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 March 31, 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 April 25, 2024:

Class	Number of Shares Outstanding
Common	950,405,386

Eli Lilly and Company

Form 10-Q
For the Quarter Ended March 31, 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;
- devaluations 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 March 31,	
	2024	**2023**
Revenue (Note 2)	**$ 8,768.0**	$ 6,960.0
Costs, expenses, and other:		
Cost of sales	**1,673.5**	1,626.7
Research and development	**2,522.8**	1,985.1
Marketing, selling, and administrative	**1,952.2**	1,749.2
Acquired in-process research and development (Note 3)	**110.5**	105.0
Other–net, (income) expense (Note 11)	**(27.1)**	(35.7)
	6,231.9	5,430.3
Income before income taxes	**2,536.1**	1,529.7
Income taxes (Note 7)	**293.2**	184.8
Net income	**$ 2,242.9**	$ 1,344.9
Earnings per share:		
Basic	**$ 2.49**	$ 1.49
Diluted	**$ 2.48**	$ 1.49
Shares used in calculation of earnings per share:		
Basic	**900.8**	901.0
Diluted	**903.8**	903.3

See notes to consolidated condensed financial statements.

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

	Three Months Ended March 31,	
	2024	**2023**
Net income	**$ 2,242.9**	$ 1,344.9
Other comprehensive income, net of tax (Note 10)	**27.5**	67.3
Comprehensive income	**$ 2,270.4**	$ 1,412.2

See notes to consolidated condensed financial statements.

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

	March 31, 2024	December 31, 2023
Assets	**(Unaudited)**	
Current Assets		
Cash and cash equivalents (Note 6)	**$ 2,460.2**	$ 2,818.6
Short-term investments (Note 6)	**126.1**	109.1
Accounts receivable, net of allowances of **$14.3 (2024)** and $14.8 (2023)	**7,885.6**	9,090.5
Other receivables	**2,127.9**	2,245.7
Inventories (Note 5)	**6,101.8**	5,772.8
Prepaid expenses	**6,348.6**	5,540.8
Other current assets	**138.6**	149.5
Total current assets	**25,188.8**	25,727.0
Investments (Note 6)	**3,086.9**	3,052.2
Goodwill	**4,939.6**	4,939.7
Other intangibles, net	**6,762.2**	6,906.6
Deferred tax assets	**5,633.9**	5,477.3
Property and equipment, net of accumulated depreciation of **$11,235.0 (2024)** and $11,099.3 (2023)	**13,624.0**	12,913.6
Other noncurrent assets	**4,708.1**	4,989.9
Total assets	**$ 63,943.5**	$ 64,006.3
Liabilities and Equity		
Current Liabilities		
Short-term borrowings and current maturities of long-term debt	**$ 1,651.5**	$ 6,904.5
Accounts payable	**2,473.7**	2,598.8
Employee compensation	**844.2**	1,650.4
Sales rebates and discounts	**9,429.6**	11,689.0
Dividends payable	**—**	1,169.2
Other current liabilities	**4,199.1**	3,281.3
Total current liabilities	**18,598.1**	27,293.2
Noncurrent Liabilities		
Long-term debt	**24,559.9**	18,320.8
Accrued retirement benefits (Note 8)	**1,427.9**	1,438.8
Long-term income taxes payable	**4,189.4**	3,849.2
Other noncurrent liabilities	**2,270.8**	2,240.6
Total noncurrent liabilities	**32,448.0**	25,849.4
Commitments and Contingencies (Note 9)		
Eli Lilly and Company Shareholders' Equity		
Common stock	**594.2**	593.6
Additional paid-in capital	**7,009.5**	7,250.4
Retained earnings	**12,553.9**	10,312.3
Employee benefit trust	**(3,013.2)**	(3,013.2)
Accumulated other comprehensive loss (Note 10)	**(4,299.5)**	(4,327.0)
Cost of common stock in treasury	**(32.7)**	(44.2)
Total Eli Lilly and Company shareholders' equity	**12,812.2**	10,771.9
Noncontrolling interests	**85.2**	91.8
Total equity	**12,897.4**	10,863.7
Total liabilities and equity	**$ 63,943.5**	$ 64,006.3

See notes to consolidated condensed financial statements.

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

(Dollars in millions, except per-share data, and shares in thousands)	Equity of Eli Lilly and Company Shareholders								Noncontrolling Interests
	Common Stock		Additional Paid-in Capital	Retained Earnings	Employee Benefit Trust	Accumulated Other Comprehensive Loss	Common Stock in Treasury[1]		
	Shares	Amount					Shares	Amount	
Balance at January 1, 2023	950,632	$ 594.1	$ 6,921.4	$ 10,042.6	$ (3,013.2)	$ (3,844.6)	450	$ (50.5)	$ 125.6
Net income				1,344.9					10.0
Other comprehensive income, net of tax						67.3			
Retirement of treasury shares	(2,299)	(1.4)		(748.6)			(2,299)	750.0	
Purchase of treasury shares							2,299	(750.0)	
Issuance of stock under employee stock plans, net	1,336	0.8	(259.5)				(48)	8.8	
Stock-based compensation			131.2						
Other				0.4				(3.3)	(31.1)
Balance at March 31, 2023	949,669	$ 593.5	$ 6,793.1	$ 10,639.3	$ (3,013.2)	$ (3,777.3)	402	$ (45.0)	$ 104.5
Balance at January 1, 2024	**949,781**	**$ 593.6**	**$ 7,250.4**	**$ 10,312.3**	**$ (3,013.2)**	**$ (4,327.0)**	**402**	**$ (44.2)**	**$ 91.8**
Net income (loss)				**2,242.9**					**(5.1)**
Other comprehensive income, net of tax						**27.5**			
Issuance of stock under employee stock plans, net	**987**	**0.6**	**(400.3)**				**(37)**	**11.5**	
Stock-based compensation			**159.4**						
Other				**(1.3)**					**(1.5)**
Balance at March 31, 2024	**950,768**	**$ 594.2**	**$ 7,009.5**	**$ 12,553.9**	**$ (3,013.2)**	**$ (4,299.5)**	**365**	**$ (32.7)**	**$ 85.2**

[1] As of March 31, 2024, there was $2.50 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)

	Three Months Ended March 31,	
	2024	**2023**
Cash Flows from Operating Activities		
Net income	**$ 2,242.9**	$ 1,344.9
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:		
Depreciation and amortization	**400.6**	362.3
Change in deferred income taxes	**(279.0)**	(559.4)
Stock-based compensation expense	**159.4**	131.2
Net investment (gains) losses	**(15.8)**	14.2
Acquired in-process research and development	**110.5**	105.0
Other changes in operating assets and liabilities, net of acquisitions and divestitures	**(1,751.2)**	164.1
Other operating activities, net	**298.6**	168.3
Net Cash Provided by Operating Activities	**1,166.0**	1,730.6
Cash Flows from Investing Activities		
Purchases of property and equipment	**(986.3)**	(668.5)
Proceeds from sales and maturities of short-term investments	**41.4**	61.5
Purchases of short-term investments	**(24.4)**	(23.0)
Proceeds from sales of and distributions from noncurrent investments	**70.5**	281.9
Purchases of noncurrent investments	**(117.1)**	(146.0)
Purchases of in-process research and development	**(96.5)**	(235.0)
Other investing activities, net	**(65.2)**	40.3
Net Cash Used for Investing Activities	**(1,177.6)**	(688.8)
Cash Flows from Financing Activities		
Dividends paid	**(1,169.2)**	(1,017.2)
Net change in short-term borrowings	**(5,204.8)**	(1,498.0)
Proceeds from issuance of long-term debt	**6,452.5**	3,958.5
Purchases of common stock	**—**	(750.0)
Other financing activities, net	**(389.8)**	(281.0)
Net Cash Provided by (Used for) Financing Activities	**(311.3)**	412.3
Effect of exchange rate changes on cash and cash equivalents	**(35.5)**	24.8
Net increase (decrease) in cash and cash equivalents	**(358.4)**	1,478.9
Cash and cash equivalents at January 1	**2,818.6**	2,067.0
Cash and Cash Equivalents at March 31	**$ 2,460.2**	$ 3,545.9

See notes to consolidated condensed financial statements.

Notes to Consolidated Condensed Financial Statements
(Tables present dollars in millions)

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.

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 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 March 31,	
	2024	**2023**
Net product revenue	**$ 7,796.5**	$ 6,238.2
Collaboration and other revenue	**971.5**	721.8
Revenue	**$ 8,768.0**	$ 6,960.0

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 Trajenta® families of products resulting from our collaboration with Boehringer Ingelheim discussed in Note 4, as well as the sale of product rights. 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 months ended March 31, 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 3 percent and less than 1 percent of U.S. revenue during the three months ended March 31, 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:

	March 31, 2024	December 31, 2023
Contract liabilities	**$ 186.7**	$ 193.6

During the three months ended March 31, 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 March 31, 2024 and 2023:

	Three Months Ended March 31,					
	2024			2023		
	U.S.	Outside U.S.	Total	U.S.	Outside U.S.	Total
Diabetes and obesity:						
Mounjaro®	**$ 1,520.4**	**$ 286.2**	**$ 1,806.5**	$ 536.4	$ 32.0	$ 568.5
Trulicity®	**1,081.9**	**374.4**	**1,456.3**	1,547.4	429.7	1,977.1
Jardiance[1]	**368.2**	**318.3**	**686.5**	329.4	248.1	577.5
Humalog® [2]	**338.3**	**200.4**	**538.7**	271.6	189.3	460.9
Zepbound®	**517.4**	**—**	**517.4**	—	—	—
Humulin®	**153.1**	**53.1**	**206.2**	198.8	53.2	252.0
Basaglar® [3]	**83.2**	**74.3**	**157.6**	135.4	73.9	209.3
Other diabetes and obesity	**27.5**	**96.3**	**123.8**	56.0	89.2	145.1
Total diabetes and obesity	**4,090.0**	**1,403.0**	**5,493.0**	3,075.0	1,115.4	4,190.4
Oncology:						
Verzenio®	**638.2**	**412.1**	**1,050.3**	461.1	289.8	750.9
Cyramza®	**107.2**	**122.6**	**229.9**	100.6	136.1	236.8
Erbitux®	**132.1**	**12.5**	**144.6**	118.8	11.1	129.9
Tyvyt®	**—**	**116.7**	**116.7**	—	61.0	61.0
Other oncology	**120.8**	**147.8**	**268.5**	72.9	104.6	177.4
Total oncology	**998.3**	**811.7**	**1,810.0**	753.4	602.6	1,356.0
Immunology:						
Taltz®	**347.1**	**257.0**	**604.1**	312.2	214.8	527.0
Olumiant®	**46.3**	**171.0**	**217.4**	42.3	186.5	228.9
Other immunology	**3.8**	**8.8**	**12.5**	—	22.0	22.0
Total immunology	**397.2**	**436.8**	**834.0**	354.5	423.3	777.8
Neuroscience:						
Emgality®	**125.0**	**100.7**	**225.7**	108.7	45.6	154.3
Other neuroscience	**38.2**	**125.2**	**163.4**	35.8	170.4	206.2
Total neuroscience	**163.2**	**225.9**	**389.1**	144.5	216.0	360.5
Other:						
Cialis®	**5.9**	**133.4**	**139.3**	7.6	92.7	100.3
Forteo®	**21.7**	**39.5**	**61.3**	70.7	51.7	122.3
Other	**18.1**	**23.3**	**41.3**	30.5	22.2	52.8
Total other	**45.7**	**196.2**	**241.9**	108.7	166.6	275.3
Revenue	**$ 5,694.4**	**$ 3,073.7**	**$ 8,768.0**	$ 4,436.2	$ 2,523.9	$ 6,960.0

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®.

The following table summarizes revenue by geographical area:

	Three Months Ended March 31,	
	2024	**2023**
Revenue[(1)]:		
U.S.	**$ 5,694.4**	$ 4,436.2
Europe	**1,440.7**	1,090.9
China	**376.2**	372.7
Japan	**363.9**	387.2
Other foreign countries	**892.9**	673.1
Revenue	**$ 8,768.0**	$ 6,960.0

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

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.

Since this 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 this acquisition is included in our consolidated condensed financial statements from the date of acquisition.

Assets 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 attributable primarily 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 months ended March 31, 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 months ended March 31, 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 $110.5 million and $105.0 million for the three months ended March 31, 2024 and 2023, respectively.

Note 4: Collaborations and Other Arrangements

We often enter into collaborative and other arrangements to develop and commercialize drug candidates. 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 Diabetes Collaboration

We and Boehringer Ingelheim have a global agreement to jointly develop and commercialize a portfolio of diabetes compounds. Currently included in the collaboration are Boehringer Ingelheim's oral diabetes products: Jardiance, Glyxambi, Synjardy, Trijardy XR, Trajenta, and Jentadueto® as well as our basal insulins, 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 March 31,	
	2024	**2023**
Jardiance	**$ 686.5**	$ 577.5
Basaglar	**157.6**	209.3
Trajenta	**88.9**	85.8

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 March 31, 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 March 31,	
	2024	**2023**
Olumiant	**$ 217.4**	$ 228.9

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 March 31,	
	2024	**2023**
Tyvyt	**$ 116.7**	$ 61.0

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 March 31, 2024, Roche is eligible to receive additional payments from us, including up to $115.0 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 months ended March 31, 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 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 months ended March 31, 2024 and 2023, collaboration and other revenue recognized under this license agreement was not material. As of March 31, 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 digits to low teens if the product is successfully commercialized. As of March 31, 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.

Note 5: Inventories

The following table summarizes components of inventories:

	March 31, 2024	December 31, 2023
Finished products	**$ 699.6**	$ 791.7
Work in process	**3,611.9**	3,248.6
Raw materials and supplies	**1,693.8**	1,630.1
Total (approximates replacement cost)	**6,005.3**	5,670.4
Increase to last-in, first-out (LIFO) cost	**96.5**	102.4
Inventories	**$ 6,101.8**	$ 5,772.8

Note 6: 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 months ended March 31, 2024 and 2023 were not material.

The net gains (losses) recognized in our consolidated condensed statements of operations for equity securities were $16.0 million and $(13.7) million for the three months ended March 31, 2024 and 2023, respectively. The net gains (losses) recognized for the three months ended March 31, 2024 and 2023 on equity securities sold during the respective periods were not material.

As of March 31, 2024, we had approximately $880 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 are 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 months ended March 31, 2024 and 2023.

The table below summarizes the contractual maturities of our investments in debt securities measured at fair value as of March 31, 2024:

		Maturities by Period			
	Total	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Fair value of debt securities	$ 650.2	$ 83.7	$ 222.4	$ 98.3	$ 245.8

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:

	March 31, 2024	December 31, 2023
Unrealized gross gains	**$ 1.9**	$ 3.4
Unrealized gross losses	**42.5**	37.9
Fair value of securities in an unrealized gain position	**111.8**	159.2
Fair value of securities in an unrealized loss position	**477.9**	452.0

As of March 31, 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 March 31, 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 months ended March 31, 2024 and 2023. Proceeds from sales of available-for-sale investments were $24.4 million and $27.6 million for the three months ended March 31, 2024 and 2023, respectively.

Fair Value of Investments

The following table summarizes certain fair value information at March 31, 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			
	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
March 31, 2024						
Cash equivalents[2]	**$ 1,321.1**	**$ 1,321.1**	**$ 1,308.4**	**$ 12.7**	**$ —**	**$ 1,321.1**
Short-term investments:						
U.S. government and agency securities	**$ 30.6**	**$ 30.8**	**$ 30.6**	**$ —**	**$ —**	**$ 30.6**
Corporate debt securities	**51.0**	**51.1**	**—**	**51.0**	**—**	**51.0**
Asset-backed securities	**2.1**	**2.2**	**—**	**2.1**	**—**	**2.1**
Other securities	**42.4**	**42.4**	**—**	**9.2**	**33.2**	**42.4**
Short-term investments	**$ 126.1**					
Noncurrent investments:						
U.S. government and agency securities	**$ 139.0**	**$ 154.0**	**$ 139.0**	**$ —**	**$ —**	**$ 139.0**
Corporate debt securities	**217.3**	**231.7**	**—**	**217.3**	**—**	**217.3**
Mortgage-backed securities	**155.7**	**167.4**	**—**	**155.7**	**—**	**155.7**
Asset-backed securities	**54.6**	**55.6**	**—**	**54.6**	**—**	**54.6**
Other securities	**184.5**	**86.4**	**—**	**6.2**	**178.3**	**184.5**
Marketable equity securities	**700.4**	**490.8**	**700.4**	**—**	**—**	**700.4**
Equity investments without readily determinable fair values[3]	**619.6**					
Equity method investments[3]	**1,015.8**					
Noncurrent investments	**$ 3,086.9**					
December 31, 2023						
Cash equivalents[2]	$ 1,088.4	$ 1,088.4	$ 1,079.3	$ 9.1	$ —	$ 1,088.4
Short-term investments:						
U.S. government and agency securities	$ 32.1	$ 32.3	$ 32.1	$ —	$ —	$ 32.1
Corporate debt securities	52.0	52.1	—	52.0	—	52.0
Other securities	25.0	25.0	—	13.6	11.4	25.0
Short-term investments	$ 109.1					
Noncurrent investments:						
U.S. government and agency securities	$ 148.1	$ 161.0	$ 148.1	$ —	$ —	$ 148.1
Corporate debt securities	214.3	226.6	—	214.3	—	214.3
Mortgage-backed securities	157.3	167.1	—	157.3	—	157.3
Asset-backed securities	53.5	54.4	—	53.5	—	53.5
Other securities	197.4	100.2	—	23.5	173.9	197.4
Marketable equity securities	711.3	493.2	711.3	—	—	711.3
Equity investments without readily determinable fair values[3]	608.0					
Equity method investments[3]	962.3					
Noncurrent investments	$ 3,052.2					

[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 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 will 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, which became callable at par beginning February 27, 2024.

In February 2023, we issued $750.0 million of 5.000 percent fixed-rate notes due in 2026, which are callable at par after one year, $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.

Fair Value of Debt

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

		Fair Value Measurements Using			
	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					
March 31, 2024	**$ (984.6)**	**$ —**	**$ (982.8)**	**$ —**	**$ (982.8)**
December 31, 2023	(6,189.4)	—	(6,166.4)	—	(6,166.4)
Long-term debt, including current portion					
March 31, 2024	**(25,226.8)**	**—**	**(22,961.3)**	**—**	**(22,961.3)**
December 31, 2023	(19,035.9)	—	(17,221.7)	—	(17,221.7)

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 $399.0 million and $431.9 million of accounts receivable as of March 31, 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 months ended March 31, 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 10) 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 10). 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 March 31, 2024, we had outstanding foreign currency forward commitments as follows, all of which have settlement dates within 180 days:

March 31, 2024			
Purchase		Sell	
Currency	Amount (in millions)	Currency	Amount (in millions)
Euro	7,557.6	U.S. dollars	8,223.3
U.S. dollars	3,538.5	Euro	3,239.6
British pounds	193.9	U.S. dollars	248.7
U.S. dollars	167.1	Japanese yen	24,690.1

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 $6.91 billion and $7.14 billion as of March 31, 2024 and December 31, 2023, respectively, of which $5.54 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 March 31, 2024 and December 31, 2023, respectively. At March 31, 2024, we had outstanding cross-currency swaps with notional amounts of $728.6 million swapping U.S. dollars to euro and $1.00 billion 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 March 31, 2024, we had outstanding foreign currency forward contracts to sell 3.70 billion euro and to sell 2.70 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 March 31, 2024, all of our total long-term debt is at a fixed rate. We have converted approximately 8 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 10) 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 March 31,	
	2024	**2023**
Fair value hedges:		
Effect from hedged fixed-rate debt	**$ (16.7)**	$ 35.3
Effect from interest rate contracts	**16.7**	(35.3)
Cash flow hedges:		
Effective portion of losses on interest rate contracts reclassified from accumulated other comprehensive loss	**2.4**	3.8
Cross-currency interest rate swaps	**84.0**	(12.9)
Net (gains) losses on foreign currency exchange contracts not designated as hedging instruments	**2.4**	(52.8)
Total	**$ 88.8**	$ (61.9)

During the three months ended March 31, 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 March 31,	
	2024	2023
Net investment hedges:		
Foreign currency-denominated notes	**$ 131.8**	$ (131.8)
Cross-currency interest rate swaps	**17.0**	(11.8)
Foreign currency forward contracts	**99.1**	(46.1)
Cash flow hedges:		
Forward-starting interest rate swaps	**77.4**	23.8
Cross-currency interest rate swaps	**13.7**	(7.8)

During the next 12 months, we expect to reclassify $5.4 million of pretax net losses on cash flow hedges from accumulated other comprehensive loss to other–net, (income) expense. During the three months ended March 31, 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 March 31, 2024 and December 31, 2023 for risk management assets and liabilities measured at fair value on a recurring basis:

		Fair Value Measurements Using			
	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
March 31, 2024					
Risk-management instruments:					
Interest rate contracts designated as fair value hedges:					
Other noncurrent liabilities	**$ (119.5)**	**$ —**	**$ (119.5)**	**$ —**	**$ (119.5)**
Cross-currency interest rate contracts designated as net investment hedges:					
Other noncurrent assets	**1.5**	**—**	**1.5**	**—**	**1.5**
Other current liabilities	**(15.6)**	**—**	**(15.6)**	**—**	**(15.6)**
Cross-currency interest rate contracts designated as cash flow hedges:					
Other receivables	**66.2**	**—**	**66.2**	**—**	**66.2**
Other noncurrent assets	**40.3**	**—**	**40.3**	**—**	**40.3**
Foreign exchange contracts designated as net investment hedges:					
Other receivables	**29.4**	**—**	**29.4**	**—**	**29.4**
Other current liabilities	**(3.8)**	**—**	**(3.8)**	**—**	**(3.8)**
Foreign exchange contracts not designated as hedging instruments:					
Other receivables	**44.3**	**—**	**44.3**	**—**	**44.3**
Other current liabilities	**(58.3)**	**—**	**(58.3)**	**—**	**(58.3)**
Contingent consideration liabilities:					
Other current liabilities	**(40.0)**	**—**	**—**	**(40.0)**	**(40.0)**
Other noncurrent liabilities	**(42.1)**	**—**	**—**	**(42.1)**	**(42.1)**

	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 7: Income Taxes

The effective tax rate was 11.6 percent for the three months ended March 31, 2024 compared to 12.1 percent for the three months ended March 31, 2023, driven by a larger net discrete tax benefit reflected in the three months ended March 31, 2024 compared to the same period 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 8: Retirement Benefits

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

	Defined Benefit Pension Plans	
	Three Months Ended March 31,	
	2024	2023
Components of net periodic (benefit) cost:		
Service cost	**$ 83.8**	$ 70.4
Interest cost	**165.0**	161.1
Expected return on plan assets	**(277.6)**	(263.3)
Amortization of prior service cost	**0.5**	0.6
Recognized actuarial loss	**30.6**	30.0
Net periodic (benefit) cost	**$ 2.3**	$ (1.2)

	Retiree Health Benefit Plans	
	Three Months Ended March 31,	
	2024	2023
Components of net periodic benefit:		
Service cost	**$ 8.2**	$ 7.7
Interest cost	**15.5**	15.4
Expected return on plan assets	**(48.1)**	(45.5)
Amortization of prior service benefit	**(1.4)**	(13.2)
Recognized actuarial gain	**(0.6)**	(0.9)
Net periodic benefit	**$ (26.4)**	$ (36.5)

Note 9: 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 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) in a third party payor 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 Ninth Circuit granted our and Takeda's petition for permission to appeal the class certification order, and the appeal is being briefed. This matter is ongoing.

Mounjaro and Trulicity Product Liability Litigation

We, along with Novo Nordisk A/S (Novo) and other related Novo entities, are 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 in August 2023 and are pending in various federal courts. In February 2024, the Judicial Panel on Multi-District Litigation established Multi-District Litigation for coordinated and consolidated pretrial proceedings in the Eastern District of Pennsylvania. This matter is 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 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 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 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 petitions filed in 2021 and 2023 and currently pending before the HHS Administrative Dispute Resolution Panel. 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. HRSA has now promulgated a revised regulation governing Administrative Dispute Resolution (ADR) proceedings, which will take 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 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 1.30 billion Brazilian reais (approximately $260 million as of March 31, 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 are 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 135 million Brazilian reais (approximately $27 million as of March 31, 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 matter is ongoing and trial has been scheduled for August 2024.

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 Seventh Circuit and the appeal is pending. This matter is ongoing.

Health Choice Alliance

We were named as a defendant in two lawsuits filed in Texas and New Jersey state courts in October 2019 seeking damages under the Texas Medicaid Fraud Prevention Act and New Jersey Medicaid False Claims Act, respectively, for certain patient support programs related to our products Humalog, Humulin, and Forteo. The Texas state court action has been stayed. The New Jersey state court action was dismissed with prejudice, and in March 2024 the Appellate Division of the New Jersey Superior Court affirmed the dismissal. The relator did not appeal the decision to the New Jersey Supreme Court. As a result, the dismissal is final and the New Jersey state matter is closed.

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 insulin pricing and rebates paid by manufacturers to pharmacy benefit managers. These lawsuits assert various theories, including consumer protection and deceptive trade practice, 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 in August 2023 after a ruling by the Judicial Panel 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. In May 2023, we reached a settlement in the *In re Insulin Pricing Litigation* consumer class action, and the plaintiffs filed a motion for preliminary approval of our settlement. In January 2024, the Multi-District Litigation court denied the consumer class plaintiffs' motion for class certification, and in April 2024, the settlement agreement was terminated. In February 2024, we entered into a non-monetary settlement with the Minnesota Attorney General's Office that resolved all matters related to Minnesota's insulin pricing lawsuit.

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 AMP and best price. These include subpoenas from the Vermont Attorney General Office, civil investigative demands from the Washington, New Mexico, Colorado, Louisiana, Texas and Indiana 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.

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 is being set for argument.

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. RCT is seeking 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. Trial is scheduled for August 2024. Potential damages payable under the litigation, if finally awarded after an appeal, could be material but are not currently reasonably estimable. This matter is ongoing.

Note 10: Other Comprehensive Income (Loss)

The following tables summarize the activity related to each component of other comprehensive income (loss) during the three months ended March 31, 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 January 1, 2024	**$ (1,819.0)**	**$ (26.2)**	**$ (2,697.3)**	**$ 215.5**	**$ (4,327.0)**
Other comprehensive income (loss) before reclassifications	**(88.2)**	**(4.8)**	**15.6**	**72.0**	**(5.4)**
Net amount reclassified from accumulated other comprehensive loss	**10.2**	**0.1**	**23.0**	**(0.4)**	**32.9**
Net other comprehensive income (loss)	**(78.0)**	**(4.7)**	**38.6**	**71.6**	**27.5**
Balance at March 31, 2024	**$ (1,897.0)**	**$ (30.9)**	**$ (2,658.7)**	**$ 287.1**	**$ (4,299.5)**

(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	$ (1,874.2)	$ (37.1)	$ (2,062.3)	$ 129.0	$ (3,844.6)
Other comprehensive income (loss) before reclassifications	72.8	8.1	(16.8)	12.7	76.8
Net amount reclassified from accumulated other comprehensive loss	(25.2)	0.7	13.0	2.0	(9.5)
Net other comprehensive income (loss)	47.6	8.8	(3.8)	14.7	67.3
Balance at March 31, 2023	$ (1,826.6)	$ (28.3)	$ (2,066.1)	$ 143.7	$ (3,777.3)

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

	Three Months Ended March 31,	
Tax benefit (expense)	**2024**	**2023**
Foreign currency translation gains/losses	**$ (52.0)**	$ 46.5
Net unrealized gains/losses on available-for-sale securities	**1.4**	(2.6)
Defined benefit pension and retiree health benefit plans	**4.8**	(4.0)
Net unrealized gains/losses on cash flow hedges	**(19.0)**	(3.9)
Benefit (expense) for income taxes allocated to other comprehensive income (loss) items	**$ (64.8)**	$ 36.0

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 6), 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	Three Months Ended March 31, 2024	2023	Affected Line Item in the Consolidated Condensed Statements of Operations
Amortization of retirement benefit items:			
Prior service benefits, net	**$ (0.9)**	$ (12.6)	Other–net, (income) expense
Actuarial losses, net	**30.0**	29.1	Other–net, (income) expense
Total before tax	**29.1**	16.5	
Tax benefit	**(6.1)**	(3.5)	Income taxes
Net of tax	**23.0**	13.0	
Other, net of tax	**9.9**	(22.5)	Other–net, (income) expense
Total reclassifications, net of tax	**$ 32.9**	$ (9.5)	

Note 11: Other–Net, (Income) Expense

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

	Three Months Ended March 31, 2024	2023
Interest expense	**$ 179.6**	$ 102.8
Interest income	**(45.8)**	(34.2)
Net investment (gains) losses on equity securities (Note 6)	**(16.0)**	13.7
Retirement benefit plans	**(116.1)**	(115.8)
Other (income) expense	**(28.8)**	(2.2)
Other–net, (income) expense	**$ (27.1)**	$ (35.7)

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 the pharmaceutical industry.

Financial Results

The following table summarizes certain financial information:

	Three Months Ended March 31,		Percent Change
	2024	2023	
Revenue	**$ 8,768.0**	$ 6,960.0	26
Net income	**2,242.9**	1,344.9	67
Earnings per share - diluted	**2.48**	1.49	66

Revenue increased for the three months ended March 31, 2024 driven by increased volume and higher realized prices. The increase in revenue during the three months ended March 31, 2024 was primarily driven by increased sales of Mounjaro®, Zepbound®, Verzenio®, and Jardiance®, partially offset by decreased sales of Trulicity®. Strong demand for our incretin medicines outpaced supply increases.

Net income and earnings per share for the three months ended March 31, 2024 increased primarily due to increased revenue, partially offset by increased research and development expenses and marketing, selling, and administrative expenses.

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
Diabetes, Obesity, and Other Cardiometabolic Diseases			
Empagliflozin (Jardiance)[1]	Chronic kidney disease	Approved	Approved in the U.S. and the EU in 2023 and in Japan in 2024.
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.
	Cardiovascular outcomes in type 2 diabetes	Phase 3	Phase 3 trial is ongoing.
	Heart failure with preserved ejection fraction	Phase 3	Phase 3 trial is ongoing.
	Morbidity and mortality in obesity	Phase 3	Phase 3 trial is ongoing.
	Obstructive sleep apnea (OSA)	Phase 3	Granted U.S. Food and Drug Administration (FDA) Fast Track designation[2]. Announced in 2024 that trials met all primary and key secondary endpoints.
	Higher doses	Phase 2	Phase 2 trial is ongoing.
	Metabolic dysfunction-associated steatohepatitis	Phase 2	Announced in 2024 that a Phase 2 trial met its primary endpoint.
Insulin Efsitora Alfa	Type 1 and type 2 diabetes	Phase 3	Phase 3 trials are ongoing.
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	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®)	Atopic dermatitis	Approved	Approved in the EU in 2023 and in Japan in 2024. Resubmitted in the U.S. in 2024. We anticipate regulatory action by the end of 2024. Phase 3 trials are ongoing.
Mirikizumab	Crohn's Disease	Submitted	Submitted in the U.S. and the EU in 2024. Phase 3 trials are ongoing.
CD19 Antibody	Multiple sclerosis	Phase 2	Phase 2 trial initiated in 2024.
DC-806	Psoriasis	Phase 2	Phase 2 trial is ongoing.
Eltrekibart	Hidradenitis suppurativa	Phase 2	Phase 2 trial is ongoing.
KV1.3 Antagonist	Psoriasis	Phase 2	Phase 2 trial initiated in 2024.
Ocadusertib	Rheumatoid arthritis	Phase 2	Phase 2 trial is ongoing.
Peresolimab	Rheumatoid arthritis	Phase 2	Phase 2 trial is ongoing.
Ucenprubart	Atopic dermatitis	Phase 2	Phase 2 trial is ongoing.
Neuroscience			
Donanemab	Early Alzheimer's disease	Submitted	Submitted in the U.S., the EU, and Japan in 2023. We expect the FDA to convene a Peripheral and Central Nervous System Drugs Advisory Committee meeting in mid-2024 to discuss trial results. Granted FDA Breakthrough Therapy designation[4]. 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.
GBA1 Gene Therapy	Gaucher disease Type 1	Phase 2	Phase 2 trial is ongoing.
	Parkinson's disease	Phase 2	Granted FDA Fast Track designation[2]. Phase 2 trial is ongoing.
GRN Gene Therapy	Frontotemporal dementia	Phase 2	Granted FDA Fast Track designation[2]. Phase 2 trial is ongoing.
O-GlcNAcase Inh	Alzheimer's disease	Phase 2	Phase 2 trial is ongoing.
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.
SSTR4 Agonist	Pain	Phase 2	Phase 2 trials are ongoing.

Compound	Indication/Study	Status	Developments
Oncology			
Pirtobrutinib (Jaypirca®)	Chronic lymphocytic leukemia	Approved[5]	FDA granted accelerated approval[5] in the U.S. in 2023. Phase 3 trials are ongoing.
	Mantle cell lymphoma	Approved[5]	FDA granted accelerated approval[5] in the U.S. in 2023. Approved in the EU in 2023. Submitted in Japan in 2023. Phase 3 trial is ongoing.
Imlunestrant	Adjuvant breast cancer	Phase 3	Phase 3 trial is ongoing.
	ER+HER2- metastatic breast cancer	Phase 3	Phase 3 trial is ongoing.
Olomorasib	KRAS G12C-mutant NSCLC	Phase 2	Phase 2 trial is ongoing.

[1] In collaboration with Boehringer Ingelheim.
[2] 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.
[3] In collaboration with Almirall, S.A. in Europe.
[4] 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.
[5] 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 9 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, 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 set at a price that is likely to represent a significant discount from existing average 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, which is part of our collaboration with Boehringer Ingelheim, as one of the first ten medicines subject to government-set prices effective in 2026. 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 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, 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 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 BIOSECURE Act in the U.S. would affect elements of the pharmaceutical supply chain, although as currently written we do not anticipate it would have a material impact on our business.

Consolidation and integration of private payors and pharmacy benefit managers in the U.S. has also significantly impacted the market for pharmaceuticals by increasing payor 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 9 to the consolidated condensed financial statements.

Product Supply

Demand for our incretin medicines has exceeded production. We expect tight supply to continue as growing production volume is outpaced by demand. In the short to mid-term, we expect sales growth for incretin medicines to primarily be a function of the quantity we can produce and ship. Among other measures to manage tight supply, 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 of tirzepatide launches in new markets. We continue to expand manufacturing capacity and progress efforts to bring tirzepatide to patients in various countries via different delivery presentations, such as single-use vials and multi-use pens. The most significant production increases in 2024 are expected in the second half of the year with additional capacity expected to be operational over the next several years.

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; 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 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 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 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, availability of adequate capacity in global transportation, 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 March 31,		Percent Change
	2024	2023	
U.S.	**$ 5,694.4**	$ 4,436.2	28
Outside U.S.	**3,073.7**	2,523.9	22
Revenue	**$ 8,768.0**	$ 6,960.0	26

Numbers may not add due to rounding.

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

	Three Months Ended March 31, 2024 vs. 2023		
	U.S.	Outside U.S.	Consolidated
Volume	12 %	23 %	16 %
Price	16	(1)	10
Foreign exchange rates	—	—	—
Percent change	28 %	22 %	26 %

Numbers may not add due to rounding.

In the U.S. for the three months ended March 31, 2024, the increase in volume was primarily driven by Zepbound, Mounjaro, and Verzenio, partially offset by a decrease in Trulicity. Exceptionally strong demand for our incretin medicines led to wholesaler backorders for these products at March 31, 2024. We expect tight supply to continue as growing production volume is outpaced by demand. In the short to mid-term, we expect sales growth for incretin medicines to primarily be a function of the quantity we can produce and ship. In the U.S. for the three months ended March 31, 2024, the higher realized prices were primarily driven by Mounjaro as realized prices were positively impacted by savings card dynamics compared to the same period in 2023. In the second half of 2024, these savings card dynamics should cease to have a notable effect on realized price comparisons to base periods, as the $25 non-covered benefit expired June 30, 2023.

Outside the U.S. for the three months ended March 31, 2024, the increase in volume was primarily driven by Mounjaro, Verzenio, Jardiance, and Tyvyt®.

The following table summarizes our revenue, including net product revenue and collaboration and other revenue, by product for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,				
	2024			2023	
	U.S.	Outside U.S.	Total	Total	Percent Change
Mounjaro	**$ 1,520.4**	**$ 286.2**	**$ 1,806.5**	$ 568.5	NM
Trulicity	**1,081.9**	**374.4**	**1,456.3**	1,977.1	(26)
Verzenio	**638.2**	**412.1**	**1,050.3**	750.9	40
Jardiance[(1)]	**368.2**	**318.3**	**686.5**	577.5	19
Taltz®	**347.1**	**257.0**	**604.1**	527.0	15
Humalog® [(2)]	**338.3**	**200.4**	**538.7**	460.9	17
Zepbound	**517.4**	**—**	**517.4**	—	NM
Cyramza®	**107.2**	**122.6**	**229.9**	236.8	(3)
Emgality®	**125.0**	**100.7**	**225.7**	154.3	46
Olumiant®	**46.3**	**171.0**	**217.4**	228.9	(5)
Humulin®	**153.1**	**53.1**	**206.2**	252.0	(18)
Basaglar® [(3)]	**83.2**	**74.3**	**157.6**	209.3	(25)
Erbitux®	**132.1**	**12.5**	**144.6**	129.9	11
Cialis®	**5.9**	**133.4**	**139.3**	100.3	39
Tyvyt	**—**	**116.7**	**116.7**	61.0	91
Forteo®	**21.7**	**39.5**	**61.3**	122.3	(50)
Other products	**208.4**	**401.5**	**609.5**	603.3	1
Revenue	**$ 5,694.4**	**$ 3,073.7**	**$ 8,768.0**	$ 6,960.0	26

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®.

Revenue of Mounjaro in the U.S. during the three months ended March 31, 2024 was $1.52 billion compared to $536.4 million during the three months ended March 31, 2023, reflecting higher realized prices, as well as increased demand. The higher realized prices were positively impacted by savings card dynamics compared to the same period in 2023. In the second half of 2024, these savings card dynamics should cease to have a notable effect on realized price comparisons to base periods, as the $25 non-covered benefit expired June 30, 2023. Revenue outside the U.S. was $286.2 million compared to $32.0 million during the three months ended March 31, 2023, driven by increased volume. Worldwide volume growth was linked to available supply.

Revenue of Trulicity decreased 30 percent in the U.S. during the three months ended March 31, 2024, driven by decreased volume primarily due to supply constraints and competitive dynamics. Revenue outside the U.S. decreased 13 percent during the three months ended March 31, 2024, driven by decreased volume and, to a lesser extent, lower realized prices. In addition to the factors affecting U.S. volume, international markets continue to be impacted by actions we have taken to manage demand amid tight supply, including measures to minimize impact to existing patients.

Revenue of Verzenio increased 38 percent in the U.S. and 42 percent outside the U.S. during the three months ended March 31, 2024, primarily driven by increased demand.

Revenue of Jardiance increased 12 percent in the U.S. during the three months ended March 31, 2024, driven by increased demand. Revenue outside the U.S. increased 28 percent during the three months ended March 31, 2024, 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 11 percent in the U.S. during the three months ended March 31, 2024, driven by increased demand and higher realized prices. Revenue outside the U.S. increased 20 percent during the three months ended March 31, 2024, driven by increased demand.

Revenue of Zepbound in the U.S. during the three months ended March 31, 2024 was $517.4 million. Similar to our other incretin medicines, volume growth was linked to available supply. Zepbound launched in the U.S. for the treatment of adult patients with obesity or overweight with weight-related comorbidities in November 2023.

Gross Margin, Costs, and Expenses

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

	Three Months Ended March 31,		Percent Change
	2024	2023	
Gross margin	**$ 7,094.5**	$ 5,333.3	33
Gross margin as a percent of revenue	**80.9 %**	76.6 %	
Research and development	**$ 2,522.8**	$ 1,985.1	27
Marketing, selling, and administrative	**1,952.2**	1,749.2	12
Acquired in-process research and development (IPR&D)	**110.5**	105.0	5
Other–net, (income) expense	**(27.1)**	(35.7)	(24)
Income taxes	**293.2**	184.8	59
Effective tax rate	**11.6 %**	12.1 %	

Gross margin as a percent of revenue for the three months ended March 31, 2024 increased 4.3 percentage points compared with the three months ended March 31, 2023, primarily driven by higher realized prices, favorable product mix, and, to a lesser extent, improvements in the cost of production.

Research and development expenses increased 27 percent for the three months ended March 31, 2024, driven by higher development expenses for late-stage assets and additional investments in early-stage research, as well as a charge of approximately $75 million during the three months ended March 31, 2024 associated with the termination of the Verzenio prostate cancer program due to futility.

Marketing, selling, and administrative expenses increased 12 percent for the three months ended March 31, 2024, primarily driven by promotional efforts associated with ongoing and future launches, as well as increased compensation and benefit costs.

The effective tax rate was 11.6 percent for the three months ended March 31, 2024 compared to 12.1 percent for the three months ended March 31, 2023, driven by a larger net discrete tax benefit reflected in the three months ended March 31, 2024 compared to the same period in 2023.

For additional information for acquired IPR&D charges and other–net, (income) expense, see Note 3 and Note 11 to the consolidated condensed financial statements, respectively.

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 new facilities in Indiana, North Carolina, Germany, and Ireland 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 if we do not purchase specified amounts of goods or services over the durations of the agreements, which are generally up to 8 years.

In April 2024, we signed an agreement to purchase a manufacturing facility in Wisconsin intended to further expand our global parenteral (injectable) product manufacturing network. We are targeting to initiate commercial production at this facility at the end of 2025. The proposed acquisition is subject to customary closing conditions. We anticipate funding this proposed acquisition primarily through cash on hand and the issuance of commercial paper.

Cash and cash equivalents decreased to $2.46 billion as of March 31, 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 three months ended March 31, 2024 and 2023.

In addition to our cash and cash equivalents, we held total investments of $3.21 billion and $3.16 billion as of March 31, 2024 and December 31, 2023, respectively. See Note 6 to the consolidated condensed financial statements for additional information.

As of March 31, 2024, total debt was $26.21 billion, an increase of $986.1 million compared with $25.23 billion as of December 31, 2023. In February 2024, we issued $6.50 billion of fixed-rate notes and used, or will 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, which became callable at par beginning February 27, 2024. See Note 6 to the consolidated condensed financial statements for additional information.

As of March 31, 2024, we had a total of $7.42 billion of unused committed bank credit facilities, $7.00 billion of which is available to support our commercial paper program. We believe that amounts accessible through existing commercial paper markets should be adequate to fund short-term borrowing needs.

During the three months ended March 31, 2024, we did not repurchase any shares under our $5.00 billion share repurchase program authorized in May 2021. As of March 31, 2024, we had $2.50 billion remaining under this program.

During the three months ended March 31, 2024, we paid dividends of $1.17 billion, or $1.30 per share, to our shareholders.

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

Both domestically and abroad, we continue to 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 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 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 Anat Ashkenazi, 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 March 31, 2024, and concluded that they were effective.

(b) *Changes in Internal Controls.* During the first quarter of 2024, we completed the implementation of a new global enterprise resource planning (ERP) system, which replaced our operating and financial systems. We are performing our post-implementation activities. The implementation resulted in, and the post-implementation activities may result in, changes to certain of our processes and procedures. These changes have been and will continue to be subject to our evaluation of the operating effectiveness of internal controls over financial reporting. There were no other 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 9 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 March 31, 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)
January 2024	—	$ —	—	$ 2,500.0
February 2024	—	—	—	2,500.0
March 2024	—	—	—	2,500.0
Total	—	—	—	

During the three months ended March 31, 2024, we did not repurchase any shares under our $5.00 billion share repurchase program authorized in May 2021.

Item 5. Other Information

On March 1, 2024, Johna Norton, executive vice president, global quality, adopted a sales plan (Plan). The Plan was entered into during an open trading window and is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act of 1934 and our policies regarding trading in our securities. The Plan calls for the sale of up to 7,056 shares of company common stock between June 3, 2024 and December 31, 2024 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
31.1	Rule 13a-14(a) Certification of David Ricks, Chair, President, and Chief Executive Officer*
31.2	Rule 13a-14(a) Certification of Anat Ashkenazi, 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: April 30, 2024

/s/ Anat Ashkenazi
Anat Ashkenazi
Executive Vice President and Chief Financial Officer

Date: April 30, 2024

/s/ Donald Zakrowski
Donald Zakrowski
Senior Vice President, Finance, and Chief Accounting Officer

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: April 30, 2024

By: /s/ David Ricks

David Ricks
Chair, President, and Chief Executive Officer

EXHIBIT 31.2 Rule 13a-14(a) Certification of Anat Ashkenazi, Executive Vice President and Chief Financial Officer

CERTIFICATIONS

I, Anat Ashkenazi, 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: April 30, 2024

By: /s/ Anat Ashkenazi

Anat Ashkenazi
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 March 31, 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: April 30, 2024

/s/ David Ricks
David Ricks
Chair, President, and Chief Executive Officer

Date: April 30, 2024

/s/ Anat Ashkenazi
Anat Ashkenazi
Executive Vice President and Chief Financial Officer