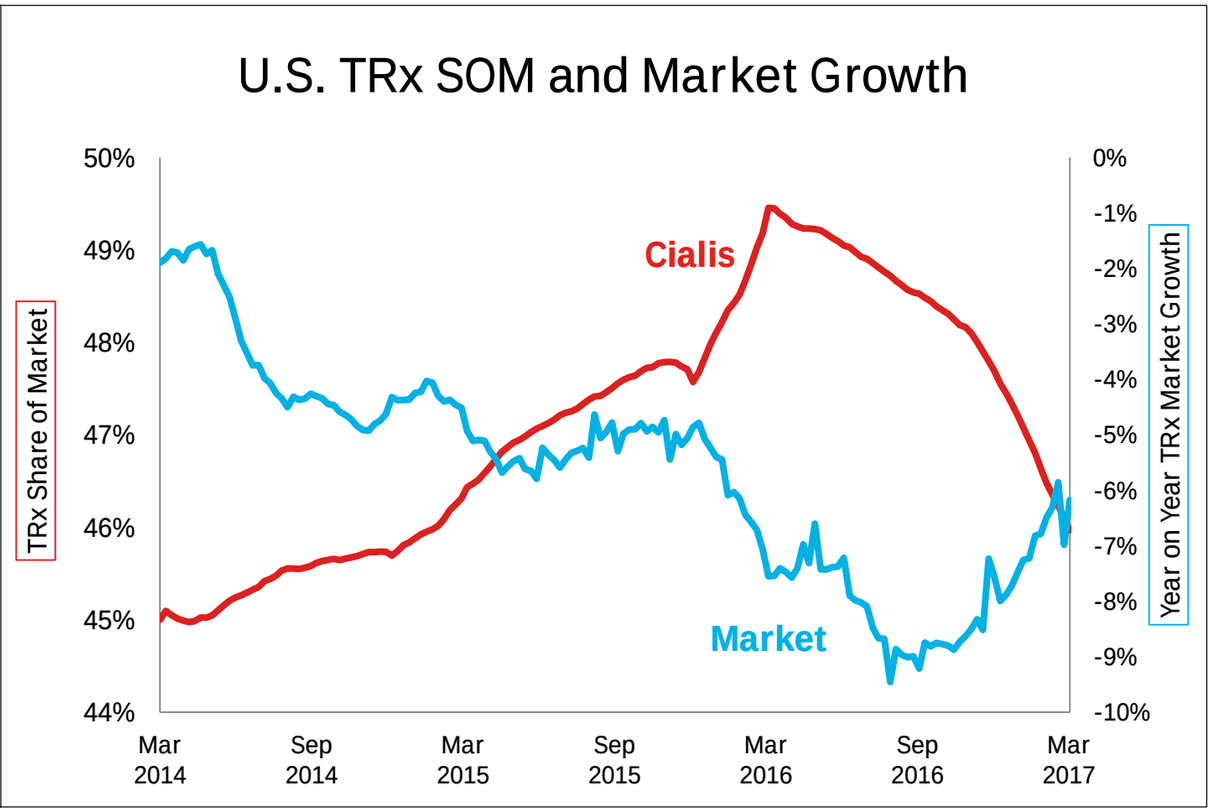


Source: QuintilesIMS Health NPA TRx 3MMA, weekly data March 31, 2017

Q1 2017 CIALIS SALES DECREASED 7%

Millions



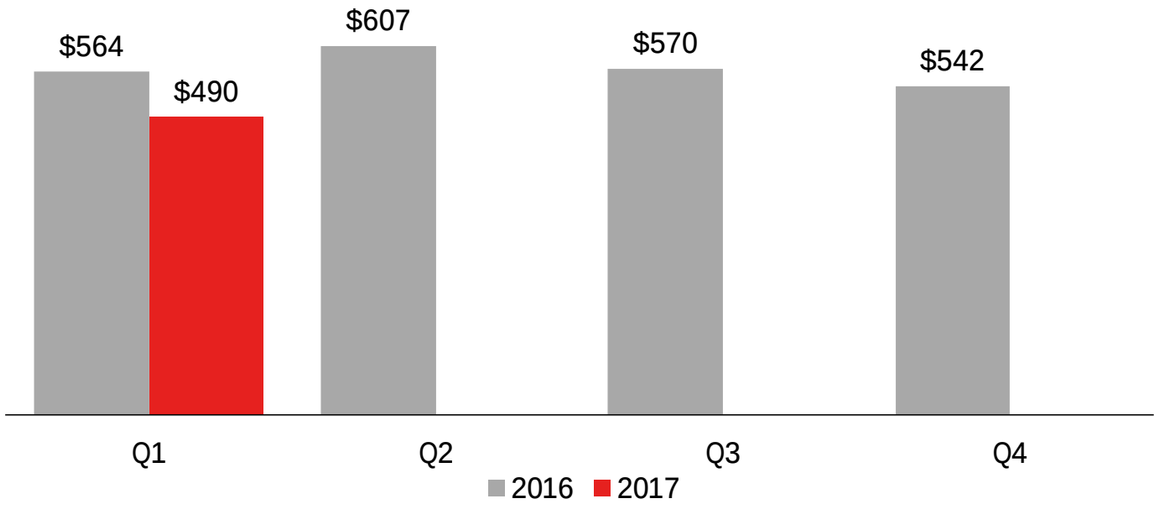


Source: QuintilesIMS Health NPA TRx 3MMA, weekly data March 31, 2017

Q1 2017 ALIMTA SALES DECREASED 13%

Millions

U.S. sales decreased $36 million
International sales decreased $38 million



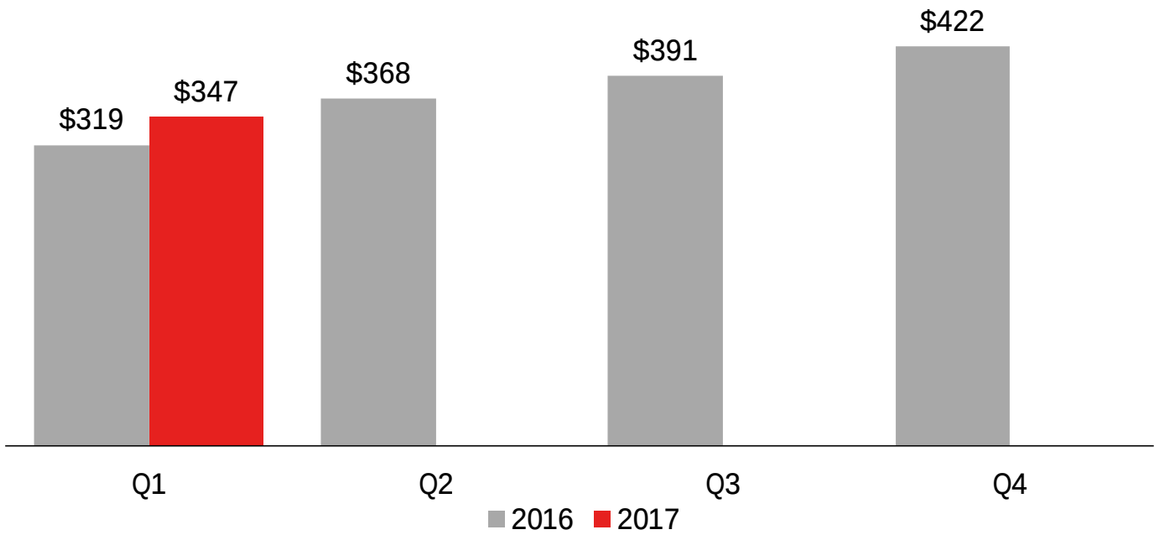
	Q1 Sales	Change	Performance	Rate
U.S. Alimta	$227.3	(14%)	(14%)	-
OUS Alimta	$262.6	(13%)	(11%)	(2%)
WW Alimta	$489.9	(13%)	(12%)	(1%)

- U.S. sales decreased due to lower demand, primarily from competition from immuno-oncology agents
- OUS sales decreased due to generic uptake and lower prices

Q1 2017 FORTEO® SALES INCREASED 9%

Millions

U.S. sales increased $30 million
International sales decreased $1 million

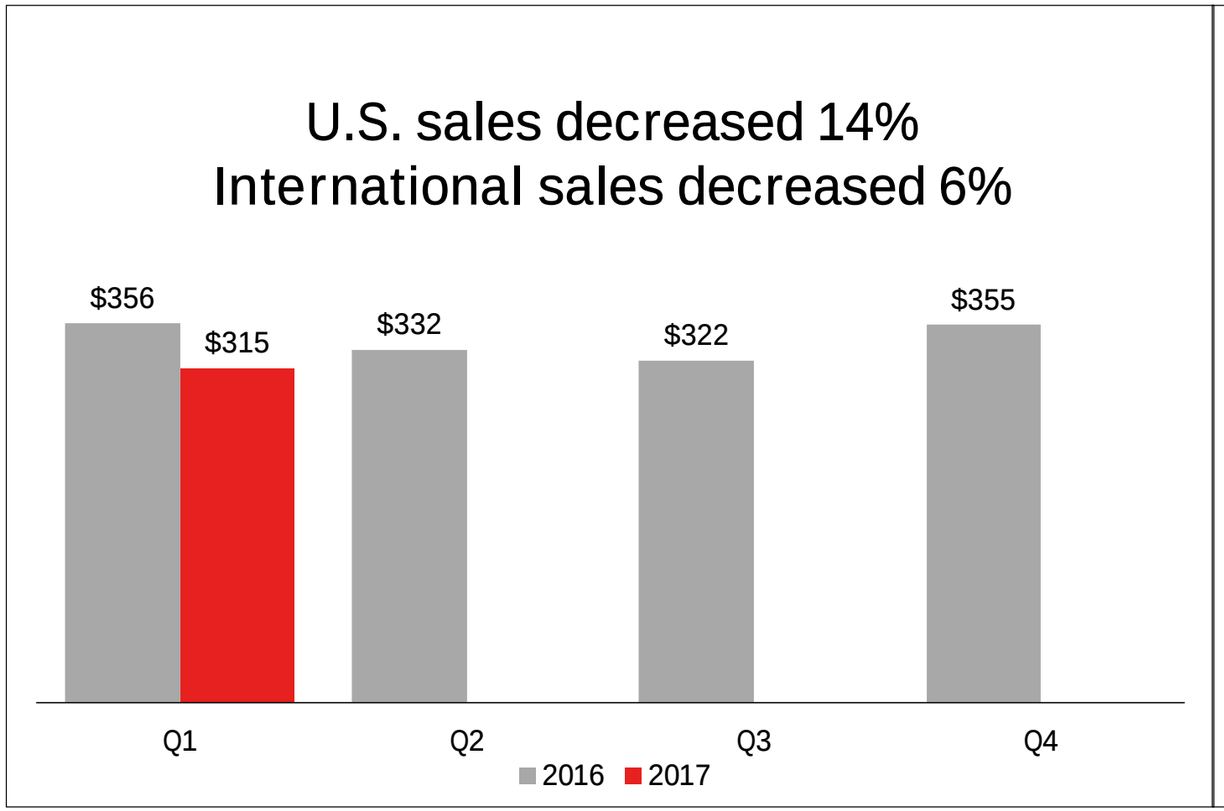


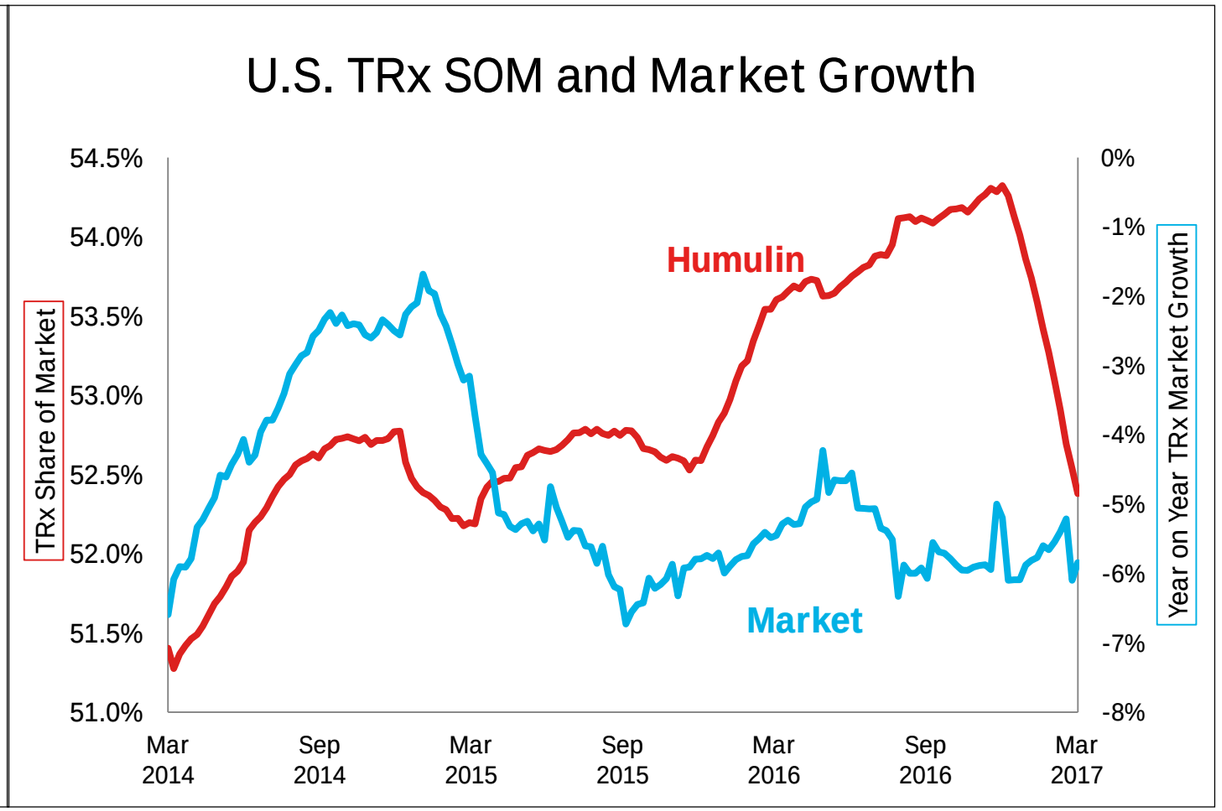
	Q1 Sales	Change	Performance	Rate
U.S. Forteo	$177.7	20%	20%	-
OUS Forteo	$169.8	(0%)	(1%)	0%
WW Forteo	$347.5	9%	9%	0%

- U.S. sales increase driven by higher realized prices
- OUS sales essentially unchanged as lower prices due to the bi-annual price revision in Japan were mostly offset by higher volume

Q1 2017 HUMULIN® SALES DECREASED 12%

Millions

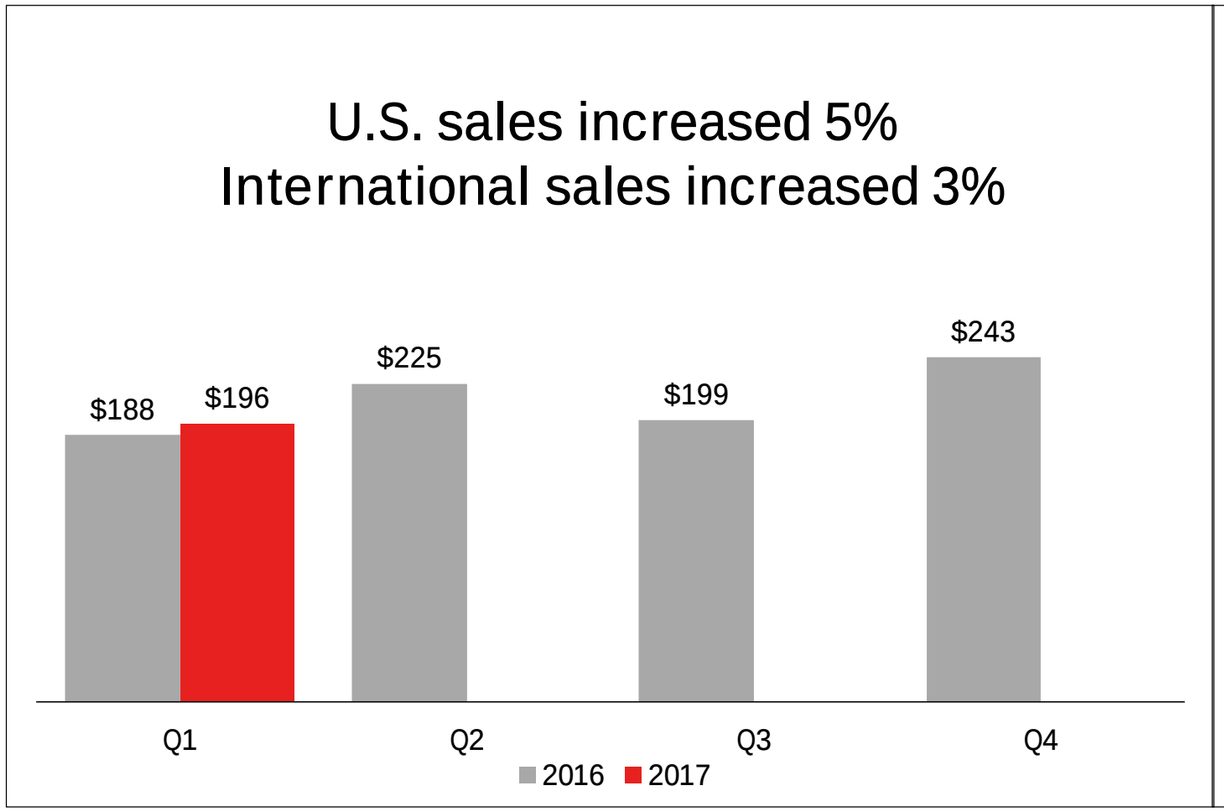


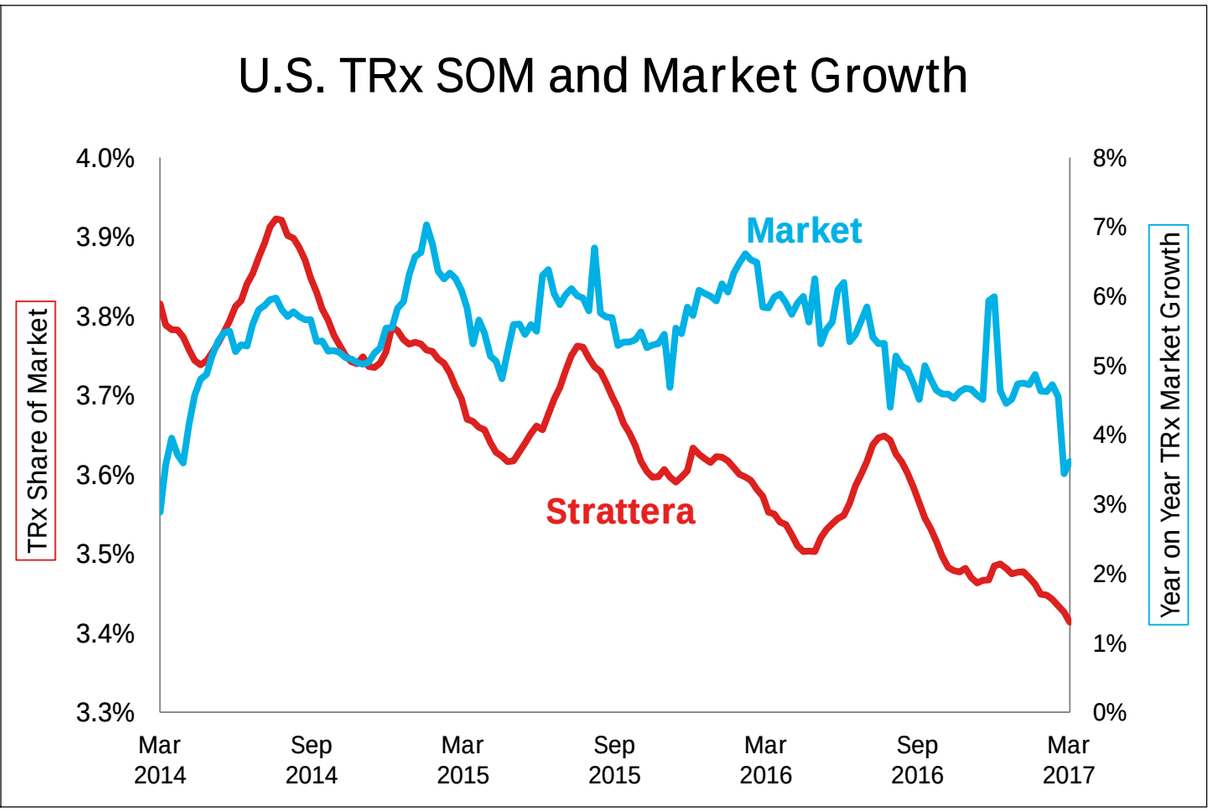


Source: QuintilesIMS Health NPA TRx 3MMA, weekly data March 31, 2017

Q1 2017 STRATTERA® SALES INCREASED 4%

Millions



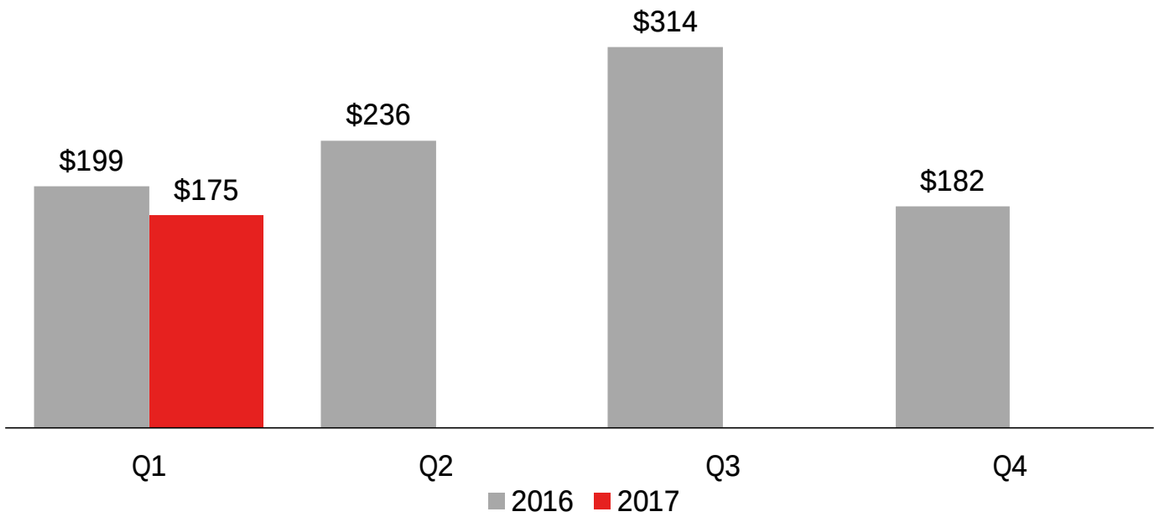


Source: QuintilesIMS Health NPA TRx 3MMA, weekly data March 31, 2017

Q1 2017 CYMBALTA SALES DECREASED 12%

Millions

U.S. sales increased $11 million
International sales decreased $35 million



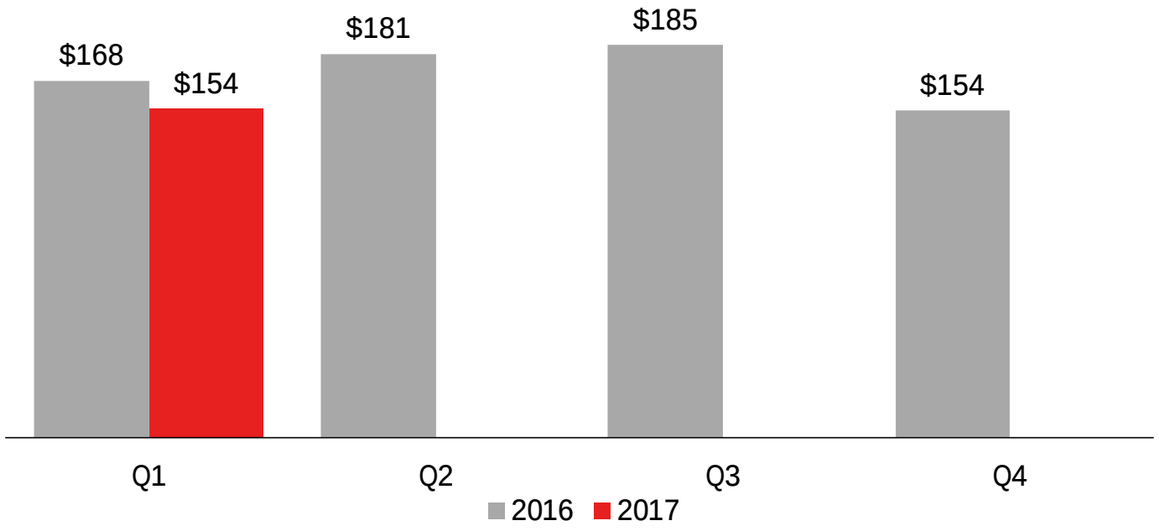
	Q1 Sales	Change	Performance	Rate
U.S. Cymbalta	$34.1	46%	46%	-
OUS Cymbalta	$140.5	(20%)	(20%)	(0%)
WW Cymbalta	$174.6	(12%)	(12%)	(0%)

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

Q1 2017 ERBITUX® REVENUE DECREASED 8%

Millions

U.S. sales decreased $11 million
International revenue decreased $3 million



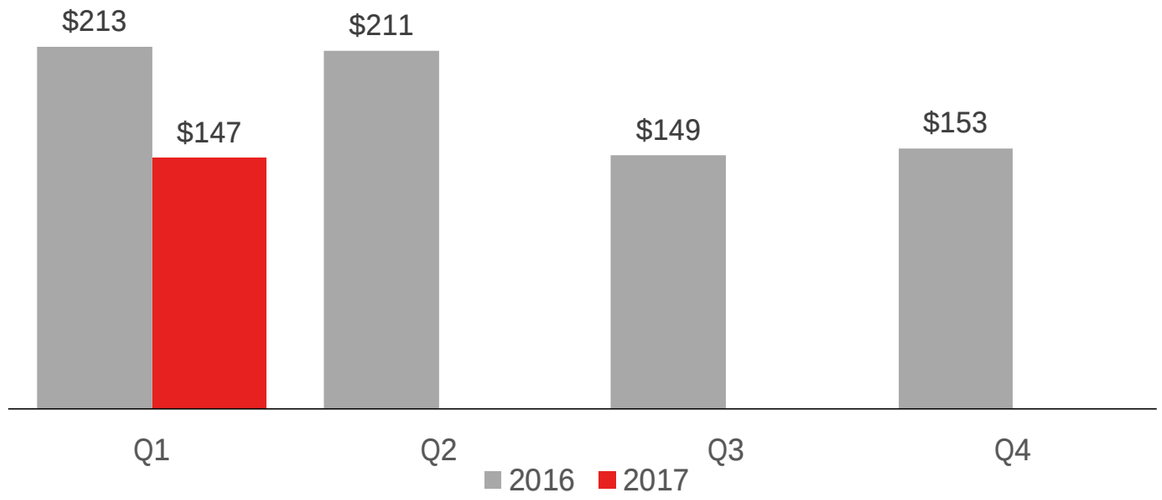
	Q1 Revenue	Change	Performance	Rate
U.S. Erbitux	$129.2	(8%)	(8%)	-
OUS Erbitux	$25.2	(9%)	(10%)	1%
WW Erbitux	$154.4	(8%)	(8%)	0%

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

Q1 2017 ZYPREXA SALES DECREASED 31%

Millions

U.S. sales decreased $14 million
International sales decreased $51 million

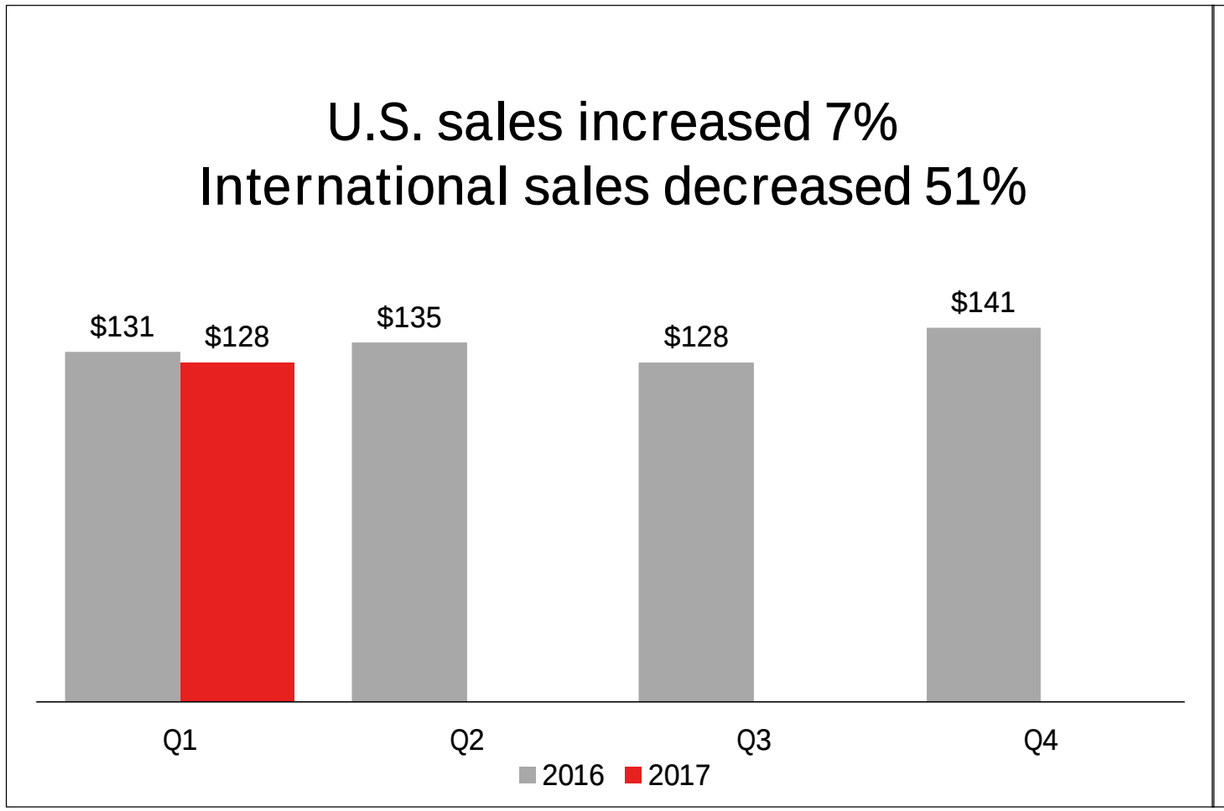


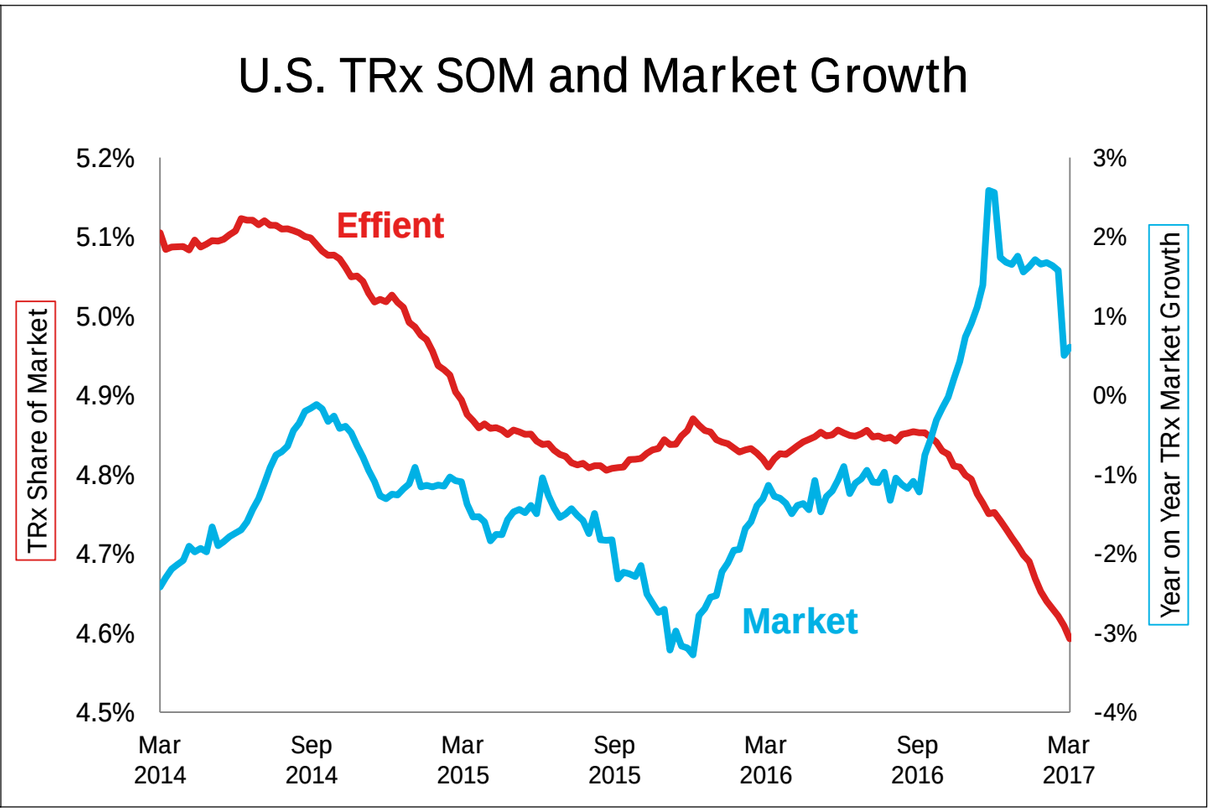
	Q1 Sales	Change	Performance	Rate
U.S. Zyprexa	$23.7	(38%)	(38%)	-
OUS Zyprexa	$123.8	(29%)	(28%)	(1%)
WW Zyprexa	$147.5	(31%)	(30%)	(1%)

- OUS Zyprexa sales declined primarily due to the introduction of generic olanzapine in Japan in June 2016; Japan Zyprexa sales were $44.5 million, a decrease of 52%

Q1 2017 EFFIENT® SALES DECREASED 3%

Millions





Source: QuintilesIMS Health NPA TRx 3MMA, weekly data March 31, 2017

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