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DELTA REPORT

10-Q

LLY - ELI LILLY & CO

10-Q - SEPTEMBER 30, 2024 COMPARED TO 10-Q - JUNE 30, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	1443
CHANGES	219
DELETIONS	910
ADDITIONS	314

REFINITIV

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2024 September 30, 2024

COMMISSION FILE NUMBER 001-6351

ELI LILLY AND COMPANY

(Exact name of Registrant as specified in its charter)

Indiana	35-0470950
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Lilly Corporate Center, Indianapolis, Indiana 46285
(Address and zip code of principal executive offices)

Registrant's telephone number, including area code (317) 276-2000

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of Each Class	Trading Symbols	Name of Each Exchange On Which Registered
Common Stock (no par value)	LLY	New York Stock Exchange
7 1/8% Notes due 2025	LLY25	New York Stock Exchange
1.625% Notes due 2026	LLY26	New York Stock Exchange
2.125% Notes due 2030	LLY30	New York Stock Exchange
0.625% Notes due 2031	LLY31	New York Stock Exchange
0.500% Notes due 2033	LLY33	New York Stock Exchange
6.77% Notes due 2036	LLY36	New York Stock Exchange
1.625% Notes due 2043	LLY43	New York Stock Exchange
1.700% Notes due 2049	LLY49A	New York Stock Exchange
1.125% Notes due 2051	LLY51	New York Stock Exchange
1.375% Notes due 2061	LLY61	New York Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The number of shares of common stock outstanding as of August 5, 2024 October 25, 2024:

Class	Number of Shares Outstanding
Common	950,425,778 949,315,694

Eli Lilly and Company

Form 10-Q

For the Quarter Ended June 30, 2024 September 30, 2024

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Forward-Looking Statements

This Quarterly Report on Form 10-Q and our other publicly available documents include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (Exchange Act), and are subject to the safe harbor created thereby under the Private Securities Litigation Reform Act of 1995. Forward-looking statements include all statements that do not relate solely to historical or current facts, and generally can be identified by the use of words such as "may," "could," "aim," "seek," "believe," "will," "expect," "project," "estimate," "intend," "target," "anticipate," "plan," "continue," or similar expressions or future or conditional verbs.

Forward-looking statements inherently involve many risks and uncertainties that could cause actual results to differ from those expressed in forward-looking statements. Forward-looking statements are based on management's current plans and expectations, expressed in good faith and believed to have a reasonable basis. However, we can give no assurance that any expectation or belief will result or will be achieved or accomplished. Investors therefore should not place undue reliance on forward-looking statements. The following include some but not all of the factors that could cause actual results or events to differ from those anticipated:

- the significant costs and uncertainties in the pharmaceutical research and development process, including with respect to the timing and process of obtaining regulatory approvals;
- the impact and uncertain outcome of acquisitions and business development transactions and related costs;
- intense competition affecting our products, pipeline, or industry;
- market uptake of launched products and indications;
- continued pricing pressures and the impact of actions of governmental and private payers affecting pricing of, reimbursement for, and patient access to pharmaceuticals, or reporting obligations related thereto;

- safety or efficacy concerns associated with our products;
- dependence on relatively few products or product classes for a significant percentage of our total revenue and an increasingly consolidated supply chain;
- the expiration of intellectual property protection for certain of our products and competition from generic and biosimilar products, and risks from the proliferation of counterfeit or illegally compounded products;
- our ability to protect and enforce patents and other intellectual property and changes in patent law or regulations related to data package exclusivity;
- information technology system inadequacies, inadequate controls or procedures, security breaches, or operating failures;
- unauthorized access, disclosure, misappropriation, or compromise of confidential information or other data stored in our information technology systems, networks, and facilities, or those of third parties with whom we share our data and violations of data protection laws or regulations;
- issues with product supply and regulatory approvals stemming from manufacturing difficulties, disruptions, or shortages, including as a result of unpredictability and variability in demand, labor shortages, third-party performance, quality, cyber-attacks, or regulatory actions related to our and third-party facilities;
- reliance on third-party relationships and outsourcing arrangements;
- the use of artificial intelligence or other emerging technologies in various facets of our operations which may exacerbate competitive, regulatory, litigation, cybersecurity, and other risks;
- the impact of global macroeconomic conditions, including uneven economic growth or downturns or uncertainty, trade disruptions, international tension, conflicts, regional dependencies, or other costs, uncertainties, and risks related to engaging in business globally;
- fluctuations in foreign currency exchange rates or changes in interest rates and inflation;
- litigation, investigations, or other similar proceedings involving past, current, or future products or activities;
- changes in tax law and regulation, tax rates, or events that differ from our assumptions related to tax positions;
- regulatory changes and developments;
- regulatory actions regarding our operations and products;
- regulatory compliance problems or government investigations;
- actual or perceived deviation from environmental-, social-, or governance-related requirements or expectations;
- asset impairments and restructuring charges; and
- changes in accounting and reporting standards.

More information on factors that could cause our actual results or events to differ from those expressed in forward looking statements is included from time to time in our reports filed with the Securities and Exchange Commission, including in our Annual Report on Form 10-K for the year ended December 31, 2023, particularly under Part I, Item 1A, "Risk Factors." Investors should understand that it is not possible to predict or identify all such factors and should not consider the risks described above and under Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K to be a complete statement of all potential risks and uncertainties.

All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and are expressly qualified in their entirety by the cautionary statements included in or incorporated by reference into this Quarterly Report on Form 10-Q. Except as is required by law, we expressly disclaim any obligation to publicly release any revisions to forward-looking statements to reflect events after the date of this Quarterly Report on Form 10-Q.

PART I. Financial Information

Item 1. Financial Statements

Consolidated Condensed Statements of Operations
(Unaudited)
ELI LILLY AND COMPANY AND SUBSIDIARIES
(Dollars and shares in millions, except per-share data)

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Revenue (Note 2)								
Costs, expenses, and other:								
Cost of sales								
Cost of sales								
Cost of sales								
Research and development								
Marketing, selling, and administrative								
Acquired in-process research and development (Note 3)								
Asset impairment, restructuring, and other special charges (Note 5)								

Other–net, (income) expense (Note 12)												
			7,785.6									
			9,850.7									
Income before income taxes												
Income taxes (Note 8)												
Net income												
Net income (loss)												
Earnings per share:												
Earnings (loss) per share:												
Earnings per share:												
Earnings (loss) per share:												
Earnings per share:												
Earnings (loss) per share:												
Basic												
Basic												
Basic												
Diluted												
Diluted												
Diluted												
Shares used in calculation of earnings per share:												
Shares used in calculation of earnings (loss) per share:												
Shares used in calculation of earnings per share:												
Shares used in calculation of earnings (loss) per share:												
Shares used in calculation of earnings per share:												
Shares used in calculation of earnings (loss) per share:												
Basic												
Basic												
Basic			**900.9**	899.7		**900.8**	900.3		**901.0**	899.8		**900.9**	900.2
Diluted	Diluted		**904.2**	902.7		**904.0**	903.0	Diluted	**905.0**	899.8		**904.4**	903.1

See notes to consolidated condensed financial statements.

Consolidated Condensed Statements of Comprehensive Income (Loss)
(Unaudited)
ELI LILLY AND COMPANY AND SUBSIDIARIES
(Dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income	**$ 2,967.0**	$ 1,763.2	**$ 5,209.9**	$ 3,108.1
Other comprehensive income (loss), net of tax (Note 11)	**(79.0)**	(11.4)	**(51.5)**	55.9
Comprehensive income	**$ 2,888.0**	$ 1,751.8	**$ 5,158.4**	$ 3,164.0

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	**$ 970.3**	$ (57.4)	**$ 6,180.2**	$ 3,050.7
Other comprehensive income, net of tax (Note 11)	**103.7**	3.8	**52.2**	59.7
Comprehensive income (loss)	**$ 1,074.0**	$ (53.6)	**$ 6,232.4**	$ 3,110.4

See notes to consolidated condensed financial statements.

Consolidated Condensed Balance Sheets
ELI LILLY AND COMPANY AND SUBSIDIARIES
(Dollars in millions)

	June 30, 2024	December 31, 2023
	September 30, 2024	December 31, 2023
Assets	**Assets** (Unaudited)	**Assets** (Unaudited)
Current Assets		
Cash and cash equivalents (Note 7)		
Cash and cash equivalents (Note 7)		
Cash and cash equivalents (Note 7)		
Short-term investments (Note 7)		
Accounts receivable, net of allowances of **$14.4 (2024)** and $14.8 (2023)		
Accounts receivable, net of allowances of **$15.7 (2024)** and $14.8 (2023)		
Other receivables		
Inventories (Note 6)		
Prepaid expenses		
Other current assets		
Total current assets		
Investments (Note 7)		
Goodwill		
Other intangibles, net		
Deferred tax assets		
Property and equipment, net of accumulated depreciation of **$11,427.8 (2024)** and $11,099.3 (2023)		
Property and equipment, net of accumulated depreciation of **$11,816.0 (2024)** and $11,099.3 (2023)		
Other noncurrent assets		
Total assets		
Liabilities and Equity		
Current Liabilities		
Current Liabilities		
Current Liabilities		
Short-term borrowings and current maturities of long-term debt		
Short-term borrowings and current maturities of long-term debt		
Short-term borrowings and current maturities of long-term debt		
Accounts payable		
Employee compensation		
Sales rebates and discounts		
Dividends payable		
Other current liabilities		
Other current liabilities		
Other current liabilities		
Total current liabilities		
Noncurrent Liabilities		
Long-term debt		
Long-term debt		
Long-term debt		
Accrued retirement benefits (Note 9)		
Long-term income taxes payable		
Other noncurrent liabilities		
Total noncurrent liabilities		
Commitments and Contingencies (Note 10)	*Commitments and Contingencies (Note 10)*	*Commitments and Contingencies (Note 10)*
Eli Lilly and Company Shareholders' Equity		

Common stock
Common stock
Common stock
Additional paid-in capital
Retained earnings
Employee benefit trust
Accumulated other comprehensive loss (Note 11)
Cost of common stock in treasury
Total Eli Lilly and Company shareholders' equity
Noncontrolling interests
Total equity
Total liabilities and equity

See notes to consolidated condensed financial statements.

Consolidated Condensed Statements of Shareholders' Equity
(Unaudited)
ELI LILLY AND COMPANY AND SUBSIDIARIES

Equity of Eli Lilly and Company Shareholders

(Dollars in millions, except per-share data, and shares in thousands)

(Dollars in millions, except per-share data, and shares in thousands)	(Dollars in millions, except per-share data, and shares in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Employee Benefit Trust	Accumulated Other Comprehensive Loss	Common Stock in Treasury(1) Shares	Common Stock in Treasury(1) Amount	Noncontrolling Interests	(Dollars in millions, except per-share data, and shares in thousands)	Common Stock Shares	Additional Paid-in Capital	Retained Earnings	Employee Benefit Trust	Accumulated Other Comprehensive Loss	Common Stock in Treasury(1) Amount	Common Stock in Treasury(1) Shares	Noncontrolling Interests	Noncontrolling Interests	Amount
Balance at April 1, 2023																					
Balance at July 1, 2023																					
Net income (loss)																					
Other comprehensive loss, net of tax																					
Cash dividends declared per share: $2.26																					
Cash dividends declared per share: $2.26																					
Cash dividends declared per share: $2.26																					
Other comprehensive income, net of tax																					
Issuance of stock under employee stock plans, net																					
Issuance of stock under employee stock plans, net																					
Issuance of stock under employee stock plans, net																					
Stock-based compensation																					

Stock-based compensation	
Stock-based compensation	
Other	
Other	
Other	
Balance at June 30, 2023	
Balance at September 30, 2023	
Balance at April 1, 2024	
Balance at April 1, 2024	
Balance at April 1, 2024	
Net income (loss)	
Other comprehensive loss, net of tax	
Cash dividends declared per share: $2.60	
Cash dividends declared per share: $2.60	
Cash dividends declared per share: $2.60	
Balance at July 1, 2024	
Balance at July 1, 2024	
Balance at July 1, 2024	
Net income	
Other comprehensive income, net of tax	
Retirement of treasury shares	
Retirement of treasury shares	
Retirement of treasury shares	
Purchase of treasury shares	
Purchase of treasury shares	
Purchase of treasury shares	
Issuance of stock under employee stock plans, net	
Issuance of stock under employee stock plans, net	
Issuance of stock under employee stock plans, net	
Stock-based compensation	
Stock-based compensation	

Stock-based compensation	
Other	
Other	
Other	
Balance at June 30, 2024	
Balance at September 30, 2024	

(1) As of June 30, 2024 September 30, 2024, there was $2.50 billion $1.98 billion remaining under our $5.00 billion share repurchase program authorized in May 2021.

See notes to consolidated condensed financial statements.

	Equity of Eli Lilly and Company Shareholders																				
(Dollars in millions, except per-share data, and shares in thousands)	(Dollars in millions, except per-share data, and shares in thousands)	Common Stock		Additional Paid-in Capital	Retained Earnings	Employee Benefit Trust	Accumulated Other Comprehensive Loss	Common Stock in Treasury(1)		Noncontrolling Interests	(Dollars in millions, except per-share data, and shares in thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Employee Benefit Trust	Accumulated Other Comprehensive Loss	Common Stock in Treasury(1)		Noncontrolling Interests	Noncontrolling Interests	Amount
		Shares	Amount					Shares	Amount			Shares					Amount	Shares			
Balance at January 1, 2023																					
Net income																					
Other comprehensive income, net of tax																					
Cash dividends declared per share: $2.26																					
Cash dividends declared per share: $2.26																					
Cash dividends declared per share: $2.26																					
Retirement of treasury shares																					
Retirement of treasury shares																					
Retirement of treasury shares																					
Purchase of treasury shares																					
Purchase of treasury shares																					
Purchase of treasury shares																					
Issuance of stock under employee stock plans, net																					
Issuance of stock under employee stock plans, net																					
Issuance of stock under employee stock plans, net																					

Stock-based compensation

Stock-based compensation

Stock-based compensation

Other

Other

Other

Balance at June 30, 2023

Balance at September 30, 2023

Balance at January 1, 2024

Balance at January 1, 2024

Balance at January 1, 2024

Net income (loss)

Other comprehensive loss, net of tax

Other comprehensive income, net of tax

Cash dividends declared per share: $2.60

Cash dividends declared per share: $2.60

Cash dividends declared per share: $2.60

Retirement of treasury shares

Retirement of treasury shares

Retirement of treasury shares

Purchase of treasury shares

Purchase of treasury shares

Purchase of treasury shares

Issuance of stock under employee stock plans, net

Issuance of stock under employee stock plans, net

Issuance of stock under employee stock plans, net

Stock-based compensation

Stock-based compensation

Stock-based compensation

Other

Other

Other

Balance at June 30, 2024

Balance at September 30, 2024

(1) As of June 30, 2024 September 30, 2024, there was $2.50 billion $1.98 billion remaining under our $5.00 billion share repurchase program authorized in May 2021.

See notes to consolidated condensed financial statements.

Consolidated Condensed Statements of Cash Flows
(Unaudited)
ELI LILLY AND COMPANY AND SUBSIDIARIES
(Dollars in millions)

	Six Months Ended June 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cash Flows from Operating Activities				
Net income				
Net income				
Net income				
Net income				
Net income				
Net income				
Net income				
Net income				
Net income				
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:				
Depreciation and amortization				
Depreciation and amortization				
Depreciation and amortization				
Change in deferred income taxes				
Stock-based compensation expense				
Stock-based compensation expense				
Stock-based compensation expense				
Net investment losses				
Net investment losses				
Net investment losses				
Acquired in-process research and development				
Acquired in-process research and development				
Gains on sale of product rights				
Gains on sale of product rights				
Gains on sale of product rights				
Acquired in-process research and development				
Other changes in operating assets and liabilities, net of acquisitions and divestitures				
Other operating activities, net				
Net Cash Provided by Operating Activities				
Cash Flows from Investing Activities				
Purchases of property and equipment				
Purchases of property and equipment				
Purchases of property and equipment				
Proceeds from sales and maturities of short-term investments				
Purchases of short-term investments				
Proceeds from sales of and distributions from noncurrent investments				

Purchases of noncurrent investments	
Proceeds from sale of product rights	
Cash paid for acquisitions, net of cash acquired	
Purchases of in-process research and development	
Purchases of in-process research and development	
Purchases of in-process research and development	
Other investing activities, net	
Net Cash Used for Investing Activities	
Cash Flows from Financing Activities	
Dividends paid	
Dividends paid	
Dividends paid	
Net change in short-term borrowings	
Proceeds from issuance of long-term debt	
Repayments of long-term debt	
Purchases of common stock	
Other financing activities, net	
Other financing activities, net	
Other financing activities, net	
Net Cash Provided by (Used for) Financing Activities	
Effect of exchange rate changes on cash and cash equivalents	
Net increase in cash and cash equivalents	
Net increase in cash and cash equivalents	
Net increase in cash and cash equivalents	
Cash and cash equivalents at January 1	
Cash and Cash Equivalents at June 30	
Cash and Cash Equivalents at September 30	

See notes to consolidated condensed financial statements.

Notes to Consolidated Condensed Financial Statements
(Tables present dollars in millions, except per-share data)

Note 1: Basis of Presentation and Implementation of New Financial Accounting Standards

We have prepared the accompanying unaudited consolidated condensed financial statements in accordance with the requirements of Form 10-Q and, therefore, they do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States (GAAP). In our opinion, the consolidated condensed financial statements reflect all adjustments (including those that are normal and recurring) that are necessary for a fair presentation of the results of operations for the periods shown. In preparing financial statements in conformity with GAAP, we must make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

The information included in this Quarterly Report on Form 10-Q should be read in conjunction with our consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2023. We issued our financial statements by filing them with the Securities and Exchange Commission and have evaluated subsequent events up to the time of the filing of this Quarterly Report on Form 10-Q.

All per-share amounts, unless otherwise noted in the footnotes, are presented on a diluted basis; that is, based on the weighted-average number of common shares outstanding plus the effect of incremental shares from our stock-based compensation programs. programs, if dilutive.

We operate as a single operating segment engaged in the discovery, development, manufacturing, marketing, and sales of pharmaceutical products worldwide. A global research and development organization and a supply chain organization are responsible for the discovery, development, manufacturing, and supply of our products. Regional commercial organizations market, distribute, and sell the products. The business is also supported by global corporate staff functions. Our determination that we operate as a single segment is consistent with the financial information regularly reviewed by the chief operating decision maker for purposes of evaluating performance, allocating resources, setting incentive compensation targets, and planning and forecasting for future periods.

Implementation of New Financial Accounting Standards

Accounting Standards Update (ASU) 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, establishes incremental disaggregation of income tax disclosures pertaining to the effective tax rate reconciliation and income taxes paid. This standard is effective for fiscal years beginning after December 15, 2024, and requires prospective application with the option to apply it retrospectively. Early adoption is permitted. We intend to adopt this standard in our Annual Report on Form 10-K for the year ending December 31, 2025. We are currently evaluating the potential impact of adopting this standard on our disclosures.

ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, requires disclosures about significant segment expenses and additional interim disclosure requirements. This standard also requires a single reportable segment to provide all disclosures required by Accounting Standards Codification Topic 280. This standard

is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted, and the The amendments should be applied retrospectively for all prior periods presented in the consolidated financial statements. We intend to adopt this standard in our Annual Report on Form 10-K for the year ending December 31, 2024. We are currently evaluating the potential impact of adopting this standard on our disclosures.

Note 2: Revenue

The following table summarizes our revenue recognized in our consolidated condensed statements of operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net product revenue				
Collaboration and other revenue				
Revenue				

We recognize revenue primarily from two different types of contracts, product sales to customers (net product revenue) and collaborations and other arrangements. Revenue recognized from collaborations and other arrangements includes our share of profits from the collaborations, as well as royalties, upfront and milestone payments we receive under these types of contracts. See Note 4 for additional information related to our collaborations and other arrangements. Collaboration and other revenue disclosed above includes the revenue from the Jardiance® and and Trajenta® families of products resulting from our collaboration with Boehringer Ingelheim, and as well as from the 2023 sale sales of rights for the olanzapine portfolio, including Zyprexa®, and for Baqsimi®, all of which are discussed in Note 4. Substantially all of the remainder of collaboration and other revenue is related to contracts accounted for as contracts with customers. Collaboration and other revenue associated with intellectual property licensed in prior periods was not material during the three and six nine months ended June 30, 2024 September 30, 2024 and 2023.

Adjustments to Revenue

Adjustments to revenue recognized as a result of changes in estimates for our most significant United States (U.S.) sales returns, rebates, and discounts liability balances for products shipped in previous periods were 4 6 percent and 3 2 percent of U.S. revenue during the three and six months ended June 30, 2024, September 30, 2024 and 2023, respectively, and 4 percent and less than 1 percent of U.S. revenue during the three and six nine months ended June 30, 2023. September 30, 2024 and 2023, respectively.

Contract Liabilities

Our contract liabilities result from arrangements where we have received payment in advance of performance under the contract and do not include sales returns, rebates, and discounts. Changes in contract liabilities are generally due to either receipt of additional advance payments or our performance under the contract.

The following table summarizes contract liability balances:

	June 30, 2024	December 31, 2023
Contract liabilities	$ 180.1	$ 193.6

	September 30, 2024	December 31, 2023
Contract liabilities	$ 173.2	$ 193.6

During the three and six nine months ended June 30, 2024 September 30, 2024 and 2023, revenue recognized from contract liabilities as of the beginning of the respective year was not material. Revenue expected to be recognized in the future from contract liabilities as the related performance obligations are satisfied is not expected to be material in any one year.

Disaggregation of Revenue

The following table summarizes revenue, including net product revenue and collaboration and other revenue, by product for the three months ended June 30, 2024 September 30, 2024 and 2023:

	Three Months Ended June 30,							Three Months Ended September 30,						
	2024				2023			2024				2023		
	U.S.	U.S.	Outside U.S.	Total	U.S.	Outside U.S.	Total	U.S.	Outside U.S.	Total	U.S.	Outside U.S.	Total
Cardiometabolic Health:													
Cardiometabolic Health:													
Cardiometabolic Health:													
Mounjaro®													
Mounjaro®													
Mounjaro®													
Trulicity®													
Zepbound®													
Jardiance(1)													

Humalog® (2)	
Humulin®	
Basaglar® (3)	
Baqsimi	
Other cardiometabolic health	
Total cardiometabolic health	
Oncology:	
Oncology:	
Oncology:	
Verzenio®	
Verzenio®	
Verzenio®	
Cyramza®	
Erbitux®	
Tyvyt®	
Other oncology	
Total oncology	
Immunology:	
Immunology:	
Immunology:	
Taltz®	
Taltz®	
Taltz®	
Olumiant®	
Other immunology	
Total immunology	
Neuroscience:	
Neuroscience:	
Neuroscience:	
Emgality®	
Emgality®	
Emgality®	
Other neuroscience	
Other neuroscience	
Zyprexa (4)	
Zyprexa (4)	
Zyprexa (4)	
Other neuroscience	
Total neuroscience	
Other:	
Other:	
Other:	
Forteo®	
Forteo®	
Forteo®	
Cialis®	
Cialis®	
Cialis®	
Forteo®	
Other	
Total other	

Revenue

Numbers may not add due to rounding.

(1) Jardiance revenue includes Glyxambi®, Synjardy®, and Trijardy® XR.

(2) Humalog revenue includes insulin lispro.

(3) Basaglar revenue includes Rezvoglar®.

(4) Zyprexa revenue includes sale of rights for the olanzapine portfolio in July 2023.

The following table summarizes revenue, including net product revenue and collaboration and other revenue, by product for the six nine months ended June 30, 2024 September 30, 2024 and 2023:

	Six Months Ended June 30,							Nine Months Ended September 30,						
	2024				2023			2024				2023		
	U.S.	U.S.	Outside U.S.	Total	U.S.	Outside U.S.	Total	U.S.	Outside U.S.	Total	U.S.	Outside U.S.	Total
Cardiometabolic Health:													
Cardiometabolic Health:													
Cardiometabolic Health:													
Mounjaro													
Mounjaro													
Mounjaro													
Trulicity													
Zepbound													
Jardiance(1)													
Humalog(2)													
Humulin													
Basaglar(3)													
Baqsimi													
Other cardiometabolic health													
Total cardiometabolic health													
Oncology:													
Oncology:													
Oncology:													
Verzenio													
Verzenio													
Verzenio													
Cyramza													
Erbitux													
Tyvyt													
Other oncology													
Total oncology													
Immunology:													
Immunology:													
Immunology:													
Taltz													
Taltz													
Taltz													
Olumiant													
Other immunology													
Total immunology													
Neuroscience:													
Neuroscience:													
Neuroscience:													
Emgality													

Emgality	
Emgality	
Zyprexa (4)	
Other neuroscience	
Total neuroscience	
Other:	
Other:	
Other:	
Cialis	
Cialis	
Cialis	
Forteo	
Other	
Total other	
Revenue	

Numbers may not add due to rounding.

(1) Jardiance revenue includes Glyxambi, Synjardy, and Trijardy XR.

(2) Humalog revenue includes insulin lispro.

(3) Basaglar revenue includes Rezvoglar.

(4) Zyprexa revenue includes sale of rights for the olanzapine portfolio in July 2023.

The following table summarizes revenue by geographical area:

	Three Months Ended June 30,		Six Months Ended June 30,					
	Three Months Ended September 30,		Nine Months Ended September 30,					
	2024	2024	2023	2024	2023	2024	2023	2024	2023
Revenue(1):									
U.S.									
U.S.									
U.S.									
Europe									
Japan									
China									
Other foreign countries									
Revenue									

Numbers may not add due to rounding.

(1) Revenue is attributed to the countries based on the location of the customer or other party.

Note 3: Acquisitions

We engage in various forms of business development activities to enhance or refine our product pipeline, including acquisitions, collaborations, investments, and licensing arrangements. In connection with these arrangements, our partners may be entitled to future royalties and/or commercial milestones based on sales should products be approved for commercialization and/or milestones based on the successful progress of compounds through the development process. We account for each arrangement as either a business combination or an asset acquisition in accordance with GAAP.

Business Combination

When an acquisition met the definition of a business under GAAP, the assets acquired and liabilities assumed were recorded at their respective fair values as of the acquisition date in our consolidated condensed financial statements. The determination of estimated fair value required management to make significant estimates and assumptions. The excess of the purchase price over the fair value of the acquired net assets was recorded as goodwill. The results of operations of the acquisition are included in our consolidated condensed financial statements from the date of acquisition.

Manufacturing Facility Acquisition

Overview of Transaction

In May 2024, we acquired all outstanding membership interests of NexPharm Parent HoldCo, LLC and Isopro Holdings, LLC, which together own the assets of a manufacturing site in Pleasant Prairie, Wisconsin, for a purchase price of $924.7 million, net of cash acquired. The facility is intended to further expand our global parenteral (injectable) product manufacturing network.

Assets Acquired and Liabilities Assumed

Our access to information was limited prior to this acquisition. As a consequence, we are in the process of determining fair values and tax bases of the assets acquired. The final determination of these amounts will be completed as soon as possible but no later than one year from the acquisition date. The final determination may result in asset and liability fair values and tax bases that differ from the preliminary estimates and require changes to the preliminary amounts recognized.

The following table summarizes the preliminary amounts recognized for assets acquired and liabilities assumed as of the acquisition date:

Estimated Fair Value at May 23, 2024		
Cash	$	2.3
Goodwill(1)		816.5
Property and equipment		108.5
Other assets and liabilities, net		(0.3)
Acquisition date fair value of consideration transferred		927.0
Less:		
Cash acquired		(2.3)
Cash paid, net of cash acquired	$	924.7

(1) The goodwill recognized from this acquisition is primarily attributable to the synergies between the manufacturing capabilities of the site and our products as well as the assembled workforce of the site, which is deductible for tax purposes.

The results of operations attributable to this acquisition for the three and six nine months ended June 30, 2024 September 30, 2024 were not material.

Pro forma information has not been included as this acquisition did not have a material impact on our consolidated condensed statements of operations for the three and six nine months ended June 30, 2023 September 30, 2023.

POINT Acquisition

Overview of Transaction

In December 2023, we acquired all shares of POINT Biopharma Global Inc. (POINT) for a purchase price of $12.50 per share in cash (or an aggregate of $1.04 billion, net of cash acquired). POINT has capabilities in radiopharmaceutical discovery, development, and manufacturing efforts, as well as clinical and pre-clinical radioligand therapies in development for the treatment of cancer.

Acquired and Liabilities Assumed

Our access to POINT information was limited prior to the acquisition. As a consequence, we are in the process of determining fair values and tax bases of a significant portion of the assets acquired and liabilities assumed, including the identification and valuation of intangible assets and tax exposures. The final determination of these amounts will be completed as soon as possible but no later than one year from the acquisition date. The final determination may result in asset and liability fair values and tax bases that differ from the preliminary estimates and require changes to the preliminary amounts recognized.

The following table summarizes the preliminary amounts recognized for assets acquired and liabilities assumed as of the acquisition date:

Estimated Fair Value at December 27, 2023		
Cash	$	302.7
Acquired in-process research and development (IPR&D)		196.0
Goodwill (1)		859.1
Other assets and liabilities, net		(19.3)
Acquisition date fair value of consideration transferred		1,338.5
Less:		
Cash acquired		(302.7)
Cash paid, net of cash acquired	$	1,035.8

(1) The goodwill recognized from this acquisition is primarily attributable to the radiopharmaceutical discovery, development, and manufacturing capabilities and the assembled workforce for POINT, which is not deductible for tax purposes.

The results of operations attributable to POINT for the three and six nine months ended June 30, 2024 September 30, 2024 were not material.

Pro forma information has not been included as this acquisition did not have a material impact on our consolidated condensed statements of operations for the three and six nine months ended June 30, 2023 September 30, 2023.

Asset Acquisitions

Upon each asset acquisition, the cost allocated to acquired IPR&D was immediately expensed as acquired IPR&D if the compound had no alternative future use. Milestone payment obligations incurred prior to regulatory approval of the compound were expensed as acquired IPR&D when the event triggering an obligation to pay the milestone occurred. We recognized acquired IPR&D charges of $154.3 million $2.83 billion and $264.8 million $3.09 billion for the three and six nine months ended June 30, 2024, September 30, 2024, respectively, and $97.1 million $2.98 billion and $202.1 million $3.18 billion for the three and six nine months ended June 30, 2023 September 30, 2023, respectively. The following table summarizes our significant acquired IPR&D charges during the three and nine months ended September 30, 2024 and 2023:

Counterparty	Compound(s), Therapy or Asset	Acquisition Month	Phase of Development[1]	Acquired IPR&D Charge
Morphic Holding, Inc. (Morphic)	MORF-057, inhibitor of α4β7 integrin for the treatment of inflammatory bowel disease	August 2024	Phase 2	**$ 2,548.5**
DICE Therapeutics, Inc.	DC-806, an oral IL-17 inhibitor for the treatment of chronic diseases in immunology[2]	August 2023	Phase 2	1,915.5
Versanis Bio, Inc.	Bimagrumab, a monoclonal antibody for the treatment of people living with obesity and obesity-related complications	August 2023	Phase 2	604.1
Emergence Therapeutics AG	ETx-22, a Nectin-4 antibody-drug conjugate for the treatment of urothelial cancer	August 2023	Pre-clinical	406.5

[1]The phase of development presented is as of the date of the arrangement and represents the phase of development of the most advanced asset acquired, where applicable.

Subsequent Events

[2] In July 2024, we announced an agreement to acquire Morphic Holding, Inc. (Morphic) for a purchase price discontinued development of $57.00 per share this molecule in cash (an aggregate favor of approximately $3.2 billion) payable at closing. The proposed acquisition is subject to customary closing conditions, including the tender of a majority of the outstanding shares of Morphic's common stock. another molecule in development.

Note 4: Collaborations and Other Arrangements

Collaborations and Other Similar Arrangements

We often enter into collaborative and other arrangements to develop and commercialize drug candidates or to sell the rights of a product. See Note 2 for a discussion of our recognition of revenue from our collaborations and other arrangements.

Collaborative activities may include research and development, marketing and selling, manufacturing, and distribution for which we may receive from or pay to the collaboration partner expense reimbursements. Operating expenses for costs incurred pursuant to these arrangements are reported in their respective expense line item, net of any payments due to or reimbursements due from our collaboration partners, with such reimbursements being recognized at the time the party becomes obligated to pay. Each arrangement is unique in nature, and our more significant arrangements are discussed below.

Boehringer Ingelheim Collaboration

We and Boehringer Ingelheim have a global agreement to jointly develop and commercialize a portfolio of compounds. Currently included in the collaboration are Boehringer Ingelheim's products: Jardiance, Glyxambi, Synjardy, Trijardy XR, Trajenta, and Jentadueto® as well as our products: Basaglar and Rezvoglar. Glyxambi, Synjardy, and Trijardy XR are included in the Jardiance product family. Jentadueto is included in the Trajenta product family. Rezvoglar is included in the Basaglar product family.

In connection with the regulatory approvals of Jardiance, Trajenta, and Basaglar in the U.S., Europe, and Japan, milestone payments made for Jardiance and Trajenta were capitalized as intangible assets and are being amortized to cost of sales, and milestone payments received for Basaglar were recorded as contract liabilities and are being amortized to collaboration and other revenue. Net milestones capitalized with respect to Jardiance and Trajenta and net milestones deferred with respect to Basaglar are not material.

For the Jardiance product family, we and Boehringer Ingelheim generally share equally the ongoing development and commercialization costs in the most significant markets, and we record our portion of the development and commercialization costs as research and development expense and marketing, selling, and administrative expense, respectively. We receive a royalty on net sales of Boehringer Ingelheim's products in the most significant markets and recognize the royalty as collaboration and other revenue. Boehringer Ingelheim is entitled to potential performance payments depending on the net sales of the Jardiance product family; therefore, our reported revenue for Jardiance may be reduced by any potential performance payments we make related to this product family. The royalty received by us related to the Jardiance product family may also be increased or decreased depending on whether net sales for this product family exceed or fall below certain thresholds. We pay to Boehringer Ingelheim a royalty on net sales for the Basaglar product family in the U.S. We record our sales of the Basaglar product family to third parties as net product revenue with the royalty payments made to Boehringer Ingelheim recorded as cost of sales. The following table summarizes our revenue recognized:

	Three Months Ended June 30,		Six Months Ended June 30,	
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Jardiance				
Basaglar				
Trajenta				

Olumiant

We have a worldwide license and collaboration agreement with Incyte Corporation (Incyte), which provides us the development and commercialization rights to baricitinib, which is branded and trademarked as Olumiant, and certain follow-on compounds, for the treatment of inflammatory and autoimmune diseases and COVID-19. Incyte has the right to receive tiered, double digit royalty payments on worldwide net sales with rates ranging up to 20 percent. Incyte has the right to receive an additional royalty ranging up to the low teens on worldwide net sales for the treatment of COVID-19 that exceed a specified aggregate worldwide net sales threshold. The agreement calls for payments by us to Incyte associated with certain development, success-based regulatory, and sales-based milestones.

In connection with the regulatory approvals of Olumiant in the U.S., Europe, and Japan, as well as achievement of a sales-based milestone, milestone payments were capitalized as intangible assets and are being amortized to cost of sales through the term of the collaboration. Net milestones capitalized are not material. As of June 30, 2024 September 30, 2024, Incyte is eligible to receive up to $100.0 million of additional payments from us in potential sales-based milestones.

We record our sales of Olumiant to third parties as net product revenue with the royalty payments made to Incyte recorded as cost of sales. The following table summarizes our net product revenue recognized:

	Three Months Ended June 30,				Six Months Ended June 30,			
	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024	2024	2023		2024	2023	2024	2023	2024	2023
Olumiant										

Tyvyt

We have a collaboration agreement with Innovent Biologics, Inc. (Innovent) to jointly develop and commercialize sintilimab injection in China, where it is branded and trademarked as Tyvyt. We record our sales of Tyvyt to third parties as net product revenue, with payments made to Innovent for its portion of the gross margin reported as cost of sales. We report as collaboration and other revenue our portion of the gross margin for Tyvyt sales made by Innovent to third parties. The following table summarizes our revenue recognized:

	Three Months Ended June 30,				Six Months Ended June 30,			
	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024	2024	2023		2024	2023	2024	2023	2024	2023
Tyvyt										

Ebglyss®™

We have a license agreement with F. Hoffmann-La Roche Ltd and Genentech, Inc. (collectively, Roche), which provides us the worldwide development and commercialization rights to lebrikizumab, which is branded and trademarked as Ebglyss. Roche receives tiered royalty payments on worldwide net sales ranging in percentages from high single digits to high teens, which we recognize as cost of sales. As of June 30, 2024 September 30, 2024, Roche is eligible to receive additional payments from us, including up to $100.0 million contingent upon the achievement of additional success-based regulatory milestones and up to $1.03 billion in potential sales-based milestones. During the three and six nine months ended June 30, 2024 September 30, 2024 and 2023, milestone payments to Roche were not material.

We have a license agreement with Almirall, S.A. (Almirall), under which Almirall licensed the rights to develop and commercialize lebrikizumab, which is branded and trademarked as Ebglyss, for the treatment or prevention of dermatology indications, including, but not limited to, atopic dermatitis in Europe. We receive tiered royalty payments on net sales in Europe ranging in percentages from low double digits to low twenties, which we recognize as collaboration and other revenue. During the three and six nine months ended June 30, 2024 September 30, 2024 and 2023, collaboration and other revenue recognized under this license agreement was not material. As of June 30, 2024 September 30, 2024, we are eligible to receive additional payments up to $1.25 billion in a series of sales-based milestones.

Orforglipron

We have a license agreement with Chugai Pharmaceutical Co., Ltd (Chugai), which provides us with the worldwide development and commercialization rights to orforglipron. Chugai has the right to receive tiered royalty payments on future worldwide net sales from mid single mid-single digits to low teens if the product is successfully commercialized. As of June 30, 2024 September 30, 2024, Chugai is eligible to receive up to $140.0 million contingent upon the achievement of success-based regulatory milestones and up to $250.0 million in a series of sales-based milestones, contingent upon the commercial success of orforglipron. During the three and six nine months ended June 30, 2024 September 30, 2024 and 2023, milestone payments to Chugai were not material.

Olanzapine Portfolio (including Zyprexa)

In July 2023, we sold the rights for the olanzapine portfolio, including Zyprexa, to Cheplapharm Arzneimittel GmbH (Cheplapharm), a European company. Under the terms of the agreement, we received $1.05 billion in cash upon closing and an additional $305.0 million in cash upon the one-year anniversary of closing. We included both in the transaction price as of September 30, 2023.

We entered into a supply agreement with Cheplapharm that obligates Cheplapharm to purchase Zyprexa product we are manufacturing at an amount which represents a standalone selling price. As the product we are manufacturing under this supply agreement has no alternative use to us and we have right to payment, we recognize net product revenue over time as we manufacture the product.

During the three and nine months ended September 30, 2023, we recognized $1.42 billion in revenue primarily related to the net gain on the sale of rights for the olanzapine portfolio.

Baqsimi

In June 2023, we sold the rights for Baqsimi to Amphastar Pharmaceuticals, Inc. (Amphastar). Under the terms of the agreement, we received $500.0 million in cash upon closing and an additional $125.0 million in cash upon the one year one-year anniversary of closing. We included both in the transaction price as of June 30, 2023 September 30, 2023. We are eligible to receive payments of up to $450.0 million in a series of sales-based milestones that have not been included in the transaction price as of June 30, 2024 September 30, 2024.

We entered into a supply agreement with Amphastar that obligates Amphastar to purchase Baqsimi product we are manufacturing at an amount which represents a stand alone standalone selling price. As the product we are manufacturing under this supply agreement has no alternative use to us and we have right to payment, we will recognize net product revenue over time as we manufacture the product.

For the three and six nine months ended June 30, 2023 September 30, 2023, we recognized $579.0 million in revenue primarily related to the net gain on the sale of rights for Baqsimi. Cash received from the sale of rights for Baqsimi was included in cash flows from investing activities for the six months ended June 30, 2024 and 2023.

Note 5: Asset Impairment, Restructuring, and Other Special Charges

Asset impairment, restructuring, and other special charges recognized during the three and six months ended June 30, 2024 September 30, 2024 were $435.0 $81.6 million, which was primarily related to anticipated impairment of an intangible asset in development driven by expected commercial projections. Asset impairment, restructuring, and other special charges recognized during the nine months ended September 30, 2024 were $516.6 million, which primarily related to litigation payments. charges and the previously mentioned impairment. See Note 10 for additional information. information related to the litigation charges.

There were no asset impairment, restructuring, and other special charges recognized during the three and six nine months ended June 30, 2023 September 30, 2023.

Note 6: Inventories

The following table summarizes components of inventories:

	June 30, 2024 September 30, 2024	December 31, 2023 December 31, 2023
Finished products		
Work in process		
Raw materials and supplies		
Total (approximates replacement cost)		
Increase to last-in, first-out (LIFO) cost		
Inventories		

Note 7: Financial Instruments

Investments in Equity and Debt Securities

Our equity investments are accounted for using three different methods depending on the type of equity investment:

- Investments in companies over which we have significant influence but not a controlling interest are accounted for using the equity method, with our share of earnings or losses reported in other-net, (income) expense.
- For equity investments that do not have readily determinable fair values, we measure these investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. Any change in recorded value is recorded in other-net, (income) expense.
- Our public equity investments are measured and carried at fair value. Any change in fair value is recognized in other-net, (income) expense.

We adjust our equity investments without readily determinable fair values based upon changes in the equity instruments' values resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. Downward adjustments resulting from an impairment are recorded based upon impairment considerations, including the financial condition and near-term prospects of the issuer, general market conditions, and industry specific factors. Adjustments recorded for the three and six nine months ended June 30, 2024 September 30, 2024 and 2023 were not material.

The net losses gains (losses) recognized in our consolidated condensed statements of operations for equity securities were $157.9 $112.4 million and $141.9 $(29.5) million for the three and six nine months ended June 30, 2024 September 30, 2024, respectively, and $64.9 $(62.9) million and $78.6 $(141.5) million for the three and six nine months ended June 30, 2023 September 30, 2023, respectively. The net gains (losses) recognized for the three and six nine months ended June 30, 2024 September 30, 2024 and 2023 on equity securities sold during the respective periods were not material.

As of June 30, 2024 September 30, 2024, we had approximately $900 million $925 million of unfunded commitments to invest in venture capital funds, which we anticipate will be paid over a period of up to 10 years.

We record our available-for-sale debt securities at fair value, with changes in fair value reported as a component of accumulated other comprehensive income (loss). We periodically assess our investment in available-for-sale securities for impairment losses and credit losses. The amount of credit losses is determined by comparing the difference between the present value of future cash flows expected to be collected on these securities and the amortized cost. Factors considered in assessing credit losses include the position in the capital structure, vintage and amount of collateral, delinquency rates, current credit support, and geographic concentration. Impairment and credit losses related to available-for-sale securities were not material for the three and six nine months ended June 30, 2024 September 30, 2024 and 2023.

The table below summarizes the contractual maturities of our investments in debt securities measured at fair value as of June 30, 2024 September 30, 2024:

	Maturities by Period				Maturities by Period					
	Total	Total	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years	Total	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Fair value of debt securities											

A summary of the amount of unrealized gains and losses in accumulated other comprehensive loss and the fair value of available-for-sale securities in an unrealized gain or loss position follows:

	June 30, 2024 September 30, 2024	December 31, 2023 December 31, 2023
Unrealized gross gains		
Unrealized gross losses		
Fair value of securities in an unrealized gain position		
Fair value of securities in an unrealized loss position		

As of June 30, 2024 September 30, 2024, the available-for-sale securities in an unrealized loss position include primarily fixed-rate debt securities of varying maturities, which are sensitive to changes in the yield curve and other market conditions. Substantially all of the fixed-rate debt securities in a loss position are investment-grade debt securities. As of

June 30, 2024 September 30, 2024, we do not intend to sell, and it is not more likely than not that we will be required to sell, the securities in a loss position before the market values recover or the underlying cash flows have been received, and there is no indication of a material default on interest or principal payments for our debt securities.

Realized gains and losses on sales of available-for-sale investments are computed based upon specific identification of the initial cost adjusted for any other-than-temporary declines in fair value that were recorded in earnings and were not material for the three and six nine months ended June 30, 2024 September 30, 2024 and 2023. Proceeds from sales of available-for-sale investments were $21.0 million $23.2 million and $45.4 million $68.6 million for the three and six nine months ended June 30, 2024 September 30, 2024, respectively, and $34.2 million $60.0 million and $61.8 million $121.8 million for the three and six nine months ended June 30, 2023 September 30, 2023, respectively.

Fair Value of Investments

The following table summarizes certain fair value information at June 30, 2024 September 30, 2024 and December 31, 2023 for investment assets measured at fair value on a recurring basis, as well as the carrying amount and amortized cost of certain other investments:

				Fair Value Measurements Using						Fair Value Measurements Using			
	Carrying Amount	Carrying Amount	Cost(1)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value	Carrying Amount	Cost(1)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
June 30, 2024													
September 30, 2024													
Cash equivalents(2)													
Cash equivalents(2)													
Cash equivalents(2)													
Short-term investments:													
Short-term investments:													
Short-term investments:													
U.S. government and agency securities													
U.S. government and agency securities													
U.S. government and agency securities													
Corporate debt securities													
Asset-backed securities													
Asset-backed securities													
Asset-backed securities													
Other securities													
Short-term investments													
Short-term investments													
Short-term investments													
Noncurrent investments:													
Noncurrent investments:													
Noncurrent investments:													
U.S. government and agency securities													
U.S. government and agency securities													
U.S. government and agency securities													
Corporate debt securities													
Corporate debt securities													
Corporate debt securities													
Mortgage-backed securities													
Asset-backed securities													
Other securities													
Marketable equity securities													
Equity investments without readily determinable fair values(3)													
Equity method investments(3)													

Equity method investments[3]		
Equity method investments[3]		
Noncurrent investments		
Noncurrent investments		
Noncurrent investments		
December 31, 2023		
December 31, 2023		
December 31, 2023		
Cash equivalents[2]		
Cash equivalents[2]		
Cash equivalents[2]		
Short-term investments:		
Short-term investments:		
Short-term investments:		
U.S. government and agency securities		
U.S. government and agency securities		
U.S. government and agency securities		
Corporate debt securities		
Other securities		
Other securities		
Other securities		
Short-term investments		
Short-term investments		
Short-term investments		
Noncurrent investments:		
Noncurrent investments:		
Noncurrent investments:		
U.S. government and agency securities		
U.S. government and agency securities		
U.S. government and agency securities		
Corporate debt securities		
Mortgage-backed securities		
Asset-backed securities		
Other securities		
Marketable equity securities		
Equity investments without readily determinable fair values[3]		
Equity method investments[3]		
Equity method investments[3]		
Equity method investments[3]		
Noncurrent investments		
Noncurrent investments		
Noncurrent investments		

[1] For available-for-sale debt securities, amounts disclosed represent the securities' amortized cost.

[2] We consider all highly liquid investments with a maturity of three months or less from the date of purchase to be cash equivalents. The cost of these investments approximates fair value.

[3] Fair value disclosures are not applicable for equity method investments and investments accounted for under the measurement alternative for equity investments.

We determine our Level 1 and Level 2 fair value measurements based on a market approach using quoted market values, significant other observable inputs for identical or comparable assets or liabilities, or discounted cash flow analyses. Level 3 fair value measurements for other investment securities are determined using unobservable inputs, including the investments' cost adjusted for impairments and price changes from orderly transactions. Fair values are not readily available for certain equity investments measured under the measurement alternative.

Debt

In August 2024, we issued $750.0 million of 4.150 percent fixed-rate notes due in 2027, $1.00 billion of 4.200 percent fixed-rate notes due in 2029, $1.25 billion of 4.600 percent fixed-rate notes due in 2034, $1.25 billion of 5.050 percent fixed rate notes due in 2054, and $750.0 million of 5.200 percent fixed-rate notes due in 2064, all with interest to be paid semi-annually. We used a portion of the net cash proceeds from the offering of $4.96 billion to fund the acquisition of Morphic and related fees and expenses, with any remaining funds used for general business purposes, including the repayment of outstanding commercial paper.

In February 2024, we issued $1.00 billion of 4.500 percent fixed-rate notes due in 2027, $1.00 billion of 4.500 percent fixed-rate notes due in 2029, $1.50 billion of 4.700 percent fixed-rate notes due in 2034, $1.50 billion of 5.000 percent fixed-rate notes due in 2054, and $1.50 billion of 5.100 percent fixed-rate notes due in 2064, all with interest to be paid semi-annually. We used, or may be using, the net cash proceeds from the offering of $6.45 billion for general business purposes, including the repayment of outstanding commercial paper, repayment of current maturities of long-term debt, and repayment of the $750.0 million of 5.000 percent fixed-rate notes due in 2026.

In February 2023, we issued $750.0 million of 5.000 percent fixed-rate notes due in 2026, $1.00 billion of 4.700 percent fixed-rate notes due in 2033, $1.25 billion of 4.875 percent fixed-rate notes due in 2053, and $1.00 billion of 4.950 percent fixed-rate notes due in 2063, all with interest to be paid semi-annually. We used the net cash proceeds from the offering of $3.96 billion for general business purposes, including the repayment of outstanding commercial paper.

In September 2024, we renewed our 364-day credit facility and increased capacity to $5.00 billion, which will expire in September 2025 and is available to support our commercial paper program. We have not drawn against the $5.00 billion 364-day facility as of September 30, 2024.

In September 2024, we extended our $3.00 billion multi-year credit facility, which will now expire in December 2028 and is available to support our commercial paper program. We have not drawn against the $3.00 billion multi-year facility as of September 30, 2024.

Fair Value of Debt

The following table summarizes certain fair value information at June 30, 2024 September 30, 2024 and December 31, 2023 for our short-term and long-term debt:

			Fair Value Measurements Using					Fair Value Measurements Using			
	Carrying Amount	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Short-term commercial paper borrowings											
June 30, 2024											
June 30, 2024											
June 30, 2024											
September 30, 2024											
September 30, 2024											
September 30, 2024											
December 31, 2023											
Long-term debt, including current portion											
June 30, 2024											
June 30, 2024											
June 30, 2024											
September 30, 2024											
September 30, 2024											
September 30, 2024											
December 31, 2023											

Risk Management and Related Financial Instruments

Financial instruments that potentially subject us to credit risk consist principally of trade receivables and interest-bearing investments. Wholesale distributors of life science products account for a substantial portion of our trade receivables; collateral is generally not required. We seek to mitigate the risk associated with this concentration through our ongoing credit-review procedures and insurance. The majority of our cash is held by a few major financial institutions that have been identified as Global Systemically Important Banks (G-SIBs) by the Financial Stability Board. G-SIBs are subject to rigorous regulatory testing and oversight and must meet certain capital requirements. We monitor our exposures with these institutions and do not expect any of these institutions to fail to meet their obligations. In accordance with documented corporate risk-management policies, we monitor the amount of credit exposure to any one financial institution or corporate issuer based on credit rating of our counterparty. We are exposed to credit-related losses in the event of nonperformance by counterparties to risk-management instruments but do not expect significant counterparties to fail to meet their obligations given their investment grade credit ratings.

We have entered into accounts receivable factoring agreements with financial institutions to sell certain of our non-U.S. accounts receivable. These transactions are accounted for as sales and result in a reduction in accounts receivable because the agreements transfer effective control over, and risk related to, the receivables to the buyers. We derecognized $364.1 million $419.2 million and $431.9 million of accounts receivable as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively, under these factoring arrangements. The costs of factoring such accounts receivable as well as estimated credit losses were not material for the three and six nine months ended June 30, 2024 September 30, 2024 and 2023.

Our derivative activities are initiated within the guidelines of documented corporate risk-management policies and are intended to offset losses and gains on the assets, liabilities, and transactions being hedged. Management reviews the correlation and effectiveness of our derivatives on a quarterly basis.

For derivative instruments that are designated and qualify as fair value hedges, the derivative instrument is marked to market, with gains and losses recognized currently in income to offset the respective losses and gains recognized on the underlying exposure. For derivative instruments that are designated and qualify as cash flow hedges, gains and losses are reported as a component of accumulated other comprehensive income (loss) (see Note 11) and reclassified into earnings in the same period the hedged transaction affects earnings. For derivative and non-derivative instruments that are designated and qualify as net investment hedges, the foreign currency translation gains or losses due to spot rate fluctuations are reported as a component of accumulated other comprehensive income (loss) (see Note 11). Derivative contracts that are not designated as hedging instruments are recorded at fair value with the gain or loss recognized in earnings during the period of change.

We may enter into foreign currency forward or option contracts to reduce the effect of fluctuating currency exchange rates (primarily the euro, Chinese yuan, and Japanese yen). Foreign currency derivatives used for hedging are put in place using the same or like currencies and duration as the underlying exposures. Forward and option contracts are principally used to manage exposures arising from subsidiary trade and loan payables and receivables denominated in foreign currencies. These contracts are recorded at fair value with the gain or loss recognized in other–net, (income) expense. Forward contracts generally have maturities not exceeding 12 months. At June 30, 2024 September 30, 2024, we had outstanding foreign currency forward commitments as follows, all of which have settlement dates within 180 days:

June 30, 2024					September 30, 2024			
Purchase	Purchase		Sell		Purchase		Sell	
Currency	Currency	Amount (in millions)	Currency	Amount (in millions)	Currency	Amount (in millions)	Currency	Amount (in millions)
Euro	Euro	4,868.4	U.S. dollars	5,236.9	Euro	5,325.1	U.S. dollars	5,955.9
U.S. dollars	U.S. dollars	2,844.2	Euro	2,649.7	U.S. dollars	1,945.4	Euro	1,744.4
U.S. dollars								
U.S. dollars								
U.S. dollars		241.8	Japanese yen	38,354.0		521.1	Japanese yen	73,217.3
British pounds	British pounds	173.7	U.S. dollars	220.0	British pounds	128.8	U.S. dollars	170.4

Foreign currency exchange risk is also managed through the use of foreign currency debt, cross-currency interest rate swaps, and foreign currency forward contracts. Our foreign currency-denominated notes had carrying amounts of $6.86 billion $6.50 billion and $7.14 billion as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively, of which $5.50 $5.75 billion and $5.67 billion have been designated as, and are effective as, economic hedges of net investments in certain of our foreign operations as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively. At June 30, 2024 September 30, 2024, we had outstanding cross-currency swaps with notional amounts of $728.6 million swapping U.S. dollars to euro and $402.3 million swapping Swiss francs to U.S. dollars which have settlement dates ranging through 2028. Our cross-currency interest rate swaps, for which a significant amount convert a portion of our U.S. dollar-denominated fixed-rate debt to foreign-denominated fixed-rate debt, have also been designated as, and are effective as, economic hedges of net investments. At June 30, 2024 September 30, 2024, we had outstanding foreign currency forward contracts to sell 6.40 billion 4.30 billion euro and to sell 2.70 billion 3.20 billion Chinese yuan with settlement dates ranging through 2025, which have been designated as, and are effective as, economic hedges of net investments.

In the normal course of business, our operations are exposed to fluctuations in interest rates which can vary the costs of financing, investing, and operating. We seek to address a portion of these risks through a controlled program of risk management that includes the use of derivative financial instruments. The objective of controlling these risks is to limit the impact of fluctuations in interest rates on earnings. Our primary interest-rate risk exposure results from changes in short-term U.S. dollar interest rates. In an effort to manage interest-rate exposures, we strive to achieve an acceptable balance between fixed- and floating-rate debt and investment positions and may enter into interest rate swaps or collars to help maintain that balance.

Interest rate swaps or collars that convert our fixed-rate debt to a floating rate are designated as fair value hedges of the underlying instruments. Interest rate swaps or collars that convert floating-rate debt to a fixed rate are designated as cash flow hedges. Interest expense on the debt is adjusted to include the payments made or received under the swap agreements. Cash proceeds from or payments to counterparties resulting from the termination of interest rate swaps are classified as operating activities in our consolidated condensed statements of cash flows. At June 30, 2024 September 30, 2024, all of our total long-term debt is at a fixed rate. We have converted approximately 8 5 percent of our long-term fixed-rate notes to floating rates through the use of interest rate swaps.

We also may enter into forward-starting interest rate swaps and treasury locks, which we designate as cash flow hedges, as part of any anticipated future debt issuances in order to reduce the risk of cash flow volatility from future changes in interest rates. The change in fair value of these instruments is recorded as part of other comprehensive income (loss) (see Note 11) and, upon completion of a debt issuance and termination of the instrument, is amortized to interest expense over the life of the underlying debt. Cash proceeds or payments from the termination of these instruments are classified as operating activities in our consolidated condensed statements of cash flows.

The Effect of Risk-Management Instruments on the Consolidated Condensed Statements of Operations

The following effects of risk-management instruments were recognized in other–net, (income) expense:

	Three Months Ended June 30,			Six Months Ended June 30,			
	Three Months Ended September 30,			Nine Months Ended September 30,			
	2024	2024	2023	2024	2023	2024	2023
Fair value hedges:							
Effect from hedged fixed-rate debt							
Effect from hedged fixed-rate debt							

Effect from hedged fixed-rate debt	
Effect from interest rate contracts	
Cash flow hedges:	
Effective portion of losses on interest rate contracts reclassified from accumulated other comprehensive loss	
Effective portion of losses on interest rate contracts reclassified from accumulated other comprehensive loss	
Effective portion of losses on interest rate contracts reclassified from accumulated other comprehensive loss	
Cross-currency interest rate swaps	
Net (gains) losses on foreign currency exchange contracts not designated as hedging instruments	
Total	

During the three and six nine months ended June 30, 2024 September 30, 2024 and 2023, the amortization of losses related to the portion of our risk management hedging instruments, fair value hedges, and cash flow hedges that was excluded from the assessment of effectiveness was not material.

The Effect of Risk-Management Instruments on Other Comprehensive Income (Loss)

The effective portion of risk-management instruments that was recognized in other comprehensive income (loss) is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,					
	Three Months Ended September 30,		Nine Months Ended September 30,					
	2024	2024	2023	2024	2023	2024	2023	2024	2023
Net investment hedges:									
Foreign currency-denominated notes									
Foreign currency-denominated notes									
Foreign currency-denominated notes									
Cross-currency interest rate swaps									
Foreign currency forward contracts									
Cash flow hedges:									
Forward-starting interest rate swaps									
Forward-starting interest rate swaps									
Forward-starting interest rate swaps									
Cross-currency interest rate swaps									

During the next 12 months, we expect to reclassify $5.3 $4.3 million of pretax net losses on cash flow hedges from accumulated other comprehensive loss to other–net, (income) expense. During the three and six nine months ended June 30, 2024 September 30, 2024 and 2023, the amounts excluded from the assessment of hedge effectiveness recognized in other comprehensive income (loss) were not material.

Fair Value of Risk-Management Instruments

The following table summarizes certain fair value information at June 30, 2024 September 30, 2024 and December 31, 2023 for risk management assets and liabilities measured at fair value on a recurring basis:

	Carrying Amount	Carrying Amount	Carrying Amount
June 30, 2024			
June 30, 2024			
June 30, 2024			
September 30, 2024			
September 30, 2024			
September 30, 2024			
Risk-management instruments:			

Risk-management instruments:

Risk-management instruments:

Interest rate contracts designated as fair value hedges:

Interest rate contracts designated as fair value hedges:

Interest rate contracts designated as fair value hedges:

Other current liabilities

Other current liabilities

Other current liabilities

Other noncurrent liabilities

Other noncurrent liabilities

Other noncurrent liabilities

Cross-currency interest rate contracts designated as net investment hedges:

Cross-currency interest rate contracts designated as net investment hedges:

Cross-currency interest rate contracts designated as net investment hedges:

Other receivables

Other receivables

Other receivables

Other current liabilities

Other current liabilities

Other current liabilities

Cross-currency interest rate contracts designated as cash flow hedges:

Cross-currency interest rate contracts designated as cash flow hedges:

Cross-currency interest rate contracts designated as cash flow hedges:

Other noncurrent assets

Other noncurrent assets

Other noncurrent assets

Foreign exchange contracts designated as net investment hedges:

Foreign exchange contracts designated as net investment hedges:

Foreign exchange contracts designated as net investment hedges:

Other receivables

Other receivables

Other receivables

Other current liabilities

Other current liabilities

Other current liabilities

Foreign exchange contracts not designated as hedging instruments:

Foreign exchange contracts not designated as hedging instruments:

Foreign exchange contracts not designated as hedging instruments:

Other receivables

Other receivables

Other receivables

Other current liabilities

Other current liabilities

Other current liabilities

Contingent consideration liabilities:

Contingent consideration liabilities:

Contingent consideration liabilities:

Other current liabilities

Other current liabilities

Other current liabilities

Other noncurrent liabilities

Other noncurrent liabilities

Other noncurrent liabilities

Other noncurrent liabilities

Other noncurrent liabilities

	Carrying Amount	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
December 31, 2023					
Risk-management instruments:					
Interest rate contracts designated as fair value hedges:					
Other current liabilities	$ (2.4)	$ —	$ (2.4)	$ —	$ (2.4)
Other noncurrent liabilities	(100.3)	—	(100.3)	—	(100.3)
Interest rate contracts designated as cash flow hedges:					
Other noncurrent assets	291.2	—	291.2	—	291.2
Cross-currency interest rate contracts designated as net investment hedges:					
Other current liabilities	(28.4)	—	(28.4)	—	(28.4)
Other noncurrent liabilities	(3.5)	—	(3.5)	—	(3.5)
Cross-currency interest rate contracts designated as cash flow hedges:					
Other receivables	113.8	—	113.8	—	113.8
Other noncurrent assets	63.1	—	63.1	—	63.1
Foreign exchange contracts designated as hedging instruments:					
Other current liabilities	(115.8)	—	(115.8)	—	(115.8)
Foreign exchange contracts not designated as hedging instruments:					
Other receivables	129.6	—	129.6	—	129.6
Other current liabilities	(55.9)	—	(55.9)	—	(55.9)
Contingent consideration liabilities:					
Other current liabilities	(39.5)	—	—	(39.5)	(39.5)
Other noncurrent liabilities	(64.4)	—	—	(64.4)	(64.4)

Risk-management instruments above are disclosed on a gross basis. There are various rights of setoff associated with certain of the risk-management instruments above that are subject to enforceable master netting arrangements or similar agreements. Although various rights of setoff and master netting arrangements or similar agreements may exist with the individual counterparties to the risk-management instruments above, individually, these financial rights are not material.

Contingent consideration liabilities relate to our liabilities arising in connection with the contingent value rights (CVRs) issued as a result of acquisitions of businesses. The fair values of the CVR liabilities were estimated using a discounted cash flow analysis and Level 3 inputs, including projections representative of a market participant's view of the expected cash payments associated with the agreed upon regulatory milestones based on probabilities of technical success, timing of the potential milestone events for the compounds, and estimated discount rates.

Note 8: Income Taxes

The effective tax rate was 15.6 rates were 38.9 percent and 13.9 19.1 percent for the three and six nine months ended June 30, 2024 September 30, 2024, respectively, compared to 15.6 and 113.4 percent and 14.1 24.6 percent for the three and six nine months ended June 30, 2023 September 30, 2023, respectively. The effective respectively, primarily driven by unfavorable tax rates for the three and six months ended June 30, 2024 reflect a mix impacts of earnings in higher tax jurisdictions, while effective tax rates for the three and six months ended June 30, 2023 reflect the tax impact of the sale of rights for Baqsimi. Additionally, the effective tax rates for the six months ended June 30, 2024 and 2023 were both reduced by net discrete tax benefits, non-deductible acquired IPR&D charges, with a larger net discrete tax benefit reflected in the six months ended June 30, 2024 compared to the same period impact occurring in 2023.

The U.S. examination of tax years 2016-2018 began in 2019 and remains ongoing. The Internal Revenue Service commenced its examination of tax years 2019-2021 during the third quarter of 2023. The resolution of both audit periods will likely extend beyond the next 12 months.

Note 9: Retirement Benefits

Net pension and retiree health (benefit) cost included the following components:

	Defined Benefit Pension Plans

	Three Months Ended June 30,		Six Months Ended June 30,					
	Three Months Ended September 30,		Nine Months Ended September 30,					
	2024	2023	2024	2023	2024	2023	2024	2023
Components of net periodic cost:								
Service cost								
Service cost								
Service cost								
Interest cost								
Expected return on plan assets								
Amortization of prior service cost								
Recognized actuarial loss								
Net periodic cost								
Net periodic cost								
Net periodic cost								

	Retiree Health Benefit Plans							
	Three Months Ended June 30,		Six Months Ended June 30,					
	Three Months Ended September 30,		Nine Months Ended September 30,					
	2024	2023	2024	2023	2024	2023	2024	2023
Components of net periodic benefit:								
Service cost								
Service cost								
Service cost								
Interest cost								
Expected return on plan assets								
Amortization of prior service benefit								
Recognized actuarial gain								
Net periodic benefit								
Net periodic benefit								
Net periodic benefit								

Note 10: Contingencies

We are involved in various lawsuits, claims, government investigations and other legal proceedings that arise in the ordinary course of business. These claims or proceedings can involve various types of parties, including governments, regulatory agencies, competitors, customers, suppliers, service providers, licensees, employees, or shareholders, among others. These matters may involve patent infringement, antitrust, securities, pricing, access, sales and marketing practices, environmental, commercial, contractual rights, licensing obligations, health and safety matters, consumer fraud, employment matters, product liability, insurance coverage, and regulatory compliance, among others. The resolution of these matters often develops over a long period of time and expectations can change as a result of new findings, rulings, appeals or settlement arrangements. Legal proceedings that are significant or that we believe could become significant or material are described below.

We are defending against the legal proceedings in which we are named as defendants vigorously. It is not possible to determine the final outcome of these matters, and, unless otherwise noted, we cannot reasonably estimate the maximum potential exposure or the range of possible loss in excess of amounts accrued for any of these matters; however, we believe that the resolution of all such matters will not have a material adverse effect on our consolidated financial position or liquidity, but could possibly be material to our consolidated results of operations in any one accounting period.

Litigation accruals and environmental liabilities and the related estimated insurance recoverables are reflected on a gross basis as liabilities and assets, respectively, on our consolidated balance sheets. With respect to the product liability claims currently asserted against us, we have accrued for our estimated exposures to the extent they are both probable and reasonably estimable based on the information available to us. We accrue for certain product liability claims incurred but not filed to the extent we can formulate a reasonable estimate of their costs. We estimate these expenses based primarily on historical claims experience and data regarding product usage. Legal defense costs expected to be incurred in connection with significant product liability loss contingencies are accrued when both probable and reasonably estimable.

Because of the nature of pharmaceutical products, it is possible that we could become subject to large numbers of additional product liability and related claims in the future. Due to a very restrictive market for litigation liability insurance, we are self-insured for litigation liability losses for all our currently and previously marketed products.

Patent Litigation

Emgality Patent Litigation

We are a named defendant in litigation filed by Teva Pharmaceuticals International GMBH and Teva Pharmaceuticals USA, Inc. (collectively, Teva) in the U.S. District Court for the District of Massachusetts seeking a ruling that various claims in three different Teva patents are infringed by our launch and continued sales of Emgality for the prevention of migraine in adults.

Following a trial, in November 2022, a jury returned a verdict in favor of Teva. In September 2023, the court granted our motion to overrule the jury verdict and found all asserted claims of the three patents invalid. Teva has appealed the decision. This matter is ongoing.

Environmental Proceedings

Under the Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as "Superfund," we have been designated as one of several potentially responsible parties with respect to the cleanup of fewer than 10 sites. Under Superfund, each responsible party may be jointly and severally liable for the entire amount of the cleanup.

Other Matters

Actos® Litigation

We, are named along with Takeda Chemical Industries, Ltd. and Takeda affiliates (collectively, Takeda) , are named in a third party payor payer class action in the U.S. District Court for the Central District of California. Plaintiffs claim that they and similarly situated class members are entitled to recover money paid for or to reimburse Actos prescriptions because of alleged concealment of bladder cancer risk. Our agreement with Takeda calls for Takeda to defend and indemnify us against our losses and expenses with respect to U.S. litigation arising out of the manufacture, use, or sale of Actos and other related expenses in accordance with the terms of the agreement. In August 2023, the U.S. Court of Appeals for the Ninth Circuit granted our and Takeda's petition for permission to appeal the class certification order, and the appeal has been fully briefed. briefed, and oral argument is scheduled for November 2024. This matter is ongoing.

Mounjaro and Trulicity Product Liability Litigation

We, Since August 2023, we, along with Novo Nordisk A/S (Novo) and other related Novo entities, are have been named in numerous lawsuits by plaintiffs alleging injuries following purported use of incretin medicines. Certain complaints name us and allege injuries that plaintiffs claim are associated with the use of Mounjaro and/or Trulicity. These lawsuits were filed beginning Lawsuits in August 2023 and are U.S. federal courts have generally been coordinated and/or consolidated for pretrial proceedings in a federal multidistrict litigation pending in various federal courts. In February 2024, the Judicial Panel on Multi-District Litigation established Multi-District Litigation U.S. District Court for coordinated and consolidated pretrial proceedings in the Eastern District of Pennsylvania. This matter is There are also cases pending in various U.S. state courts, as well as a class action petition filed in Israel. These matters are ongoing.

340B Litigation and Investigations

We are the plaintiff in a lawsuit filed in January 2021 in the U.S. District Court for the Southern District of Indiana against the U.S. Department of Health and Human Services (HHS), the Secretary of HHS, the Health Resources and Services Administration (HRSA), and the Administrator of HRSA. The lawsuit challenges HHS's December 30, 2020 advisory opinion stating that drug manufacturers are required to deliver discounts under the 340B program to all contract pharmacies and HHS's Administrative Dispute Resolution (ADR) regulations. We seek a declaratory judgment that the defendants violated the Administrative Procedure Act and the U.S. Constitution, a preliminary injunction enjoining implementation of the administrative dispute resolution ADR process created by defendants and, with it, their application of the advisory opinion, and other related relief. In March 2021, the court entered an order preliminarily enjoining the government's enforcement of the administrative dispute resolution ADR process against us. In May 2021, HRSA sent us an enforcement letter notifying us that it determined that our policy was contrary to the 340B statute. In response, in May 2021, we amended our complaint to bring claims related to HRSA's determination. In June 2021, the defendants withdrew the HHS December 30, 2020 advisory opinion. In July 2021, the court held oral argument on the parties' cross motions for summary judgment and the defendants' motion to dismiss. In October 2021, the court denied the defendants' motion to dismiss, and granted in part and denied in part the parties' cross motions for summary judgment. Both parties filed notices of appeal related to the court's summary judgment order. In October 2022, the U.S. Court of Appeals for the Seventh Circuit held oral argument. This matter is ongoing.

We, along with other pharmaceutical manufacturers, have been named as a defendant in ADR petitions filed in 2021, and 2023, and currently pending before the HHS Administrative Dispute Resolution Panel. 2024 that are being held in abeyance as to us. Petitioners seek declaratory, injunctive, and/or monetary relief related to the 340B program. As described above, the U.S. District Court for the Southern District of Indiana has entered a preliminary injunction enjoining the government's enforcement of the administrative dispute resolution process against us. HHS has now promulgated a revised regulation governing Administrative Dispute Resolution (ADR) ADR proceedings, which took effect in June 2024 and may lead to the resumption of ADR proceedings against us.

In July 2021, we, along with Sanofi-Aventis U.S., LLC (Sanofi), Novo Nordisk Inc. (Novo Nordisk), and AstraZeneca Pharmaceuticals LP (AstraZeneca), were named as a defendant in a purported class action lawsuit filed in the U.S. District Court for the Western District of New York by Mosaic Health, Inc. alleging antitrust and unjust enrichment claims related to the defendants' 340B distribution programs. We, with Sanofi, Novo Nordisk, and AstraZeneca, filed a motion to dismiss the lawsuit, which was granted in September 2022. In January 2024, the court dismissed the case. In February 2024, the plaintiffs filed a notice of appeal Plaintiffs have appealed to the U.S. Court of Appeals for the Second Circuit. This matter is ongoing.

We received a civil investigative subpoena in February 2021 from the Office of the Attorney General for the State of Vermont relating to the sale of pharmaceutical products to Vermont covered entities under the 340B program. We are cooperating with this subpoena.

Branchburg Manufacturing Facility

In May 2021, we received a subpoena from the U.S. Department of Justice requesting the production of certain documents relating to our manufacturing site in Branchburg, New Jersey. We are cooperating with the subpoena.

Brazil Litigation – Cosmopolis Facility

Labor Attorney Litigation

First initiated in 2008, Eli Lilly do Brasil Limitada (Lilly Brasil) is named in a Public Civil Action brought by the Labor Public Attorney (LPA) alleging harm to employees and former employees caused by alleged exposure to soil and groundwater contaminants at a former manufacturing facility in Cosmopolis, operated by the company between 1977 and 2003. In May 2014, the trial Court ruled against Lilly Brasil, ordering it to undertake several remedial and compensatory actions, including health coverage for a class of individuals and certain of their children. In July 2018, the appeals court generally affirmed the trial Court's ruling, which included a liquidated award of 300 million Brazilian reais, which, when adjusted for inflation, is approximately 1.33 billion 1.36 billion Brazilian reais (approximately $238 $250 million as of June 30, 2024 September 30, 2024). In August 2019, Lilly Brasil appealed to the superior labor court (TST) and in June 2021, the majority of the elements of Lilly Brasil's appeal were admitted; elements not proceeding are subject to an interlocutory appeal to the TST that was filed in June 2021. Mediation hearings did not resolve the matter and we are awaiting the TST's judgment. ongoing.

In July 2019, at the LPA's request, the trial Court ordered a freeze of Lilly Brasil's immovable property in the amount of 500 million Brazilian reais, which was reduced on Lilly Brasil's appeal and, when adjusted for inflation, is approximately 138 million 141 million Brazilian reais (approximately $25 $26 million as of June 30, 2024 September 30, 2024). The parties appealed to the TST, which appeal is under review. The trial Court is currently assessing the status of Lilly Brasil's compliance with the obligations as to the land and an inspection in the industrial plant occurred in October 2023. These matters are ongoing.

Individual Former Employee Litigation

Lilly Brasil is also named in various pending lawsuits filed in the trial Court by individual former employees making related claims. These individual lawsuits are at various stages in the litigation process.

Puerto Rico Tax Matter

In May 2013, the Municipality of Carolina in Puerto Rico (Municipality) filed a lawsuit against us alleging noncompliance with respect to a contract with the Municipality and seeking a declaratory judgment. In December 2020, the Puerto Rico Appellate Court (AP) reversed the summary judgment previously granted by the Court of First Instance (CFI) in our favor dismissing the Municipality's complaint in its entirety. The AP remanded the case to the CFI for trial on the merits. The trial began in May 2022; however, the Municipality filed a new motion requesting the CFI to execute an alleged judgment. The request was denied by the CFI in our favor and the Municipality filed for revision at the AP, which we opposed, staying the case. The AP denied the Municipality's motion for revision. This Trial resumed in October 2024 and this matter is ongoing and trial has been scheduled for August 2024. ongoing.

Average Manufacturer Price Litigation

In November 2014, we, along with another pharmaceutical manufacturer, were named as co-defendants in *United States et al. ex rel. Streck v. Takeda Pharm. Am., Inc., et al.*, which was filed in November 2014 and unsealed in the U.S. District Court for the Northern District of Illinois. The complaint alleges that the defendants should have treated certain credits from distributors as retroactive price increases and included such increases in calculating average manufacturer prices. Following a trial in August 2022, the jury returned a verdict in favor of the plaintiff. Lilly appealed to the U.S. Court of Appeals for the Seventh Circuit which was heard and the appeal is pending. This matter is ongoing. we await a decision.

Health Choice Alliance

We were named as a defendant in a lawsuit filed in Texas state court in October 2019 seeking damages under the Texas Medicaid Fraud Prevention Act for certain patient support programs related to our products Humalog, Humulin, and Forteo. This state court The action is currently stayed. has been stayed since 2020.

Pricing Matters

Pricing Litigation

We, along with Sanofi, Novo Nordisk, and, in some matters, certain pharmacy benefit managers, have been named in numerous lawsuits, including putative class actions, by states and state attorneys general, counties, municipalities, third-party payers, consumers, and other parties related to the pricing of insulin pricing and certain other products and rebates paid by manufacturers to pharmacy benefit managers. These lawsuits assert various theories, including consumer protection, unfair and deceptive trade practice, practices, fraud, false advertising, unjust enrichment, civil conspiracy, federal and state RICO, statutes, antitrust, and unfair competition claims. These lawsuits have been brought in various state and federal courts since 2017 and are at various stages in the litigation process. Starting The cases pending in August 2023 after federal court have generally been coordinated and/or consolidated for pretrial proceedings in a ruling by federal multidistrict litigation pending in the Judicial Panel U.S. District Court for Multi-District Litigation, several of these cases were transferred to or filed in the District of New Jersey for coordinated or consolidated pre-trial proceedings. Jersey. The defendants have filed motions to dismiss an initial set of State attorney general and self-funded payer complaints, which are awaiting the Court's decision. In May 2023, we reached a settlement in the *In re Insulin Pricing Litigation* consumer class action. In January 2024, the Multi-District Litigation court denied the consumer class plaintiffs' motion for class certification, certification. We and the parties consumer class plaintiffs subsequently terminated their our settlement agreement and stipulated that the denial of the class certification applies to Lilly. This matter is These matters are ongoing.

Pricing Investigations and Similar Matters

We have been subject to various investigations and received subpoenas, civil investigative demand requests, information requests, interrogatories, and other inquiries from various governmental entities related to pricing issues, including the pricing and sale of insulins and other products and calculations of average manufacturer price and best price. These include subpoenas from the Vermont Attorney General Office, civil investigative demands from the Washington, New Mexico, Colorado, Louisiana, Texas, Indiana and Oregon Attorney General Offices, the U.S. Department of Justice, and the U.S. Federal Trade Commission, as well as information requests from the Mississippi, Washington D.C., California, Florida, Hawaii, and Nevada Attorney General Offices.

To the extent the foregoing governmental entities have not filed lawsuits, we are cooperating with the foregoing investigations, subpoenas, and inquiries.

In January 2022, the Michigan Attorney General filed a petition in Michigan state court seeking authorization to investigate Lilly for potential violations of the Michigan Consumer Protection Act (MCPA), and a complaint seeking a declaratory judgment that the Attorney General has authority to investigate Lilly's sale of insulin under the MCPA. The court authorized the proposed investigation and the issuance of civil investigative subpoenas. In April 2022, the parties entered into a stipulation providing that the State of Michigan will not issue any civil investigative subpoena to us under the MCPA until the declaratory judgment action is resolved. In July 2022, the court dismissed the case in its entirety. In June 2023, the Michigan Court of Appeals affirmed the judgment in our favor. In August 2023, the Michigan Attorney General filed an application for leave to appeal to the Michigan Supreme Court, which and oral argument was held in October 2024. This matter is being set for argument. ongoing.

We are cooperating with all of the aforementioned investigations, subpoenas, and inquiries.

Research Corporation Technologies, Inc.

In April 2016, we were named as a defendant in litigation filed by Research Corporation Technologies, Inc. (RCT) in the U.S. District Court for the District of Arizona. The complaint seeks damages for breach of contract, unjust enrichment, and conversion related to processes used to manufacture certain products, including Humalog and Humulin. In October 2021, the court issued a summary judgment decision in favor of RCT on certain issues, including with respect to a disputed royalty. In July 2024, we reached a confidential agreement with RCT that requires different payments based on various litigation outcomes as determined on appeal. Pursuant to this agreement, the court entered final judgment, Lilly filed a notice of appeal to the U.S. Court of Appeals for the Ninth Circuit, and Lilly will make made an initial payment amount under the agreement. The remaining amount payable under the agreement, if any, should not have a material impact on our financial position, liquidity or results of operations. The settlement agreement is not an admission of liability or fault by us, and is subject to conditions. This matter is ongoing.

Note 11: Other Comprehensive Income (Loss)

The following tables summarize the activity related to each component of other comprehensive income (loss) during the three months ended June 30, 2024 September 30, 2024 and 2023:

(Amounts presented net of taxes)	Foreign Currency Translation Gains (Losses)	Net Unrealized Gains (Losses) on Available-For-Sale Securities	Defined Benefit Pension and Retiree Health Benefit Plans	Net Unrealized Gains (Losses) on Cash Flow Hedges	Accumulated Other Comprehensive Loss
Balance at April 1, 2024					
Balance at July 1, 2024					
Other comprehensive income (loss) before reclassifications					
Other comprehensive income (loss) before reclassifications					
Other comprehensive income (loss) before reclassifications					
Net amount reclassified from accumulated other comprehensive loss					
Net other comprehensive income (loss)					
Balance at June 30, 2024					
Balance at June 30, 2024					
Balance at June 30, 2024					
Balance at September 30, 2024					
Balance at September 30, 2024					
Balance at September 30, 2024					

(Amounts presented net of taxes)	Foreign Currency Translation Gains (Losses)	Net Unrealized Gains (Losses) on Available-For-Sale Securities	Defined Benefit Pension and Retiree Health Benefit Plans	Net Unrealized Gains (Losses) on Cash Flow Hedges	Accumulated Other Comprehensive Loss
Balance at April 1, 2023					
Balance at July 1, 2023					
Other comprehensive income (loss) before reclassifications					
Other comprehensive income (loss) before reclassifications					
Other comprehensive income (loss) before reclassifications					

Net amount reclassified from accumulated other comprehensive loss													
Net other comprehensive income (loss)													
Balance at June 30, 2023													
Balance at June 30, 2023													
Balance at June 30, 2023													
Balance at September 30, 2023													
Balance at September 30, 2023													
Balance at September 30, 2023													

The following tables summarize the activity related to each component of other comprehensive income (loss) during the six nine months ended June 30, 2024 September 30, 2024 and 2023:

(Amounts presented net of taxes)	(Amounts presented net of taxes)	Foreign Currency Translation Gains (Losses)	Net Unrealized Gains (Losses) on Available-For-Sale Securities	Defined Benefit Pension and Retiree Health Benefit Plans	Net Unrealized Gains (Losses) on Cash Flow Hedges	Accumulated Other Comprehensive Loss	(Amounts presented net of taxes)	Foreign Currency Translation Gains (Losses)	Net Unrealized Gains (Losses) on Available-For-Sale Securities	Defined Benefit Pension and Retiree Health Benefit Plans	Net Unrealized Gains (Losses) on Cash Flow Hedges	Accumulated Other Comprehensive Loss
Balance at January 1, 2024												
Other comprehensive income (loss) before reclassifications												
Other comprehensive income (loss) before reclassifications												
Other comprehensive income (loss) before reclassifications												
Net amount reclassified from accumulated other comprehensive loss												
Net other comprehensive income (loss)												
Balance at June 30, 2024												
Balance at June 30, 2024												
Balance at June 30, 2024												
Balance at September 30, 2024												
Balance at September 30, 2024												
Balance at September 30, 2024												

(Amounts presented net of taxes)	(Amounts presented net of taxes)	Foreign Currency Translation Gains (Losses)	Net Unrealized Gains (Losses) on Available-For-Sale Securities	Defined Benefit Pension and Retiree Health Benefit Plans	Net Unrealized Gains (Losses) on Cash Flow Hedges	Accumulated Other Comprehensive Loss	(Amounts presented net of taxes)	Foreign Currency Translation Gains (Losses)	Net Unrealized Gains (Losses) on Available-For-Sale Securities	Defined Benefit Pension and Retiree Health Benefit Plans	Net Unrealized Gains (Losses) on Cash Flow Hedges	Accumulated Other Comprehensive Loss
Balance at January 1, 2023												
Other comprehensive income (loss) before reclassifications												
Other comprehensive income (loss) before reclassifications												
Other comprehensive income (loss) before reclassifications												

Net amount reclassified from accumulated other comprehensive loss
Net other comprehensive income (loss)
Balance at June 30, 2023
Balance at June 30, 2023
Balance at June 30, 2023
Balance at September 30, 2023
Balance at September 30, 2023
Balance at September 30, 2023

The tax effects on the net activity related to each component of other comprehensive income (loss) were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,							
	Three Months Ended September 30,		Nine Months Ended September 30,							
Tax benefit (expense)	Tax benefit (expense)	2024	2023	2024	2023	Tax benefit (expense)	2024	2023	2024	2023
Foreign currency translation gains/losses										
Net unrealized gains/losses on available-for-sale securities										
Defined benefit pension and retiree health benefit plans										
Net unrealized gains/losses on cash flow hedges										
Benefit (expense) for income taxes allocated to other comprehensive income (loss) items										

Except for the tax effects of foreign currency translation gains and losses related to our foreign currency-denominated notes, cross-currency interest rate swaps, and other foreign currency exchange contracts designated as net investment hedges (see Note 7), income taxes were not provided for foreign currency translation. Generally, the assets and liabilities of foreign operations are translated into U.S. dollars using the current exchange rate. For those operations, changes in exchange rates generally do not affect cash flows; therefore, resulting translation adjustments are made in shareholders' equity rather than in the consolidated condensed statements of operations.

Reclassifications out of accumulated other comprehensive loss were as follows:

Details about Accumulated Other Comprehensive Loss Components	Details about Accumulated Other Comprehensive Loss Components	Three Months Ended June 30,	Six Months Ended June 30,	Affected Line Item in the Consolidated Condensed Statements of Operations	Details about Accumulated Other Comprehensive Loss Components	Three Months Ended September 30,	Nine M Sep
2024							
2024							
2024							
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2024							
2024							
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2024			2023		2024		2023			2023			2024	
Amortization of retirement benefit items:														
Prior service benefits, net														
Prior service benefits, net														
Prior service benefits, net	**$(0.9)**	$		$(12.6)	**$**	**$(1.8)**	$	$	(25.2)	Other–net, (income) expense	Other–net, (income) expense	**$ (0.8)**	$	$(12.7)	**$**
Actuarial losses, net	Actuarial losses, net	**31.1**	28.9	28.9	**61.1**	**61.1**	58.0		58.0	Other–net, (income) expense	Other–net, (income) expense	Actuarial losses, net	**30.8**	29.1	29
Total before tax															
Tax benefit															
Tax benefit		**(6.3)**	(3.4)	(3.4)	**(12.4)**	**(12.4)**	(6.9)		(6.9)	Income taxes	Income taxes	**(6.3)**	(3.4)		(3.4)
Net of tax															
Other, net of tax															
Other, net of tax															
Other, net of tax		**0.8**	2.4	2.4	**10.7**	**10.7**	(20.1)		(20.1)	Other–net, (income) expense	Other–net, (income) expense	**0.1**	2.9		2.9
Total reclassifications, net of tax															
Total reclassifications, net of tax															
Total reclassifications, net of tax															

Note 12: Other–Net, (Income) Expense

Other–net, (income) expense consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,					
	Three Months Ended September 30,		Nine Months Ended September 30,					
	2024	2023	2024	2023	2024	2023	2024	2023
Interest expense								
Interest income								
Net investment losses on equity securities (Note 7)								
Net investment (gains) losses on equity securities (Note 7)								

Retirement benefit plans

Other (income) expense

Other (income) expense

Other (income) expense

Other–net, (income) expense

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

(Tables present dollars in millions, except per-share data)

General

Management's discussion and analysis of results of operations and financial condition is intended to assist the reader in understanding and assessing significant changes and trends related to our results of operations and financial position. This discussion and analysis should be read in conjunction with the consolidated condensed financial statements and accompanying footnotes in Part I, Item 1 of this Quarterly Report on Form 10-Q. Certain statements in this Part I, Item 2 of this Quarterly Report on Form 10-Q constitute forward-looking statements. Various risks and uncertainties, including those discussed in "Forward-Looking Statements" in this Quarterly Report on Form 10-Q and "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023, may cause our actual results, financial position, and cash generated from operations to differ from these forward-looking statements.

EXECUTIVE OVERVIEW

This section provides an overview of our financial results, late-stage pipeline developments, and other matters affecting our company and industry.

Financial Results

The following table summarizes certain financial information:

	Three Months Ended June 30,		Percent	Six Months Ended June 30,		Percent
	2024	2023	Change	2024	2023	Change
Revenue	**$ 11,302.8**	$ 8,312.1	36	**$ 20,070.8**	$ 15,272.1	31
Net income	**2,967.0**	1,763.2	68	**5,209.9**	3,108.1	68
Earnings per share - diluted	**3.28**	1.95	68	**5.76**	3.44	67

	Three Months Ended September 30,		Percent	Nine Months Ended September 30,		Percent
	2024	2023	Change	2024	2023	Change
Revenue	**$ 11,439.1**	$ 9,498.6	20	**$ 31,509.9**	$ 24,770.7	27
Net income (loss)	**970.3**	(57.4)	NM	**6,180.2**	3,050.7	NM
Earnings (loss) per share - diluted	**1.07**	(0.06)	NM	**6.83**	3.38	NM

NM - not meaningful

Revenue increased for the three and six nine months ended June 30, 2024 September 30, 2024 driven by increased volume and higher realized prices. The increase in revenue during the three and six nine months ended June 30, 2024 September 30, 2024 was primarily driven by increased sales of Mounjaro®, Zepbound®, and Verzenio®, partially offset by declines in Trulicity® and the 2023 sale of rights for Baqsimi the olanzapine portfolio, including Zyprexa® during the second quarter of 2023. .

Net income and earnings per share for the three and six nine months ended June 30, 2024 September 30, 2024 increased primarily due to higher gross margin, partially offset by increased research and development expenses, marketing, selling, and administrative expenses, and asset impairment, restructuring, and other special charges, and marketing, selling, and administrative expenses. charges.

See "Results of Operations" for additional information.

Late-Stage Pipeline

Our long-term success depends on our ability to continually discover or acquire, develop, and commercialize innovative new medicines. We currently have approximately 50 new medicine candidates in clinical development or under regulatory review, and a larger number of projects in the discovery phase.

The following select new molecular entities (NMEs) and new indication line extension (NILEX) products are currently in Phase 2 or Phase 3 clinical trials or have been submitted for regulatory review or have recently received regulatory approval in the United States (U.S.), European Union (EU), or Japan. The table reflects the status of these NMEs and NILEX products, including certain other developments since our Annual Report on Form 10-K for the year ended December 31, 2023.

Compound	Indication/Study	Status	Developments
Cardiometabolic Health			
Tirzepatide (Mounjaro, Zepbound)	Obesity	Approved	Approved in the U.S. and the EU in 2023. Submitted in Japan in 2024. Phase 3 trials are ongoing.
	Obstructive sleep apnea (OSA)	Submitted	Submitted in the U.S. and the EU in 2024. Granted U.S. Food and Drug Administration (FDA) Fast Track designation(1). Granted FDA Breakthrough Therapy(2) designation in 2024.
	Cardiovascular outcomes in type 2 diabetes	Phase 3	Phase 3 trial is ongoing.
	Heart failure with preserved ejection fraction	Phase 3	Announced in 2024 that Phase 3 trial met all primary and key secondary endpoints.
	Morbidity and mortality in obesity	Phase 3	Phase 3 trial is ongoing.
	Higher doses	Phase 2	Phase 2 trial is ongoing.
	Metabolic dysfunction-associated steatohepatitis	Phase 2	Announced in 2024 that Phase 2 trial met its primary endpoint.
Insulin Efsitora Alfa	Type 1 and type 2 diabetes	Phase 3	Announced in 2024 that two five Phase 3 trials met primary endpoints.
Lepodisiran	Atherosclerotic cardiovascular disease	Phase 3	Phase 3 trial initiated in 2024.
Orforglipron	Obesity	Phase 3	Phase 3 trials are ongoing.
	Type 2 diabetes	Phase 3	Phase 3 trials are ongoing.
Retatrutide	Cardiovascular / renal outcomes	Phase 3	Phase 3 trials initiated in 2024.
	Obesity, osteoarthritis, OSA	Phase 3	Phase 3 trials are ongoing.
	Type 2 diabetes	Phase 3	Phase 3 trials initiated in 2024.
Bimagrumab	Obesity	Phase 2	Phase 2 trial is ongoing.
Eloralintide	Obesity	Phase 2	Phase 2 trial initiated in 2024.
Mazdutide	Obesity	Phase 2	Phase 2 trial is ongoing.
Muvalaplin	Cardiovascular disease	Phase 2	Phase 2 trial is ongoing.
Solbinsiran	Cardiovascular disease	Phase 2	Phase 2 trial is ongoing.
Volenrelaxin	Heart failure	Phase 2	Phase 2 trial is ongoing.

Compound	Indication/Study	Status	Developments
Immunology			
Lebrikizumab(3) (Ebglyss® TM)	Atopic dermatitis	Approved	Approved in the U.S. and Japan in 2024 and in the EU in 2023 and in Japan in 2024. Resubmitted in the U.S. in 2024 and anticipate regulatory action by the end of 2024. 2023. Phase 3 trials are ongoing.
	AR (perennial allergens)	Phase 3	Phase 3 trial initiated in 2024.
	CRSwNP	Phase 3	Phase 3 trial initiated in 2024.
Mirikizumab	Crohn's Disease	Submitted	Submitted in the U.S., the EU, and Japan in 2024. Phase 3 trials are ongoing.
CD19 Antibody	Multiple sclerosis	Phase 2	Phase 2 trial initiated in 2024.
DC-806DC-853	Psoriasis	Phase 2	Phase 2 trial was completed initiated in 2024.
Eltrekibart	Hidradenitis suppurativa	Phase 2	Phase 2 trial is ongoing.
KV1.3 Antagonist	Psoriasis	Phase 2	Phase 2 trial initiated in 2024.
Ocadusertib MORF-057	Rheumatoid arthritis Crohn's Disease	Phase 2	Acquired in the acquisition of Morphic Holding, Inc. (Morphic) in 2024. Phase 2 trial is trials are ongoing.
	Peresolimab Ulcerative colitis	Phase 2	
Ocadusertib	Rheumatoid arthritis	Phase 2	Phase 2 trial is ongoing.
Ucenprubart	Atopic dermatitis	Phase 2	Phase 2 trial is ongoing.
DC-806	Psoriasis	Discontinued	In 2024, discontinued Phase 2 development of this molecule in favor of another molecule in development.
Peresolimab	Rheumatoid arthritis	Discontinued	In 2024, Phase 2 trial was discontinued due to overall benefit/risk profile.
Neuroscience			
Donanemab (Kisunla™)	Early Alzheimer's disease	Approved	Approved in the U.S. and Japan in 2024. Submitted in the EU and Japan in 2023. Received Announced in 2024 that a positive opinion from Pharmaceuticals and Medical Devices Agency in Japan in 2024. Phase 3 trial met the primary endpoint. Phase 3 trials are ongoing.
	Preclinical Alzheimer's disease	Phase 3	Phase 3 trial is ongoing.
Remternetug	Early Alzheimer's disease	Phase 3	Phase 3 trial is ongoing.
Epiregulin Ab	Pain	Phase 2	Phase 2 trial initiated in 2024.
GBA1 Gene Therapy	Gaucher disease Type 1	Phase 2	Phase 2 trial is ongoing.
	Parkinson's disease	Phase 2	Granted FDA Fast Track designation(1). Phase 2 trial is ongoing.
GRN Gene Therapy	Frontotemporal dementia	Phase 2	Granted FDA Fast Track designation(1). Phase 2 trial is ongoing.
Mazisotine (SSTR4 Agonist)	Pain	Phase 2	Phase 2 trials are ongoing.
O-GlcNAcase Inh	Alzheimer's disease	Phase 2	Phase 2 trial was completed in 2024.
OTOF Gene Therapy	Hearing loss	Phase 2	Phase 2 trial initiated in 2024.
P2X7 Inhibitor	Pain	Phase 2	Phase 2 trials were completed in 2023.

Compound	Indication/Study	Status	Developments
Oncology			
Pirtobrutinib (Jaypirca®)	Chronic lymphocytic leukemia	Approved(4)	FDA granted accelerated approval(4) in the U.S. in 2023. Phase 3 trials are ongoing.
	Mantle cell lymphoma	Approved(4)	FDA granted accelerated approval(4) in the U.S. in 2023. Approved in the EU in 2023 and in Japan in 2024. Phase 3 trial is ongoing.
Imlunestrant	Adjuvant breast cancer	Phase 3	Phase 3 trial is ongoing.
	ER+HER2- metastatic breast cancer	Phase 3	Announced in 2024 that a Phase 3 trial is ongoing. was positive.
Olomorasib	1L KRAS G12C-mutant G12C+ NSCLC	Phase 2 3	Phase 2 3 trial is ongoing. initiated in 2024.

(1) Fast Track designation is designed to facilitate the development and expedite the review of medicines to treat serious conditions and fill an unmet medical need.

(2) Breakthrough Therapy designation is designed to expedite the development and review of potential medicines that are intended to treat a serious condition where preliminary clinical evidence indicates that the treatment may demonstrate substantial improvement over available therapy on a clinically significant endpoint.

(3) In collaboration with Almirall, S.A. in Europe.

(4) Continued approval may be contingent on verification and description of clinical benefit in confirmatory Phase 3 trials.

Other Matters

Patent Matters

We depend on patents or other forms of intellectual property protection for most of our revenue, cash flows, and earnings.

See Note 10 to the consolidated condensed financial statements for a description of legal proceedings currently pending regarding certain of our patents and "Business—Patents, Trademarks, and Other Intellectual Property Rights" in Part I, Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2023 for a discussion of the impacts of trends involving intellectual property on our business and results.

Trends Affecting Pharmaceutical Pricing, Reimbursement, and Access and Certain Other Regulatory Developments

Reforms, including those that may stem from political initiatives, periods of uneven economic growth or downturns, or as a result of high inflation or deflation, the emergence or escalation of, and responses to, international tension and conflicts, or government budgeting priorities, are expected to continue to result in added pressure on pricing and reimbursement for our products.

Global concern over access to, and affordability of, pharmaceutical products continues to drive regulatory and legislative debate and action, as well as worldwide cost containment efforts by governmental authorities. Such measures include the use of mandated discounts, price reporting requirements, mandated reference prices, restrictive formularies, changes to available intellectual property protections, as well as other efforts. In August 2022, the U.S. government enacted the Inflation Reduction Act of 2022 (IRA). Among other measures, the IRA requires the U.S. Department of Health and Human Services (HHS) to effectively set prices for certain single-source drugs and biologics reimbursed under Medicare Part B and Part D. Generally, these government prices apply nine years (for medicines approved under a New Drug Application) or thirteen years (for medicines approved under a Biologics License Application) following initial FDA approval and will be are set at a price that is likely to represent generally represents a significant discount from existing prices to wholesalers and direct purchasers. While the law specifies a ceiling price, it does not set a minimum or floor price. In August 2023, the HHS selected Jardiance® Jardiance®, which is part of our collaboration with Boehringer Ingelheim, as one of the first ten medicines subject to government-set prices effective in 2026. In August 2024, HHS announced the government-set prices for these medicines with Jardiance subject to a 66% discount compared to 2023 U.S. calendar year list pricing for a 30-day supply and discounts for the other nine medicines selected by HHS ranging from approximately 38% to 79%. Given our product portfolio, we expect additional significant products will be selected in future years, which would have the effect of accelerating revenue erosion prior to expiry of exclusivities. The effect of reducing prices and reimbursement for certain of our products would could significantly impact our business and consolidated results of operations.

Other IRA provisions require drug manufacturers to provide rebates for Medicare Part B and Part D medicines under certain circumstances. Also, on January 1, 2025, the Part D benefit redesign will replace the Part D Coverage Gap Discount Program with a new manufacturer discount program. Manufacturers that fail to comply with the IRA may be subject to various penalties, including civil monetary penalties, which could be significant.

The IRA has, and will continue to, meaningfully influence our business strategies and those of our competitors. In particular, the nine-year timeline to set prices for medicines approved under a New Drug Application reduces the attractiveness of investment in small molecule innovation. The IRA can cause changes to development approach and timing and investments at-risk. The full impact of the IRA on our business and the pharmaceutical industry, including the implications to us of a competitor's product being selected for price setting, remains uncertain.

Additional policies, regulations, legislation, or enforcement, including those proposed or pursued by the U.S. Congress, the U.S. executive branch, and regulatory authorities worldwide, could adversely impact our business and consolidated results of operations. For example, the proposed U.S. House of Representatives recently passed the BIOSECURE Act, which is under consideration in the U.S. would Senate. This legislation, if passed, could affect elements of the pharmaceutical supply chain, chain; although as currently written drafted we do not anticipate it the bill would have a material impact on our business.

Consolidation and integration of private payors payers and pharmacy benefit managers in the U.S. has also significantly impacted the market for pharmaceuticals by increasing payor payer leverage in negotiating manufacturer price or rebate concessions and pharmacy reimbursement rates. Furthermore, restrictive or unfavorable pricing, coverage, or reimbursement determinations for our medicines or product candidates by governments, regulatory agencies, courts, or private payers may adversely impact our business and consolidated results of operations. We expect that these actions may intensify and could particularly affect certain products, which could adversely affect our business. In addition, we are engaged in litigation and investigations related to the 340B program, access to insulin, pricing, product safety, and other matters that, if resolved adversely to us, could negatively impact our business and consolidated results of operations. It is not currently possible to predict the overall potential adverse impact to us or the general pharmaceutical industry of continued cost containment efforts worldwide.

In addition, regulatory issues concerning compliance with current Good Manufacturing Practices, quality assurance, safety signals, evolving standards, and increased scrutiny around excipients and potential impurities such as nitrosamines, and similar regulations and standards (and comparable foreign regulations and standards) for our products in some cases lead to regulatory and legal actions, product recalls and seizures, fines and penalties, interruption of production leading to product shortages, import bans or denials of import certifications, inability to realize the benefit of capital expenditures, or delays or denials in new product approvals, line extensions or supplemental approvals of current products pending resolution of the issues, or other negative impacts, any of which result in reputational harm or adversely affect our business. Moreover, increased focus on business combinations across industries and jurisdictions can lead to impediments to the completion of business combinations.

See "Business—Regulations and Private Payer Actions Affecting Pharmaceutical Pricing, Reimbursement, and Access" in Part I, Item 1 and "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023. See also Note 10 to the consolidated condensed financial statements.

Product Supply Incretin Medicines

In recent prior periods, demand for our incretin medicines has exceeded production. While Supply and channel dynamics have also contributed to variability in quarter-over-quarter revenue growth rates for tirzepatide. Based on our forecast, we project that tirzepatide supply will meet near-term demand in the U.S. Supply considerations will continue to influence the timing of tirzepatide launches in new markets, and demand have come into better balance, expected increases in demand may result in periodic supply tightness for

certain presentations and dose levels. In the short to mid-term, near-term, we expect overall worldwide sales growth for most incretin medicines tirzepatide to generally be a function of the quantity we can produce and ship. Among other measures to manage tight Demand remains dynamic, and increases or changes in demand, by dose or overall, as well as the complex supply chain, may result in international markets we have communicated with healthcare practitioners to not start new patients on Trulicity in order to minimize disruption to existing patients. Supply considerations have also influenced the timing periodic unavailability of certain presentations and dose levels at certain locations even when total tirzepatide launches in new markets. supply can meet demand. We continue to expand manufacturing capacity and progress efforts to bring tirzepatide to patients via different delivery presentations, such as single-use vials and multi-use pens. Production increases will continue, in 2024 and additional capacity is expected to be operational over the next several years.

We have seen an increase in the production, marketing, and sale of counterfeit, fake, and compounded incretins. These practices threaten patient safety and undermine regulatory drug approval processes. Lilly will continue to consider all options, including filing lawsuits where appropriate, to address unlawful practices and the patient safety risks of unapproved, untested, and manipulated drugs.

Tax Matters

We are subject to income taxes and various other taxes in the U.S. and in many foreign jurisdictions; therefore, changes in both domestic and international tax laws or regulations have affected and may affect our effective tax rate, results of operations, and cash flows. The U.S. and countries around the world are actively proposing and enacting tax law changes. Further, actions taken with respect to tax-related matters by associations such as the Organisation for Economic Co-operation and Development (OECD) and the European Commission could influence tax laws in countries in which we operate. Tax authorities in the U.S. and other jurisdictions in which we do business routinely examine our tax returns and are expected to increase their scrutiny of cross-border tax issues. Changes to existing U.S. and foreign tax laws and increased scrutiny by tax authorities in the U.S. and other jurisdictions could adversely impact our future consolidated results of operations and cash flows.

In response to the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (Framework), which set forth a two-pillar solution to reform the international tax framework, and the EU's adoption of Directive 2022/2523 (known as "Pillar Two") (Directive) within the EU to implement the Framework, multiple countries, both within and outside of the EU, have enacted legislation that provides for a minimum level of taxation of multinational companies. The Directive required EU member states to enact legislation effective for years beginning on or after December 31, 2023. For certain provisions within the Framework, the OECD published guidance during 2023 that extends the effective dates for enactment. While we expect an increase in future years' tax expense as a result of the global minimum tax, we do not anticipate a material impact to our 2024 consolidated results of operations. Our assessment of the impact for 2024 and subsequent years could be affected by legislative guidance, future enactment of additional provisions within the Pillar Two framework, and U.S. tax changes scheduled to occur in 2026 as part of the Tax Cuts and Jobs Act (2017 Tax Act).

A bipartisan tax bill, the Tax Relief for American Families and Workers Act, was passed by the U.S. House of Representatives in January 2024. The bill contains certain business tax provisions including the retroactive repeal for 2022 and 2023 and deferral of the requirement to capitalize U.S. research and development expenses for tax purposes that was a provision enacted in the 2017 Tax Act. Uncertainty exists as to whether the bill will be enacted into law as the bill did not receive enough votes to pass the U.S. Senate in August 2024; however, if the bill is enacted as currently drafted, we would expect our effective tax rate for 2024 to be moderately higher, and a net discrete tax detriment in the quarter of enactment related to 2022 and 2023. In addition, we would expect a decrease in cash tax payments.

Acquisitions

We invest in external research and technologies and manufacturing capabilities that we believe complement and strengthen our own efforts. These investments can take many forms, including acquisitions, collaborations, investments, and licensing arrangements. We view our business development activity as a way to enhance or refine our pipeline and strengthen our business.

See Note 3 to the consolidated condensed financial statements for further discussion regarding our recent and proposed acquisitions.

Foreign Currency Exchange Rates

As a global company, we face foreign currency risk exposure from fluctuating currency exchange rates, primarily the U.S. dollar against the euro, Japanese yen, and Chinese yuan. While we seek to manage a portion of these exposures through hedging and other risk management techniques, significant fluctuations in currency rates can have a material impact, either positive or negative, on our consolidated results of operations in any given period. There is uncertainty in the future movements in foreign currency exchange rates, and fluctuations in these rates have and could adversely impact our consolidated results of operations and cash flows.

Other Factors

Other factors have had, and may continue to have, an impact on our consolidated results of operations. These factors include cost and wage inflation, supply chain and labor market complexities, international tension and conflicts, uneven economic growth or downturns or uncertainty, and an increase in overall demand in our industry for certain products and materials.

See "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023 for additional information on risk factors that could impact our business and operations.

RESULTS OF OPERATIONS

Revenue

The following table summarizes our revenue activity by region:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	Three Months Ended September 30,	Percent Change	Nine Months Ended September 30,	Percent Change	Percent Change
U.S.						
U.S.						
U.S.	**$ 7,835.2**	$ $5,531.4	42	**$ 13,529.6**	$ $ 9,967.6	36
	36	**$7,813.6**	$	$	5,368.1	

Outside U.S.	Outside U.S.	**3,467.5**	2,780.7	2,780.7	25		25	**6,541.2**	5,304.6	5,304.6	23	23	Outside U.S.	**3,625.5**	4,130.5	
Revenue	Revenue	**$11,302.8**	$	$8,312.1	36		36	**$ 20,070.8**	$	$15,272.1	31	31	Revenue	**$11,439.1**	$	$9,4

Numbers may not add due to rounding.

The following are components of the change in revenue compared with the prior year:

		Three Months Ended June 30,			Six Months Ended June 30,								
		Three Months Ended September 30,			Nine Months Ended September 30,								
					2024 vs. 2023								
	U.S.	U.S.	Outside U.S.	Consolidated	U.S.	Outside U.S.	Consolidated	U.S.	Outside U.S.	Consolidated	U.S.	Outside U.S.	Consolidated
Volume	Volume	27 %	27 %	27 %	21 %	25 %	22 %	Volume	35 %	(10)%	15 %	26 % 10 %	19 %
Price													
Foreign exchange rates													
Percent change	Percent change	42 %	25 %	36 %	36 %	23 %	31 %	Percent change	46 %	(12)%	20 %	39 % 8 %	27 %

Numbers may not add due to rounding.

In the U.S. for the three and six nine months ended June 30, 2024 September 30, 2024, the increase in volume was primarily driven by Zepbound Mounjaro, and Verzenio, Mounjaro, partially offset by declines in Trulicity and Trulicity. Following higher wholesaler inventory levels at the sale end of rights for Baqsimi during the second quarter of 2023. Strong performance by our incretin medicines continued, as production increases resulted in improved channel dynamics and stocking levels, contributing to sales growth during the three and six months ended June 30, 2024. For the three months ended June 30, 2024, 2024, Mounjaro and Zepbound sales in the U.S. for the three months ended September 30, 2024 were positively negatively impacted by channel stocking that we inventory decreases in the wholesaler channel. We estimate totaled high teens to mid-20s this impacted sales of Mounjaro and Zepbound in the U.S. for the third quarter of 2024 by mid-single digits as a percent of aggregate U.S. sales. While supply and demand have come into better balance, expected increases in demand may result in periodic supply tightness for certain presentations and dose levels. sales of these products.

In the U.S. for the three and six months ended June 30, 2024 September 30, 2024, the higher realized prices were primarily driven by Mounjaro as Humalog®, Verzenio and Trulicity. In the U.S. for the nine months ended September 30, 2024, the higher realized prices were also positively impacted by the access and savings card dynamics compared related to the same periods in 2023. In the second half of 2024, these savings card dynamics should have a minimal impact on realized price comparisons to base periods, Mounjaro, as the $25 non-covered benefit expired on June 30, 2023.

Outside the U.S. for the three and six months ended June 30, 2024 September 30, 2024, the decrease in volume was driven by the sale of rights for the olanzapine portfolio, including Zyprexa, in the third quarter of 2023, partially offset by the increase in volume by Mounjaro and Verzenio. Outside the U.S. for the nine months ended September 30, 2024, the increase in volume was primarily driven by Mounjaro and Verzenio. Verzenio, partially offset by the 2023 sale of rights for the olanzapine portfolio.

The following table summarizes our revenue, including net product revenue and collaboration and other revenue, by product for the three months ended June 30, 2024 September 30, 2024 and 2023:

	Three Months Ended June 30,
	Three Months Ended June 30,
	Three Months Ended June 30,
	Three Months Ended September 30,
	Three Months Ended September 30,
	Three Months Ended September 30,
	2024
	2024
	2024
	U.S.
	U.S.
	U.S.
Mounjaro	
Mounjaro	
Mounjaro	
Verzenio	
Verzenio	
Verzenio	
Trulicity	

Trulicity
Trulicity
Zepbound
Zepbound
Zepbound
Taltz®
Taltz®
Taltz®
Jardiance(1)
Jardiance(1)
Jardiance(1)
Humalog® (2)
Humalog® (2)
Humalog® (2)
Humalog(2)
Humalog(2)
Humalog(2)
Olumiant®
Olumiant®
Olumiant®
Cyramza®
Cyramza®
Cyramza®
Olumiant®
Olumiant®
Olumiant®
Humulin®
Humulin®
Humulin®
Emgality®
Emgality®
Emgality®
Basaglar® (3)
Basaglar® (3)
Basaglar® (3)
Erbitux®
Erbitux®
Erbitux®
Tyvyt®
Tyvyt®
Tyvyt®
Forteo®
Forteo®
Forteo®
Cialis®
Cialis®
Cialis®
Forteo®

Forteo®

Forteo®

Baqsimi

Baqsimi

Baqsimi

Zyprexa (4)

Zyprexa (4)

Zyprexa (4)

Baqsimi®

Baqsimi®

Baqsimi®

Other products

Other products

Other products

Revenue

Revenue

Revenue

Numbers may not add due to rounding.
NM - not meaningful

(1) Jardiance revenue includes Glyxambi®, Synjardy®, and Trijardy® XR.

(2) Humalog revenue includes insulin lispro.

(3) Basaglar revenue includes Rezvoglar®.

(4) Zyprexa revenue includes sale of rights for the olanzapine portfolio in July 2023.

The following table summarizes our revenue, including net product revenue and collaboration and other revenue, by product for the six nine months ended June 30, 2024 September 30, 2024 and 2023:

		Six Months Ended June 30,																							
		Nine Months Ended September 30,																							
		2024																							
		2024																							
		2024								2023				2023											
		U.S.			U.S.		Outside U.S.			Total			Total	Percent Change			U.S.			Outside U					
Mounjaro	Mounjaro	$	3,934.0	$		$	963.4	$		$	4,897.4	$		$	1,548.2	NM		NM	Mounjaro	$	6,318.7	$		$	1,69
Trulicity	Trulicity		1,958.6		743.3		743.3		2,701.9			2,701.9		3,789.6		3,789.6		(29)		(29)	Trulicity		2,894.0		1,109.3	
Verzenio	Verzenio		1,499.6		882.6		882.6		2,382.2			2,382.2		1,677.7		1,677.7		42		42	Verzenio		2,378.4		1,373.1	
Zepbound	Zepbound		1,760.6		—		—		1,760.6			1,760.6		—		—		NM		NM	Zepbound		3,018.4		—	
Taltz			1,486.7				821.7				2,308.4				1,975.0				17							
Jardiance(1)	Jardiance(1)		797.1		659.0		659.0		1,456.1			1,456.1		1,245.8		1,245.8		17		17	Jardiance(1)		1,133.1		1,009.4	
Taltz			886.4				542.3				1,428.8				1,230.8				16							
Humalog(2)	Humalog(2)		773.0		397.3		397.3		1,170.3			1,170.3		901.4		901.4		30		30	Humalog(2)		1,096.8		608.1	
Cyramza	Cyramza		223.3		255.4		255.4		478.7			478.7		497.0		497.0		(4)		(4)	Cyramza		329.9		384.8	
Olumiant	Olumiant		90.9		354.2		354.2		445.1			445.1		447.8		447.8		(1)		(1)	Olumiant		159.8		536.0	
Humulin	Humulin		322.4		107.4		107.4		429.8			429.8		457.3		457.3		(6)		(6)	Humulin		472.3		164.5	
Emgality	Emgality		262.7		155.1		155.1		417.8			417.8		323.6		323.6		29		29	Emgality		404.0		216.7	
Basaglar(3)	Basaglar(3)		188.4		149.9		149.9		338.3			338.3		363.5		363.5		(7)		(7)	Basaglar(3)		273.9		226.1	
Erbitux	Erbitux		275.0		25.4		25.4		300.4			300.4		292.4		292.4		3		3	Erbitux		408.2		44.2	
Tyvyt	Tyvyt		—		239.7		239.7		239.7			239.7		164.6		164.6		46		46	Tyvyt		—		389.9	
Cialis	Cialis		13.4		213.7		213.7		227.1			227.1		215.9		215.9		5		5	Cialis		17.6		301.0	
Forteo	Forteo		53.2		78.0		78.0		131.2			131.2		270.3		270.3		(51)		(51)	Forteo		124.9		124.4	
Zyprexa (4)			0.5				107.0				107.5				1,651.0				(93)							
Baqsimi	Baqsimi		(6.9)		18.3		18.3		11.5			11.5		645.4		645.4		(98)		(98)	Baqsimi		1.4		23.4	

Other products	Other products	497.9	756.2	756.2	1,253.9	1,253.9	1,200.8	1,200.8	4	4	Other products	824.6	1,035.8	
Revenue	Revenue	$13,529.6	$	$6,541.2	$	$20,070.8	$	$15,272.1	31	31	Revenue	$ 21,343.2	$	$10,16

Numbers may not add due to rounding.
NM - not meaningful

(1) Jardiance revenue includes Glyxambi, Synjardy, and Trijardy XR.

(2) Humalog revenue includes insulin lispro.

(3) Basaglar revenue includes Rezvoglar.

(4) Zyprexa revenue includes sale of rights for the olanzapine portfolio in July 2023.

Revenue of Mounjaro in the U.S. during the three and six months ended June 30, 2024 September 30, 2024 was $2.41 $2.38 billion and $3.93 billion, respectively, compared to $915.7 million and $1.45 billion during $1.28 billion for the three and six months ended June 30, 2023 September 30, 2023, respectively, reflecting continued strong demand, improved channel dynamics, increased supply and, to a lesser extent, favorable changes to estimates for rebates and discounts. Following higher wholesaler inventory levels at the end of the second quarter of 2024, sales in the U.S. for the three months ended September 30, 2024 were negatively impacted by inventory decreases in the wholesaler channel. Revenue of Mounjaro in the U.S. during the nine months ended September 30, 2024 was $6.32 billion compared to $2.73 billion for the nine months ended September 30, 2023, reflecting continued strong demand, increased supply and higher realized prices due to access and savings card dynamics. In the second half of 2024, these savings card dynamics, should have a minimal impact on realized price comparisons to base periods, as the $25 non-covered benefit expired on June 30, 2023. Revenue outside the U.S. during the three and six nine months ended June 30, 2024 September 30, 2024 was $677.2 million $728.0 million and $963.4 million $1.69 billion, respectively, compared to $64.0 million $132.4 million and $96.0 million $228.4 million during the three and six nine months ended June 30, 2023 September 30, 2023, respectively, primarily driven by increased volume associated with the launch of Mounjaro Kwikpen® in various markets.

Revenue of Trulicity decreased 36 26 percent and 33 31 percent in the U.S. during the three and six nine months ended June 30, 2024 September 30, 2024, respectively, driven by decreased volume primarily due to competitive dynamics, partially offset by higher realized prices primarily due to changes to estimates for rebates and discounts. The decrease in volume in the U.S. during the nine months ended September 30, 2024 was also driven by supply constraints and competitive dynamics. constrains during the first half of 2024. Revenue outside the U.S. decreased 16 12 percent and 15 14 percent during the three and six nine months ended June 30, 2024 September 30, 2024, respectively, primarily driven by decreased volume. In addition volume due to competitive dynamics. The decrease in volume outside the factors affecting U.S. volume, international markets continue to be impacted during the nine months ended September 30, 2024 was also driven by actions we have taken to manage demand amid tight supply, including measures to minimize impact to existing patients by communicating with healthcare practitioners to not start new patients on Trulicity. demand.

Revenue of Verzenio increased 46 28 percent and 43 37 percent in the U.S. during the three and six nine months ended June 30, 2024 September 30, 2024, respectively, primarily driven by increased demand. demand and higher realized prices, partially offset by wholesaler buying patterns. Revenue outside of the U.S. increased 39 38 percent and 41 40 percent during the three and six nine months ended June 30, 2024 September 30, 2024, respectively, primarily driven by increased demand, partially offset by the unfavorable impact of foreign exchange rates. demand.

Revenue of Zepbound in the U.S. during the three and six nine months ended June 30, 2024 September 30, 2024 was $1.24 $1.26 billion and $1.76 $3.02 billion, respectively. Zepbound launched Following higher wholesaler inventory levels at the end of the second quarter, sales in the U.S. for the treatment of adult patients with obesity or overweight with weight-related comorbidities in November 2023. In the U.S., we plan to launch Zepbound 2.5 milligram and 5 milligram single-dose vials three months ended September 30, 2024 were negatively impacted by inventory decreases in the third quarter of 2024. wholesaler channel.

Revenue of Jardiance Taltz increased 11 18 percent and 15 percent in the U.S. during both the three and six nine months ended June 30, 2024 September 30, 2024, respectively, driven by increased demand and higher realized prices, partially offset by wholesaler buying patterns. Revenue outside the U.S. increased 19 percent and 21 percentduring the three and nine months ended September 30, 2024, respectively, driven by increased demand.

Revenue of Jardiance decreased 19 percentand was flatin the U.S. during the three and nine months ended September 30, 2024, respectively. The decrease in revenue in the U.S. for the three months ended September 30, 2024 was driven by lower realized prices, partially offset by increased demand. Revenue outside the U.S. increased 21 23 percent and 24 percent during the three and six nine months ended June 30, 2024 September 30, 2024, respectively, driven by increased volume. See Note 4 to the consolidated condensed financial statements for information regarding our collaboration with Boehringer Ingelheim involving Jardiance.

Revenue of Taltz increased 14 percent and 13 percentin the U.S. during the three and six months ended June 30, 2024, respectively, primarily driven by increased demand. Revenue outside the U.S. increased 23 percent and 22 percentduring the three and six months ended June 30, 2024, respectively, primarily driven by increased demand.

Gross Margin, Costs, and Expenses

The following table summarizes our gross margin, costs, and expenses:

		Three Months Ended June 30,			Six Months Ended June 30,							
		Three Months Ended September 30,	Percent Change	Percent Change	Nine Months Ended September 30,		Percent Change	Percent Change				
	2024											
Gross margin												
Gross margin												
Gross margin	$9,132.6	$	$6,504.7	40	40	$16,227.1	$	$11,838.0	37	37	$9,268.3	$	$ 7,

Gross margin as a percent of revenue																											
Research and development																											
Research and development																											
Research and development		**$2,711.2**	$		$2,356.5	15		15		**$ 5,234.0**	$		$ 4,341.6		21		21	**$2,734.1**			$		$	2,
Marketing, selling, and administrative	Marketing, selling, and administrative	**2,117.3**	1,925.4		1,925.4	10		10		**4,069.5**	3,674.6		3,674.6		11		11	Marketing, selling, and administrative	**2,099.8**		1,803.9						
Acquired in-process research and development (IPR&D)	Acquired in-process research and development (IPR&D)	**154.3**	97.1		97.1	59		59		**264.8**	202.1		202.1		31		31	Acquired in-process research and development (IPR&D)	**2,826.4**		2,975.1						
Asset impairment, restructuring, and other special charges	Asset impairment, restructuring, and other special charges	**435.0**	—		—	NM		NM		**435.0**	—		—		NM		NM	Asset impairment, restructuring, and other special charges	**81.6**		—						
Other–net, (income) expense	Other–net, (income) expense	**197.6**	36.8		36.8	NM		NM		**170.5**	1.1		1.1		NM		NM	Other–net, (income) expense	**(62.0)**		23.2						
Income taxes	Income taxes	**550.2**	325.7		325.7	69		69		**843.4**	510.5		510.5		65		65	Income taxes	**618.1**		484.6						
Effective tax rate																											

NM - not meaningful

Gross margin as a percent of revenue for the three and six nine months ended June 30, 2024 September 30, 2024 increased 2.5 0.6 percentage points and 3.3 2.3 percentage points compared with the three and six nine months ended June 30, 2023 September 30, 2023, respectively, primarily driven by favorable product mix and higher realized prices, partially offset by the sale of rights for the olanzapine portfolio in the third quarter of 2023 and favorable product mix. higher manufacturing costs.

Research Research and development expenses increased 15 13 percent and 21 18 percent for the three and six nine months ended June 30, 2024 September 30, 2024, respectively, driven by continued investment investments in our portfolio early and our people. late-stage portfolio.

Marketing, selling, and administrative expenses increased 10 16 percent and 11 13 percent for the three and six nine months ended June 30, 2024 September 30, 2024, respectively, primarily driven by investments in our launches promotional efforts supporting ongoing and our people. future launches.

For additional information for acquired

Acquired IPR&D charges see for the three and nine months ended September 30, 2024 were primarily related to the acquisition of Morphic. Acquired IPR&D charges for the three and nine months ended September 30, 2023 were primarily related to the acquisitions of DICE Therapeutics, Inc., Versanis Bio, Inc., and Emergence Therapeutics AG. See Note 3 to the consolidated condensed financial statements.

Asset impairment, restructuring, and other special charges for the three and six months ended June 30, 2024 September 30, 2024 were primarily related to anticipated litigation payments. impairment of an intangible asset associated with a molecule in development. For the nine months ended September 30, 2024 asset impairment, restructuring, and other special charges also included charges related to litigation. See Note 10 5 to the consolidated condensed financial statements for additional information.

Other–net, (income) expense included net investment (gains) losses on equity securities of $157.9 million $(112.4) million and $141.9 million $29.5 million for three and six nine months ended June 30, 2024 September 30, 2024, respectively, and $64.9 million $62.9 million and $78.6 million $141.5 million for three and six nine months ended June 30, 2023 September 30, 2023, respectively. See Note 12 to the consolidated condensed financial statements for additional information.

The effective tax rates were 15.6 38.9 percent and 13.9 19.1 percentfor the three and six nine months ended June 30, 2024 September 30, 2024, respectively, compared to 15.6 and 113.4 percent and 14.1 24.6 percentfor the three and six nine months ended June 30, 2023 September 30, 2023, respectively. The effective respectively, primarily driven by unfavorable tax rates for the three and six months ended June 30, 2024 reflect a mix impacts of earnings in higher tax jurisdictions, while effective tax rates for the three and six months ended June 30,2023 reflect the tax impact of the sale of rights for Baqsimi. Additionally, the effective tax rates for the six months ended June 30, 2024 and 2023 were both reduced by net discrete tax benefits, non-deductible acquired IPR&D charges, with a larger net discrete tax benefit reflected impact occurring in the six months ended June 30, 2024 compared to the same period in 2023.

FINANCIAL CONDITION AND LIQUIDITY

We believe our available cash and cash equivalents, together with our ability to generate operating cash flow and our access to short-term and long-term borrowings, are sufficient to fund our existing and planned capital requirements. For a discussion of our capital requirements, see "Management's Discussion and Analysis of Results of Operations and Financial Condition" in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2023.

We are making investments in global facilities in North America and Europe to manufacture existing and future products. These investments, and other capital investments that support our operations, have increased our capital expenditures and will result in higher capital expenditures over the next several years.

As we expand our manufacturing capacity in order to meet existing and expected demand of our incretin medicines, we have entered, and expect to continue to enter, into various agreements for contract manufacturing and for supply of materials. The executed agreements could, under certain circumstances, require us to pay up to approximately $10 billion $11.5 billion if we do not purchase specified amounts of goods or services primarily related to our incretin medicines over the durations of the agreements, which are generally up to 8 years.

In July the third quarter of 2024, we announced an agreement to acquire acquired Morphic Holding, Inc. (Morphic) for a purchase price approximately $2.67 billion, net of $57.00 per share in cash (an aggregate of approximately $3.2 billion) payable at closing. The proposed acquisition is subject to customary closing conditions, including the tender of a majority of the outstanding shares of Morphic's common stock. acquired. We anticipate funding funded this acquisition through a variety of sources, including cash on hand, borrowings under our commercial paper program, with proceeds from the issuance of debt, or a combination of debt. See Note 3 and Note 7 to the foregoing. consolidated condensed financial statements for additional information.

Cash and cash equivalents increased to $3.22 billion $3.37 billion as of June 30, 2024 September 30, 2024, compared with $2.82 billion as of December 31, 2023. Refer to the consolidated condensed statements of cash flows for additional information on the significant sources and uses of cash for the six nine months ended June 30, 2024 September 30, 2024 and 2023.

In addition to our cash and cash equivalents, we held total investments of $3.02 billion $3.35 billion and $3.16 billion as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively. See Note 7 to the consolidated condensed financial statements for additional information.

As of June 30, 2024 September 30, 2024, total debt was $28.89 billion $31.12 billion, an increase of $3.67 $5.89 billion compared with $25.23 billion as of December 31, 2023. In August 2024, we issued $5.00 billion of fixed-rate notes and used a portion of the net cash proceeds to fund the acquisition of Morphic and related fees and expenses, with any remaining funds used for general business purposes, including the repayment of outstanding commercial paper. In February 2024, we issued $6.50 billion of fixed-rate notes and used, or may be using, the net cash proceeds for general business purposes, including the repayment of outstanding commercial paper, repayment of current maturities of long-term debt, and repayment of the $750.0 million of fixed-rate notes due in 2026. See Note 7 to the consolidated condensed financial statements for additional information.

As of June 30, 2024 September 30, 2024, we had a total of $7.42 billion $8.42 billion of unused committed bank credit facilities, $7.00 billion $8.00 billion of which is available to support our commercial paper program. See Note 7 to the consolidated condensed financial statements for additional information. We believe that amounts accessible through existing commercial paper markets should be adequate to fund short-term borrowing needs.

During the six nine months ended June 30, 2024 September 30, 2024, we did not repurchase any repurchased $521.1 million of shares under our $5.00 billion share repurchase program authorized in May 2021. As of June 30, 2024 September 30, 2024, we had $2.50 billion $1.98 billion remaining under this program.

During the six nine months ended June 30, 2024 September 30, 2024, we paid dividends of $2.34 $3.51 billion, or $2.60 $3.90 per share, to our shareholders. In October 2024, we declared a dividend for the fourth quarter of 2024 of $1.30 per share of outstanding common stock. The dividend of approximately $1.17 billion is payable on December 10, 2024 to shareholders of record at the close of business on November 15, 2024.

See "Executive Overview—Other Matters—Patent Matters" for information regarding losses of patent protection.

Both domestically and abroad, we monitor the potential impacts of the economic environment and international tension and conflicts; the creditworthiness of our wholesalers and other customers, including foreign government-backed agencies and suppliers; the uncertain impact of healthcare legislation; various international government funding levels; and fluctuations in interest rates, foreign currency exchange rates (see "Executive Overview—Other Matters—Foreign Currency Exchange Rates"), and fair values of equity securities.

CRITICAL ACCOUNTING ESTIMATES

For a discussion of our critical accounting estimates, refer to "Management's Discussion and Analysis of Results of Operations and Financial Condition" in Part II, Item 7 and the notes to our consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2023. See also Note 1 to the consolidated condensed financial statements. There have been no material changes to our critical accounting estimates since our Annual Report on Form 10-K for the year ended December 31, 2023.

AVAILABLE INFORMATION ON OUR WEBSITE

We make available through our company website, free of charge, our company filings with the Securities and Exchange Commission (SEC) as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. The reports we make available include annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, registration statements, and any amendments to those documents.

The website link to our SEC filings is **investor.lilly.com/financial-information/sec-filings**.

We routinely post important information for investors in the “Investors” section of our website, www.lilly.com. We may use our website as a means of disclosing material, non-public information and for complying with our disclosure obligations under Regulation FD. Accordingly, investors should monitor the “Investors” section of our website, in addition to following our press releases, filings with the SEC, public conference calls, presentations, and webcasts. We and our executive officers may also use social media channels to communicate with investors and the public about our business, products and other matters, and those communications could be deemed to be material information. The information contained on, or that may be accessed through, our website or our or our executive officers' social media channels, is not incorporated by reference into, and is not a part of, this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For a discussion of our market risk, see “Quantitative and Qualitative Disclosures About Market Risk” in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2023.

Item 4. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures*. Under applicable Securities and Exchange Commission (SEC) regulations, management of a reporting company, with the participation of the principal executive officer and principal financial officer, must periodically evaluate the company's "disclosure controls and procedures," which are defined generally as controls and other procedures of a reporting company designed to ensure that information required to be disclosed by the reporting company in its periodic reports filed with the SEC (such as this Quarterly Report on Form 10-Q) is recorded, processed, summarized, and reported on a timely basis.

Our management, with the participation of David Ricks, president and chief executive officer, and Gordon Brooks, interim Lucas Montarce, executive vice president and chief financial officer, evaluated our disclosure controls and procedures (as such terms are defined in our Annual Report on Form 10-K for the year ended December 31, 2023) as of June 30, 2024 September 30, 2024, and concluded that they were effective.

(b) *Changes in Internal Controls.* During the second third quarter of 2024, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. Other Information

Item 1. Legal Proceedings

We are a party to various currently pending legal actions, government investigations, and environmental proceedings. See Note 10 to the consolidated condensed financial statements for information on various legal proceedings.

This Item should be read in conjunction with "Legal Proceedings" in Part I, Item 3 of our Annual Report on Form 10-K for the year ended December 31, 2023.

Item 1A. Risk Factors

Our material risk factors are disclosed in "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023. There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes the activity related to repurchases of our equity securities during the three months ended June 30, 2024 September 30, 2024:

	Total Number of Shares Purchased (in thousands)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (in thousands)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
April 2024	—	$ —	—	$ 2,500.0
May 2024	—	—	—	2,500.0
June 2024	—	—	—	2,500.0
Total	—	—	—	

	Total Number of Shares Purchased (in thousands)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (in thousands)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
July 2024	—	$ —	—	$ 2,500.0
August 2024	—	—	—	2,500.0
September 2024	582	896.13	582	1,978.9
Total	582	896.13	582	

During the three months ended June 30, 2024 September 30, 2024, we did not repurchase any repurchased $521.1 million of shares under our $5.00 billion share repurchase program authorized in May 2021.

Item 5. Other Information

During On September 11, 2024, Daniel Skovronsky, M.D., Ph.D., executive vice president, chief scientific officer and president, Lilly research laboratories and Lilly immunology, adopted a sales plan (Plan). The Plan was entered into during an open trading window and is intended to satisfy the three months ended June 30, 2024, none affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act of 1934 and our directors or officers adopted or terminated a "Rule 10b5-1 policies regarding trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 our securities. The Plan calls for the sale of Regulation S-K. up to 5,000 shares of company common stock between February 10, 2025 and September 8, 2025 subject to the terms and conditions of the Plan.

Item 6. Exhibits

The following documents are filed as a part of this Quarterly Report:

Exhibit	Description
3.1	Amended Articles of Incorporation, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 4, 2022
3.2	Bylaws, as amended, incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on May 4, 2022
10.1	Amended and Restated 2002 Lilly Stock Plan*
31.1	Rule 13a-14(a) Certification of David Ricks, Chair, President, and Chief Executive Officer*
31.2	Rule 13a-14(a) Certification of Gordon Brooks, InterimLucas Montarce, Executive Vice President and Chief Financial Officer*
32	Section 1350 Certification*
101	Interactive Data Files (embedded within the Inline XBRL document)*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)*

* Filed herewith.

Long-term debt instruments under which the total amount of securities authorized does not exceed 10 percent of our consolidated assets are not filed as exhibits to this Quarterly Report. We will furnish a copy of these agreements to the Securities and Exchange Commission upon request.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

ELI LILLY AND COMPANY

(Registrant)

Date: August 8, October 30, 2024

/s/ Gordon Brooks Lucas Montarce

Gordon Brooks Lucas Montarce

Interim Executive Vice President and Chief Financial Officer

Date: August 8, October 30, 2024

/s/ Donald Zakrowski

Donald Zakrowski

Senior Vice President, Finance, and Chief Accounting Officer

Exhibit 10.1 Amended and Restated 2002 Lilly Stock Plan

AMENDED AND RESTATED 2002 LILLY STOCK PLAN

(As amended, May 6, 2024)

ARTICLE 1. PURPOSES OF THE PLAN

The Company believes that this Amended and Restated 2002 Lilly Stock Plan, as amended from time to time (the "Plan"), will benefit the Company's shareholders by allowing the Company to attract, motivate and retain the best available Employees and Directors and by providing those Employees and Directors stock-based incentives to strengthen the alignment of interests between those persons and the Company's shareholders.

ARTICLE 2. DEFINITIONS

Wherever the following terms are used in the Plan, they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

2.1 "Affiliate" shall have the meaning given to such term in Rule 12b-2 promulgated under the Exchange Act. The Board shall have the authority to determine the time or times at which "Affiliate" status is determined within the foregoing definition.

2.2 "Applicable Laws" means the requirements relating to the administration of equity-based and cash-based awards, as applicable, and the related issuance of Shares under U.S. state corporate laws, U.S. federal and state and non-U.S. securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any non-U.S. country or jurisdiction where Awards are, or will be, granted under the Plan.

2.3 "Award" means an Option, Restricted Stock Units, Restricted Stock, a Stock Appreciation Right, Dividend Equivalent Rights, an Other Share-Based Award or a Performance- Based Award granted to a Participant pursuant to the Plan.

2.4 "Award Agreement" means any written agreement, contract, or other instrument or document evidencing the terms and conditions of an Award, including through electronic medium.

2.5 "Board" means the board of directors of the Company.

2.6 "Change in Control" means and includes each of the following:

(a) the acquisition by any "person," as that term is used in Sections 13(d) and 14(d) of the Exchange Act (other than (i) the Company, (ii) any subsidiary of the Company, (iii) any employee benefit plan or employee stock plan of the Company or a subsidiary of the Company or any trustee or fiduciary with respect to any such plan when acting in that capacity, or (iv) Lilly Endowment, Inc.) of "beneficial ownership," as defined in Rule 13d-3

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under the Exchange Act, directly or indirectly, of twenty percent (20%) or more of the shares of the Company's capital stock the holders of which have general voting power under ordinary circumstances to elect at least a majority of the Board (or which would have such voting power but for the application of the Indiana Control Shares Statute) ("Voting Stock"); provided, however, that an acquisition of Voting Stock directly from the Company shall not constitute a Change in Control under this Section 2.6(a);

(b) the first day on which less than one-half of the total membership of the Board shall be Continuing Directors (as that term is defined in Section 13(f) of the Company's Articles of Incorporation);

(c) consummation of a merger, share exchange, or consolidation of the Company (a "Transaction"), other than a Transaction which would result in the Voting Stock of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than sixty percent (60%) of the Voting Stock of the Company or such surviving entity immediately after such Transaction;

(d) a complete liquidation of the Company or a sale or disposition of all or substantially all the assets of the Company, other than a sale or disposition of assets to any subsidiary of the Company.

For purposes of this Section 2.6(a) only, the term "subsidiary" means a corporation or limited liability company of which the Company owns directly or indirectly fifty percent (50%) or more of the voting power.

2.7 "Code" means the U.S. Internal Revenue Code of 1986, as amended. All references herein to specific sections of the Code shall include any successor provisions of the Code or corresponding sections of any future U.S. federal tax code.

2.8 "Committee" means the committee of the Board appointed or described in Article 3 to administer the Plan.

2.9 "Common Stock" means the common stock of the Company, no par value, and such other securities of the Company that may be substituted for the Common Stock pursuant to ARTICLE 13.

2.10 "Company" means Eli Lilly and Company, an Indiana corporation, and any successor corporation thereto.

2.11 "Director" means a member of the Board.

2.12 "Disability" means, unless otherwise provided in an Award Agreement, that the Participant would qualify to receive benefit payments under the long-term disability plan or policy, as it may be amended from time to time, of the Company or the Affiliate to which the Participant provides Service regardless of whether the Participant is covered by such policy. If the Company or the Affiliate to which the Participant provides Service does not have a long-term

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disability policy, "Disability" means that a Participant is unable to carry out the responsibilities and functions of the position held by the Participant by reason of any medically determined physical or mental impairment for a period of not less than ninety (90) consecutive days. A Participant shall not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Committee in its discretion. Notwithstanding the foregoing, (a) for purposes of Incentive Stock Options granted under the Plan, "Disability" means that the Participant is disabled within the meaning of Section 22(e)(3) of the Code, and (b) with respect to an Award that is subject to Section 409A of the Code where the payment or settlement of the Award will accelerate as a result of the Participant's Disability, solely for purposes of determining the timing of payment, no such event will constitute a Disability for purposes of the Plan or any Award Agreement unless such event also constitutes a "disability" as defined under Section 409A of the Code.

2.13 "Dividend Equivalent Right" means a right to receive the equivalent value of dividends paid on the Shares with respect to Shares underlying Restricted Stock Units or an Other Share-Based Award that is a Full Value Award prior to vesting of the Award in accordance with the provision of Section 12.4.

2.14 "Effective Date" means the date that the shareholders approved the amendment and restatement of the Plan.

2.15 "Eligible Individual" means any natural person who is an Employee or a Director determined by the Committee as eligible to participate in the Plan.

2.16 "Employee" means an individual, including an officer or Director, who is treated as an employee in the personnel records of the Company or an Affiliate and providing Service to the Company or the Affiliate. Neither services as a Director nor payment of a director's fee by the Company or an Affiliate shall be sufficient to constitute "employment" by the Company or an Affiliate.

2.17 "Equity Restructuring" shall mean a nonreciprocal transaction between the Company and its shareholders, such as a stock dividend, stock split, spin-off, rights offering or recapitalization through a large, nonrecurring cash dividend, that affects the Shares (or other securities of the Company) or the price of Shares (or other securities) and causes a change in the per-share value of the Shares underlying outstanding Awards.

2.18 "Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

2.19 "Fair Market Value" means, as of any given date, (a) if Shares are traded on any established stock exchange, the closing price of a Share as quoted on the principal exchange on which the Shares are listed, as reported in *The Wall Street Journal* (or such other source as the Company may deem reliable for such purposes) for such date, or if no sale occurred on such date, the first trading date immediately prior to such date during which a sale occurred; or (b) if Shares are not traded on an exchange but are regularly quoted on a national market or other quotation system, the closing sales price on such date as quoted on such market or system, or if no sales occurred on such date, then on the date immediately prior to such date on which sales prices are reported; or (c) in the absence of an established market for the Shares of the type

described in (a) or (b) of this Section 2.19, the fair market value established by the Committee acting in good faith, under a reasonable methodology and reasonable application in compliance with Section 409A of the Code to the extent such determination is necessary for Awards under the Plan to comply with, or be exempt from, Section 409A of the Code.

Notwithstanding the foregoing, for income tax reporting purposes under U.S. federal, state, local or non-US law and for such other purposes as the Committee deems appropriate, including, without limitation, where Fair Market Value is used in reference to exercise, vesting, settlement or payout of an Award, the Fair Market Value shall be determined by the Company in accordance with uniform and nondiscriminatory standards adopted by it from time to time.

2.20 "Fractional Share" means a notional interest in a Share providing for such rights with respect to a Share as shall be specified by the Committee at the time of grant of an Award under which Fractional Shares may be issued (in addition to whole Shares) or the grant of an Award to receive a Fractional Share.

2.21 "Full Value Award" means any Award other than an (i) Option, (ii) Stock Appreciation Right or (iii) other Award for which the Participant pays (or the value or amount payable under the Award is reduced by) an amount equal to or exceeding the Fair Market Value of the Shares, determined as of the date of grant.

2.22 "Incentive Stock Option" means an Option that is intended to meet the requirements of Section 422 of the Code.

2.23 "Non-Employee Director" means a Director of the Company who is not an Employee.

2.24 "Non-Qualified Stock Option" means an Option that is not intended to be an Incentive Stock Option.

2.25 "Option" means a right granted to a Participant pursuant to Article 6 to purchase a specified number of Shares at a specified price during specified time periods. An Option may be either an Incentive Stock Option or a Non-Qualified Stock Option.

2.26 "Other Share-Based Award" shall mean an Award granted pursuant to Article 10.

2.27 "Outstanding Qualified Performance-Based Awards" shall mean any Awards granted prior to November 3, 2017 and that are outstanding as of the Effective Date and that are intended to constitute "qualified performance-based compensation" as described in Section 162(m)(4)(C) of the Code. For the avoidance of any doubt, all provisions of the Plan governing Outstanding Qualified Performance Awards that were in effect prior to the Effective Date shall continue in effect with respect to Outstanding Qualified Performance-Based Awards, notwithstanding the elimination of such provisions from the Plan as of the Effective Date.

2.28 "Participant" means any Eligible Individual who, as an Employee or Director, has been granted an Award pursuant to the Plan.

2.29 "Performance-Based Award" means an Award that are subject, in whole or in part, to Performance Goals and are granted pursuant to Article 10.

2.30 "Performance Criteria" means the criteria that the Committee selects for purposes of establishing the Performance Goal or Performance Goals for a Participant for a Performance Period. The Performance Criteria that will be used to establish Performance Goals include, but are not

limited to, the following: cash flow (including, without limitation, operating cash flow and free cash flow), earnings per share, gross or net profit margin, net income (either before or after interest, taxes, amortization, and/or depreciation), operating income (either before or after restructuring and amortization charges), return on capital or return on invested capital, return on equity, return on operating assets or net assets, return on sales, sales or revenue, stock price goals, total shareholder return. The Committee shall define objectively the manner of calculating the Performance Criteria it selects to use for such Performance Period for such Participant.

2.31 "Performance Goals" means, for a Performance Period, the goals established in writing by the Committee for the Performance Period based upon the Performance Criteria that the Committee, in its sole discretion, selects. The Committee, in its sole discretion, may provide that one or more objectively determinable adjustments shall be made to one or more of the Performance Goals.

2.32 "Performance Period" means the one or more periods of time, which may be of varying and overlapping durations, as the Committee may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to, and the payment of, a Performance-Based Award, provided that the duration of any Performance Period shall not be less than twelve (12) months.

2.33 "Plan" means this Amended and Restated 2002 Lilly Stock Plan, as it may be amended from time to time.

2.34 "Prior Plans" means the 1989, 1994 and 1998 Lilly Stock Plans, as amended from time to time.

2.35 "Restricted Stock" means Shares awarded to a Participant pursuant to Article 8 that are subject to certain restrictions and may be subject to risk of forfeiture.

2.36 "Restricted Stock Unit" means an Award granted pursuant to Article 7 that shall be evidenced by a bookkeeping entry representing the equivalent of one Share.

2.37 "Securities Act" means the U.S. Securities Act of 1933, as amended.

2.38 "Service" means service as an Employee or Non-Employee Director. Except as otherwise determined by the Committee in its sole discretion, a Participant's Service terminates

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when the Participant ceases to actively provide services to the Company or an Affiliate and shall not be extended by any notice period mandated under applicable employment laws or the terms of the Participant's employment or service contract, if any. The Committee shall determine which leaves shall count toward Service and when Service terminates for all purposes under the Plan. Further, unless otherwise determined by the Committee, a Participant's Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant provides Service to the Company or an Affiliate, or a transfer between entities (*i.e.*, the Company or any Affiliates), *provided* that there is no interruption or other termination of Service in connection with the Participant's change in capacity or transfer between entities (except as may be required to effect the change in capacity or transfer between entities). For purposes of determining whether an Option is entitled to Incentive Stock Option status, an Employee's Service shall be treated as terminated ninety (90) days after such Employee goes on leave, unless such Employee's right to return to active work is guaranteed by law or by a contract.

2.39 "Share" means a share of Common Stock.

2.40 "Stock Appreciation Right" or "SAR" means a right granted pursuant to Article 9 to receive a payment equal to the excess of the Fair Market Value of a specified number of Shares on the date the SAR is exercised over the exercise price of the SAR, as set forth in the applicable Award Agreement.

2.41 "Tax-Related Items" means any U.S. federal, state, and/or local taxes and any taxes imposed by a jurisdiction outside of the U.S. (including, without limitation, income tax, social insurance and similar contributions, payroll tax, fringe benefits tax, payment on account, employment tax, stamp tax and any other taxes related to participation in the Plan and legally applicable to a Participant, including any employer liability for which the Participant is liable pursuant to Applicable Laws or the applicable Award Agreement).

ARTICLE 3. ADMINISTRATION

3.1 Committee. The Board, at its discretion or as otherwise necessary to comply with the requirements of Section 162(m) of the Code (with respect to Outstanding Qualified Performance-Based Awards), Rule 16b-3 promulgated under the Exchange Act or to the extent required by any other Applicable Law or regulation, may delegate administration of the Plan to a Committee consisting of two or more members of the Board. Unless otherwise determined by the Board, the Committee shall consist solely of two or more Non-Employee Directors, each of whom is an "outside director," within the meaning of Section 162(m) of the Code (with respect to Outstanding Qualified Performance-Based Awards), a "non-employee director" within the meaning of Rule 16b-3(b)(3) under the Exchange Act, or any successor rule, and an "independent director" under the applicable New York Stock Exchange rules (or other principal securities market on which Shares are traded). Notwithstanding the foregoing: (a) the full Board, acting by a majority of its members in office, shall conduct the general administration of the Plan with respect to all Awards granted to Non-Employee Directors and for purposes of such Awards the term "Committee" as used in this Plan shall be deemed to refer to the Board and (b) the Committee may delegate its authority hereunder to the extent permitted by Section 3.5 hereof. Unless and until the Board delegates administration of the Plan to a Committee as

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set forth below, the Plan shall be administered by the full Board, and for such purposes the term "Committee" as used in this Plan shall be deemed to refer to the Board. In its sole discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan, except with respect to matters which under Rule 16b-3 under the Exchange Act or Section 162(m) of the Code (with respect to Outstanding Qualified Performance- Based Awards), or any regulations or rules issued thereunder, are required to be determined in the sole discretion of the Committee.

3.2 Action by the Committee. Unless otherwise established by the Board or in any charter of the Committee, a majority of the Committee shall constitute a quorum and the acts of a majority of the members present at any meeting at which a quorum is present, and acts approved in writing by a majority of the Committee in lieu of a meeting, shall be deemed the acts of the Committee. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Affiliate, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

3.3 Authority of Committee. Subject to any specific designation in the Plan, the Committee has the exclusive power, authority and discretion to:

(a) designate Participants to receive Awards;

(b) determine the type or types of Awards to be granted to each Participant;

(c) determine the number of Awards to be granted and the number of Shares to which an Award will relate;

(d) determine the terms and conditions of any Award granted pursuant to the Plan, including, without limitation, the exercise price, grant price, or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, any provisions related to recoupment of gain on an Award, based in each case on such considerations as the Committee in its sole discretion determines;

(e) determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Shares, other Awards, or other property, or an Award may be cancelled, forfeited, or surrendered;

(f) prescribe the form of each Award Agreement, which need not be identical for each Participant and may vary for Participants within and outside of the U.S.;

(g) decide all other matters that must be determined in connection with an

Award;

(h) establish, adopt or revise any rules and regulations, including adopting sub-plans to the Plan, for the purposes of facilitating compliance with foreign laws, easing the administration of the Plan and/or taking advantage of tax-favorable treatment for Awards granted to Participants outside the U.S., in each case as it may deem necessary or advisable;

(i) suspend or terminate the Plan at any time, subject to Article 15;

(j) amend or modify the terms of an Award, including, without limitation, accelerate the vesting and/or exercisability of any Award for any reason, including, without limitation, the Participant's retirement or other termination; *provided*, *however*, that no amendment or modification of an outstanding Award other than the following types of amendments or modifications shall affect adversely, in any material way, any Award previously granted pursuant to the Plan without the prior written consent of the Participant: (i) an amendment or modification that may cause an Incentive Stock Option to become a Non- Qualified Stock Option; (ii) an amendment made or other action taken pursuant to Section 16.14 of the Plan; (iii) any amendment or other action that may be required or desirable to facilitate compliance with Applicable Laws, as determined in the sole discretion of the Committee .

(k) interpret the terms of, and any matter arising pursuant to, the Plan or any Award Agreement; and

(l) make all other decisions and determinations that may be required pursuant to the Plan or that the Committee deems necessary or advisable to administer the Plan.

3.4 Decisions Binding. The Committee's interpretation of the Plan, any Awards granted pursuant to the Plan, and any Award Agreement and all decisions and determinations by the Committee with respect to the Plan are final, binding, and conclusive on all parties.

3.5 Delegation of Authority. To the extent permitted by Applicable Laws, the Board, from time to time, may delegate to a Committee of one or more members of the Board (pursuant to delegation that does not meet the requirement of Section 3.1 hereof) or to one or more officers of the Company the authority to grant Awards to Participants other than (a) Employees who are subject to Section 16 of the Exchange Act, or (b) officers of the Company (or Directors) to whom authority to grant or amend Awards has been delegated hereunder. Furthermore, if the authority to grant or amend Awards has been delegated to the Committee pursuant and subject to the preceding sentence, such authority may be further delegated by the Committee to one or more officers of the Company. For the avoidance of doubt, provided it meets the limitations of this Section 3.5, any delegation hereunder shall include the right to modify Awards as necessary to accommodate changes in Applicable Laws or regulations, including in jurisdictions outside the U.S. Furthermore, any delegation hereunder shall be subject to the restrictions and limitations that the Board (or, as applicable, the Committee) specifies at the time of such delegation, and the Board (or, as applicable, the Committee) may rescind at any time the authority so delegated and/or appoint a new delegatee. At all times, the

delegatee appointed under this Section 3.5 shall serve in such capacity at the pleasure of the Board (or, as applicable, the Committee).

ARTICLE 4. SHARES SUBJECT TO THE PLAN

4.1 Number of Shares. Subject to Article 13 hereof, the aggregate number of Shares that may be issued or transferred pursuant to Awards under the Plan shall be the sum of (i) 75,657,296 Shares, plus (ii) the number of Shares available for issuance under the Prior Plans

(including Shares subject to awards granted under the Prior Plans that otherwise subsequently became available for issuance under the Prior Plans upon forfeiture, cancellation, or termination of the awards or any other reason under the terms of the Prior Plans); provided, however, that only 53,000,000 Shares may be issued or transferred pursuant to new Awards granted on or following the Effective Date. Subject to Article 13, the aggregate number of Shares that may be issued or transferred pursuant to the exercise of Incentive Stock Options shall be 30,000,000.

(a) Shares Reissuable under Plan. The following Shares shall again be available for the grant of an Award pursuant to the Plan: (i) Shares that are not issued as a result of the termination, expiration or lapsing of any Award for any reason; (ii) Shares subject to a Full Value Award that are not issued because the Award is settled in cash; (iii) Shares covered by an Option which are surrendered in payment of the Option exercise or purchase price or in satisfaction of obligations for Tax-Related Items incident to the exercise of an Option; (iv) Shares covered by an Award which are surrendered in satisfaction of obligations for Tax-Related Items incident to the vesting or settlement of a Full Value Award. Notwithstanding the provisions of this Section 4.1, no Shares may again be optioned, granted or awarded if such action would cause an Incentive Stock Option to fail to qualify as an Incentive Stock Option.

(b) Shares Not Reissuable under Plan. Notwithstanding the foregoing, Shares that are repurchased on the open market with the proceeds of the exercise of an Option shall be counted against the maximum number of Shares available for issuance pursuant to Section 4.1 hereof and shall not be returned to the Plan.

(c) Shares Not Counted Against Share Pool Reserve. To the extent permitted by Applicable Laws, Shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by the Company or an Affiliate shall not be counted against Shares available for grant pursuant to this Plan. Additionally, to the extent permitted by Applicable Laws, in the event that a company acquired by (or combined with) the Company or an Affiliate has shares available under a pre-existing plan approved by its shareholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the shareholders of the entities party to such acquisition or combination) may, at the discretion of the Committee, be used for Awards under the Plan in lieu of awards under the applicable pre- existing plan of the other company and shall not reduce the Shares authorized for grant under the Plan; *provided* that Awards using such available shares shall not be made after the date awards or

grants could have been made under the terms of the pre-existing plan absent the acquisition or combination, and shall only be made to individuals who were not employees or directors of the Company or any Affiliate in existence prior to such acquisition or combination by the Company or an Affiliate. The payment of Dividend Equivalent Rights in cash in conjunction with any outstanding Awards shall not be counted against the Shares available for issuance under the Plan.

4.2 Shares Distributed. Any Shares distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares, treasury Shares or Shares purchased on the open market, subject to Section 4.1(b)(ii) hereof.

4.3 Limitation on Number of Shares Subject to Awards. Notwithstanding any provision in the Plan to the contrary, and subject to Article 13, the maximum number of Shares subject to all Awards that may be granted to any one Participant during any calendar year shall be 1,500,000 Shares.

4.4 Non-Employee Director Award Limit. Notwithstanding any provision to the contrary in the Plan or in any policy of the Company regarding compensation payable to a Non- Employee Director, the sum of the grant date fair value (determined as of the grant date in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, or any successor thereto) of all Awards payable in Common Stock to an individual as compensation for services as a Non-Employee Director, together with cash compensation earned by the Non-Employee Director during any calendar year, shall not exceed $800,000 in any calendar year.

ARTICLE 5. ELIGIBILITY AND PARTICIPATION

5.1 Eligibility. Each Eligible Individual shall be eligible to be granted one or more Awards pursuant to the Plan. An Eligible Individual who is subject to taxation in the U.S. and who is providing Services to an Affiliate may be granted Options or SARs under this Plan only if the Affiliate qualifies as an "eligible issuer of service recipient stock" within the meaning of the U.S. Department of Treasury regulations promulgated under Section 409A of the Code.

5.2 Participation. Subject to the provisions of the Plan, the Committee, from time to time, may select from among all Eligible Individuals those to whom Awards shall be granted, and shall determine the nature and amount of each Award. No Eligible Individual shall have any right to be granted an Award pursuant to this Plan and the grant of an Award to an Eligible Individual shall not imply any entitlement to receive future Awards.

ARTICLE 6. STOCK OPTIONS

6.1 General. The Committee is authorized to grant Options to Eligible Individuals on the following terms and conditions, and the Committee may specify such additional terms and conditions as:

(a) Exercise Price. The exercise price per Share subject to an Option shall be determined by the Committee and set forth in the Award Agreement; provided that, subject to Section 6.2(c) hereof, the per-Share exercise price for any Option shall not be less than 100% of the Fair Market Value of a Share on the date of grant.

(b) Time and Conditions of Exercise. The Committee shall determine the time or times at which an Option may be exercised in whole or in part; provided that the term of any Option granted under the Plan shall not exceed ten (10) years. Subject to Section 12.3, the Committee also shall specify the vesting conditions, if any, as it deems appropriate that must be satisfied before all or part of an Option may be exercised. The vesting conditions, if any, may be based on, among other conditions, a Participant's continued Service, the attainment of performance conditions, or a combination of both.

(c) Payment. The Committee shall determine the methods by which the exercise price of an Option may be paid, including the following methods: (i) cash or check; (ii) surrender of Shares or delivery of a properly executed form of attestation of ownership of Shares as the Committee may require (including withholding of Shares otherwise deliverable upon exercise of the Option) which have a Fair Market Value on the date or surrender of attestation equal to the aggregate exercise price of the Shares as to which the Option is to be exercised; (iii) promissory note from a Participant to the Company or a third-party loan guaranteed by the Company (in either case, with such loan bearing interest at no less than such rate as shall then preclude the imputation of interest under the Code); (iv) through the delivery of a notice that the Participant has placed a market sell order with a broker with respect to Shares then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price, *provided* that payment of such proceeds is then made to the Company upon settlement of such sale; (v) by a "net exercise" arrangement pursuant to which the number of Shares issuable upon exercise of the Option shall be reduced by the largest whole number of Shares (or a number of whole Shares and Fractional Shares to the extent authorized pursuant to Section 16.10) having an aggregate fair market value that does not exceed the aggregate exercise price (plus withholding taxes, if applicable) and any remaining balance of the aggregate exercise price (and/or applicable withholding taxes) not satisfied by such reduction in the number of whole Shares (to the extent the issuance of Fractional Shares is not authorized pursuant to Section 16.10) to be issued shall be paid by Participant in cash or other form of payment approved by the Committee; (vi) other property acceptable to the Committee; or (vii) any combination of the foregoing methods of payment. The Award Agreement will specify the methods of paying the exercise price available to each Participant. The Committee also shall determine the methods by which Shares shall be delivered or deemed to be delivered to Participants. Notwithstanding any other provision of the Plan to the contrary, no Participant who is a Director or an "executive officer" of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to pay the exercise price of an Option, or continue any extension of credit with respect to the exercise price of an Option, with a loan from the Company or a loan arranged by the Company in violation of Section 13(k) of the Exchange Act.

(d) Exercise of Option.

(i) Procedure for Exercise; Rights as a Shareholder. Unless otherwise authorized pursuant to Section 16.10, an Option may not be exercised for a Fractional Share. An Option shall be deemed exercised when the Company receives: (A) a notice of exercise (in such form as the Committee may specifyfrom time to time) from the person entitled to exercise the Option, and (B) full payment for the Shares with respect to which the Option is exercised (together with applicable withholding taxes). Full payment may consist of any consideration and method of payment authorized by the Committee and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option shall be issued in the name of the Participant. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no dividends or Dividend Equivalent Right shall be paid, and no right to vote or receive dividends or Dividend Equivalent Rights or any other rights as a shareholder shall exist with respect to the Shares subject to an Option, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment shall be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 13.1 of the Plan.

(ii) Termination of Participant's Service. If a Participant ceases to provide Service, including as a result of the Participant's death or Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). Unless otherwise provided by the Committee, if on the date of termination of Service the Participant is not vested as to his or her entire Option, the unvested portion of the Option shall be forfeited and the Shares covered by the unvested portion of the Option shall revert to the Plan. If, after termination of Service, the Participant does not exercise his or her Option within the time specified by the Committee, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan. To the extent the Option is exercisable following a Participant's death, the Option may be exercised by such persons as may be specified in the Award Agreement, which may include any of the following: (i) the Participant's designated beneficiary, *provided* that such designation is permitted under Applicable Laws and that such beneficiary has been designated before the Participant's death in a form acceptable to the Company; (ii) the Participant's legal representative or representatives; (iii) the person or persons entitled to do so pursuant to the Participant's last will and testament; or (iv) if the Participant fails to make testamentary disposition of the Option or dies intestate, by the person or persons entitled to receive the Option pursuant to the applicable laws of descent and distribution.

6.2 Incentive Stock Options. Incentive Stock Options shall be granted only to Employees of the Company or any "subsidiary corporation," as defined in Section 424(f) of the Code and any applicable U.S. Department of Treasury regulations promulgated thereunder, of the Company, and the terms of any Incentive Stock Options granted pursuant to the Plan, in

addition to the requirements of Section 6.1 hereof, must comply with the provisions of this Section 6.2.

(a) Expiration. Subject to Section 6.2(c) hereof, an Incentive Stock Option shall expire and may not be exercised to any extent by anyone after the first to occur of the following events:

(i) Ten (10) years from the date of grant, unless an earlier time is set in the Award Agreement;

(ii) Three (3) months after the date of the Participant's termination of Service on account of any reason other than death or Disability (within the meaning of Section 22(e)(3) of the Code); and

(iii) One (1) year after the date of the Participant's termination of Service on account of death or Disability (within the meaning of Section 22(e)(3) of the Code).

(b) Dollar Limitation. The aggregate Fair Market Value (determined as of the time the Option is granted) of all Shares with respect to which Incentive Stock Options are first exercisable by a Participant in any calendar year may not exceed US$100,000 or such other limitation as imposed by Section 422(d) of the Code, or any successor provision. To the extent that Incentive Stock Options are first exercisable by a Participant in excess of such limitation, the excess shall be considered Non-Qualified Stock Options.

(c) Ten Percent Owners. An Incentive Stock Option shall be granted to any individual who, at the date of grant, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of Shares of the Company only if such Option is granted at a price that is not less than 110% of Fair Market Value on the date of grant and the Option is exercisable for no more than five (5) years from the date of grant.

(d) Notice of Disposition. The Participant shall give the Company prompt notice of any disposition of Shares acquired by exercise of an Incentive Stock Option within
(i) two (2) years from the date of grant of such Incentive Stock Option or (ii) one (1) year after the transfer of such Shares to the Participant.

(e) Right to Exercise. During a Participant's lifetime, only the Participant may exercise an Incentive Stock Option.

(f) Failure to Meet Requirements. Any Option (or portion thereof) purported to be an Incentive Stock Option, which, for any reason, fails to meet the requirements of Section 422 of the Code shall be considered a Non-Qualified Stock Option.

ARTICLE 7. RESTRICTED STOCK UNITS

7.1 Restricted Stock Units. The Committee is authorized to grant Restricted Stock Units to Eligible Individuals in such amounts and subject to such terms and conditions not inconsistent with the Plan as the Committee shall impose.

7.2 Vesting Conditions. Subject to Section 12.3, the Committee shall specify the date or dates on which the Restricted Stock Units shall become fully vested and nonforfeitable, and may specify such conditions to vesting, if any, as it deems appropriate. The vesting conditions, if any, may be based on among other conditions, a Participant's continued Service, the attainment of performance conditions, or a combination of both.

7.3 Form and Timing of Payment. The Committee shall specify the settlement date applicable to each grant of Restricted Stock Units, which date shall not be earlier than the date or dates on which the Restricted Stock Units shall become fully vested and nonforfeitable, or such settlement date may be deferred to any later date, subject to compliance with Section 409A of the Code, as applicable. On the settlement date, the Company shall, subject to Section 12.6(a) hereof and satisfaction of applicable Tax-Related Items (as further set forth in Section 16.3 hereof), transfer to the Participant one Share for each Restricted Stock Unit scheduled to be paid out on such date and not previously forfeited. Alternatively, settlement of a Restricted Stock Unit may be made in cash (in an amount reflecting the Fair Market Value of the Shares that otherwise would have been issued) or any combination of cash and Shares, as determined by the Committee, in its sole discretion, in either case, less applicable Tax-Related Items (as further set forth in Section 16.3 hereof). Until a Restricted Stock Unit is settled, the number of Restricted Stock Units shall be subject to adjustment pursuant to Article 13 hereof.

7.4 Forfeiture. Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, any Restricted Stock Units that are not vested as of the date of the Participant's termination of Service shall be forfeited.

7.5 General Creditors. A Participant who has been granted Restricted Stock Units shall have no rights other than those of a general creditor of the Company. Restricted Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Award Agreement evidencing the grant of the Restricted Stock Units.

ARTICLE 8. RESTRICTED STOCK AWARDS

8.1 Grant of Restricted Stock. The Committee is authorized to grant Restricted Stock to Eligible Individuals selected by the Committee in such amounts and subject to such terms and conditions not inconsistent with the Plan as the Committee shall impose.

8.2 Purchase Price. At the time of the grant of Restricted Stock, the Committee shall determine the price, if any, to be paid by the Participant for each Share subject to the Award. The purchase price of Shares acquired pursuant to the Award shall be paid either: (i) in cash at the time of purchase; (ii) at the sole discretion of the Committee, by Service rendered or to be rendered to the Company or an Affiliate; or (iii) in any other form of legal consideration that may be acceptable to the Committee in its sole discretion and in compliance with Applicable Laws.

8.3 Issuance and Restrictions. Subject to Section 12.3 hereof, Restricted Stock shall be subject to such restrictions, if any, on transferability and other restrictions as the Committee

may impose (including, without limitation, limitations on the right to vote Restricted Stock or the right to receive dividends on the Restricted Stock). The restrictions, if any, may be based on, among other conditions, a Participant's continued Service, the attainment of performance conditions, or a combination of both. These restrictions, if any, may lapse separately or in combination at such times, pursuant to such circumstances, in such installments, or otherwise, as the Committee determines at the time of the grant of the Award or thereafter.

8.4 Dividends. Any dividends that are distributed with respect to Shares of Restricted Stock shall be paid in accordance with the applicable Award Agreement, subject to the provisions of Section 12.4(b).

8.5 Forfeiture. Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of Service during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited.

8.6 Certificates for Restricted Stock. Restricted Stock granted pursuant to the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing shares of Restricted Stock are registered in the name of the Participant, certificates shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, and the Company may, at its discretion, retain physical possession of the certificate until such time as all applicable restrictions lapse.

ARTICLE 9. STOCK APPRECIATION RIGHTS

9.1 Grant of Stock Appreciation Rights. The Committee is authorized to grant SARs to Eligible Individuals on the following terms and conditions, and the Committee may specify such additional terms and conditions as:

(a) Exercise Price. The exercise price per Share subject to a SAR shall be determined by the Committee and set forth in the Award Agreement; *provided* that the exercise price per Share for any SAR shall not be less than 100% of the Fair Market Value of a Share on the date of grant.

(b) Time and Conditions of Exercise. The Committee shall determine the time or times at which a SAR may be exercised in whole or in part; *provided* that the term of any SAR granted under the Plan shall not exceed ten (10) years. Subject to Section 12.3, the Committee also shall specify the vesting conditions, if any, as it deems appropriate that must be satisfied before all or part of a SAR may be exercised. The vesting conditions, if any, may be based on, among other conditions, a Participant's continued Service, the attainment of performance conditions, or a combination of both.

(c) Unless otherwise authorized pursuant to Section 16.10, a SAR may not be exercised for a Fractional Share. A SAR shall be deemed exercised when the Company receives a notice of exercise (in such form as the Committee may specify from time to time) from the person entitled to exercise the SAR.

9.2 Tandem Stock Appreciation Rights**.** A SAR may be granted in connection with an Option, either at the time of grant or at any time thereafter during the term of the Option. A SAR granted in connection with an Option will entitle the holder, upon exercise, to surrender the Option or any portion thereof to the extent unexercised, with respect to the number of Shares as to which such SAR is exercised, and to receive payment of an amount computed as described in Section 9.3. The Option shall, to the extent and when surrendered, cease to be exercisable. A SAR granted in connection with an Option hereunder will have an exercise price per share equal to the per share exercise price of the Option, will be exercisable at such time or times, and only to the extent, that the related Option is exercisable, and will expire no later than the related Option expires. If a related Option is exercised in whole or in part, then the SAR related to the Shares purchased terminates as of the date of such exercise.

9.3 Payment and Limitations on Exercise.

(a) A SAR shall entitle the Participant (or other person entitled to exercise the SAR pursuant to the Plan) to exercise all or a specified portion of the SAR (to the extent then exercisable pursuant to its terms) and to receive from the Company an amount equal to the excess of the aggregate Fair Market Value of the Shares on the date the SAR is exercised over the aggregate exercise price of the SAR, less applicable Tax-Related Items (as further set forth in Section 16.3 hereof), subject to any limitations the Committee may impose.

(b) Payment of the amounts determined under Section 9.3(a) hereof shall be in cash, in Shares (based on the Fair Market Value of the Shares as of the date the SAR is exercised) or a combination of both, as determined by the Committee in the Award Agreement. To the extent Shares are issued upon exercise of a SAR, the Shares shall be issued in the name of the Participant. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no dividends or Dividend Equivalent Right shall be paid, and no right to vote or receive dividends or Dividend Equivalent Rights or any other rights as a shareholder shall exist with respect to the Shares subject to a SAR, notwithstanding the exercise of the SAR. The Company shall issue (or cause to be issued) such Shares promptly after the SAR is exercised. No adjustment shall be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 13.1 of the Plan. The provisions of Section 6.1(d)(ii) regarding the treatment of a termination of the Participant's Service shall also apply to SARs.

ARTICLE 10. OTHER SHARE-BASED AWARDS

10.1 Grants of Other Share-Based Awards. Subject to limitation under Applicable Laws, the Committee is authorized under the Plan to grant Awards (other than Options, Restricted Stock Units, Restricted Stock and SARs) to Eligible Individuals subject to the terms and conditions set forth in this Article 10 and such other terms and conditions as may be specified by the Committee that are not inconsistent with the provisions of the Plan and that, by their terms, involve or might involve the issuance of, consist of, or are denominated in, payable in, valued in whole or in part by reference to, or otherwise relate to, Shares. The Committee may also grant Shares as a bonus, or may grant other Awards in lieu of obligations of the Company or an Affiliate to pay cash or other property under the Plan or other plans or

compensatory arrangements. The terms and conditions applicable to such other Awards shall be determined from time to time by the Committee and set forth in an applicable Award Agreement. The Committee may establish one or more separate programs under the Plan for the purpose of issuing particular forms of Awards to one or more classes of Participants on such terms and conditions as determined by the Committee from time to time.

10.2 Exercise Price. The Committee may establish the exercise price, if any, of any Other Share-Based Award granted pursuant to this Article 10; *provided* that such exercise price shall not be less than the Fair Market Value of a Share on the date of grant for an Award that is intended to be exempt from Section 409A of the Code.

10.3 Form of Payment. Payments with respect to any Awards granted under Section 10.1 shall be made in cash or cash equivalent, in Shares or any combination of the foregoing, as determined by the Committee.

10.4 Vesting Conditions. Subject to Section 12.3, the Committee shall specify the date or dates on which the Awards granted pursuant to this Article 10 shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate. The vesting conditions may be based on, among other vesting conditions, a Participant's continued Service, the attainment of performance conditions, or a combination of both.

10.5 Term. Except as otherwise provided herein, the Committee shall set, in its discretion, the term of any Award granted pursuant to this Article 10; *provided* that the term of any Award granted pursuant to this Article 10 shall not exceed ten (10) years.

ARTICLE 11. PERFORMANCE-BASED AWARDS

11.1 Purpose. If the Committee, in its discretion, decides to grant a Performance-Based Award to an Eligible Individual, the provisions of this Article 11 shall control over any contrary provision contained in Articles 6 through 10; *provided* that the Committee may in its discretion grant Awards to Eligible Individuals that are based on Performance Criteria or other performance conditions but that do not satisfy the requirements of this Article 11.

11.2 Applicability. This Article 11 shall apply only to those Eligible Individuals selected by the Committee to receive Performance-Based Awards. The designation of an Eligible Individual as a Participant for a Performance Period shall not entitle the Participant, in any manner, to receive an Award for the period. Moreover, the designation of an Eligible Individual as a Participant for a particular Performance Period shall not require designation of such Eligible Individual as a Participant in any subsequent Performance Period and designation of one Eligible Individual as a Participant shall not require designation of any other Eligible Individuals as a Participant in such period or in any other Performance Period.

11.3 Procedures with Respect to Performance-Based Awards. With respect to any Performance-Based Awards, which may be granted to one or more Eligible Individuals, within the first twenty-five percent (25%) of the Performance Period in question or period of Service, the Committee, in writing (a) shall designate one or more Eligible Individuals as eligible for an Award, (b) shall designate the Performance Period over which the Performance Goals shall be

measured; (c) shall select the Performance Criteria applicable to the Performance Period, (d) shall establish the Performance Goals, and amounts of such Awards, as applicable, which may be earned for such Performance Period, and (e) shall specify the relationship between Performance Criteria and the Performance Goals and the amounts of such Awards, as applicable, to be earned by each Eligible Individuals for such Performance Period. Following the completion of each Performance Period, the Committee shall certify in writing whether the applicable Performance Goals have been achieved for such Performance Period. In determining the amount earned by an Eligible Individual, the Committee shall have the right to adjust or eliminate the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant to the assessment of individual or corporate performance for the Performance Period.

11.4 Payment of Performance-Based Awards. Unless otherwise provided in the applicable Award Agreement, a Participant must be providing Service on the day a Performance- Based Award for the appropriate Performance Period is paid to the Participant. Furthermore, unless otherwise provided in the applicable Award Agreement, a Participant shall be eligible to receive payment pursuant to a Performance-Based Award for a Performance Period only if the Performance Goals for such period are achieved.

ARTICLE 12. PROVISIONS APPLICABLE TO AWARDS

12.1 Stand-Alone and Tandem Awards. Awards granted pursuant to the Plan may, in the discretion of the Committee, be granted either alone, in addition to, or in tandem with, any other Award granted pursuant to the Plan. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

12.2 Award Agreement. Awards under the Plan shall be evidenced by Award Agreements that set forth the terms, conditions and limitations for each Award, not inconsistent with the Plan, which may include, without limitation, the term of an Award, the provisions applicable in the event the Participant's Service terminates, and the Company's authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an Award.

12.3 Minimum Vesting Requirements. Notwithstanding any other provision of the Plan, except in connection with Awards granted in connection with assumption or substitution of awards as part of a transaction as contemplated under Section 4.1(c) or Awards that may be settled only in cash, no portion of an Award granted on or after the Effective Date may vest before the first anniversary of the date of grant, subject to accelerated vesting as contemplated under Section 3.3(j) and ARTICLE 13; provided, however, that the Company may grant Awards with respect to up to five percent (5%) of the number of Shares reserved under Section 4.1 as of the Effective Date without regard to the minimum vesting period set forth in this Section 12.3.

12.4 Dividends and Dividend Equivalent Rights.

(a) Any Participant selected by the Committee may be granted Dividend Equivalent Rights based on the dividends declared on the Shares that are subject to any Restricted Stock Unit or an Other Share-Based Award that is a Full Value Award, to be credited as of dividend payment dates, during the period between the date the Award is

granted and the date the Award vests or is settled, as determined by the Committee and set forth in the applicable Award Agreement. Such Dividend Equivalent Rights shall be converted to cash or additional Shares by such formula and at such time and subject to such limitations as may be determined by the Committee.

(b) To the extent Shares subject to an Award (other than Restricted Stock) are subject to vesting conditions, any Dividend Equivalent Rights relating to such Shares shall either (i) not be paid or credited or (ii) be accumulated and subject to restrictions and risk of forfeiture to the same extent as the underlying Award with respect to which such cash, stock or other property has been distributed. For Shares of Restricted Stock that are subject to vesting, dividends shall be accumulated and subject to any restrictions and risk of forfeiture to which the underlying Restricted Stock is subject.

12.5 Limits on Transfer. No right or interest of a Participant in any Award may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or an Affiliate, or shall be subject to any lien, obligation, or liability of such Participant to any other party other than the Company or an Affiliate. Except as otherwise provided by the Committee, no Award shall be assigned, transferred, or otherwise disposed of by a Participant other than by will or the laws of descent and distribution.

12.6 Stock Certificates; Book Entry Procedures.

(a) Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates evidencing Shares pursuant to the exercise or vesting, as applicable, of any Award, unless and until the Board has determined, with advice of counsel, that the issuance and delivery of such certificates is in compliance with all Applicable Laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the Shares are listed or traded. All certificates evidencing Shares delivered pursuant to the Plan are subject to any stop-transfer orders and other restrictions as the Committee deems necessary or advisable to comply with federal, state, or local securities or other laws, including laws of jurisdictions outside of the U.S., rules and regulations and the rules of any national securities exchange or automated quotation system on which the Shares are listed, quoted, or traded. The Committee may place legends on any certificate evidencing Shares to reference restrictions applicable to the Shares. In addition to the terms and conditions provided herein, the Board may require that a Participant make such reasonable covenants, agreements, and representations as the Board, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements. The Committee shall have the right to require any Participant to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including, without limitation, a window-period limitation, as may be imposed in the discretion of the Committee.

(b) Notwithstanding any other provision of the Plan, unless otherwise determined by the Committee or required by any Applicable Laws, rule or regulation, the Company shall not deliver to any Participant certificates evidencing Shares issued in connection with any Award and instead such Shares shall be recorded in the books of the Company (or, as applicable, its transfer agent or stock plan administrator).

12.7 Paperless Administration. In the event that the Company establishes, for itself or using the services of a third party, an automated system for the documentation, granting or exercise of Awards, such as a system using an internet website, intranet or interactive voice response, then the paperless documentation, granting or exercise of Awards by a Participant may be permitted through the use of such an automated system.

ARTICLE 13. CHANGES IN CAPITAL STRUCTURE

13.1 Adjustments.

(a) In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to shareholders, or any other similar event or other change related to a corporate event affecting the Shares or the price of the Shares other than an Equity Restructuring, the Committee shall make such adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such change with respect to (a) the aggregate number and kind of shares that may be issued under the Plan (including, without limitation, adjustments of the limitations in Sections 4.1 and 4.3 hereof); (b) the terms and conditions of any outstanding Awards (including, without limitation, the number and kind of shares that may be issued, or any applicable performance goals or criteria with respect thereto); and (c) the grant or exercise price per Share for any outstanding Awards under the Plan.

(b) In the event of any transaction or event described in Section 13.1(a) hereof or any unusual or infrequently occurring items or nonrecurring transactions or events affecting the Company, any affiliate of the Company, or the financial statements of the Company or any affiliate, or of changes in Applicable Laws, regulations or accounting principles, the Committee, in its sole and absolute discretion, and on such terms and conditions as it deems appropriate, either by the terms of the Award or by action taken prior to the occurrence of such transaction or event and either automatically or upon the Participant's request, is hereby authorized to take any one or more of the following actions whenever the Committee determines that such action is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any Award under the Plan, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles:

(i) to provide for either (A) termination of any such Award in exchange for an amount of cash, if any, equal to the amount that would have been attained upon the exercise of such Award or realization of the Participant's rights (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction or event described in this Section 13.1 the Committee determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment) or (B) the replacement of such Award with other rights or property selected by the Committee in its sole discretion;

(ii) to provide that such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by

similar options, rights or awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;

(iii) to make adjustments in the number and type of Shares (or other securities or property) subject to outstanding Awards, and/or in the terms and conditions of (including the grant or exercise price), and the criteria included in, outstanding options, rights and awards;

(iv) to provide that such Award shall be exercisable or payable or fully vested with respect to all Shares covered thereby, notwithstanding anything to the contrary in the Plan or the applicable Award Agreement; and

(v) to provide that the Award cannot vest, be exercised or become payable after such event.

(c) In connection with the occurrence of any Equity Restructuring, and notwithstanding anything to the contrary in Sections 13.1(a) and 13.1(b) hereof:

(i) the number and type of securities subject to each outstanding Award and the exercise price or grant price thereof, if applicable, shall be equitably adjusted. The adjustments provided under this Section 13.1(c)(i) shall be final and binding on the affected Participant and the Company.

(ii) the Committee shall make such equitable adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such Equity Restructuring with respect to the aggregate number and kind of shares that may be issued under the Plan (including, without limitation, adjustments of the limitations in Sections 4.1 and 4.3 hereof).

13.2 Change in Control.

(a) Notwithstanding Section 13.1 hereof, and provided that any applicable Award Agreement does not expressly preclude the following from applying, if a Change in Control occurs and Awards that vest solely on the Participant's continued Service are not converted, assumed, substituted or replaced by a successor or survivor corporation, or a parent or subsidiary thereof, then immediately prior to the Change in Control such Awards shall become fully exercisable and all forfeiture restrictions on such Awards shall lapse and, immediately following the consummation of such Change in Control, all such Awards shall terminate and cease to be outstanding.

(b) Notwithstanding Section 13.1 hereof, Awards that vest based on the attainment of performance-based conditions shall be subject to the provisions of the Award Agreement governing the impact of a Change in Control, provided that any such provisions in the Award Agreement shall (i) not permit the vesting of Awards at a rate that is greater than the actual level of attainment and/or (ii) provide for pro-rated vesting of the Award based on any reduction to the performance period resulting from the Change in Control.

(c) Where Awards are assumed or continued after a Change in Control, the Committee may provide that the vesting of one or more Awards will automatically accelerate upon an involuntary termination of the Participant's employment or service within a designated period following the effective date of such Change in Control. Any such Award shall accordingly, upon an involuntary termination of the Participant's employment or service in connection with a Change in Control, become fully exercisable and all forfeiture restrictions on such Award shall lapse.

(d) The portion of any Incentive Stock Option accelerated in connection with a Change in Control shall remain exercisable as an Incentive Stock Option only to the extent the applicable $100,000 limitation is not exceeded. To the extent such U.S. dollar limitation is exceeded, the accelerated portion of such Option shall be exercisable as a Non-Statutory Option under the U.S. federal tax laws.

13.3 No Other Rights. Except as expressly provided in the Plan, no Participant shall have any rights by reason of any subdivision or consolidation of Shares of any class, the payment of any dividend, any increase or decrease in the number of Shares of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or pursuant to action of the Committee under the Plan, no issuance by the Company of Shares of any class, or securities convertible into Shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of Shares subject to an Award or the grant or the exercise price of any Award.

ARTICLE 14. EFFECTIVE AND EXPIRATION DATE

14.1 Plan Effective Date. The Plan was approved by the Board on February 20, 2018 and shall become effective upon approval of the shareholders of the Company.

14.2 Expiration Date. The Plan will continue in effect until it is terminated by the Board pursuant to Section 15.1 hereof, except that no Incentive Stock Options may be granted under the Plan after February 20, 2028. Any Awards that are outstanding on the date the Plan terminates shall remain in force according to the terms of the Plan and the applicable Award Agreement.

ARTICLE 15. AMENDMENT, MODIFICATION, AND TERMINATION

15.1 Amendment, Modification, and Termination. Subject to Section 16.14 hereof, with the approval of the Board, at any time and from time to time, the Committee may terminate, amend or modify the Plan; *provided, however*, that to the extent necessary and desirable to comply with any Applicable Laws, the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required. Notwithstanding any provision in this Plan to the contrary, absent approval of the shareholders of the Company, and except as permitted by Article 13, no Option or SAR may be amended to reduce the per-Share exercise price of the Shares subject to such Option or SAR below the per-Share exercise price as of the date the Option or SAR is granted and (a) no Option or SAR may be granted in exchange for, or in connection with, the cancellation, surrender or substitution of an Option or SAR having a higher

per-Share exercise price and (b) no Option or SAR may be cancelled in exchange for, or in connection with, the payment of a cash amount or another Award at a time when the Option or SAR has a per-Share exercise price that is higher than the Fair Market Value of a Share.

15.2 Awards Previously Granted. Except with respect to amendments made or other actions taken pursuant to Section 16.14 hereof or any amendment or other action with respect to an outstanding Award that may be required or desirable to facilitate compliance with Applicable Laws, as determined by the Committee in its sole discretion, no termination, amendment, or modification of the Plan shall affect adversely, in any material way, any Award previously granted pursuant to the Plan without the prior written consent of the Participant; *provided*, *however*, that an amendment or modification that may cause an Incentive Stock Option to become a Non-Qualified Stock Option shall not be treated as adversely affecting the rights of the Participant.

ARTICLE 16. GENERAL PROVISIONS

16.1 No Rights to Awards. No Eligible Individual or other person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Committee is obligated to treat Eligible Individuals, Participants or any other persons uniformly.

16.2 No Shareholders Rights. Except as otherwise provided herein, a Participant shall have none of the rights of a shareholder with respect to Shares covered by any Award, including the right to vote or receive dividends, until the Participant becomes the record owner of such Shares as reflected in the books of the Company, notwithstanding the exercise of an Option or SAR or settlement of another Award or the issuance of Fractional Shares, to the extent authorized pursuant to Section 16.10.

16.3 Tax-Related Items. The Company or any Affiliate, as applicable, shall have the authority to require a Participant to remit to the Company or an Affiliate, an amount sufficient to satisfy the withholding obligations for Tax-Related Items or to take such other action as may be necessary or appropriate in the opinion of the Company or an Affiliate, as applicable, to satisfy withholding obligations for Tax-Related Items, including one or a combination of the following:

(a) withholding from the Participant's wages or other cash compensation payable to the Participant by the Company or an Affiliate; (b) withholding from the proceeds of the sale of Shares acquired pursuant to an Award, either through a voluntary sale or a mandatory sale arranged by the Company on the Participant's behalf, without need of further authorization; or (c) in the Committee's sole discretion, by withholding Shares otherwise issuable under an Award (or allowing the return of Shares) sufficient, as determined by the Committee in its sole discretion, to satisfy such Tax-Related Items. No Shares shall be delivered pursuant to an Award to any Participant or other person until the Participant or such other person has made arrangements acceptable to the Committee to satisfy the withholding obligations for Tax-Related Items.

16.4 No Right to Employment or Services. Nothing in the Plan or any Award Agreement shall interfere with or limit in any way the right of the Company or any Affiliate to terminate any Participant's Service at any time, nor confer upon any Participant any right to continue in the Service of the Company or any Affiliate.

16.5 Unfunded Status of Awards. The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the Company or any Affiliate.

16.6 Indemnification. To the extent allowable pursuant to Applicable Laws, each member of the Committee and the Board shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; *provided* he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

16.7 Relationship to other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits pursuant to any pension, retirement, savings, profit sharing, group insurance, termination programs and/or indemnities or severance payments, welfare or other benefit plan of the Company or any Affiliate, except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

16.8 Expenses. The expenses of administering the Plan shall be borne by the Company and/or its Affiliates.

16.9 Titles and Headings. The titles and headings of the sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

16.10 Fractional Shares. Awards over Fractional Shares may be granted and Fractional Shares may be issued under the Plan if and to the extent determined by the Committee. Where the Committee has determined that Fractional Shares may be issued, the terms of the Award Agreement shall specify the rights the Participant shall have as a shareholder with respect to the Fractional Shares. Where the Committee has determined that Fractional Shares will not be issued, the Committee shall determine, in its discretion, whether cash shall be paid in lieu of Fractional Shares or whether such Fractional Shares shall be eliminated by rounding up or down as appropriate.Without limiting the foregoing, the Committee may authorize the sale or withholding of Fractional Shares to satisfy any tax withholding obligation arising under an Award.

16.11 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any Participant who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set

forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 under the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Laws, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

16.12 Government and Other Regulations. The obligation of the Company to make payment of awards in Shares or otherwise shall be subject to all Applicable Laws, and to such approvals by government agencies, including government agencies in jurisdictions outside of the U.S., in each case as may be required or as the Company deems necessary or advisable. Without limiting the foregoing, the Company shall have no obligation to issue or deliver evidence of title for Shares subject to Awards granted hereunder prior to: (i) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable, and (ii) completion of any registration or other qualification with respect to the Shares under any Applicable Laws in the U.S. or in a jurisdiction outside of the U.S. or ruling of any governmental body that the Company determines to be necessary or advisable or at a time when any such registration or qualification is not current, has been suspended or otherwise has ceased to be effective. The inability or impracticability of the Company to obtain or maintain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained and shall constitute circumstances in which the Committee may determine to amend or cancel Awards pertaining to such Shares, with or without consideration to the affected Participant. The Company shall be under no obligation to register, pursuant to the Securities Act or otherwise, any offering of Shares issuable under the Plan. If, in certain circumstances, the Shares paid pursuant to the Plan may be exempt from registration pursuant to the Securities Act, the Company may restrict the transfer of such Shares in such manner as it deems advisable to ensure the availability of any such exemption.

16.13 Governing Law. The Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the State of Indiana.

16.14 Section 409A. Except as provided in Section 16.15 hereof, to the extent that the Committee determines that any Award granted under the Plan is subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Section 409A of the Code and U.S. Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the date an Award is granted the Committee determines that the Award may be subject to Section 409A of the Code and related U.S. Department of Treasury guidance (including such guidance as may be issued after the Effective Date), the Committee may adopt such amendments to the Plan and the applicable Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, including

amendments or actions that would result in a reduction to the benefits payable under an Award, in each case, without the consent of the Participant, that the Committee determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related U.S. Department of Treasury guidance and thereby avoid the application of any penalty taxes under such Section or mitigate any additional tax, interest and/or penalties or other adverse tax consequences that may apply under Section 409A of the Code if compliance is not practical.

16.15 No Representations or Covenants with respect to Tax Qualification. Although the Company may endeavor to (a) qualify an Award for favorable or specific tax treatment under the laws of the U.S. (*e.g.*, Incentive Stock Options under Section 422 of the Code) or jurisdictions outside of the U.S. or (b) avoid adverse tax treatment (*e.g.*, under Section 409A of the Code), the Company makes no representation to that effect and expressly disavows any covenant to maintain favorable or avoid unfavorable tax treatment, notwithstanding anything to the contrary in this Plan, including Section 16.14 hereof. The Company shall be unconstrained in its corporate activities without regard to the potential negative tax impact on Participants under the Plan. Nothing in this Plan or in an Award Agreement shall provide a basis for any person to take any action against the Company or any Affiliate based on matters covered by Section 409A of the Code, including the tax treatment of any Awards, and neither the Company nor any Affiliate will have any liability under any circumstances to the Participant or any other party if the Award that is intended to be exempt from, or compliant with, Section 409A of the Code, is not so exempt or compliant or for any action taken by the Committee with respect thereto.

16.16 Clawback/Recovery. All Awards granted under the Plan will be subject to recoupment in accordance with any clawback policy adopted by the Company providing for the recovery of Awards, shares, proceeds, or payments to Participants in the event of fraud or as required by Applicable Laws or governance considerations or in other similar circumstances.

16.17 Severability. If any provision of the Plan or the application of any provision hereof to any person or circumstance is held to be invalid or unenforceable, the remainder of the Plan and the application of such provision to any other person or circumstance shall not be affected, and the provisions so held to be unenforceable shall be reformed to the extent (and only to the extent) necessary to make it enforceable and valid.

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EXHIBIT 31.1 Rule 13a-14(a) Certification of David Ricks, Chair, President, and Chief Executive Officer

CERTIFICATIONS

I, David Ricks, Chair, President, and Chief Executive Officer, certify that:

1. I have reviewed this report on Form 10-Q of Eli Lilly and Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, October 30, 2024

By: /s/ David Ricks

David Ricks

Chair, President, and Chief Executive Officer

EXHIBIT 31.2 Rule 13a-14(a) Certification of Gordon Brooks, Interim Lucas Montarce, Executive Vice President and Chief Financial Officer

CERTIFICATIONS

I, Gordon Brooks, Interim Lucas Montarce, Executive Vice President and Chief Financial Officer, certify that:

1. I have reviewed this report on Form 10-Q of Eli Lilly and Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, October 30, 2024

By: /s/ Gordon Brooks Lucas Montarce

Gordon Brooks Lucas Montarce

Interim Executive Vice President and Chief Financial Officer

EXHIBIT 32 Section 1350 Certification

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Eli Lilly and Company, an Indiana corporation (the Company), does hereby certify that, to the best of their knowledge:

The Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 September 30, 2024 (the Form 10-Q) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, October 30, 2024

/s/ David Ricks

David Ricks

Chair, President, and Chief Executive Officer

Date: August 8, October 30, 2024

/s/ Gordon Brooks Lucas Montarce

Gordon Brooks Lucas Montarce

Interim Executive Vice President and Chief Financial Officer

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