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, 2021

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
1.000% Notes due 2022	LLY22	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
6.77% Notes due 2036	LLY36	New York Stock Exchange
1.700% Notes due 2049	LLY49A	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 27, 2021:

Class	Number of Shares Outstanding
Common	959,025,446

Eli Lilly and Company

Form 10-Q
For the Quarter Ended March 31, 2021

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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, as amended (Exchange Act), and are subject to the safe harbor created thereby under the Private Securities Litigation Reform Act of 1995. In particular, information appearing under "Management's Discussion and Analysis of Results of Operations and Financial Condition" includes forward-looking statements. 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," "believe," "will," "expect," "project," "estimate," "intend," "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 materially from those expressed in forward-looking statements. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, it is 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 such 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 materially from those anticipated:

- the impact of the evolving COVID-19 pandemic and the global response thereto;
- uncertainties related to our efforts to develop potential treatments for COVID-19;
- 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 of acquisitions and business development transactions and related integration costs;
- the expiration of intellectual property protection for certain of our products and competition from generic and/or biosimilar products;
- our ability to protect and enforce patents and other intellectual property;
- changes in patent law or regulations related to data package exclusivity;
- competitive developments affecting current products and our pipeline;
- market uptake of recently launched products;
- information technology system inadequacies, breaches, or operating failures;
- unauthorized access, disclosure, misappropriation, or compromise of confidential information or other data stored in our IT systems, networks, and facilities, or those of third parties with whom we share our data;
- unexpected safety or efficacy concerns associated with our products;
- litigation, investigations, or other similar proceedings involving past, current, or future products or commercial activities as we are largely self-insured;
- issues with product supply and regulatory approvals stemming from manufacturing difficulties or disruptions, including as a result of regulatory actions relating to our facilities;
- reliance on third-party relationships and outsourcing arrangements;
- regulatory changes or other developments;
- regulatory actions regarding currently marketed products;
- continued pricing pressures and the impact of actions of governmental and private payers affecting pricing of, reimbursement for, and access to pharmaceuticals;
- devaluations in foreign currency exchange rates or changes in interest rates, and inflation;
- changes in tax law, tax rates, or events that differ from our assumptions related to tax positions;
- asset impairments and restructuring charges;
- the impact of global macroeconomic conditions and trade disruptions or disputes;
- changes in accounting and reporting standards promulgated by the Financial Accounting Standards Board and the Securities and Exchange Commission (SEC); and
- regulatory compliance problems or government investigations.

More information on factors that could cause actual results or events to differ materially from those anticipated is included from time to time in our reports filed with the SEC, including in our Annual Report on Form 10-K for the year ended December 31, 2020, particularly under the caption "Risk Factors".

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,	
	2021	**2020**
Revenue (Note 2)	**$ 6,805.6**	$ 5,859.8
Costs, expenses, and other:		
Cost of sales	**1,878.6**	1,215.1
Research and development	**1,684.8**	1,392.1
Marketing, selling, and administrative	**1,576.0**	1,549.6
Acquired in-process research and development (Note 3)	**299.3**	52.3
Asset impairment, restructuring, and other special charges (Note 5)	**211.6**	59.9
Other–net, (income) expense (Note 11)	**(321.1)**	(89.1)
	5,329.2	4,179.9
Income before income taxes	**1,476.4**	1,679.9
Income taxes (Note 7)	**121.1**	223.4
Net income	**$ 1,355.3**	$ 1,456.5
Earnings per share:		
Basic	**$ 1.49**	$ 1.60
Diluted	**$ 1.49**	$ 1.60
Shares used in calculation of earnings per share:		
Basic	**908.8**	908.2
Diluted	**912.4**	911.7

See notes to consolidated condensed financial statements.

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

	Three Months Ended March 31,	
	2021	**2020**
Net income	**$ 1,355.3**	$ 1,456.5
Other comprehensive income (loss), net of tax (Note 10)	**100.8**	(362.3)
Comprehensive income	**$ 1,456.1**	$ 1,094.2

See notes to consolidated condensed financial statements.

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

	March 31, 2021	December 31, 2020
Assets	**(Unaudited)**	
Current Assets		
Cash and cash equivalents (Note 6)	**$ 3,002.4**	$ 3,657.1
Short-term investments (Note 6)	**49.0**	24.2
Accounts receivable, net of allowances of **$23.9 (2021)** and $25.9 (2020)	**5,592.8**	5,875.3
Other receivables	**1,065.8**	1,053.7
Inventories	**3,660.8**	3,980.3
Prepaid expenses and other	**3,233.7**	2,871.5
Total current assets	**16,604.5**	17,462.1
Investments (Note 6)	**3,232.4**	2,966.8
Goodwill	**3,877.4**	3,766.5
Other intangibles, net	**8,087.8**	7,450.0
Deferred tax assets	**2,649.9**	2,830.4
Property and equipment, net of accumulated depreciation of **$9,643.4 (2021)** and $9,570.7 (2020)	**8,630.1**	8,681.9
Other noncurrent assets	**3,756.2**	3,475.4
Total assets	**$ 46,838.3**	$ 46,633.1
Liabilities and Equity		
Current Liabilities		
Short-term borrowings and current maturities of long-term debt	**$ 4.9**	$ 8.7
Accounts payable	**1,639.6**	1,606.7
Employee compensation	**649.9**	997.2
Sales rebates and discounts	**5,821.4**	5,853.0
Dividends payable	**—**	770.6
Income taxes payable	**791.6**	495.1
Other current liabilities	**2,806.8**	2,750.3
Total current liabilities	**11,714.2**	12,481.6
Other Liabilities		
Long-term debt	**16,199.6**	16,586.6
Accrued retirement benefits (Note 8)	**3,969.8**	4,094.5
Long-term income taxes payable	**3,917.5**	3,837.8
Deferred tax liabilities	**2,200.6**	2,099.9
Other noncurrent liabilities	**1,737.3**	1,707.5
Total other liabilities	**28,024.8**	28,326.3
Commitments and Contingencies (Note 9)		
Eli Lilly and Company Shareholders' Equity		
Common stock	**599.7**	598.2
Additional paid-in capital	**6,579.2**	6,778.5
Retained earnings	**9,181.3**	7,830.2
Employee benefit trust	**(3,013.2)**	(3,013.2)
Accumulated other comprehensive loss (Note 10)	**(6,395.6)**	(6,496.4)
Cost of common stock in treasury	**(52.7)**	(55.7)
Total Eli Lilly and Company shareholders' equity	**6,898.7**	5,641.6
Noncontrolling interests	**200.6**	183.6
Total equity	**7,099.3**	5,825.2
Total liabilities and equity	**$ 46,838.3**	$ 46,633.1

See notes to consolidated condensed financial statements.

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

	Equity of Eli Lilly and Company Shareholders								
	Common Stock		Additional Paid-in Capital	Retained Earnings	Employee Benefit Trust	Accumulated Other Comprehensive Loss	Common Stock in Treasury[1]		Noncontrolling Interests
(Dollars in millions and shares in thousands)	Shares	Amount					Shares	Amount	
Balance at January 1, 2020	958,056	$ 598.8	$ 6,685.3	$ 4,920.4	$ (3,013.2)	$ (6,523.6)	530	$ (60.8)	$ 92.2
Net income				1,456.5					26.2
Other comprehensive loss, net of tax						(362.3)			
Retirement of treasury shares	(3,627)	(2.3)		(497.7)			(3,627)	500.0	
Purchase of treasury shares							3,627	(500.0)	
Issuance of stock under employee stock plans, net	2,500	1.6	(201.0)				(43)	5.1	
Stock-based compensation			71.8						
Other				0.2					
Balance at March 31, 2020	956,929	$ 598.1	$ 6,556.1	$ 5,879.4	$ (3,013.2)	$ (6,885.9)	487	$ (55.7)	$ 118.4
Balance at January 1, 2021	**957,077**	**$ 598.2**	**$ 6,778.5**	**$ 7,830.2**	**$ (3,013.2)**	**$ (6,496.4)**	**487**	**$ (55.7)**	**$ 183.6**
Net income				**1,355.3**					**16.4**
Other comprehensive income, net of tax						**100.8**			
Issuance of stock under employee stock plans, net	**2,405**	**1.5**	**(283.9)**				**(24)**	**3.0**	
Stock-based compensation			**85.5**						
Other			**(0.9)**	**(4.2)**					**0.6**
Balance at March 31, 2021	**959,482**	**$ 599.7**	**$ 6,579.2**	**$ 9,181.3**	**$ (3,013.2)**	**$ (6,395.6)**	**463**	**$ (52.7)**	**$ 200.6**

[1] As of March 31, 2021, there was $1.00 billion remaining under our $8.00 billion share repurchase program authorized in June 2018.

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,	
	2021	**2020**
Cash Flows from Operating Activities		
Net income	**$ 1,355.3**	$ 1,456.5
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:		
Depreciation and amortization	**350.3**	273.6
Change in deferred income taxes	**(119.1)**	11.2
Stock-based compensation expense	**85.5**	71.8
Net investment gains	**(302.2)**	(186.7)
Acquired in-process research and development (Note 3)	**299.3**	52.3
Other changes in operating assets and liabilities, net of acquisitions and divestitures	**(102.8)**	(1,408.1)
Other non-cash operating activities, net	**131.1**	111.8
Net Cash Provided by Operating Activities	**1,697.4**	382.4
Cash Flows from Investing Activities		
Net purchases of property and equipment	**(300.3)**	(258.3)
Proceeds from sales and maturities of short-term investments	**4.0**	36.8
Purchases of short-term investments	**(19.4)**	—
Proceeds from sales of noncurrent investments	**284.8**	54.5
Purchases of noncurrent investments	**(291.5)**	(83.0)
Cash paid for acquisitions, net of cash acquired (Note 3)	**(747.4)**	(849.3)
Purchases of in-process research and development	**(191.8)**	(13.0)
Other investing activities, net	**(21.9)**	51.4
Net Cash Used for Investing Activities	**(1,283.5)**	(1,060.9)
Cash Flows from Financing Activities		
Dividends paid	**(774.8)**	(671.3)
Net change in short-term borrowings	**(3.7)**	1,748.7
Repayments of long-term debt	**—**	(276.3)
Purchases of common stock	**—**	(500.0)
Other financing activities, net	**(279.9)**	(194.4)
Net Cash (Used for) Provided by Financing Activities	**(1,058.4)**	106.7
Effect of exchange rate changes on cash and cash equivalents	**(10.2)**	(66.7)
Net decrease in cash and cash equivalents	**(654.7)**	(638.5)
Cash and cash equivalents at January 1	**3,657.1**	2,337.5
Cash and Cash Equivalents at March 31	**$ 3,002.4**	$ 1,699.0

See notes to consolidated condensed financial statements.

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

Note 1: Basis of Presentation

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, 2020. We issue 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.

Note 2: Revenue

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

	Three Months Ended March 31,	
	2021	**2020**
Net product revenue	**$ 6,320.0**	$ 5,403.5
Collaboration and other revenue [(1)]	**485.6**	456.3
Revenue	**$ 6,805.6**	$ 5,859.8

[(1)] Collaboration and other revenue associated with prior period transfers of intellectual property was $43.0 million and $35.4 million during the three months ended March 31, 2021 and 2020, respectively.

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 collaboration, as well as royalties, upfront and milestone payments we receive under these types of contracts. See Note 4 for additional information related to certain of 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. Substantially all of the remainder of collaboration and other revenue is related to contracts accounted for as contracts with customers.

Adjustments to Revenue

Adjustments to increase 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 less than 2 percent of U.S. revenue during the three months ended March 31, 2021 and 2020.

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, 2021	December 31, 2020
Contract liabilities	**$ 346.6**	$ 276.8

During the three months ended March 31, 2021 and 2020, 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 by product for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31,					
	2021			2020		
	U.S.	Outside U.S.	Total	U.S.	Outside U.S.	Total
Revenue—to unaffiliated customers:						
Diabetes:						
Trulicity®	**$ 1,116.8**	**$ 335.7**	**$ 1,452.4**	$ 929.5	$ 299.9	$ 1,229.4
Humalog® (1)	**332.7**	**284.4**	**617.0**	398.6	297.2	695.8
Humulin®	**219.0**	**102.7**	**321.7**	214.1	101.5	315.7
Jardiance (2)	**151.2**	**160.8**	**312.0**	144.6	122.9	267.5
Basaglar®	**175.2**	**71.4**	**246.6**	230.4	73.3	303.7
Other Diabetes	**66.3**	**94.9**	**161.4**	74.0	82.9	156.8
Total Diabetes	**2,061.2**	**1,049.9**	**3,111.1**	1,991.2	977.7	2,968.9
Oncology:						
Alimta®	**261.1**	**297.8**	**559.0**	324.2	235.8	560.1
Verzenio®	**172.8**	**96.2**	**269.0**	129.4	58.6	188.0
Cyramza®	**80.2**	**160.3**	**240.5**	89.1	149.9	239.0
Erbitux®	**107.9**	**14.4**	**122.4**	117.8	13.0	130.8
Tyvyt®	**—**	**109.7**	**109.7**	—	57.4	57.4
Other Oncology	**20.5**	**51.3**	**71.6**	(2.6)	28.9	26.2
Total Oncology	**642.5**	**729.7**	**1,372.2**	657.9	543.6	1,201.5
Immunology:						
Taltz®	**249.6**	**153.6**	**403.2**	327.5	116.0	443.5
Olumiant®	**24.7**	**169.1**	**193.8**	11.3	128.4	139.7
Other Immunology	**10.5**	**6.4**	**16.9**	2.6	—	2.6
Total Immunology	**284.8**	**329.1**	**613.9**	341.4	244.4	585.8
Neuroscience:						
Cymbalta®	**11.0**	**165.7**	**176.6**	11.6	198.8	210.4
Emgality®	**101.5**	**18.0**	**119.5**	67.3	6.7	74.0
Zyprexa®	**6.9**	**88.9**	**95.8**	11.2	87.2	98.4
Other Neuroscience	**22.3**	**51.1**	**73.5**	20.2	60.5	80.7
Total Neuroscience	**141.7**	**323.7**	**465.4**	110.3	353.2	463.5
Other:						
COVID-19 Antibodies (3)	**650.6**	**159.5**	**810.1**	—	—	—
Forteo®	**97.7**	**100.8**	**198.5**	122.5	149.8	272.4
Cialis®	**8.6**	**118.1**	**126.8**	26.1	167.0	193.0
Other	**54.2**	**53.4**	**107.5**	79.4	95.3	174.7
Total Other	**811.1**	**431.8**	**1,242.9**	228.0	412.1	640.1
Revenue	**$ 3,941.3**	**$ 2,864.3**	**$ 6,805.6**	$ 3,328.8	$ 2,531.0	$ 5,859.8

Numbers may not add due to rounding.

(1) Humalog revenue includes insulin lispro.

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

(3) COVID-19 antibodies include sales for bamlanivimab administered alone as well as sales for bamlanivimab and etesevimab administered together and were made pursuant to Emergency Use Authorizations (EUAs).

The following table summarizes revenue by geographical area:

	Three Months Ended March 31,	
	2021	2020
Revenue—to unaffiliated customers [1]:		
U.S.	**$ 3,941.3**	$ 3,328.8
Europe	**1,321.2**	1,061.0
Japan	**571.8**	592.3
China	**362.2**	267.3
Other foreign countries	**609.1**	610.4
Revenue	**$ 6,805.6**	$ 5,859.8

Numbers may not add due to rounding.

[1] Revenue is attributed to the countries based on the location of the customer.

Note 3: Acquisitions

In January 2021 and February 2020, we completed the acquisitions of Prevail Therapeutics Inc. (Prevail) and Dermira, Inc. (Dermira), respectively. These transactions, as further discussed in this note below in Acquisitions of Businesses, were accounted for as business combinations under the acquisition method of accounting. Under this method, 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, where applicable, has been recorded as goodwill. The results of operations of these acquisitions are included in our consolidated condensed financial statements from the date of acquisition.

We also acquired assets in development which are further discussed in this note below in Asset Acquisitions. Upon each acquisition, the cost allocated to acquired in-process research and development (IPR&D) was immediately expensed because the compound had no alternative future use. We recognized $299.3 million and $52.3 million of acquired IPR&D charges for the three months ended March 31, 2021 and 2020, respectively.

Acquisitions of Businesses

Prevail Acquisition

Overview of Transaction

In January 2021, we acquired all shares of Prevail for a purchase price that included $22.50 per share in cash (or an aggregate of $747.4 million, net of cash acquired) plus one non-tradable contingent value right (CVR) per share. The CVR entitles Prevail stockholders to up to an additional $4.00 per share in cash (or an aggregate of approximately $160 million) payable, subject to certain terms and conditions, upon the first regulatory approval of a Prevail product in one of the following countries: U.S., Japan, United Kingdom, Germany, France, Italy or Spain. To achieve the full value of the CVR, such regulatory approval must occur by December 31, 2024. If such regulatory approval occurs after December 31, 2024, the value of the CVR will be reduced by approximately 8.3 cents per month until December 1, 2028, at which point the CVR will expire.

Prevail is a biotechnology company developing potentially disease-modifying AAV9-based gene therapies for patients with neurodegenerative diseases. The acquisition establishes a new modality for drug discovery and development, extending our research efforts through the creation of a gene therapy program that will be anchored by Prevail's portfolio of assets. Prevail's lead gene therapies in clinical development are PR001 for patients with Parkinson's disease with GBA1 mutations and neuronopathic Gaucher disease and PR006 for patients with frontotemporal dementia with GRN mutations. Both PR001 and PR006 were granted Fast Track designation from the U.S. Food and Drug Administration (FDA).

Assets Acquired and Liabilities Assumed

Our access to Prevail 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 January 22, 2021		
Cash	$	90.5
Acquired IPR&D[(1)]		834.0
Goodwill[(2)]		111.0
Deferred tax liabilities		(100.2)
Other assets and liabilities, net		(31.5)
Acquisition date fair value of consideration transferred		903.8
Less:		
Cash acquired		(90.5)
Fair value of CVR liability[(3)]		(65.9)
Cash paid, net of cash acquired	$	747.4

[(1)] Acquired IPR&D intangibles primarily relate to PR001.

[(2)] The goodwill recognized from this acquisition is not deductible for tax purposes.

[(3)] See Note 6 for a discussion on the estimation of the CVR liability.

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, 2021 and 2020.

Dermira Acquisition

Overview of Transaction

In February 2020, we acquired all shares of Dermira for a purchase price of approximately $849.3 million, net of cash acquired. Under the terms of the agreement, we acquired lebrikizumab, a novel, investigational, monoclonal antibody being evaluated for the treatment of moderate-to-severe atopic dermatitis. Lebrikizumab was granted Fast Track designation from the FDA. We also acquired Qbrexza® (glycopyrronium) cloth, a medicated cloth approved by the FDA for the topical treatment of primary axillary hyperhidrosis (uncontrolled excessive underarm sweating). During the three months ended March 31, 2021, we decided to sell the rights to Qbrexza. See Note 5 for additional information.

Assets Acquired and Liabilities Assumed

The fair values recognized related to the assets acquired and liabilities assumed in this acquisition included goodwill of $86.8 million, other intangibles of $1.20 billion primarily related to lebrikizumab, deferred income tax liabilities of $49.5 million, and long-term debt of $375.5 million. After the acquisition, we repaid $276.2 million of long-term debt assumed as part of our acquisition of Dermira.

Asset Acquisitions

The following table summarizes our asset acquisitions during the three months ended March 31, 2021 and 2020:

Counterparty	Compound(s) or Therapy	Acquisition Month	Phase of Development[1]	Acquired IPR&D Expense
Precision Biosciences, Inc.	Research and development of potential in vivo therapies for genetic disorders	January 2021	Pre-clinical	**$ 107.8**
Merus N.V.	CD3-engaging T-cell re-directing bispecific antibodies for the potential treatment of cancer	January 2021	Pre-clinical	**46.5**
Asahi Kasei Pharma Corporation	AK1780, an orally bioavailable P2X7 receptor antagonist for the potential treatment of chronic pain conditions	January 2021	Phase I	**20.0**
Rigel Pharmaceuticals, Inc.	R552, a receptor-interacting serine/threonine-protein kinase 1 (RIPK1) inhibitor, for the potential treatment of autoimmune and inflammatory diseases	March 2021	Phase I	**125.0**
Sitryx Therapeutics Limited	Pre-clinical targets that could lead to potential new medicines for autoimmune diseases	March 2020	Pre-clinical	52.3
AbCellera Biologics Inc. (AbCellera)[2]	Neutralizing antibodies for the treatment and prevention of COVID-19	March 2020	Pre-clinical	25.0

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

[2] We recognized an acquired IPR&D expense of $25.0 million in May 2020 upon closing of the transaction.

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.

Note 4: Collaborations and Other Arrangements

We often enter into collaborative and other similar arrangements to develop and commercialize drug candidates. Collaborative activities may include research and development, marketing and selling (including promotional activities and physician detailing), manufacturing, and distribution. These arrangements often require milestone as well as royalty or profit-share payments, contingent upon the occurrence of certain future events linked to the success of the asset in development, as well as expense reimbursements from or payments to the collaboration partner. See Note 2 for amounts of collaboration and other revenue recognized from these types of arrangements.

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 collaboration 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 insulin, Basaglar. Glyxambi, Synjardy, and Trijardy XR are included in the Jardiance product family. Jentadueto is included in the Trajenta product family.

The table below summarizes the net amount of significant milestones (deferred) capitalized at March 31, 2021 and December 31, 2020 for the compounds included in this collaboration:

	Net Milestones (Deferred) Capitalized [1] as of:	
Product Family	**March 31, 2021**	**December 31, 2020**
Jardiance [2]	**$ 151.2**	$ 156.2
Trajenta [3]	**108.1**	114.6
Basaglar	**(163.3)**	(168.0)

[1] In connection with the regulatory approvals of Basaglar in the U.S., Europe, and Japan, milestone payments received were recorded as contract liabilities and are being amortized through the term of the collaboration (2029) to collaboration and other revenue. In connection with the regulatory approvals of Jardiance and Trajenta, milestone payments made were capitalized as intangible assets and are being amortized to cost of sales through the term of the collaboration. This represents the amounts that have been (deferred) or capitalized from the start of this collaboration through the end of the reporting period, net of amount amortized.

[2] The collaboration agreement with Boehringer Ingelheim for Jardiance ends upon expiration of the compound patent and any supplementary protection certificates or extensions thereto.

[3] The collaboration agreement with Boehringer Ingelheim for Trajenta ends upon expiration of the compound patent and any supplementary protection certificates or extensions thereto.

For the Jardiance product family, we and Boehringer Ingelheim 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. Beginning January 1, 2021, 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 Basaglar in the U.S. We record our sales of Basaglar 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 net product revenue recognized with respect to Basaglar and collaboration and other revenue recognized with respect to the Jardiance and Trajenta families of products:

	Three Months Ended March 31,	
Product Family	**2021**	**2020**
Jardiance	**$ 312.0**	$ 267.5
Basaglar	**246.6**	303.7
Trajenta	**94.6**	93.2

Olumiant

We have a worldwide license and collaboration agreement with Incyte Corporation (Incyte), which provides us the development and commercialization rights to its Janus tyrosine kinase (JAK) inhibitor compound, now known as Olumiant (baricitinib), and certain follow-on compounds, for the treatment of inflammatory and autoimmune diseases. Incyte has the right to receive tiered, double digit royalty payments on global net sales with rates ranging up to 20 percent. The agreement calls for payments by us to Incyte associated with certain development, success-based regulatory, and sales-based milestones. In 2020, the agreement was amended to include the treatment of COVID-19, with Incyte obtaining the right to receive an additional royalty ranging up to the low teens on global net sales for the treatment of COVID-19 that exceed a specified aggregate global net sales threshold.

In connection with the regulatory approvals of Olumiant in the U.S., Europe, and Japan, milestone payments of $210.0 million were capitalized as intangible assets as of March 31, 2021 and December 31, 2020 and are being amortized to cost of sales through the term of the collaboration. This represents the cumulative amounts that have been capitalized from the start of this collaboration through the end of each reporting period.

As of March 31, 2021, Incyte is eligible to receive up to $100.0 million of additional payments from us contingent upon certain success-based regulatory milestones. Incyte is also eligible to receive up to $150.0 million of 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 with respect to Olumiant:

	Three Months Ended March 31,	
	2021	2020
Olumiant	**$ 193.8**	$ 139.7

COVID-19 antibodies

In 2020, we entered into a worldwide license and collaboration agreement with AbCellera to co-develop therapeutic antibodies for the potential prevention and treatment of COVID-19, including bamlanivimab, for which we hold development and commercialization rights. AbCellera has the right to receive tiered royalty payments on global net sales of bamlanivimab with percentages ranging in the mid-teens to mid-twenties. Royalty payments made to AbCellera are recorded as cost of sales.

In 2020, we entered into a license and collaboration agreement with Shanghai Junshi Biosciences Co., Ltd. (Junshi Biosciences) to co-develop therapeutic antibodies for the potential prevention and treatment of COVID-19, including etesevimab, for which we hold development and commercialization rights outside of Greater China (which includes mainland China, Hong Kong and Macau Special Administrative Regions and Taiwan) and for which Junshi Biosciences maintains all rights in Greater China. Junshi Biosciences has the right to receive royalty payments in the mid-teens on our net sales of etesevimab. Junshi Biosciences also has the right to receive certain development, success-based regulatory and sales-based milestones. In connection with the regulatory authorizations of etesevimab (for administration with bamlanivimab) in the U.S. and Europe, milestone payments of $60.0 million were capitalized as intangible assets as of March 31, 2021 and are being amortized to cost of sales over the estimated useful life of etesevimab. As of March 31, 2021, Junshi Biosciences is eligible to receive up to $15.0 million of additional payments contingent upon certain success-based regulatory milestones and up to $120.0 million of potential sales-based milestones.

Pursuant to EUAs, we recognized $810.1 million of net product revenue associated with our sales of our COVID-19 antibodies during the three months ended March 31, 2021.

Tyvyt

We have a collaboration agreement with Innovent Biologics, Inc. (Innovent) to jointly develop and commercialize Tyvyt (sintilimab injection) in China. In 2019, we and Innovent began co-commercializing Tyvyt in China. We record our sales of Tyvyt to third parties as revenue, with payments made to Innovent for its portion of the gross margin reported as cost of sales. We also report as revenue our portion of the gross margin for Tyvyt sales made by Innovent to third parties. Our Tyvyt revenue in China, which is primarily recorded as net product revenue, was $109.7 million and $57.4 million during the three months ended March 31, 2021 and 2020, respectively.

In 2020, we obtained an exclusive license for Tyvyt from Innovent for geographies outside of China. Innovent, with collaboration from us, will pursue the initial registration of Tyvyt in the U.S., and we will pursue initial registration of Tyvyt in other markets and all other subsequent registrations of Tyvyt. We have exclusive commercialization rights outside of China.

As of March 31, 2021, Innovent is eligible to receive up to $825.0 million for geographies outside of China and up to $235.0 million in China in success-based regulatory and sales-based milestones. Innovent is also eligible to receive tiered double digit royalties on net sales for geographies outside of China.

Tanezumab

We have a collaboration agreement with Pfizer Inc. (Pfizer) to jointly develop and globally commercialize tanezumab for the treatment of osteoarthritis pain and cancer pain. The companies equally share the ongoing development costs and, if successful, in the U.S. will co-commercialize and equally share in gross margin and certain commercialization expenses. As a result of an amendment to the agreement in 2020, Pfizer will be responsible for commercialization activities and costs outside the U.S., and we have the right to receive tiered royalties in percentages from the high teens to mid-twenties for net sales in Japan as well as low double digit royalties on annual net sales greater than $150.0 million in all other territories outside of the U.S. and Japan. As of March 31, 2021, Pfizer is eligible to receive up to $147.5 million in success-based regulatory milestones based on current development plans and up to $1.23 billion in a series of sales-based milestones, contingent upon the commercial success of tanezumab.

Lebrikizumab

As a result of our acquisition of Dermira, we have a worldwide licensing agreement with F. Hoffmann-La Roche Ltd and Genentech, Inc. (collectively Roche), which provides us the global development and commercialization rights to lebrikizumab. Roche has the right to receive tiered royalty payments on future global net sales ranging in percentages from high single digits to high teens if the product is successfully commercialized. As of March 31, 2021, Roche is eligible to receive up to $180.0 million of payments from us contingent upon the achievement of success-based regulatory milestones and up to $1.03 billion in a series of sales-based milestones, contingent upon the commercial success of lebrikizumab.

As a result of our acquisition of Dermira, 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 have the right to receive tiered royalty payments on future net sales in Europe ranging in percentages from low double digits to low twenties if the product is successfully commercialized. As of March 31, 2021, we are eligible to receive additional payments of $85.0 million from Almirall contingent upon the achievement of success-based regulatory milestones and up to $1.25 billion in a series of sales-based milestones, contingent upon the commercial success of lebrikizumab.

As of March 31, 2021 and December 31, 2020, $23.3 million and $29.7 million, respectively, were recorded as contract liabilities on the consolidated condensed balance sheet and are expected to be recognized as collaboration and other revenue over the remaining Phase III development period. During the three months ended March 31, 2021 and 2020, milestones received and collaboration and other revenue recognized were not material.

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

The components of the charges included in asset impairment, restructuring, and other special charges in our consolidated condensed statements of operations are described below.

	Three Months Ended March 31,	
	2021	2020
Severance	**$ 11.5**	$ 9.8
Asset impairment and other special charges	**200.1**	50.1
Total asset impairment, restructuring, and other special charges	**$ 211.6**	$ 59.9

Asset impairment, restructuring, and other special charges recognized during the three months ended March 31, 2021 were primarily related to an intangible asset impairment of $108.1 million resulting from the decision to sell the rights to Qbrexza, as well as acquisition and integration costs associated with the acquisition of Prevail. During the three months ended March 31, 2021, we entered into an agreement to sell our rights to Qbrexza, subject to closing conditions which are expected to be completed in the second quarter of 2021. The assets associated with Qbrexza were written down to fair value less cost to sell, which were determined based upon a discounted cash flow valuation. The remaining book value of assets associated with Qbrexza subsequent to the impairment charge is not material.

Asset impairment, restructuring, and other special charges recognized during the three months ended March 31, 2020 were primarily related to acquisition and integration costs associated with the acquisition of Dermira.

Note 6: 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. A large portion of our cash is held by a few major financial institutions. 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. We are exposed to credit-related losses in the event of nonperformance by counterparties to risk-management instruments but do not expect any counterparties to fail to meet their obligations given their high credit ratings.

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.

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 review equity investments other than public equity investments for indications of impairment and observable price changes on a regular basis.

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 loss 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 loss. 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 (principally the euro, British pound, 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. We may enter into foreign currency forward and option contracts and currency swaps as fair value hedges of firm commitments. Forward contracts generally have maturities not exceeding 12 months. At March 31, 2021, we had outstanding foreign currency forward commitments to purchase 1.11 billion U.S. dollars and sell 941.7 million euro, commitments to purchase 4.19 billion euro and sell 4.98 billion U.S. dollars, commitments to purchase 140.7 million U.S. dollars and sell 15.47 billion Japanese yen, and commitments to purchase 285.2 million British pounds and sell 396.5 million U.S. dollars, which all settled within 30 days.

Foreign currency exchange risk is also managed through the use of foreign currency debt and cross-currency interest rate swaps. Our foreign currency-denominated notes had carrying amounts of $5.72 billion and $6.02 billion as of March 31, 2021 and December 31, 2020, respectively, of which $4.30 billion and $4.50 billion have been designated as, and are effective as, economic hedges of net investments in certain of our euro-denominated foreign operations as of March 31, 2021 and December 31, 2020, respectively. At March 31, 2021, we had outstanding cross currency swaps with notional amounts of $3.79 billion 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 majority 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.

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, 2021, substantially all of our total long-term debt is at a fixed rate. We have converted approximately 13 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, 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), and upon completion of a debt issuance and termination of the swap, is amortized to interest expense over the life of the underlying debt. As of March 31, 2021, the total notional amounts of forward-starting interest rate contracts in designated cash flow hedging instruments were $1.75 billion, which have settlement dates ranging between 2023 and 2025.

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,	
	2021	**2020**
Fair value hedges:		
Effect from hedged fixed-rate debt	**$ (81.5)**	$ 117.3
Effect from interest rate contracts	**81.5**	(117.3)
Cash flow hedges:		
Effective portion of losses on interest rate contracts reclassified from accumulated other comprehensive loss	**4.1**	4.0
Cross-currency interest rate swaps	**71.5**	(12.9)
Net (gains) losses on foreign currency exchange contracts not designated as hedging instruments	**133.0**	(5.7)
Total	**$ 208.6**	$ (14.6)

During the three months ended March 31, 2021 and 2020, 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,	
	2021	**2020**
Net investment hedges:		
Foreign currency-denominated notes	**$ 207.7**	$ 67.4
Cross-currency interest rate swaps	**150.6**	115.8
Cash flow hedges:		
Forward-starting interest rate swaps	**295.1**	(369.8)
Cross-currency interest rate swaps	**26.3**	(69.8)

During the next 12 months, we expect to reclassify $16.9 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, 2021 and 2020, the amounts excluded from the assessment of hedge effectiveness recognized in other comprehensive income (loss) were not material.

Fair Value of Financial Instruments

The following tables summarize certain fair value information at March 31, 2021 and December 31, 2020 for assets and liabilities 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, 2021						
Cash equivalents	**$ 1,554.5**	**$ 1,554.5**	**$ 1,554.5**	**$ —**	**$ —**	**$ 1,554.5**
Short-term investments:						
U.S. government and agency securities	**$ 20.9**	**$ 20.8**	**$ 20.9**	**$ —**	**$ —**	**$ 20.9**
Corporate debt securities	**7.6**	**7.5**	**—**	**7.6**	**—**	**7.6**
Asset-backed securities	**2.3**	**2.2**	**—**	**2.3**	**—**	**2.3**
Other securities	**18.2**	**18.2**	**18.2**	**—**	**—**	**18.2**
Short-term investments	**$ 49.0**					
Noncurrent investments:						
U.S. government and agency securities	**$ 109.1**	**$ 108.8**	**$ 109.1**	**$ —**	**$ —**	**$ 109.1**
Corporate debt securities	**177.8**	**175.5**	**—**	**177.8**	**—**	**177.8**
Mortgage-backed securities	**102.3**	**99.7**	**—**	**102.3**	**—**	**102.3**
Asset-backed securities	**23.8**	**23.5**	**—**	**23.8**	**—**	**23.8**
Other securities	**110.3**	**30.1**	**—**	**—**	**110.3**	**110.3**
Marketable equity securities	**1,645.5**	**386.1**	**1,645.5**	**—**	**—**	**1,645.5**
Equity investments without readily determinable fair values [2]	**384.3**					
Equity method investments [2]	**679.3**					
Noncurrent investments	**$ 3,232.4**					
December 31, 2020						
Cash equivalents	$ 2,097.9	$ 2,097.9	$ 2,097.9	$ —	$ —	$ 2,097.9
Short-term investments:						
U.S. government and agency securities	$ 9.9	$ 9.9	$ 9.9	$ —	$ —	$ 9.9
Corporate debt securities	2.8	2.8	—	2.8	—	2.8
Asset-backed securities	1.2	1.2	—	1.2	—	1.2
Other securities	10.3	10.3	—	—	10.3	10.3
Short-term investments	$ 24.2					
Noncurrent investments:						
U.S. government and agency securities	$ 78.7	$ 74.3	$ 78.7	$ —	$ —	$ 78.7
Corporate debt securities	137.0	126.8	—	137.0	—	137.0
Mortgage-backed securities	106.4	101.4	—	106.4	—	106.4
Asset-backed securities	24.3	23.7	—	24.3	—	24.3
Other securities	110.5	31.8	—	—	110.5	110.5
Marketable equity securities	1,664.2	311.6	1,664.2	—	—	1,664.2
Equity investments without readily determinable fair values [2]	373.9					
Equity method investments [2]	471.8					
Noncurrent investments	$ 2,966.8					

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

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

	Carrying Amount	Fair Value Measurements Using			Fair Value
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Long-term debt, including current portion					
March 31, 2021	**$ (16,204.5)**	**$ —**	**$ (17,462.6)**	**$ —**	**$ (17,462.6)**
December 31, 2020	(16,595.3)	—	(19,038.9)	—	(19,038.9)

	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
March 31, 2021					
Risk-management instruments:					
Interest rate contracts designated as fair value hedges:					
Other noncurrent assets	**$ 87.2**	**$ —**	**$ 87.2**	**$ —**	**$ 87.2**
Other noncurrent liabilities	**(9.9)**	**—**	**(9.9)**	**—**	**(9.9)**
Interest rate contracts designated as cash flow hedges:					
Other noncurrent assets	**235.4**	**—**	**235.4**	**—**	**235.4**
Cross-currency interest rate contracts designated as net investment hedges:					
Other receivables	**12.7**	**—**	**12.7**	**—**	**12.7**
Other noncurrent assets	**39.4**	**—**	**39.4**	**—**	**39.4**
Other current liabilities	**(45.5)**	**—**	**(45.5)**	**—**	**(45.5)**
Other noncurrent liabilities	**(19.1)**	**—**	**(19.1)**	**—**	**(19.1)**
Cross-currency interest rate contracts designated as cash flow hedges:					
Other noncurrent assets	**3.0**	**—**	**3.0**	**—**	**3.0**
Other noncurrent liabilities	**(16.8)**	**—**	**(16.8)**	**—**	**(16.8)**
Foreign exchange contracts not designated as hedging instruments:					
Other receivables	**14.8**	**—**	**14.8**	**—**	**14.8**
Other current liabilities	**(66.2)**	**—**	**(66.2)**	**—**	**(66.2)**
Contingent consideration liability:					
Other noncurrent liabilities	**(71.1)**	**—**	**—**	**(71.1)**	**(71.1)**
December 31, 2020					
Risk-management instruments:					
Interest rate contracts designated as fair value hedges:					
Other noncurrent assets	158.9	—	158.9	—	158.9
Interest rate contracts designated as cash flow hedges:					
Other noncurrent assets	38.1	—	38.1	—	38.1
Other noncurrent liabilities	(97.8)	—	(97.8)	—	(97.8)
Cross-currency interest rate contracts designated as net investment hedges:					
Other current liabilities	(92.6)	—	(92.6)	—	(92.6)
Other noncurrent liabilities	(97.2)	—	(97.2)	—	(97.2)
Cross-currency interest rate contracts designated as cash flow hedges:					
Other noncurrent assets	34.4	—	34.4	—	34.4
Other noncurrent liabilities	(2.9)	—	(2.9)	—	(2.9)
Foreign exchange contracts not designated as hedging instruments:					
Other receivables	41.1	—	41.1	—	41.1
Other current liabilities	(15.2)	—	(15.2)	—	(15.2)

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.

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. The fair values of equity method investments and investments measured under the measurement alternative for equity investments that do not have readily determinable fair values are not readily available. As of March 31, 2021, we had approximately $736 million of unfunded commitments to invest in venture capital funds, which we anticipate will be paid over a period of up to 10 years.

Contingent consideration liability relates to our liability arising in connection with the CVR issued as a result of the Prevail acquisition. The fair value of the CVR liability was estimated using a discounted cash flow analysis and Level 3 inputs, including projections representative of a market participant's view of the expected cash payment associated with the first potential regulatory approval of a Prevail compound in the applicable countries based on probabilities of technical success, timing of the potential approval events for the compounds, and an estimated discount rate. See Note 3 for additional information related to the CVR arrangement.

The table below summarizes the contractual maturities of our investments in debt securities measured at fair value as of March 31, 2021:

		Maturities by Period			
	Total	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Fair value of debt securities	$ 443.7	$ 30.8	$ 147.8	$ 125.2	$ 139.9

The net gains recognized in our consolidated condensed statements of operations for equity securities were $301.5 million and $186.6 million for the three months ended March 31, 2021 and 2020, respectively. The net gains/losses recognized during the three months ended March 31, 2021 and 2020 on equity securities sold during the respective periods were not material.

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 during the three months ended March 31, 2021 and 2020 were not material.

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

	March 31, 2021	December 31, 2020
Unrealized gross gains	**$ 12.0**	$ 20.9
Unrealized gross losses	**6.3**	0.5
Fair value of securities in an unrealized gain position	**273.6**	348.9
Fair value of securities in an unrealized loss position	**170.1**	11.4

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 in the three months ended March 31, 2021 and 2020.

As of March 31, 2021, 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. Approximately 94 percent of the fixed-rate debt securities in a loss position are investment-grade debt securities. As of March 31, 2021, 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 default on interest or principal payments for any of our debt securities.

Activity related to our available-for-sale securities was as follows:

	Three Months Ended March 31,	
	2021	2020
Proceeds from sales	**$ 43.3**	$ 38.0
Realized gross gains on sales	**1.1**	0.9
Realized gross losses on sales	**0.4**	0.8

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.

Accounts Receivable Factoring Arrangements

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. Our factoring agreements do not allow for recourse in the event of uncollectibility, and we do not retain any interest in the underlying accounts receivable once sold. We derecognized $637.8 million and $754.9 million of accounts receivable as of March 31, 2021 and December 31, 2020, respectively, under these factoring arrangements. The costs of factoring such accounts receivable on our consolidated condensed results of operations for the three months ended March 31, 2021 and 2020 were not material.

Note 7: Income Taxes

The effective tax rate was 8.2 percent for the three months ended March 31, 2021, compared with 13.3 percent for the three months ended March 31, 2020. The effective tax rates for both periods were reduced by net discrete tax benefits, with a larger net discrete tax benefit reflected for the three months ended March 31, 2021.

The U.S. examination of tax years 2016-2018 began in the fourth quarter of 2019 and remains ongoing; therefore, the resolution of this audit period will likely extend beyond the next 12 months.

Note 8: Retirement Benefits

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

	Defined Benefit Pension Plans	
	Three Months Ended March 31,	
	2021	2020
Components of net periodic benefit cost:		
Service cost	**$ 92.0**	$ 78.7
Interest cost	**84.3**	105.0
Expected return on plan assets	**(238.0)**	(221.2)
Amortization of prior service cost	**1.1**	1.1
Recognized actuarial loss	**121.8**	111.0
Net periodic benefit cost	**$ 61.2**	$ 74.6

	Retiree Health Benefit Plans	
	Three Months Ended March 31,	
	2021	2020
Components of net periodic benefit income:		
Service cost	**$ 11.7**	$ 9.8
Interest cost	**8.1**	11.0
Expected return on plan assets	**(36.6)**	(37.4)
Amortization of prior service benefit	**(14.9)**	(14.9)
Recognized actuarial loss	**0.8**	0.8
Net periodic benefit income	**$ (30.9)**	$ (30.7)

We contributed approximately $15 million to satisfy minimum funding requirements to our defined benefit pension and retiree health benefit plans during the three months ended March 31, 2021. We contributed approximately $10 million in discretionary funding during the three months ended March 31, 2021. During the remainder of 2021, we expect to make contributions of approximately $20 million to our defined benefit pension and retiree health plans to satisfy minimum funding requirements.

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, competitors, customers, suppliers, service providers, licensees, employees, or shareholders, among others. These matters may involve patent infringement, antitrust, securities, pricing, sales and marketing practices, environmental, commercial, contractual rights, licensing obligations, health and safety matters, consumer fraud, employment matters, product liability and insurance coverage, 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 believe the legal proceedings in which we are named as defendants are without merit and we are defending against them vigorously. It is not possible to determine the 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, environmental liabilities, and the related estimated insurance recoverables are reflected on a gross basis as liabilities and assets, respectively, on our consolidated condensed 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 product liability insurance, we are self-insured for product liability losses for all our currently and previously marketed products.

Patent Litigation

Alimta Patent Litigation

A number of manufacturers are seeking approvals in the U.S. and a number of countries in Europe to market generic forms of Alimta prior to the expiration of our vitamin regimen patents, alleging that those patents are invalid, not infringed, or both. We believe our Alimta vitamin regimen patents are valid and enforceable against these generic manufacturers. However, it is not possible to determine the ultimate outcome of the proceedings, and accordingly, we can provide no assurance that we will prevail. The loss of exclusivity in the U.S. could have a material adverse impact on our future consolidated results of operations and cash flows and would result in a rapid and severe decline in future revenue for the product.

U.S. Patent Litigation

Alimta (pemetrexed) is protected by a vitamin regimen patent until 2021, plus pediatric exclusivity through May 2022.

In August 2017, we filed a lawsuit in the U.S. District Court for the Southern District of Indiana against Apotex Inc. (Apotex) alleging infringement of Alimta's vitamin regimen patent for its application to market a pemetrexed product. In December 2019, the U.S. District Court for the Southern District of Indiana granted our motion for summary judgment of infringement, and in December 2020, the U.S. Court of Appeals for the Federal Circuit affirmed that ruling. Apotex did not request reconsideration or a rehearing of that ruling. However, Apotex could petition the U.S. Supreme Court to review the case.

In December 2019, we settled a lawsuit we filed against Eagle Pharmaceuticals, Inc. (Eagle) in response to its application to market a product using an alternative form of pemetrexed. Per the settlement agreement, Eagle has a limited initial entry into the market with its product starting February 2022 (up to an approximate three-week supply) and subsequent unlimited entry starting April 2022.

European Patent Litigation

In Europe, Alimta (pemetrexed) is protected by the vitamin regimen patent through June of 2021. Notwithstanding the existence of our vitamin regimen patent, several companies launched generic pemetrexed products at risk in France, Germany, and the Netherlands but those products were subsequently removed from those markets as a consequence of patent infringement actions brought by us. In many cases, those patent infringement actions are subject to appeals filed by the generic manufacturer. In March 2021, we entered into a settlement agreement with Fresenius Kabi Aktienngesellschaft that discontinued all pending European patent litigation involving the Fresenius Kabi group of companies including that between us and Fresenius Kabi France and Fresenius Kabi Groupe France.

Legal proceedings are ongoing regarding our Alimta patents in various national courts throughout Europe. We will continue to seek to remove any generic pemetrexed products launched at risk in other European markets, seek damages with respect to such launches, and defend our patents against validity challenges.

Emgality Patent Litigation

In September 2018, we were named as a 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 nine different Teva patents would be infringed by our launch and continued sales of Emgality for the prevention of migraine in adults. Trial is expected in February 2022. Separately, the U.S. Patent and Trademark Office (USPTO) granted our request to initiate an *inter partes review* (IPR) to reexamine the validity of the nine Teva patents asserted against us in the litigation. In February 2020, the USPTO ruled in our favor and found that the claims asserted against us in six of Teva's nine patents were invalid. In March 2020, the USPTO ruled against us on the remaining three Teva patents, finding that we failed to show that the remaining three patents were unpatentable based on the subset of invalidity arguments available in an IPR proceeding. In April 2020, we appealed the USPTO's March 2020 ruling, and Teva appealed the USPTO's February 2020 ruling to the U.S. Court of Appeals for the Federal Circuit. The district court litigation will proceed in parallel with the IPR appeals.

Jardiance Patent Litigation

In November 2018, Boehringer Ingelheim (BI), our partner in marketing and development of Jardiance, initiated U.S. patent litigation in the U.S. District Court of Delaware alleging infringement arising from Alkem Laboratories Ltd.'s (Alkem) and Ascend Laboratories, LLC's (Ascend) submissions of Abbreviated New Drug Applications (ANDA) seeking approval to market generic versions of Jardiance, Glyxambi, and Synjardy in accordance with the procedures set out in the Drug Price Competition and Patent Term Restoration Act of 1984 (the Hatch-Waxman Act). Particularly with respect to Jardiance, Alkem's and Ascend's ANDAs seek approval to market generic versions of Jardiance prior to the expiration of the relevant patents, and allege that certain patents, including in some allegations the compound patent, are invalid or would not be infringed. We are not a party to this litigation. Trial is scheduled for September 2021.

Taltz Patent Litigation

In April 2021, we petitioned the High Court of Ireland to declare invalid the patent that Novartis Pharma AG (Novartis) purchased from Genentech, Inc. in 2020. Novartis responded by filing a claim against us alleging patent infringement related to our commercialization of Taltz and seeking damages for past infringement and an injunction against future infringement. This matter is ongoing.

Zyprexa Canada Patent Litigation

Beginning in the mid-2000's, several generic companies in Canada challenged the validity of our Zyprexa compound patent. In 2012, the Canadian Federal Court of Appeals denied our appeal of a lower court's decision that certain patent claims were invalid for lack of utility. In 2013, Apotex Inc. and Apotex Pharmachem Inc. (collectively, Apotex) brought claims against us in the Ontario Superior Court of Justice at Toronto for damages related to our enforcement of the Zyprexa compound patent under Canadian regulations governing patented drugs. Apotex seeks compensation based on novel legal theories under the Statute of Monopolies, Trade-Mark Act, and common law. In March 2021, the Ontario Superior Court granted our motion for summary judgement, thereby dismissing Apotex's case. Apotex appealed that ruling to the Court of Appeal for Ontario in April 2021.

Product Liability Litigation

Actos® Product Liability

We are named along with Takeda Chemical Industries, Ltd. and Takeda affiliates (collectively, Takeda) as a defendant in four purported product liability class actions in Canada related to Actos, which we commercialized with Takeda in Canada until 2009, including one in Ontario filed December 2011 (*Casseres et al. v. Takeda Pharmaceutical North America, Inc., et al.*), one in Quebec filed July 2012 (*Whyte et al. v. Eli Lilly et al.*), one in Saskatchewan filed November 2017 (*Weiler v. Takeda Canada Inc. et al.*), and one in Alberta filed January 2013 (*Epp v. Takeda Canada Inc. et al.*). In general, plaintiffs in these actions alleged that Actos caused or contributed to their bladder cancer.

Byetta® Product Liability

First initiated in March 2009, we are named as a defendant in approximately 570 Byetta product liability lawsuits in the U.S. involving approximately 810 plaintiffs. Approximately 55 of these lawsuits, covering about 285 plaintiffs, are filed in California state court and coordinated in a Los Angeles Superior Court. Approximately 515 of the lawsuits, covering about 515 plaintiffs, are filed in federal court, the majority of which are coordinated in a multi-district litigation (MDL) in the U.S. District Court for the Southern District of California. Three lawsuits, representing approximately four plaintiffs, have also been filed in various state courts. Approximately 565 of the lawsuits, involving approximately 800 plaintiffs, contain allegations that Byetta caused or contributed to the plaintiffs' cancer (primarily pancreatic cancer or thyroid cancer); while six plaintiffs allege Byetta caused or contributed to pancreatitis. In addition, one case alleges that Byetta caused or contributed to ampullary cancer. The federal and state trial courts granted summary judgment in favor of us and our co-defendants on the claims alleging pancreatic cancer. The plaintiffs appealed those rulings.

In November 2017, the U.S. Court of Appeals for the Ninth Circuit reversed the U.S. District Court for the Southern District of California's grant of summary judgment in the MDL based on that court's discovery rulings and remanded the cases back to the U.S. District Court for further proceedings. In March 2021, the U.S. District Court granted summary judgment for the defendants and in April 2021, the plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Ninth Circuit. In the state court actions, in November 2018, the California Court of Appeal reversed the Los Angeles County Superior Court of California's grant of summary judgment based on that court's discovery rulings and remanded for further proceedings. In April 2021, the Los Angeles County Superior Court of California granted summary judgment for the defendants.

We are aware of approximately 20 additional claimants who have not yet filed suit. These additional claims allege damages for pancreatic cancer or thyroid cancer.

Cialis Product Liability

First initiated in August 2015, we are named as a defendant in approximately 350 Cialis product liability lawsuits in the U.S. These cases, many of which were originally filed in various federal courts, contain allegations that Cialis caused or contributed to the plaintiffs' cancer (melanoma). In December 2016, the Judicial Panel on Multidistrict Litigation (JPML) granted the plaintiffs' petition to have filed cases and an unspecified number of future cases coordinated into a federal multidistrict litigation (MDL) in the U.S. District Court for the Northern District of California, alongside an existing coordinated proceeding involving Viagra®. The JPML ordered the transfer of the existing cases to the now-renamed MDL *In re: Viagra (Sildenafil Citrate) and Cialis (Tadalafil) Products Liability Litigation*. In April 2020, the MDL court granted summary judgment to the defendants on all of the claims brought against them by the plaintiffs. In May 2020, plaintiffs filed an appeal in the U.S. Court of Appeals for the Ninth Circuit. The plaintiffs' appeal has been administratively closed until August 2021 pending completion of a procedure to resolve the claims in this litigation.

Jardiance Product Liability

First initiated in January 2019, we and Boehringer Ingelheim Pharmaceuticals, Inc., a subsidiary of BI, have been named as a defendant in approximately 95 product liability lawsuits in the U.S., mostly in Stamford Superior Court in Connecticut, alleging that Jardiance caused or contributed to plaintiffs' Fournier's gangrene. Our agreement with BI calls for BI to defend and indemnify us against any damages, costs, expenses, and certain other losses with respect to product liability claims in accordance with the terms of the agreement.

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

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 the HHS's December 30, 2020 advisory opinion stating that drug manufacturers are required to deliver discounts under the 340B program to all contract pharmacies. We seek a declaratory judgment that the defendants violated the Administrative Procedures 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 Lilly. The matter is ongoing.

In January 2021, we, along with other pharmaceutical manufacturers, were named as a defendant in a petition currently pending before the HHS Administration Dispute Resolution Panel. Petitioner seeks declaratory and other injunctive 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 this administrative dispute resolution process against us.

In February 2021, we received a civil investigative subpoena 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.

Brazil Litigation – Cosmopolis Facility

Labor Attorney Litigation

First initiated in 2008, our subsidiary in Brazil, Eli Lilly do Brasil Limitada (Lilly Brasil), is named in a lawsuit brought by the Labor Attorney for the 15th Region in the Labor Court of Paulinia, State of Sao Paulo, Brazil, alleging possible harm to employees and former employees caused by exposure to heavy metals at a former Lilly Brasil manufacturing facility in Cosmopolis, Brazil, operated by the company between 1977 and 2003. In May 2014, the labor court judge ruled against Lilly Brasil, ordering it to undertake several actions of unspecified financial impact, including paying lifetime health coverage for the employees and contractors who worked at the Cosmopolis facility more than six months during the affected years and their children born during and after this period. We appealed this decision. In July 2018, the appeals court affirmed the labor court's ruling with a liquidated award of 300 million Brazilian real (for moral damages, donation of equipment, and creation of a foundation) which, adjusted for inflation and interest using the current Central Bank of Brazil's special system of clearance and custody rate (SELIC), is approximately 950 million Brazilian real (approximately $165 million as of March 31, 2021). The appeals court restricted the broad health coverage awarded by the labor court to health problems that claimants could show arose from exposure to the alleged contamination. In August 2019, Lilly Brasil filed an appeal to the superior labor court. In September 2019, the appeals court stayed a number of elements of its prior decision, including the obligation to provide health coverage for contractors, their children, and children of employees who worked at the Cosmopolis facility, pending the determination of Lilly Brasil's appeal to the superior labor court. The cost of any such health coverage has not been determined.

In June 2019, the Labor Attorney filed an application in the labor court for enforcement of the healthcare coverage granted by the appeals court in its July 2018 ruling and requested restrictions on Lilly Brasil's assets in Brazil. In July 2019, the labor court issued a ruling requiring either a freeze of Lilly Brasil's immovable property or, alternatively, a security deposit of 500 million Brazilian real. Lilly Brasil filed a writ of mandamus challenging this ruling, but the court has stayed its decision on this writ and instead directed the parties to attend conciliation hearings, a process that concluded unsuccessfully in September 2020. Consequently, the partial stay of the proceedings relating to Lilly Brasil's application to appeal in the main proceedings has been lifted. In addition, the Labor Attorney's application for preliminary enforcement of the July 2018 healthcare coverage ruling was granted. As the conciliation hearings have been unsuccessful, we have filed a brief to strike the Labor Attorney's application to enforce the previous healthcare coverage. Lilly Brasil is currently awaiting a determination as to whether its application seeking leave to appeal to the superior labor court has been successful.

Individual Former Employee Litigation

We are also named in approximately 30 lawsuits filed in the same labor court by individual former employees making similar claims. These lawsuits are each at various stages in the litigation process, with judgments being handed down in approximately half of the lawsuits, nearly all of which are on appeal in the labor courts.

China NDRC Antitrust Matter

The competition authority in China has investigated our distributor pricing practices in China in connection with a broader inquiry into pharmaceutical industry pricing. We have cooperated with this investigation.

Eastern District of Pennsylvania Pricing (Average Manufacturer Price) Inquiry

In November 2014, we, along with another pharmaceutical manufacturer, are 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. Trial is scheduled for February 2022.

Health Choice Alliance

We are named as a defendant in a lawsuit filed in June 2017 in the U.S. District Court for the Eastern District of Texas seeking damages under the federal anti-kickback statute and state and federal false claims acts for certain patient support programs related to our products Humalog, Humulin, and Forteo. In September 2019, the U.S. District Court granted the U.S. Department of Justice's motion to dismiss the relator's second amended complaint. In January 2020, the relator appealed the District Court's dismissal to the U.S. Court of Appeals for the Fifth Circuit. We are also named as a defendant in two similar 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. In November 2020, the Texas state court action was stayed pending a decision by the U.S. Court of Appeals for the Fifth Circuit on the aforementioned District Court appeal. In April 2021, the New Jersey state court action was dismissed with prejudice.

Pricing Litigation, Investigations, and Inquiries

Litigation

In December 2017, we, along with Sanofi-Aventis U.S. LLC (Sanofi) and Novo Nordisk, Inc. (Novo Nordisk) were named as defendants in a consolidated purported class action lawsuit, *In re. Insulin Pricing Litigation*, in the U.S. District Court for the District of New Jersey relating to insulin pricing seeking damages under various state consumer protection laws and the Federal Racketeer Influenced and Corrupt Organization Act (federal RICO Act). Separately, in February 2018, we, along with Sanofi and Novo Nordisk, were named as defendants in *MSP Recovery Claims, Series, LLC et al. v. Sanofi Aventis U.S. LLC et al.*, in the same court, seeking damages under various state consumer protection laws, common law fraud, unjust enrichment, and the federal RICO Act. In both *In re. Insulin Pricing Litigation* and the *MSP Recovery Claims* litigation, the court dismissed claims under the federal RICO Act and certain state laws. Also, filed in the same court in November 2020, we, along with Sanofi, Novo Nordisk, CVS, Express Scripts, and Optum, have been sued in a purported class action, *FWK Holdings, LLC v. Novo Nordisk Inc., et al.*, for alleged violations of the federal RICO Act as well as the New Jersey RICO Act and anti-trust law. That same group of defendants, along with Medco Health and United Health Group, also have been sued in other purported class actions in the same court, *Rochester Drug Co-Operative Inc. v. Eli Lilly & Co. et al.* and *Value Drug Co. v. Eli Lilly & Co. et al.* both initiated in March 2020, for alleged violations of the federal RICO Act. In September 2020, the U.S. District Court for the District of New Jersey granted plaintiffs' motion to consolidate *FWK Holdings, LLC v. Novo Nordisk Inc., et al.*, *Rochester Drug Co-Operative Inc. v. Eli Lilly & Co. et al.*, and *Value Drug Co. v. Eli Lilly & Co. et al.*

In October 2018, the Minnesota Attorney General's Office initiated litigation against us, Sanofi, and Novo Nordisk, *State of Minnesota v. Sanofi-Aventis U.S. LLC et al.,* in the U.S. District Court for the District of New Jersey, alleging unjust enrichment, violations of various Minnesota state consumer protection laws, and the federal RICO Act. In March 2021, the U.S. District Court for the District of New Jersey dismissed with prejudice the Minnesota Attorney General's federal RICO claims and false advertising claims under state law; the consumer fraud and other related state law claims remain ongoing. Additionally, in May 2019, the Kentucky Attorney General's Office filed a complaint against us, Sanofi, and Novo Nordisk, *Commonwealth of Kentucky v. Novo Nordisk, Inc. et al.*, in Kentucky state court, alleging violations of the Kentucky consumer protection law, false advertising, and unjust enrichment. In November 2019, Harris County in Texas initiated litigation against us, Sanofi, Novo Nordisk, Express Scripts, CVS, Optum, and Aetna, *County of Harris Texas v. Eli Lilly & Co., et al.*, in federal court in the Southern District of Texas alleging violations of the federal RICO Act, federal and state antitrust law, and the state deceptive trade practices-consumer protection act. Harris County also alleges common law claims such as fraud, unjust enrichment, and civil conspiracy. This lawsuit relates to our insulin products as well as Trulicity.

Investigations, Subpoenas, and Inquiries

We received a subpoena from the New York and Vermont Attorney General Offices and civil investigative demands from the Washington, New Mexico, and Colorado Attorney General Offices relating to the pricing and sale of our insulin products. The Offices of the Attorney General in Mississippi, Washington D.C., California, Florida, Hawaii, and Nevada have requested information relating to the pricing and sale of our insulin products. We also received interrogatories and a subpoena from the California Attorney General's Office regarding our competition in the long-acting insulin market. We received two requests from the House of Representatives' Committee on Energy and Commerce and a request from the Senate's Committee on Health, Education, Labor, and Pensions seeking certain information related to the pricing of insulin products, among other issues. We also received requests from the House of Representatives' Committee on Oversight and Reform and the Senate's Committee on Finance, which seek detailed commercial information and business records. In January 2021, the Senate's Committee on Finance released a report summarizing the findings of its investigation. We are cooperating with all of these 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. A trial date has not been set.

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, 2021 and 2020:

(Amounts presented net of taxes)	**Foreign Currency Translation Gains (Losses)**	**Unrealized Net Gains (Losses) on Securities**	**Defined Benefit Pension and Retiree Health Benefit Plans**	**Effective Portion of Cash Flow Hedges**	**Accumulated Other Comprehensive Loss**
Balance at January 1, 2021	**$ (1,427.5)**	**$ 14.8**	**$ (4,751.0)**	**$ (332.7)**	**$ (6,496.4)**
Other comprehensive income (loss) before reclassifications	**(249.7)**	**(10.8)**	**18.8**	**252.8**	**11.1**
Net amount reclassified from accumulated other comprehensive loss	**—**	**0.5**	**85.9**	**3.3**	**89.7**
Net other comprehensive income (loss)	**(249.7)**	**(10.3)**	**104.7**	**256.1**	**100.8**
Balance at March 31, 2021	**$ (1,677.2)**	**$ 4.5**	**$ (4,646.3)**	**$ (76.6)**	**$ (6,395.6)**

(Amounts presented net of taxes)	**Foreign Currency Translation Gains (Losses)**	**Unrealized Net Gains (Losses) on Securities**	**Defined Benefit Pension and Retiree Health Benefit Plans**	**Effective Portion of Cash Flow Hedges**	**Accumulated Other Comprehensive Loss**
Balance at January 1, 2020	$ (1,678.0)	$ 4.9	$ (4,638.6)	$ (211.9)	$ (6,523.6)
Other comprehensive income (loss) before reclassifications	(126.5)	1.0	30.9	(348.2)	(442.8)
Net amount reclassified from accumulated other comprehensive loss	—	(0.1)	77.4	3.2	80.5
Net other comprehensive income (loss)	(126.5)	0.9	108.3	(345.0)	(362.3)
Balance at March 31, 2020	$ (1,804.5)	$ 5.8	$ (4,530.3)	$ (556.9)	$ (6,885.9)

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

Tax benefit (expense)	Three Months Ended March 31, 2021	2020
Foreign currency translation gains/losses	**$ (75.3)**	$ (38.5)
Unrealized net gains/losses on securities	**4.4**	(0.3)
Defined benefit pension and retiree health benefit plans	**(31.3)**	(25.7)
Effective portion of cash flow hedges	**(68.1)**	91.7
Benefit (provision) for income taxes allocated to other comprehensive income (loss) items	**$ (170.3)**	$ 27.2

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, 2021	2020	Affected Line Item in the Consolidated Condensed Statements of Operations
Amortization of retirement benefit items:			
Prior service benefits, net	**$ (13.8)**	$ (13.8)	Other–net, (income) expense
Actuarial losses, net	**122.6**	111.8	Other–net, (income) expense
Total before tax	**108.8**	98.0	
Tax benefit	**(22.9)**	(20.6)	Income taxes
Net of tax	**85.9**	77.4	
Other, net of tax	**3.8**	3.1	Other–net, (income) expense
Total reclassifications, net of tax	**$ 89.7**	$ 80.5	

Note 11: Other–Net, (Income) Expense

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

	Three Months Ended March 31, 2021	2020
Interest expense	**$ 87.8**	$ 92.5
Interest income	**(5.5)**	(14.3)
Net investment gains on equity securities	**(301.5)**	(186.6)
Retirement benefit plans	**(73.4)**	(44.6)
Other (income) expense	**(28.5)**	63.9
Other–net, (income) expense	**$ (321.1)**	$ (89.1)

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

Results of Operations

(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 the results of operations and financial position of our consolidated company. 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, 2020, may cause our actual results, financial position, and cash generated from operations to differ materially from these forward-looking statements.

Executive Overview

This section provides an overview of our financial results, recent product and late-stage pipeline developments, and other matters affecting our company and the pharmaceutical industry. Earnings per share (EPS) data are presented on a diluted basis.

COVID-19 Pandemic

In response to the COVID-19 pandemic, we have been focused on maintaining a reliable supply of our medicines; reducing the strain on the medical system; developing treatments for COVID-19; protecting the health, safety, and well-being of our employees; supporting our communities; and ensuring affordability of and access to our medicines, particularly insulin.

We have experienced negative impacts to our underlying business due to the COVID-19 pandemic, including decreases in new prescriptions as a result of fewer patient visits to physician's offices to begin or change treatment, changes in payer segment mix, and the use of patient affordability programs in the United States (U.S.) due to increased unemployment. Additionally, we have experienced, and may continue to experience, decreased demand as a result of lack of normal access and fewer in-person interactions by patients and our employees with the healthcare system. In certain locations in the U.S. and around the world with COVID-19 outbreaks, we temporarily halted in-person interactions by our employees with healthcare providers and increased virtual interactions. While in-person interactions have resumed in many locations, we may decide to halt such activity in the future and, in those cases, expect to resume such interactions as it is safe to do so and in compliance with applicable guidance and requirements. We may experience additional pricing pressures resulting from the financial strain of the COVID-19 pandemic on government-funded healthcare systems around the world.

We remain committed to discovering and developing new treatments for the patients we serve. At the beginning of the COVID-19 pandemic, we paused new clinical trial starts and enrollment in new trials in order to reduce the strain on the medical system, and we have resumed this activity in our clinical trials. However, significant delays or unexpected issues, such as higher discontinuation rates or delays accumulating data, affecting the timing, conduct, or regulatory review of our clinical trials, could adversely affect our ability to commercialize some assets in our product pipeline if the COVID-19 pandemic continues for a protracted period.

Since the start of the pandemic we have been working with a variety of organizations, including governmental agencies, to facilitate access to our COVID-19 therapies in various countries. The U.S. Food and Drug Administration (FDA) granted Emergency Use Authorizations (EUA) for bamlanivimab and bamlanivimab and etesevimab administered together for higher-risk patients who have been recently diagnosed with mild-to-moderate COVID-19 and for baricitinib in combination with remdesivir in hospitalized COVID-19 patients. We have taken several steps in order to transition from bamlanivimab administered alone to bamlanivimab and etesevimab administered together in the U.S. for the treatment of COVID-19. In April 2021, we requested the FDA revoke the EUA for bamlanivimab alone. This request was not due to any new safety concern. The FDA subsequently revoked the EUA for bamlanivimab alone. We have agreed with the U.S. government to supply bamlanivimab and etesevimab together and to supply etesevimab to complement doses of bamlanivimab that the U.S. government previously purchased. As a result, we terminated the purchase agreement with the U.S. government to supply bamlanivimab alone and cancelled orders for any remaining doses scheduled to be delivered. The European Medicines Agency's (EMA) Committee for Medicinal Products for Human Use (CHMP) issued a positive opinion for bamlanivimab alone and for bamlanivimab and etesevimab administered together for patients that do not require supplemental oxygen and who are at high risk of progressing to severe COVID-19.

We face unique risks and uncertainties in our development, manufacture, and uptake of potential treatments for COVID-19, including vulnerability to supply chain disruptions, higher manufacturing costs, difficulties in manufacturing sufficient quantities of our therapies, heightened regulatory scrutiny of our manufacturing practices, restrictions on administration that limit widespread and timely access to our therapies, and risks related to handling, return, and/or refund of product after delivery by us. Expedited authorization processes, including our EUA for bamlanivimab and etesevimab administered together, have allowed restricted distribution of products with less than typical safety and efficacy data, and additional data that become available may call into question the safety or effectiveness of our COVID-19 therapies. Additionally, the availability of superior or competitive therapies, or preventative measures, such as vaccines, coupled with the transient nature of pandemics, could negatively impact or eliminate demand for our COVID-19 therapies. Mutations or the spread of other variants of the coronavirus could also render our therapies ineffective. We may also be required to accept returns of certain bamlanivimab and etesevimab previously supplied together in the U.S. if the relevant EUA is revoked or terminated due to safety and efficacy concerns. In addition, evolving regulatory priorities have intensified governmental scrutiny of our operations, including our compliance with Good Manufacturing Practices (cGMP), quality assurance, and similar regulations relating to our manufacture of COVID-19 therapies and other medicines. Any of these risks could prevent us from recouping our substantial investments in the research, development, and manufacture of our COVID-19 therapies. These risks could also affect other aspects of our business, including potentially resulting in delays or denials in the approval or launch of other products.

Our ability to continue to operate without significant negative impacts will in part depend on our ability to protect our employees and our supply chain. We have taken steps to protect our employees worldwide, with particular measures in place for those working in our manufacturing sites and distribution facilities. We have been able to largely maintain our normal operations. However, uncertainty resulting from the COVID-19 pandemic could have an adverse impact on our manufacturing operations, global supply chain, and distribution systems, which could impact our ability to produce and distribute our products and the ability of third parties on which we rely to fulfill their obligations to us, and could increase our expenses.

Although the COVID-19 pandemic has affected our operations and demand for our products, it has not negatively impacted our liquidity position. We expect to continue to generate cash flows to meet our short-term liquidity needs and to have access to liquidity via the short-term and long-term debt markets. As part of our response to the COVID-19 pandemic, we worked quickly to ramp up the manufacturing of our COVID-19 antibodies in order to ensure ample supply. Due in part to the termination of the purchase agreement with the U.S. government to supply bamlanivimab alone and the cancellation of orders for the remaining doses of bamlanivimab alone that were scheduled to be delivered pursuant to the agreement, we have experienced impairment charges for excess inventory related to our COVID-19 antibodies during the three months ended March 31, 2021. We could experience additional impairments of our assets, including inventory related to our COVID-19 antibodies, or significant changes in the fair value of our assets due to the COVID-19 pandemic, including as a result of the factors discussed above.

See “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020 for additional information on risk factors that could impact our results.

Financial Results

The following table summarizes our key operating results:

	Three Months Ended March 31,		Percent Change
	2021	2020	
Revenue	**$ 6,805.6**	$ 5,859.8	16
Gross margin	**4,927.0**	4,644.7	6
Gross margin as a percent of revenue	**72.4 %**	79.3 %	
Operating expenses	**$ 3,260.8**	$ 2,941.7	11
Acquired in-process research and development (IPR&D)	**299.3**	52.3	NM
Asset impairment, restructuring, and other special charges	**211.6**	59.9	NM
Net income	**1,355.3**	1,456.5	(7)
EPS	**1.49**	1.60	(7)

NM - not meaningful

Revenue increased for the three months ended March 31, 2021 driven by increased volume and the favorable impact of foreign exchange rates, partially offset by lower realized prices. Operating expenses, defined as the sum of research and development and marketing, selling, and administrative expenses, increased for the three months ended March 31, 2021, primarily due to research and development expenses for COVID-19 antibody therapies and baricitinib, as well as higher research and development expenses for late-stage assets. The decrease in net income and EPS for the three months ended March 31, 2021 was primarily driven by higher research and development expenses, higher acquired IPR&D, and higher asset impairment, restructuring, and other special charges, partially offset by higher gross margin, higher other income, and lower income tax expense.

The following highlighted items also affect comparisons of our financial results for the three months ended March 31, 2021 and 2020:

2021

Acquired IPR&D (See Note 3 to the consolidated condensed financial statements)

- We recognized acquired IPR&D charges of $299.3 million for the three months ended March 31, 2021 related to collaborations with Rigel Pharmaceuticals, Inc. (Rigel), Precision BioSciences, Inc. (Precision), Merus N.V. (Merus), and Asahi Kasei Pharma Corporation (Asahi).

Asset Impairment, Restructuring, and Other Special Charges (See Note 5 to the consolidated condensed financial statements)

- We recognized charges of $211.6 million for the three months ended March 31, 2021 primarily related to an intangible asset impairment resulting from the decision to sell the rights to Qbrexza®, as well as acquisition and integration costs associated with the acquisition of Prevail Therapeutics Inc. (Prevail).

Other-Net, (Income) Expense (See Note 6 to the consolidated condensed financial statements)

- We recognized other income of $301.5 million of net investment gains on equity securities.

2020

Acquired IPR&D (See Note 3 to the consolidated condensed financial statements)

- We recognized acquired IPR&D charges of $52.3 million for the three months ended March 31, 2020 related to a collaboration with Sitryx Therapeutics Limited (Sitryx).

Asset Impairment, Restructuring, and Other Special Charges (See Note 5 to the consolidated condensed financial statements)

- We recognized charges of $59.9 million for the three months ended March 31, 2020 primarily related to acquisition and integration costs associated with the acquisition of Dermira, Inc. (Dermira).

Other-Net, (Income) Expense (See Note 6 to the consolidated condensed financial statements)

- We recognized other income of $186.6 million of net investment gains on equity securities.

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 45 candidates in clinical development or under regulatory review, and a larger number of projects in the discovery phase.

The following new molecular entities (NMEs) are currently in Phase III clinical trials or have been submitted for regulatory review or have received first regulatory approval in the U.S., Europe, or Japan in 2021. In addition, the following table includes certain NMEs currently in Phase I or Phase II clinical trials. The following table reflects the status of these NMEs, including certain other developments since January 1, 2021.

Compound	Indication	Status	Developments
COVID-19 Therapies			
Bamlanivimab administered alone	COVID-19	Emergency Use Authorization[(1)]	Announced in the first quarter of 2021 that a Phase III trial met the primary and all key secondary endpoints. The EMA's CHMP issued a positive scientific opinion in the first quarter of 2021. In April 2021 the FDA revoked the EUA for bamlanivimab alone in the U.S.
Bamlanivimab and etesevimab administered together	COVID-19	Emergency Use Authorization	Announced in the first quarter of 2021 that Phase III trials met the primary and key secondary endpoints. Additional Phase III trials are ongoing. The FDA granted EUA for higher-risk patients recently diagnosed with mild-to-moderate COVID-19 in the first quarter of 2021. We intend to submit to the FDA for approval in the second half of 2021. The EMA's CHMP issued a positive scientific opinion in the first quarter of 2021. Submitted in Europe in the first quarter of 2021.
VIR-7831 and bamlanivimab administered together[(2)]	COVID-19	Phase II	Phase II trial initiated in the first quarter of 2021.
Bamlanivimab, etesevimab and LY-CoV1404 administered together	COVID-19	Phase I	Phase I trial initiated in April 2021.
Endocrinology			
Tirzepatide	Type 2 diabetes	Phase III	Announced in the first quarter of 2021 that Phase III trials met the primary and key secondary endpoints. Additional Phase III trials are ongoing.
	Obesity		Phase III trials are ongoing.
	Nonalcoholic steatohepatitis	Phase II	Phase II trial is ongoing.
Basal Insulin-Fc	Type 1 and 2 diabetes	Phase II	Phase II trials are ongoing.
Immunology			
Lebrikizumab[(3)]	Atopic dermatitis	Phase III	Granted FDA Fast Track designation[(4)]. Phase III trials are ongoing.
Mirikizumab	Crohn's disease	Phase III	Phase III trials are ongoing.
	Psoriasis	Not pursuing submission	Announced in April 2021 that we do not plan to pursue submission.
	Ulcerative colitis	Phase III	Announced in the first quarter of 2021 that a Phase III trial met the primary and key secondary endpoints. Additional Phase III trials are ongoing.
CXCR1/2 Ligands Monoclonal Antibody	Hidradenitis suppurativa	Phase II	Phase II trial is ongoing.

Compound	Indication	Status	Developments
IL-2 Conjugate	Systemic lupus erythematosus	Phase II	Phase II trial is ongoing.
	Ulcerative colitis		Phase II trial initiated in April 2021.
PD-1 MAB Agonist	Rheumatoid arthritis	Phase II	Phase II trial initiated in the first quarter of 2021.
Neuroscience			
Tanezumab[5]	Osteoarthritis pain	Submitted	In the first quarter of 2021 an Advisory Committee to the FDA concluded that the proposed risk evaluation and mitigation strategy will not ensure that the benefits outweigh the risks. In collaboration with Pfizer, we plan to continue to work with the FDA as it continues to review the submission.
	Cancer pain	Phase III	Phase III trial is ongoing.
Donanemab	Early Alzheimer's disease	Phase III	Announced in the first quarter of 2021 that a Phase II trial met the primary endpoint and that we expanded a Phase II trial to become a Phase III trial.
Solanezumab	Preclinical Alzheimer's disease	Phase III	Phase III trial is ongoing.
Epiregulin/TGFα MAB	Chronic pain	Phase II	Phase II trials are ongoing.
GBA1 Gene Therapy (PR001)	Parkinson's disease	Phase II	Acquired in the Prevail acquisition in January 2021. Granted FDA Fast Track designation[2]. Phase II trials are ongoing.
GRN Gene Therapy (PR006)	Frontotemporal dementia	Phase II	
PACAP38 Antibody	Chronic pain	Phase II	Phase II trial is ongoing.
SSTR4 Agonist	Chronic pain	Phase II	Phase II trials are ongoing.
Zagotenemab	Alzheimer's disease	Phase II	Phase II trial is ongoing.
Oncology			
Selpercatinib (Retevmo®)	Thyroid cancer	Launched[5]	Granted conditional marketing authorisation[6] in Europe in the first quarter of 2021. Phase III trials are ongoing.
	Lung cancer		
Pirtobrutinib (LOXO-305)	Chronic lymphocytic leukemia	Phase III	Phase III trial initiated in the first quarter of 2021.
	Mantle cell lymphoma	Phase II	Phase II trial is ongoing.

[1] EUAs remain active for certain countries outside of the U.S.

[2] In collaboration with Vir Biotechnology, Inc. and GlaxoSmithKline plc.

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

[4] Fast Track designation is designated to expedite the development and review of new therapies to treat serious conditions and address unmet medical needs.

[5] In collaboration with Pfizer, Inc (Pfizer).

[6] Continued approval may be contingent on verification and description of clinical benefit in confirmatory Phase III trials.

As part of our collaboration with Innovent Biologics, Inc. (Innovent), Innovent, with collaboration from us, will pursue the initial registration of sintilimab injection (Tyvyt®) in the U.S., and we will pursue initial registration of Tyvyt in other markets and all other subsequent registrations of Tyvyt.

Our pipeline also contains several new indication line extension (NILEX) products. The following certain NILEX products are currently in Phase II or Phase III clinical testing, have been submitted for regulatory review, or have received first regulatory approval in the U.S., Europe, or Japan for use in the indication described in 2021. The following table reflects the status of certain NILEX products, including certain other developments since January 1, 2021:

Compound	Indication	Status	Developments
Endocrinology			
Empagliflozin (Jardiance®)[1]	Heart failure with reduced ejection fraction	Submitted	Granted FDA Fast Track designation[2].
	Chronic kidney disease	Phase III	Granted FDA Fast Track designation[2]. Phase III trials are ongoing.
	Heart failure with preserved ejection fraction		
Immunology			
Baricitinib (Olumiant®)	Atopic dermatitis	Approved	In April 2021 the FDA extended the review period for the submission in the U.S. to the third quarter of 2021.
	COVID-19	Emergency Use Authorization[3]	Announced in April 2021 that a Phase III trial evaluating baricitinib 4 mg once daily plus standard of care did not meet the primary endpoint, but did result in a significant reduction in death.
	Alopecia areata	Phase III	Granted FDA Breakthrough Therapy designation[4]. Announced in the first quarter of 2021 and in April 2021 that Phase III trials met the primary endpoint. Phase III trials are ongoing.
	Systemic lupus erythematosus		Phase III trials are ongoing.
Oncology			
Abemaciclib (Verzenio®)	Adjuvant breast cancer	Submitted	Announced in the first quarter of 2021 patient-reported outcomes in combination with standard adjuvant endocrine therapy. Submitted in Japan in the first quarter of 2021.
	Prostate cancer	Phase II	Phase II trials are ongoing.

[1] In collaboration with Boehringer Ingelheim.

[2] Fast Track designation is designated to expedite the development and review of new therapies to treat serious conditions and address unmet medical needs.

[3] The FDA granted EUA in combination with remdesivir in hospitalized COVID-19 patients.

[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.

Other Matters

Patent Matters

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

We expect the Alimta® vitamin regimen patents to provide us with patent protection for Alimta through June 2021 in major European countries and Japan and through May 2022 in the U.S. These patents have been challenged in each of these jurisdictions and in many cases have been finally resolved in our favor. However, we and Eagle Pharmaceuticals, Inc. (Eagle) reached an agreement in December 2019 to settle all pending U.S. patent litigation, allowing Eagle a limited initial entry into the market with its product starting February 2022 (up to an approximate three-week supply) and subsequent unlimited entry starting April 2022. We expect that the entry of generic competition in the U.S., major European countries, and Japan following the loss of patent exclusivity will cause a rapid and severe decline in revenue, and we expect that the entry of generic competition in the U.S. will have a material adverse effect on our consolidated results of operations and cash flows.

See Note 9 to the consolidated condensed financial statements for a more detailed account of the legal proceedings currently pending regarding, among others, our Alimta patents.

The compound patent for Humalog® (insulin lispro) has expired in major markets. Global regulators have different legal pathways to approve similar versions of insulin lispro. A competitor launched a similar version of insulin lispro in certain European markets in 2017 and in the U.S. in the second quarter of 2018. While it is difficult to estimate the severity of the impact of insulin lispro products entering the market, we do not expect and have not experienced a rapid and severe decline in revenue; however, we expect additional pricing pressure and some loss of market share that would continue over time.

The formulation and use patents for Forteo® have expired in major markets. We expect further decline in revenue as a result of the anticipated entry of generic and biosimilar competition due to the loss of patent exclusivity in major markets.

Our compound patent protection for Cymbalta® expired in Japan in January 2020. We expect generics to enter the market in mid-2021. We expect that the entry of generic competition will cause a rapid and severe decline in revenue.

Foreign Currency Exchange Rates

As a global company with substantial operations outside the U.S., we face foreign currency risk exposure from fluctuating currency exchange rates, primarily the U.S. dollar against the euro and Japanese yen. While we manage a portion of these exposures through hedging and other risk management techniques, significant fluctuations in currency rates can have a substantial impact, either positive or negative, on our revenue, cost of sales, and operating expenses. While there is uncertainty in the future movements in foreign exchange rates, fluctuations in these rates could negatively impact our future consolidated results of operations and cash flows.

Trends Affecting Pharmaceutical Pricing, Reimbursement, Access, and Other Regulatory Matters

U.S.

In the U.S., public concern over access to and affordability of pharmaceuticals continues to drive the regulatory and legislative debate. These policy and political issues increase the risk that taxes, fees, rebates, or other cost control measures may be enacted to manage federal and state budgets. Evolving regulatory priorities could further intensify these efforts and otherwise increase regulatory scrutiny over our operations. Key health policy initiatives affecting biopharmaceuticals include:

- the Coronavirus Aid, Relief, and Economic Security (CARES) Act and subsequent stimulus bills that focus on ensuring availability and access to lifesaving drugs during a public health crisis,
- foreign reference pricing in Medicare and private insurance,
- modifications to Medicare Parts B and D,
- provisions that would allow the Department of Health and Human Services (HHS) to negotiate prices for biologics and drugs in Medicare,
- a reduction in biologic data exclusivity,
- proposals related to Medicaid prescription drug coverage and manufacturer drug rebates,

- proposals that would require biopharmaceutical manufacturers to disclose proprietary drug pricing information,
- state-level proposals related to prescription drug prices and reducing the cost of pharmaceuticals purchased by government health care programs,
- federal and state proposals to permit importation of pharmaceuticals, including insulin, intended for sale in foreign markets, and
- the Biden administration's regulatory rule freeze affecting all federal agency rules that had not gone into effect as of January 20, 2021, impacting the implementation or effectiveness, as applicable, of final rules related to the 340B prescription drug program, rebate reform in Medicare Part D, drug importation including insulin, and foreign reference pricing in Medicare Parts B and D.

On September 1, 2020, we announced we would distribute all 340B ceiling priced products directly to covered entities and their child sites only. We provide 340B discounts to a contract pharmacy only if it is a wholly owned subsidiary of a covered entity, if a covered entity does not have an in-house retail pharmacy or, in the case of insulin, if the subject covered entity and its contract pharmacies agree to pass along the discount to patients without any markup for dispensing fees and without billing insurance or collecting duplicate discounts. We have been transparent with regulators on our distribution activity and continue to comply with all 340B program requirements. Certain covered entities and their trade associations have initiated litigation questioning whether our program, and similar actions by other manufacturers, violate 340B program requirements.

On October 9, 2020, three covered entities sued HHS and the Health Resources and Services Administration (HRSA) in the U.S. District Court for the District of Columbia seeking to compel the agencies to take enforcement action against us and three other companies, among other requested relief. On October 21, 2020, a trade association representing certain covered entities sued HHS in the same court seeking to compel the agency to promulgate administrative dispute resolution regulations. On December 11, 2020, a number of associations and entities filed suit against HHS in the U.S. District Court for the Northern District of California requesting immediate enforcement of the contract pharmacy guidance. On December 31, 2020, the General Counsel of HHS issued an advisory opinion alleging that honoring contract pharmacy agreements is mandatory. In January 2021, we filed suit against HHS, the Secretary of HHS, the HRSA, and the Administrator of the HRSA in the U.S. District Court for the Southern District of Indiana seeking a declaratory judgment that HHS's attempt to require manufacturers to permit contract pharmacy distribution is unlawful and 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. On March 16, 2021, the U.S. District Court for the Southern District of Indiana issued an order granting our request for a preliminary injunction. See Note 9 to the consolidated condensed financial statements for additional information.

California and several other states have enacted legislation related to prescription drug pricing transparency and it is unclear the effect this legislation or future legislation will have on our business. Several states have also passed importation legislation, including Colorado, Florida, Maine, New Hampshire, New Mexico, and Vermont. As of late 2020 several of these states were actively working with the former presidential administration to implement an importation program from Canada. On November 22, 2020, Florida announced it submitted a proposed importation plan to the U.S. In 2020, HHS and the FDA also took several actions to advance state importation initiatives, including issuing requests for proposals for personal importation and reimportation of insulin and a final rule on the Importation of Prescription Drugs. We continue to review these state proposals and legislation, as well as federal rules, commentary to the rulemaking, and guidance published by HHS and the FDA, the impact of which is uncertain at this time. Currently, it is unclear if the Biden administration will adopt any of the importation initiatives put forth by the former presidential administration. We will continue to monitor and assess these developments.

In the private sector, consolidation and integration among healthcare providers significantly affects the competitive marketplace for pharmaceuticals. Health plans, pharmacy benefit managers, wholesalers, and other supply chain stakeholders have been consolidating into fewer, larger entities, thus enhancing their purchasing strength and importance. Private third-party insurers, as well as governments, typically maintain formularies that specify coverage (the conditions under which drugs are included on a plan's formulary) and reimbursement (the associated out-of-pocket cost to the consumer) to control costs by negotiating discounted prices in exchange for formulary inclusion. Formulary placement can lead to reduced usage of a drug for the relevant patient population due to coverage restrictions, such as prior authorizations and formulary exclusions, or due to reimbursement limitations that result in higher consumer out-of-pocket cost, such as non-preferred co-pay tiers, increased co-insurance levels, and higher deductibles. Consequently, pharmaceutical companies compete for formulary placement not only on the basis of product attributes such as efficacy, safety profile, or patient ease of use, but also by providing rebates. Value-based agreements, where pricing is based on achievement (or not) of specified outcomes, are another tool that may be utilized between payers and pharmaceutical companies as formulary placement and pricing are negotiated. Price is an increasingly important factor in formulary decisions, particularly in treatment areas in which the payer has taken the position that multiple branded products are therapeutically comparable. We anticipate these downward pricing pressures will continue to negatively affect our consolidated results of operations. In addition to formulary placement, changes in insurance designs continue to drive greater consumer cost-sharing through high deductible plans and higher co-insurance or co-pays. We continue to invest in patient affordability solutions (resulting in lower revenue) in an effort to assist patients in affording their medicines.

The main coverage expansion provisions of the Affordable Care Act (ACA) are currently in effect through both state-based exchanges and the expansion of Medicaid. A trend has been the prevalence of benefit designs containing high out-of-pocket costs for patients, particularly for pharmaceuticals. In addition to the coverage expansions, many employers in the commercial market continue to evaluate strategies such as private exchanges and wider use of consumer-driven health plans to reduce their healthcare liabilities over time. Federal legislation, litigation, or administrative actions to repeal or modify some or all of the provisions of the ACA could have a material adverse effect on our consolidated results of operations and cash flows. At the same time, the broader paradigm shift towards performance-based reimbursement and the launch of several value-based purchasing initiatives have placed demands on the pharmaceutical industry to offer products with proven real-world outcomes data and a favorable economic profile.

On December 31, 2020, the Centers for Medicare and Medicaid Services published in the Federal Register a final regulation impacting the rules for calculating Medicaid rebate amounts, though the provision most likely to have a material impact on us relates to the inclusion of copayment assistance programs in best price and will take effect January 1, 2023. We are evaluating the impact of this regulation. We do not anticipate the changes related to "line extensions," which are scheduled to take effect January 1, 2022, to be material.

On March 11, 2021, President Biden signed into law the American Rescue Plan Act of 2021 (ARP). Section 9816 of the ARP removed Medicaid's maximum rebate percentage effective January 1, 2024. We are evaluating the impact of this legislation. We expect to see continued focus on regulating pricing, potentially resulting in additional legislation and regulation under the newly elected Congress and the Biden administration.

In addition, evolving regulatory priorities have intensified governmental scrutiny of our operations, including our compliance with cGMP, quality assurance, and similar regulations. Any regulatory issues concerning these matters could 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, delays or denials in the approvals of new products pending resolution of the issues, and reputational harm, any of which would adversely affect our business. See “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020.

International

International operations also are generally subject to extensive price and market regulations. Cost-containment measures exist in a number of countries, including additional price controls and mechanisms to limit reimbursement for our products. Such policies are anticipated to increase in impact and reach, given the pressures on national and regional health care budgets that come from a growing, aging population and ongoing economic challenges. As additional reforms are finalized, we will assess their impact on future revenues. In addition, governments in many emerging markets are becoming increasingly active in expanding health care system offerings. Given the budget challenges of increasing health care coverage for citizens, policies may be proposed that promote generics and biosimilars only and reduce current and future access to branded pharmaceutical products. The COVID-19 pandemic is also creating additional pressure on health systems worldwide. As a result, cost containment and other measures may intensify as governments manage and emerge from the pandemic.

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 could affect our effective tax rate, results of operations, and cash flows. Countries around the world, including the U.S., are actively considering and enacting tax law changes. The Biden administration's tax proposal contains significant changes, including increases to the tax rates at which both domestic and foreign income of U.S. companies would be taxed. Further, actions taken with respect to tax-related matters by associations such as the Organisation for Economic Co-operation and Development and the European Commission could influence tax policy in countries in which we operate. In addition, global tax authorities routinely examine our tax returns and are expected to become more aggressive in their examinations of profit allocations among jurisdictions, which could affect our anticipated tax liabilities.

Acquisitions

We strategically invest in external research and technologies that we believe to complement and strengthen our own efforts. These investments can take many forms, including acquisitions, strategic alliances, collaborations, investments, and licensing arrangements. We view our business development activity as an important way to achieve our strategies, as we seek to bolster our pipeline and enhance shareholder value. We continuously evaluate business development transactions that have the potential to strengthen our business.

In February 2020, we acquired all shares of Dermira for a purchase price of $849.3 million, net of cash acquired. Under the terms of the agreement, we acquired lebrikizumab, a novel, investigational, monoclonal antibody being evaluated for the treatment of moderate-to-severe atopic dermatitis. Lebrikizumab was granted Fast Track designation from the FDA. We also acquired Qbrexza cloth, a medicated cloth for the topical treatment of primary axillary hyperhidrosis (uncontrolled excessive underarm sweating). During the three months ended March 31, 2021, we decided to sell the rights to Qbrexza. See Note 5 to the consolidated condensed financial statements for additional information.

In January 2021, we acquired all shares of Prevail for a purchase price that included $22.50 per share in cash (or an aggregate of $747.4 million, net of cash acquired) plus one non-tradable contingent value right (CVR) per share. The CVR entitles Prevail stockholders to up to an additional $4.00 per share in cash (or an aggregate of approximately $160 million) payable, subject to certain terms and conditions, upon the first regulatory approval of a Prevail product in one of the following countries: U.S., Japan, United Kingdom, Germany, France, Italy, or Spain. Under the terms of the agreement, we acquired a gene therapy program for patients with neurodegenerative diseases.

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

Revenue

The following table summarizes our revenue activity by region:

	Three Months Ended March 31,		
	2021	2020	Percent Change
U.S.	**$ 3,941.3**	$ 3,328.8	18 %
Outside U.S.	**2,864.3**	2,531.0	13
Revenue	**$ 6,805.6**	$ 5,859.8	16

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, 2021 vs. 2020		
	U.S.	Outside U.S.	Consolidated
Volume	24 %	9 %	17 %
Price	(6)	(2)	(4)
Foreign exchange rates	—	6	3
Percent change	18 %	13 %	16 %

Numbers may not add due to rounding.

We estimate that revenue for the three months ended March 31, 2020 for many of our products was favorably impacted by increased customer buying patterns and patient prescription trends resulting from the COVID-19 pandemic that increased revenue by approximately $250 million worldwide, including approximately $200 million in the U.S. and approximately $50 million outside the U.S. We believe that this increase in U.S. revenue primarily impacted our diabetes portfolio, with estimated increases of approximately $70 million to $80 million for insulin products and approximately $30 million to $40 million for Trulicity®. We also estimate that U.S. revenue for Taltz® was favorably impacted by approximately $20 million to $25 million.

In the U.S. for the three months ended March 31, 2021, the increase in volume was primarily driven by COVID-19 antibodies, Trulicity, and Taltz, partially offset by lower volume for Alimta. In the U.S. for the three months ended March 31, 2021, the decrease in realized prices was primarily driven by increased rebates to gain broad commercial access for Taltz, partially offset by modest list price increases. Segment mix was not a major driver of U.S. price performance during the three months ended March 31, 2021, as increased utilization in more highly-rebated government segments was offset by lower utilization in the 340B segment, primarily for the diabetes portfolio.

Outside the U.S. for the three months ended March 31, 2021, the increase in volume was primarily driven by COVID-19 antibodies, Alimta, Olumiant, Tyvyt, and Verzenio, partially offset by decreased volume for Cialis®, Forteo, and Cymbalta.

The following table summarizes our revenue activity by product for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31,				
	2021			2020	
Product	**U.S.**	**Outside U.S.**	**Total**	**Total**	**Percent Change**
Trulicity	**$ 1,116.8**	**$ 335.7**	**$ 1,452.4**	$ 1,229.4	18
COVID-19 antibodies [1]	**650.6**	**159.5**	**810.1**	—	NM
Humalog [2]	**332.7**	**284.4**	**617.0**	695.8	(11)
Alimta	**261.1**	**297.8**	**559.0**	560.1	—
Taltz	**249.6**	**153.6**	**403.2**	443.5	(9)
Humulin®	**219.0**	**102.7**	**321.7**	315.7	2
Jardiance [3]	**151.2**	**160.8**	**312.0**	267.5	17
Verzenio	**172.8**	**96.2**	**269.0**	188.0	43
Basaglar®	**175.2**	**71.4**	**246.6**	303.7	(19)
Cyramza®	**80.2**	**160.3**	**240.5**	239.0	1
Forteo	**97.7**	**100.8**	**198.5**	272.4	(27)
Olumiant	**24.7**	**169.1**	**193.8**	139.7	39
Cymbalta	**11.0**	**165.7**	**176.6**	210.4	(16)
Cialis	**8.6**	**118.1**	**126.8**	193.0	(34)
Erbitux®	**107.9**	**14.4**	**122.4**	130.8	(6)
Emgality®	**101.5**	**18.0**	**119.5**	74.0	61
Tyvyt	**—**	**109.7**	**109.7**	57.4	91
Zyprexa®	**6.9**	**88.9**	**95.8**	98.4	(3)
Other products	**173.8**	**257.2**	**431.0**	441.2	(2)
Revenue	**$ 3,941.3**	**$ 2,864.3**	**$ 6,805.6**	$ 5,859.8	16

Numbers may not add due to rounding.

NM - not meaningful

[1] COVID-19 antibodies include sales for bamlanivimab administered alone as well as sales for bamlanivimab and etesevimab administered together and were made pursuant to EUAs.

[2] Humalog revenue includes insulin lispro.

[3] Jardiance revenue includes Glyxambi®, Synjardy®, and Trijardy® XR.

Revenue of Trulicity, a treatment for type 2 diabetes and to reduce the risk of major adverse cardiovascular events in adult patients with type 2 diabetes and established cardiovascular disease or multiple cardiovascular risk factors, increased 20 percent in the U.S. during the three months ended March 31, 2021, driven by increased demand, partially offset by lower realized prices. Trulicity's lower realized prices in the U.S. were primarily due to higher contracted rebates, partially offset by a favorable segment mix that reflected lower utilization in the 340B segment, and modest list price increases. Revenue outside the U.S. increased 12 percent during the three months ended March 31, 2021, driven by increased volume and, to a lesser extent, favorable foreign exchange rates, partially offset by lower realized prices.

Revenue of COVID-19 antibodies, treatments that were authorized pursuant to EUAs for mild to moderate COVID-19 for higher-risk patients, was $650.6 million in the U.S. during the three months ended March 31, 2021. Revenue outside the U.S. was $159.5 million during the three months ended March 31, 2021. The availability of vaccines and other preventative measures, coupled with the transient nature of pandemics, could negatively impact or eliminate demand for these COVID-19 antibodies. In addition, mutations or the spread of other variants of the coronavirus could also render our COVID-19 antibodies ineffective.

Revenue of Humalog, an injectable human insulin analog for the treatment of diabetes, decreased 17 percent in the U.S. during the three months ended March 31, 2021, driven by lower realized prices as higher contracted rebates and discounts were partially offset by lower utilization in the 340B segment. Revenue outside the U.S. decreased 4 percent during the three months ended March 31, 2021, driven by decreased volume, partially offset by the favorable impact of foreign exchange rates. While it is difficult to estimate the severity of the impact of insulin lispro products entering the market, we do not expect and have not experienced a rapid and severe decline in revenue. However, due to the impact of competition and due to pricing pressure in the U.S. and some international markets, we expect some price decline and loss of market share to continue over time.

Revenue of Alimta, a treatment for various cancers, decreased 19 percent in the U.S. during the three months ended March 31, 2021, primarily driven by lower volume as a result of customer buying patterns and, to a lesser extent, lower realized prices. Revenue outside the U.S. increased 26 percent during the three months ended March 31, 2021, primarily driven by increased volume in Germany and, to a lesser extent, the favorable impact of foreign exchange rates. We will lose our patent protection for Alimta in Japan and major European countries in June 2021. We expect the limited entry of generic competition in the U.S. starting February 2022 and subsequent unlimited entry starting April 2022. We expect that the entry of generic competition following the loss of exclusivity will cause a rapid and severe decline in revenue. See "Executive Overview - Other Matters- Patent Matters" for more information.

Revenue of Taltz, a treatment for moderate-to-severe plaque psoriasis, active psoriatic arthritis, ankylosing spondylitis, and active non-radiographic axial spondyloarthritis, decreased 24 percent in the U.S. during the three months ended March 31, 2021, primarily driven by lower realized prices due to increased rebates to gain broad commercial access, partially offset by increased demand. Revenue outside the U.S. increased 32 percent during the three months ended March 31, 2021, primarily driven by increased volume and, to a lesser extent, the favorable impact of foreign exchange rates.

Revenue of Humulin, an injectable human insulin for the treatment of diabetes, increased 2 percent in the U.S. during the three months ended March 31, 2021, driven by higher realized prices, partially offset by decreased demand. Revenue outside the U.S. increased 1 percent during the three months ended March 31, 2021, driven by the favorable impact of foreign exchange rates and higher realized prices, largely offset by decreased volume.

Revenue of Jardiance, a treatment for type 2 diabetes and to reduce the risk of cardiovascular death in adult patients with type 2 diabetes and established cardiovascular disease, increased 5 percent in the U.S. during the three months ended March 31, 2021, driven by increased demand. Revenue outside the U.S. increased 31 percent during the three months ended March 31, 2021, driven by increased volume and, to a lesser extent, the favorable impact of foreign exchange rates. See Note 4 to the consolidated condensed financial statements for information regarding our collaboration with Boehringer Ingelheim involving Jardiance.

Revenue of Verzenio, a treatment for HR+, HER2- metastatic breast cancer, increased 34 percent in the U.S. during the three months ended March 31, 2021, primarily driven by increased demand, and, to a lesser extent, higher realized prices. Revenue outside the U.S. increased 64 percent during the three months ended March 31, 2021, primarily driven by increased volume.

Revenue of Basaglar, a long-acting human insulin analog for the treatment of diabetes, decreased 24 percent in the U.S. during the three months ended March 31, 2021, driven by decreased demand caused by competitive pressures and, to a lesser extent, lower realized prices. Revenue outside the U.S. decreased 3 percent during the three months ended March 31, 2021, driven by lower realized prices and decreased volume, partially offset by the favorable impact of foreign exchange rates. See Note 4 to the consolidated condensed financial statements for information regarding our collaboration with Boehringer Ingelheim involving Basaglar. A competitor launched a similar version of glargine in the U.S. in 2020. Due to the impact of competitive pressures, we expect some price decline and loss of market share over time.

Revenue of Cyramza, a treatment for various cancers, decreased 10 percent in the U.S. during the three months ended March 31, 2021, primarily driven by decreased demand and lower realized prices. Revenue outside the U.S. increased 7 percent for the three months ended March 31, 2021, driven by the favorable impact of foreign exchange rates and increased volume.

Gross Margin, Costs, and Expenses

Gross margin as a percent of revenue was 72.4 percent for the three months ended March 31, 2021, a decrease of 6.9 percentage points compared with the three months ended March 31, 2020. The decrease in gross margin percent was primarily due to unfavorable product mix driven by sales of COVID-19 antibodies, the unfavorable effect of foreign exchange rates on international inventories sold, higher amortization of intangibles expense related to Retevmo, charges resulting from excess inventory of COVID-19 antibodies due in part to the termination of the purchase agreement with the U.S. government for bamlanivimab following discontinuation of the product's distribution on its own in the U.S., and, to a lesser extent, the impact of lower realized prices on revenue.

Research and development expenses increased 21 percent to $1.68 billion for the three months ended March 31, 2021. The increase in research and development expenses for the three months ended March 31, 2021 was driven primarily by approximately $220 million of research and development expenses for COVID-19 antibody therapies and baricitinib, as well as higher research and development expenses for late-stage assets.

Marketing, selling, and administrative expenses increased 2 percent to $1.58 billion for the three months ended March 31, 2021.

We recognized $299.3 million of acquired IPR&D charges for the three months ended March 31, 2021 related to collaborations with Rigel, Precision, Merus, and Asahi. We recognized $52.3 million of acquired IPR&D charges for the three months ended March 31, 2020 related to a collaboration with Sitryx.

We recognized asset impairment, restructuring, and other special charges of $211.6 million for the three months ended March 31, 2021. The charges for the three months ended March 31, 2021 were primarily related to an intangible asset impairment resulting from the decision to sell the rights to Qbrexza, as well as acquisition and integration costs associated with the acquisition of Prevail. We recognized asset impairment, restructuring, and other special charges of $59.9 million for the three months ended March 31, 2020, primarily related to acquisition and integration costs associated with the acquisition of Dermira.

Other–net, (income) expense was income of $321.1 million for the three months ended March 31, 2021 compared with income of $89.1 million for the three months ended March 31, 2020. The increase in other income was driven primarily by higher net gains on investment securities.

The effective tax rate was 8.2 percent for the three months ended March 31, 2021, compared with 13.3 percent for the three months ended March 31, 2020. The effective tax rates for both periods were reduced by net discrete tax benefits, with a larger net discrete tax benefit reflected for the three months ended March 31, 2021.

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, 2020.

Cash and cash equivalents decreased to $3.00 billion as of March 31, 2021, compared with $3.66 billion as of December 31, 2020. 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, 2021 and 2020.

In addition to our cash and cash equivalents, we held total investments of $3.28 billion and $2.99 billion as of March 31, 2021 and December 31, 2020, respectively. See Note 6 to the consolidated condensed financial statements for additional information.

In January 2021, we acquired all shares of Prevail for a purchase price that included $22.50 per share in cash (or an aggregate of $747.4 million, net of cash acquired) plus one non-tradable CVR per share. The CVR entitles Prevail stockholders to up to an additional $4.00 per share in cash (or an aggregate of approximately $160 million) payable, subject to certain terms and conditions. The acquisition was funded primarily through cash on hand. See Note 3 to the consolidated condensed financial statements for additional information.

As of March 31, 2021, total debt was $16.20 billion, a decrease of $390.8 million compared with $16.60 billion as of December 31, 2020.

As of March 31, 2021, we had a total of $5.24 billion of unused committed bank credit facilities, $5.00 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, 2021, we did not repurchase any shares under our $8.00 billion share repurchase program authorized in June 2018. As of March 31, 2021, we had $1.00 billion remaining under this program.

During the three months ended March 31, 2021, we paid dividends of approximately $774.8 million, or $0.85 per share, to our shareholders.

See "Executive Overview - Other Matters - Patent Matters" for information regarding recent and upcoming losses of patent protection.

Both domestically and abroad, we continue to monitor the potential impacts of the economic environment; the creditworthiness of our wholesalers and other customers, including foreign government-backed agencies and suppliers; the uncertain impact of health care 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.

Financial Expectations

We have updated certain elements of our 2021 financial guidance. The update to our 2021 financial guidance includes acquired IPR&D charges, asset impairment, restructuring and other special charges, and excess inventory charges related to COVID-19 antibodies, as well as net gains on investments in equity securities recognized during the three months ended March 31, 2021. The update to 2021 financial guidance also reflects lower expected revenue from COVID-19 antibody sales due to lower expected demand and higher expected research and development expenses.

Earnings per share for 2021 are now expected to be in the range of $7.03 to $7.23.

We now anticipate 2021 revenue to be between $26.6 billion and $27.6 billion, including an estimated $1.0 billion to $1.5 billion of revenue from COVID-19 therapies. Revenue growth is additionally expected to be driven by volume from Trulicity, Taltz, Verzenio, Jardiance, Olumiant, Cyramza, Emgality, Tyvyt, and Retevmo, as well as by COVID-19 therapies. Revenue growth is expected to be partially offset by lower revenue for products that have lost patent exclusivity. We expect mid-single digit net price declines globally in 2021. In the U.S., we expect low-to-mid-single digit net price declines, driven primarily by increased rebates to maintain broad commercial access and segment mix, partially offset by lower utilization in the 340B segment. Outside the U.S., we expect net price declines in China, Japan and Europe.

Gross margin as a percent of revenue for 2021 is still expected to be approximately 77 percent. Research and development expenses for 2021 are now expected to be in the range of $6.9 billion to $7.1 billion, reflecting additional investments in potential therapies for Alzheimer's disease and approximately $400 million to $500 million of continued investment in COVID-19 therapies. Marketing, selling, and administrative expenses for 2021 are still expected to be in the range of $6.2 billion to $6.4 billion. Other—net, (income) expense for 2021 is now expected to be income in the range of $150 million to $250 million. The 2021 effective tax rate is now expected to be approximately 13 percent.

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**. The information contained in, or that can be accessed through, our website is not a part of, or incorporated by reference in, this Quarterly Report.

Item 4. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures*. Under applicable 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 A. Ricks, president and chief executive officer, and Anat Ashkenazi, senior 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, 2020) as of March 31, 2021, and concluded that they were effective.

(b) *Changes in Internal Controls*. During the first quarter of 2021, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. Other Information

Item 1. Legal Proceedings

We are a party to various currently pending legal actions, government investigations, and environmental proceedings. See Note 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, 2020.

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, 2020. 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, 2020.

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

Information relating to the principal market for our common stock and related shareholder matters is described in "Management's Discussion and Analysis of Results of Operations and Financial Condition" in Part II, Item 7 and in "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" in Part III, Item 12 of our Annual Report on Form 10-K for the year ended December 31, 2020.

The following table summarizes the activity related to repurchases of our equity securities during the three months ended March 31, 2021:

Period	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 2021	—	$ —	—	$ 1,000.0
February 2021	—	—	—	1,000.0
March 2021	—	—	—	1,000.0
Total	—	—	—	

During the three months ended March 31, 2021, we did not repurchase any shares under our $8.00 billion share repurchase program authorized in June 2018.

Item 6. Exhibits

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

Exhibit	Description
EXHIBIT 3.1	Amended Articles of Incorporation are incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013
EXHIBIT 3.2	Bylaws, as amended, are incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on February 9, 2021
EXHIBIT 10.1	Form of Restricted Stock Unit Award under the 2002 Lilly Stock Plan (with non-compete)
EXHIBIT 10.2	Release Agreement, effective as of February 9, 2021, by and between Eli Lilly and Company and Joshua L. Smiley
EXHIBIT 31.1	Rule 13a-14(a) Certification of David A. Ricks, Chairman, President, and Chief Executive Officer
EXHIBIT 31.2	Rule 13a-14(a) Certification of Anat Ashkenazi, Senior Vice President and Chief Financial Officer
EXHIBIT 32.	Section 1350 Certification
EXHIBIT 101.	Interactive Data Files (embedded within the Inline XBRL document)
EXHIBIT 104.	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

(i) Long-term debt instruments under which the total amount of securities authorized does not exceed 10% of our consolidated assets are not filed as exhibits to this Quarterly Report. We will furnish a copy of these agreements to the SEC 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, 2021 /s/Anat Ashkenazi
Anat Ashkenazi
Senior Vice President and Chief Financial Officer

Date: April 30, 2021 /s/Donald A. Zakrowski
Donald A. Zakrowski
Vice President, Finance, and Chief Accounting Officer

EXHIBIT 10.1 Form of Restricted Stock Unit Award under the 2002 Lilly Stock Plan (with non-compete)

Eli Lilly and Company
Restricted Stock Unit Award Agreement
(for Executive Officer)

This Restricted Stock Unit Award has been granted on [INSERT DATE] (“Grant Date”) by Eli Lilly and Company, an Indiana corporation, with its principal offices in Indianapolis, Indiana (“Lilly” or the “Company”), to the Eligible Individual who has received this Restricted Stock Unit Award Agreement (the “Grantee”).

Vesting Date: 100% on [INSERT DATE]
(except as otherwise provided in this Restricted Stock Unit Award Agreement)

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Section 1. Grant of Restricted Stock Units

Eli Lilly and Company, an Indiana corporation ("Lilly" or the "Company"), has granted to the Eligible Individual who has received this Restricted Stock Unit Award Agreement (the "Grantee") an award of restricted stock units (the "Restricted Stock Units" or the "Award") with respect to the number of shares of Lilly Common Stock (the "Shares") that the Grantee may view by logging on to the Merrill Lynch website at http://myequity.lilly.com.

The Award is made pursuant to and subject to the terms and conditions set forth in the Amended and Restated 2002 Lilly Stock Plan (the "Plan") and to the terms and conditions set forth in this Restricted Stock Unit Award Agreement, including all appendices, exhibits and addenda hereto (the "Award Agreement"). In the event of any conflict between the terms of the Plan and this Award Agreement, the terms of the Plan shall govern except with respect to the provisions described in Section 11 below (in which case, the terms of the Award Agreement shall govern).

Any capitalized terms used but not defined in this Award Agreement shall have the meanings set forth in the Plan.

Section 2. Vesting

a. For purposes of the vesting provisions set forth in Section 2 of this Award Agreement, the following definitions will apply:

(i) "Disability" means that the Grantee would qualify to receive benefit payments under the long-term disability plan or policy, as it may be amended from time to time, of the Company or the Affiliate that employs the Grantee (the "Employer"). If the Company or the Employer does not have a long-term disability plan or policy, "Disability" means that the Grantee is unable to carry out the responsibilities and functions of the position held by the Grantee by reason of any medically determined physical or mental impairment for a period of at least ninety (90) consecutive days as may be determined by the Company or Employer. The Grantee shall not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Company as it determines in its sole discretion.

(ii) "Qualifying Termination" means the termination of the Grantee's Service under any one of the following circumstances:

A. due to a plant closing or reduction in workforce (as defined below);

B. as a result of the Grantee's failure to locate a position within the Company or an Affiliate following the placement of the Grantee on reallocation or medical reassignment in the United States (or equivalent as determined by the Committee).

"Plant closing" means the closing of a plant site or other corporate location that directly results in termination of the Grantee's Service.

"Reduction in workforce" means the elimination of a work group, functional or business unit or other broadly applicable reduction in job positions that directly results in termination of the Grantee's Service.

b. The Award shall vest at the close of business in Indianapolis, Indiana, U.S.A. on the earliest of the following dates (each, a "Vesting Date"):

(i) [INSERT DATE] with respect to 100% of the Award, provided the Grantee is still in active Service on the Vesting Date,

subject to any alternative date(s) set forth in any appendix attached hereto (the "Appendix"), or

(ii) the date the Grantee's Service is terminated (A) due to the Grantee's death or (B) by reason of the Grantee's Disability, with respect to 100% of the Award, or

(iii) the date the Grantee is subject to a Qualifying Termination, in which case the number of Restricted Stock Units that shall vest shall be reduced proportionally for the portion of the total days between the Grant Date and the Vesting Date specified in 2(b)(i) that the Grantee was not in active Service.

The Committee's determination as to whether (A) the Grantee's Service has been terminated by reason of Disability, (B) the Grantee's Service has been terminated as a direct result of either a plant closing or a reduction in workforce, (C) the Grantee's Service has been terminated as a result of the failure to locate a position within the Company or an Affiliate following reallocation or medical reassignment, and (D) a leave of absence or a transfer of employment between Lilly and an Affiliate or between Affiliates constitutes a termination of Service shall be final and binding on the Grantee.

c. In the event the Grantee's Service with the Company or an Affiliate is terminated prior to a Vesting Date for any reason or in any circumstance other than those specified in Sections 2(b)(ii) or 2(b)(iii), any unvested portion of the Award will be forfeited.

d. The Committee may, at its discretion, cancel the Award or reduce the number of Restricted Stock Units and any accrued Dividend Equivalent Rights, prorated according to time or other measure as deemed appropriate by the Committee, if at any time prior to the Vesting Date, the Grantee has been (i) subject to disciplinary action by the Company, or (ii) determined to have committed a material violation of law or Company policy or to have failed to properly manage or monitor the conduct of an employee who has committed a material violation of law or Company policy whereby, in either case, such conduct causes significant harm to the Company.

Section 3. Change in Control

The provisions of Section 13.2 of the Plan apply to this Award with the following modifications:

a. The only Change in Control event that shall result in a benefit under this Section 3 shall be the consummation of a merger, share exchange, or consolidation of the Company, as defined in Section 2.6(c) of the Plan (a "Transaction").

b. In the event that the Award is not converted, assumed, substituted, continued or replaced by a successor or surviving corporation, or a parent or subsidiary thereof, in connection with a Transaction, then immediately prior to the Transaction, the Award shall vest automatically in full.

c. In the event that the Award is converted, assumed, substituted, continued or replaced by a successor or surviving corporation, or a parent or subsidiary thereof, in connection with a Transaction and the Grantee is subject to a Covered Termination (as defined below) prior to any applicable Vesting Date, the Award shall vest automatically in full.

For purposes of this provision, “Covered Termination” shall mean a termination of Service as described in Sections 2(b)(ii) and 2(b)(iii), Grantee’s termination without Cause or the Grantee’s resignation for Good Reason. “Cause” and “Good Reason” shall have the meanings ascribed to them in the Eli Lilly and Company 2007 Change in Control Severance Pay Plan for Employees or the Eli Lilly and Company 2007 Change in Control Severance Pay Plan for Select Employees (both as amended from time to time) or any successor plan or arrangement thereto, as applicable.

d. If the Grantee is entitled to receive stock of the acquiring entity or successor to the Company as a result of the application of this Section 3, then references to Shares in this Award Agreement shall be read to mean stock of the successor or surviving corporation, or a parent or subsidiary thereof, as and when applicable.

Section 4. Settlement

a. Except as provided below, the Award shall be paid to the Grantee as soon as practicable and generally within sixty (60) days following the applicable Vesting Date, or, if earlier, a vesting event contemplated under the Section 3 above.

b. At such time, Lilly shall issue or transfer Shares or the cash equivalent, as contemplated under Section 4(c) below, to the Grantee. In the event the Grantee is entitled to a fractional Share, the fraction may be paid in cash or rounded, in the Committee’s discretion.

c. At any time prior to the applicable Vesting Date or until the Award is paid in accordance with this Section 4, the Committee may, if it so elects, determine to pay part or all of the Award in cash in lieu of issuing or transferring Shares. The amount of cash shall be calculated based on the Fair Market Value of the Shares on the applicable Vesting Date.

d. In the event of the death of the Grantee, the payments described above shall be made to the successor of the Grantee.

Section 5. Rights of the Grantee

a. No Shareholder Rights. The Restricted Stock Units do not entitle the Grantee to any rights of a shareholder of Lilly until such time as the Restricted Stock Units vest and Shares are issued or transferred to the Grantee.

b. Dividend Equivalent Rights. As long as the Grantee holds Restricted Stock Units granted pursuant to this Award, the Company shall accrue for the Grantee, on each date that the Company pays a cash dividend to holders of Company Shares, Dividend Equivalent Rights equal to the total number of Restricted Stock Units credited to the Grantee under this Award multiplied by the dollar amount of the cash dividend paid per Share by the Company on such date. Dividend Equivalent Rights shall accrue in an account denominated in U.S. dollars and shall not accrue interest or other credits prior to being paid. A report showing the accrued Dividend Equivalent Rights shall be sent to the Grantee periodically, as determined by the Company. The accrued Dividend Equivalent Rights shall be subject to the same vesting conditions as the Restricted Stock Units to which the Dividend Equivalent Rights relate, and the Dividend Equivalent Rights shall be forfeited in the event that the Restricted Stock Units with respect to which such Dividend Equivalent Rights were credited are forfeited. Following the applicable Vesting Date, Lilly shall pay to the Grantee in cash all accrued Dividend Equivalent Rights in accordance with Section 4 above.

c. No Trust; Grantee’s Rights Unsecured. Neither this Award Agreement nor any action in accordance with this Award Agreement shall be construed to create a trust of any kind. The

right of the Grantee to receive payments of cash or Shares pursuant to this Award Agreement shall be an unsecured claim against the general assets of the Company.

Section 6. Prohibition Against Transfer

The right of a Grantee to receive payments of Shares and/or cash under this Award may not be transferred except to a duly appointed guardian of the estate of the Grantee or to a successor of the Grantee by will or the applicable laws of descent and distribution and then only subject to the provisions of this Award Agreement. A Grantee may not assign, sell, pledge, or otherwise transfer Shares or cash to which he or she may be entitled hereunder prior to transfer or payment thereof to the Grantee, and any such attempted assignment, sale, pledge or transfer shall be void.

Section 7. Responsibility for Taxes

a. Regardless of any action Lilly and/or the Grantee's Employer takes with respect to any or all income tax (including federal, state, local and non-U.S. tax), social insurance, payroll tax, fringe benefits tax, payment on account or other tax related items related to the Grantee's participation in the Plan and legally applicable to the Grantee ("Tax Related Items"), the Grantee acknowledges that the ultimate liability for all Tax Related Items is and remains the Grantee's responsibility and may exceed the amount actually withheld by Lilly or the Employer. The Grantee further acknowledges that Lilly and the Employer (i) make no representations or undertakings regarding the treatment of any Tax Related Items in connection with any aspect of the Award, including the grant of the Restricted Stock Units, the accrual of Dividend Equivalent Rights, the vesting of the Restricted Stock Units and the lapse of restrictions, the transfer and issuance of any Shares, the receipt of any cash payment pursuant to the Award and/or Dividend Equivalent Rights, the receipt of any dividends and the sale of any Shares acquired pursuant to this Award; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Grantee's liability for Tax Related Items or achieve any particular tax result. Furthermore, if the Grantee becomes subject to Tax Related Items in more than one jurisdiction, the Grantee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax Related Items in more than one jurisdiction.

b. Prior to the applicable taxable or tax withholding event, as applicable, the Grantee shall pay or make adequate arrangements satisfactory to Lilly and/or the Employer to satisfy all Tax Related Items.

(i) In the case of Dividend Equivalent Rights paid to the Grantee and if the Restricted Stock Units are paid to the Grantee in cash in lieu of Shares, the Grantee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy any obligation for Tax Related Items by withholding from the cash amount paid to the Grantee pursuant to the Award or from the Grantee's wages or other cash compensation paid to the Grantee by the Company and/or the Employer.

(ii) If the Restricted Stock Units are paid to the Grantee in Shares and the Grantee is not subject to the short-swing profit rules of Section 16(b) of the Exchange Act, the Grantee authorizes Lilly and/or the Employer, or their respective agents, at their discretion, to (A) withhold from the Grantee's wages or other cash compensation paid to the Grantee by the Company and/or the Employer, (B) arrange for the sale of Shares to be issued upon settlement of the Award (on the Grantee's behalf and at the Grantee's direction pursuant to this authorization or such other authorization as the Grantee may be required to provide to Lilly or its designated broker in order for such sale to be effectuated) and withhold from the proceeds of such sale, (C) withhold in Shares otherwise issuable to the Grantee pursuant to this Award, and/or

(D) apply any other method of withholding determined by the Company and, to the extent required by Applicable Laws or the Plan, approved by the Committee.

(iii) If the Restricted Stock Units are paid to the Grantee in Shares and the Grantee is subject to the short-swing profit rules of Section 16(b) of the Exchange Act, Lilly will withhold in Shares otherwise issuable to the Grantee pursuant to this Award, unless the use of such withholding method is prevented by Applicable Laws or has materially adverse accounting or tax consequences, in which case the withholding obligation for Tax Related Items may be satisfied by one or a combination of the methods set forth in Section 7(b)(ii)(A) and (B) above.

c. Depending on the withholding method, Lilly and/or the Employer may withhold or account for Tax Related Items by considering applicable statutory or other withholding rates, including minimum or maximum rates in the jurisdiction(s) applicable to the Grantee, in which case the Grantee may receive a refund of any over-withheld amount in cash (without interest and without entitlement to the equivalent amount in Shares). If the obligation for Tax Related Items is satisfied by withholding Shares, for tax purposes, the Grantee will be deemed to have been issued the full number of Shares to which he or she is entitled pursuant to this Award, notwithstanding that a number of Shares are withheld to satisfy the obligation for Tax Related Items.

d. Lilly may require the Grantee to pay Lilly and/or the Employer any amount of Tax Related Items that Lilly and/or the Employer may be required to withhold or account for as a result of any aspect of this Award that cannot be satisfied by the means previously described. Lilly may refuse to deliver Shares or any cash payment to the Grantee if the Grantee fails to comply with the Grantee's obligation in connection with the Tax Related Items as described in this Section 7.

Section 8. Section 409A Compliance

To the extent applicable, it is intended that this Award comply with the requirements of Section 409A of the U.S. Internal Revenue Code of 1986, as amended and the Treasury Regulations and other guidance issued thereunder ("Section 409A") and this Award shall be interpreted and applied by the Committee in a manner consistent with this intent in order to avoid the imposition of any additional tax under Section 409A.

Section 9. Grantee's Acknowledgement

In accepting this Award, the Grantee acknowledges, understands and agrees that:

a. the Plan is established voluntarily by Lilly, it is discretionary in nature and it may be modified, amended, suspended or terminated by Lilly at any time, as provided in the Plan;

b. the Award is voluntary and occasional and does not create any contractual or other right to receive future awards of Restricted Stock Units and/or Dividend Equivalent Rights, or benefits in lieu thereof, even if Restricted Stock Units and/or Dividend Equivalent Rights have been granted in the past;

c. all decisions with respect to future awards of Restricted Stock Units, Dividend Equivalent Rights or other awards, if any, will be at the sole discretion of the Committee;

d. the Grantee's participation in the Plan is voluntary;

e. the Award and any Shares subject to the Award are not intended to replace any pension rights or compensation;

f. the Award and any Shares subject to the Award, and the income and value of same, are not part of normal or expected compensation for any purpose, including but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, holiday pay, leave pay, pension or welfare or retirement benefits or similar mandatory payments;

g. unless otherwise agreed with Lilly, the Award and any Shares subject to the Award, and the income and value of same, are not granted as consideration for, or in connection with, the service the Grantee may provide as a director of an Affiliate;

h. neither the Award nor any provision of this Award Agreement, the Plan or the policies adopted pursuant to the Plan, confer upon the Grantee any right with respect to employment or continuation of current employment, and in the event that the Grantee is not an employee of Lilly or any subsidiary of Lilly, the Award shall not be interpreted to form an employment contract or relationship with Lilly or any Affiliate;

i. the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

j. no claim or entitlement to compensation or damages shall arise from forfeiture of the Award resulting from the Grantee ceasing to provide employment or other services to Lilly or the Employer (for any reason whatsoever, whether or not later found to be invalid or in breach of local labor laws in the jurisdiction where the Grantee is employed or the terms of Grantee's employment agreement, if any);

k. for purposes of the Award, the Grantee's employment will be considered terminated as of the date he or she is no longer actively providing services to the Company or an Affiliate and the Grantee's right, if any, to earn and be paid any portion of the Award after such termination of employment or services (regardless of the reason for such termination and whether or not such termination is later found to be invalid or in breach of employment laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment agreement, if any) will be measured by the date the Grantee ceases to actively provide services and will not be extended by any notice period (e.g., active service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment agreement, if any); the Committee shall have the exclusive discretion to determine when the Grantee is no longer actively providing services for purposes of the Award (including whether the Grantee may still be considered to be actively providing services while on a leave of absence);

l. unless otherwise provided in the Plan or by the Committee in its discretion, the Award and the benefits evidenced by this Award Agreement do not create any entitlement to have the Award or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and

m. neither the Company, the Employer nor any Affiliate shall be liable for any foreign exchange rate fluctuation between the Grantee's local currency and the United States Dollar that may affect the value of the Award or any amounts due to the Grantee pursuant to the settlement of the Award or the subsequent sale of any Shares acquired upon settlement.

Section 10. Data Privacy

a. *Data Collection and Usage. The Company and the Employer may collect, process and use certain personal information about the Grantee, and persons closely associated with the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number (e.g., resident registration number), salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Restricted Share Units or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in the Grantee's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is the Grantee's consent. Where required under applicable law, Data may also be disclosed to certain securities or other regulatory authorities where the Company's securities are listed or traded or regulatory filings are made and the legal basis, where required, for such disclosure are the applicable laws.*

b. *Stock Plan Administration Service Providers. The Company transfers Data to Bank of America Merrill Lynch and/or its affiliated companies ("Merrill Lynch"), an independent service provider, which is assisting the Company with the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and share Data with such other provider serving in a similar manner. The Grantee may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan. The Company may also transfer Data to KPMG, an independent service provider, which is also assisting the Company with certain aspects of the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and share Data with such other provider serving in a similar manner.*

c. *International Data Transfers. The Company and its service providers are based in the United States. The Grantee's country or jurisdiction may have different data privacy laws and protections than the United States. The Company's legal basis, where required, for the transfer of Data is Grantee's consent.*

d. *Data Retention. The Company will hold and use the Data only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and security laws.*

e. *Voluntariness and Consequences of Consent Denial or Withdrawal. Participation in the Plan is voluntary and the Grantee is providing the consents herein on a purely voluntary basis. If the Grantee does not consent, or if the Grantee later seeks to revoke the Grantee's consent, the Grantee's salary from or employment and career with the Employer will not be affected; the only consequence of refusing or withdrawing the Grantee's consent is that the Company would not be able to grant this Award or other awards to the Grantee or administer or maintain such awards.*

f. *Data Subject Rights. The Grantee understands that data subject rights regarding the processing of Data vary depending on applicable law and that, depending on where the Grantee is based and subject to the conditions set out in such applicable law, the Grantee may have, without limitation, the right to (i) inquire whether and what kind of Data the Company holds about the Grantee and how it is processed, and to access or request copies of such Data, (ii) request the correction or supplementation of Data about the Grantee that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Data no longer necessary for the purposes underlying the processing, (iv) request the Company to restrict the processing of the Grantee's Data in certain*

situations where the Grantee feels its processing is inappropriate, (v) object, in certain circumstances, to the processing of Data for legitimate interests, and to (vi) request portability of the Grantee's Data that the Grantee has actively or passively provided to the Company or the Employer (which does not include data derived or inferred from the collected data), where the processing of such Data is based on consent or the Grantee's employment and is carried out by automated means. In case of concerns, the Grantee understands that he or she may also have the right to lodge a complaint with the competent local data protection authority. Further, to receive clarification of, or to exercise any of, the Grantee's rights, the Grantee understands that he or she should contact his or her local human resources representative.

g. *Declaration of Consent. By accepting the Award and indicating consent via the Company's online acceptance procedure, the Grantee is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Company and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not offer an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.*

Section 11. Restrictive Covenants, Remedies, and Additional Terms and Conditions

a. Restrictive Covenants. In consideration of the Grantee's receipt of the Award from Lilly, the Grantee agrees that during the Grantee's employment with Lilly or an Affiliate that the Grantee provided services to or had access to confidential information concerning ("Covered Affiliate") and for twelve (12) months immediately following the end of the Grantee's employment (regardless of reason), the Grantee will not directly or indirectly, on a worldwide basis, engage in any of the following activities:

(i) Work for, advise, manage, act as an agent, employee or consultant for, or otherwise provide any services, in a Competitively-Sensitive Capacity, to: (a) any person or entity engaged in research, development, production, sale or distribution of a product or service competitive with or substantially similar to any product or service in research, development or design, or manufactured, produced, sold or distributed by Lilly or a Covered Affiliate; or (b) any person or entity that otherwise competes or intends to compete with Lilly or a Covered Affiliate.

(ii) Solicit, urge, divert, induce, or seek to induce any of Lilly's (or Covered Affiliate's) independent contractors, subcontractors, business partners, distributors, brokers, consultants, sales representatives, customers, vendors, suppliers or any other person with whom Lilly or Covered Affiliate has a business relationship and with whom the Grantee interacted during the Grantee's employment with Lilly or Covered Affiliate to terminate their relationship with, or representation of, Lilly or Covered Affiliate or to cancel, withdraw, reduce, limit or in any manner modify any such person's business with, or representation of, Lilly or a Covered Affiliate.

The Grantee acknowledges and agrees that any Lilly Affiliate is an intended third-party beneficiary of this Award Agreement, which may be enforced by Lilly or any such Affiliate, either singularly or jointly.

For purposes of this Award Agreement, "Competitively-Sensitive Capacity" means: (i) the same or similar capacity or function in which the Grantee worked for Lilly or a Covered Affiliate at any time during the two (2) years immediately preceding the end of the Grantee's employment; (ii) any officer, director, executive or senior management capacity or function; (iii) any research and development capacity or function; (iv) any sales management or

business development management capacity or function; (v) any ownership capacity (except the Grantee may own as a passive investment up to 2% of any publicly traded securities); and/or (vi) any other capacity or function in which there is a material risk that the Grantee likely would inevitably use or disclose trade secrets and/or confidential information of Lilly or a Covered Affiliate. For purposes of clarity, if a competing business has multiple divisions, lines or segments, some of which are not competitive with the business of Lilly, including its Covered Affiliates, nothing in this Award Agreement will prohibit the Grantee from being employed by, working for or assisting only that division, line or segment of such competing business that is not competitive with the business of Lilly or a Covered Affiliate, provided the Grantee is not involved in a Competitively-Sensitive Capacity in the research, development, manufacture, provision or sale of any products that compete with any products of Lilly or a Covered Affiliate.

The Grantee and Lilly acknowledge and agree that the worldwide geographic scope of the foregoing covenants is reasonable and necessary given, among other things, that: (i) absent the restrictions, the Grantee could utilize Lilly's (or its Affiliates) trade secrets and/or confidential information and compete with Lilly or Affiliate from virtually anywhere; and (ii) such scope is the only way for Lilly and its Affiliates to protect their trade secrets and confidential information. In the event the Grantee violates any of the restrictive covenants contained herein, their duration will automatically be extended by the length of time during which the Grantee was in violation of any of the restrictive covenants.

The Grantee acknowledges and agrees that, during the course of the Grantee's employment with Lilly or a Covered Affiliate, the Grantee will become intimately familiar with confidential information and trade secrets key to its unique competitive advantage. The Grantee also acknowledges and agrees that Lilly's (and Covered Affiliate's) confidential information and trade secrets will retain continuing vitality throughout and beyond the twelve-month restricted period. And, the Grantee acknowledges and agrees that, should the Grantee leave Lilly or Covered Affiliate and, near the Grantee's departure from Lilly or Covered Affiliate, work with another person or entity that engages in business activities similar to those of Lilly and/or Covered Affiliate, it would be highly likely, if not inevitable, that the Grantee would rely on confidential information of Lilly and/or Covered Affiliate in the course of the Grantee's work, either consciously or subconsciously, harming Lilly and any Covered Affiliates. For these and other reasons, the Grantee agrees that the restrictions above are reasonably necessary to protect Lilly's and its Covered Affiliate's legitimate business interests and do so by creating a specific amount of time after the Grantee's employment ends during which the Grantee will not be able to engage or prepare to engage in the activities above.

The Grantee and Lilly further acknowledge and agree that if any particular covenant or provision is determined to be unreasonable or unenforceable for any reason, including, without limitation, the time period, geographic area, and/or scope of activity covered by any restrictive covenant within this Award Agreement, such covenant or provision will automatically be deemed reformed so that the contested covenant or provision will have the closest effect permitted by applicable law to the original form and will be given effect and enforced as so reformed to whatever would be reasonable and extent enforceable under applicable law. Any court interpreting any restrictive covenant provision of this Award Agreement will, if necessary, reform any such provision to make it enforceable under applicable law.

This Award Agreement is intended, among other things, to supplement (and not supersede) all applicable statutes protecting trade secrets and the duties the Grantee owes to Lilly and/or Covered Affiliates under the common law, as well as any other non-competition, non-solicitation, or confidentiality provisions that the Grantee agreed in the past, including those

in the Grantee's Employee Confidentiality and Invention Agreement, each of which remains in full force and effect, or that the Grantee agrees in the future.

The Grantee acknowledges that a breach by the Grantee of this Award Agreement will give rise to irreparable injury to Lilly and Covered Affiliates and money damages will not provide adequate relief for such injury. As a result, the Grantee agrees that Lilly (including any third-party beneficiary) will be entitled to obtain equitable or injunctive relief without having to post any bond or other security to restrain or prohibit any such breach or threatened breach, in addition to any other remedies which may be available, including the recovery of monetary damages from the Grantee.

b. Remedies. If the Company determines that the Grantee has violated any applicable provisions of this Section 11, in addition to injunctive relief and damages, the Grantee agrees and covenants that: (i) the Award shall be immediately rescinded; (ii) the Grantee shall automatically forfeit any rights the Grantee may have with respect to the Award as of the date of such determination, including the rights to continue to be eligible to vest or receive a payment under the Award; and (iii) the foregoing remedies set forth in this Section 11 shall not be Lilly's (or any third-party beneficiary's) exclusive remedies. Lilly reserves all other rights and remedies available to it at law or in equity.

c. Insider Trading/Market Abuse Laws. The Grantee may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including but not limited to the United States and the Grantee's country of residence, which may affect the Grantee's ability to directly or indirectly, for the Grantee or for a third party, acquire or sell, or attempt to sell, or otherwise dispose of Shares or rights to acquire Shares (e.g., Restricted Stock Units) under the Plan during such times as the Grantee is considered to have "inside information" regarding the Company (as determined under the laws or regulations in the applicable jurisdictions). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. The Grantee acknowledges that it is his or her responsibility to comply with any applicable restrictions, and the Grantee should consult with his or her personal legal advisor on this matter.

d. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Award and any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Grantee to execute any additional agreements or undertakings that may be necessary to accomplish the foregoing. Without limitation to the foregoing, the Grantee agrees that the Restricted Stock Unit Award and any benefits or proceeds the Grantee may receive hereunder shall be subject to forfeiture and/or repayment to the Company to the extent required to comply with any requirements imposed under Applicable Laws or any compensation recovery policy of the Company that reflects the provisions of Applicable Laws.

Section 12. Governing Law and Choice of Venue

The validity, construction, and enforcement of this Award Agreement shall be governed by the laws of the State of Indiana, U.S.A. without regard to laws that might cause other law to govern under applicable principles of conflict of laws or cause the application of substantive law of any jurisdiction other than Indiana. For purposes of litigating any dispute that arises under this Award Agreement, the parties hereby submit to and consent to the jurisdiction and venue of the State of Indiana, and agree that such litigation shall be conducted exclusively in the courts having appropriate subject matter jurisdiction in Marion County, Indiana, or the federal courts for the United States for the Southern District of Indiana**,** and no other courts, where this Award is granted and/or to be performed.

Section 13. Miscellaneous Provisions

a. Notices and Electronic Delivery and Participation. Any notice to be given by the Grantee or successor Grantee shall be in writing, and any notice shall be deemed to have been given or made only upon receipt thereof by the Corporate Secretary of Lilly at Lilly Corporate Center, Indianapolis, Indiana 46285, U.S.A. Any notice or communication by Lilly in writing shall be deemed to have been given in the case of the Grantee if mailed or delivered to the Grantee at any address specified in writing to Lilly by the Grantee and, in the case of any successor Grantee, at the address specified in writing to Lilly by the successor Grantee. In addition, Lilly may, in its sole discretion, decide to deliver any documents related to the Award and participation in the Plan by electronic means or request the Grantee's consent to participate in the Plan by electronic means. By accepting this Award, the Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by Lilly or a third party designated by Lilly.

b. Language. The Grantee acknowledges that he or she is proficient in the English language, or has consulted with an advisor who is sufficiently proficient in English, so as to allow the Grantee to understand the terms and conditions of this Award Agreement. If the Grantee has received this Award Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

c. Waiver. The waiver by Lilly of any provision of this Award Agreement at any time or for any purpose shall not operate as or be construed to be a waiver of the same or any other provision of this Award Agreement at any subsequent time or for any other purpose.

d. Severability and Section Headings. If one or more of the provisions of this Award Agreement shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Award Agreement to be construed so as to foster the intent of this Award Agreement and the Plan.

The section headings in this Award Agreement are for convenience of reference only and shall not be deemed a part of, or germane to, the interpretation or construction of this instrument.

e. No Advice Regarding Grant. Lilly is not providing any tax, legal or financial advice, nor is Lilly making any recommendations regarding the Grantee's participation in the Plan or the Grantee's acquisition or sale of the underlying Shares. The Grantee should consult with his or her own personal tax, legal and financial advisors regarding the Grantee's participation in the Plan before taking any action related to the Plan.

Section 14. Compensation Recovery

At any time during the three years following the date on which the number of shares of Lilly Stock subject to this Award was determined, the Company reserves the right to and, in appropriate cases, will seek restitution of all or part of any shares of Lilly Stock subject to or issued (or cash paid) pursuant to this Award if:

a. (i) the number of shares of Lilly Stock subject to the Award was calculated based, directly or indirectly, upon the achievement of financial results (e.g., earnings per share) that were

subsequently the subject of restatement of all or a portion of the Company's financial statements;

(ii) the Grantee engaged in intentional misconduct that caused or partially caused the need for such a restatement; and

(iii) the number of shares of Lilly Stock that would have been subject to the Award had the financial results been properly reported would have been lower than the number of shares of Lilly Stock actually subject to the Award.

b. the Grantee has been determined to have committed a material violation of law or Company policy or to have failed to properly manage or monitor the conduct of an employee who has committed a material violation of law or Company policy whereby, in either case, such conduct causes significant harm to the company.

In the event the number of shares of Lilly Stock subject to the Award is determined to have been based on materially inaccurate financial statements or other Company performance measures or on calculation errors (without any misconduct on the part of the Grantee), the Company reserves the right to and, in appropriate cases, will:

a. seek restitution of the shares of Lilly Stock subject to or issued (or cash paid) pursuant to this Award to the extent that the number of shares of Lilly Stock subject to the Award exceeded the number of shares of Lilly Stock that would have been subject to the Award had the inaccuracy or error not occurred, or

b. issue additional shares of Lilly Stock or make additional cash payment to the extent that the number of shares of Lilly Stock subject to the Award was less than the correct amount.

This Section 14 is not intended to limit the Company's power to take such action as it deems necessary to remedy any misconduct, prevent its reoccurrence and, if appropriate, based on all relevant facts and circumstances, punish the wrongdoer in a manner it deems appropriate.

Section 15. Award Subject to Acknowledgement of Acceptance

Notwithstanding any provisions of this Award Agreement, the Award is subject to acknowledgement of acceptance by the Grantee prior to 4:00 PM (EDT) [INSERT DATE], through the website of Merrill Lynch, the Company's stock plan administrator. If the Grantee does not acknowledge acceptance of the Award prior to 4:00 PM (EDT) [INSERT DATE], the Award will be cancelled, subject to the Committee's discretion for unforeseen circumstances.

IN WITNESS WHEREOF, Lilly has caused this Award Agreement to be executed in Indianapolis, Indiana, by its proper officer.

ELI LILLY AND COMPANY

By: _____

EXHIBIT 10.2 Release Agreement, effective as of February 9, 2021, by and between Eli Lilly and Company and Joshua L. Smiley

Release Agreement

This RELEASE AGREEMENT ("Agreement") is entered into by and between Eli Lilly and Company ("Lilly") and Joshua L. Smiley ("Executive").

Agreement

In consideration of the mutual covenants and conditions set forth in this Agreement, Lilly and Executive agree as follows:

1. The parties have agreed that Executive will resign from his officer position with Lilly and assist in the transition of his duties to his successor, and desire to set forth certain mutual understandings related to such resignation and transition in this Agreement. By carrying out the terms of this Agreement, neither admits any wrongful action or any liability to the other.

2. As a result, Executive and Lilly agree that Executive will resign from his position as Senior Vice President and Chief Financial Officer as of February 9, 2021 (the "Transition Date"). Executive agrees that his resignation as of the Transition Date includes resignation from any officer or director positions at Lilly or any of its subsidiaries or affiliates, and agrees to deliver the resignation letter attached hereto as *Exhibit A*. Beginning on the Transition Date and continuing through July 31, 2021 (the "Transition Period"), Executive will provide advice and assistance related to transition matters as directed by Lilly's Chief Executive Officer and/or his designee. During the Transition Period, Executive will be eligible to receive a biweekly base salary of $9,000.00, less all applicable taxes and withholdings, and remain eligible to participate in the benefit plans and programs for which he is eligible. On the day following the Transition Period ("the "Non-Compete Transition Date") and continuing through July 31, 2022 (the "Separation Date" and such period, the "Non-Compete Period"), Executive and Lilly agree that Executive will no longer receive any compensation from Lilly. Executive acknowledges that during the Non-Compete Period, (i) he will remain available for consultation with his successor and Lilly's Chief Executive Officer from time to time as may reasonably be requested related to matters with which he was responsible while an officer of Lilly, and (ii) he will comply with the restrictive covenants set forth in this

Agreement, including paragraphs 18, 20 and 21. During the Transition Period and the Non-Compete Period, Executive will remain an employee of Lilly, subject to compliance with the terms of this Agreement, and Lilly has the right to sever Executive's employment at any time in its sole discretion without any additional liability to Executive (other than for accrued base pay through the date of termination and then-vested benefits under the applicable terms of Lilly benefit plans). Executive understands and agrees that he has no right or entitlement under The Lilly Severance Pay Plan or any other plan, program or arrangement to any severance benefit.

3. Executive acknowledges that he will not receive a bonus for calendar year 2020 or 2021 under the terms and conditions of The Eli Lilly and Company Bonus Plan ("Bonus Plan").

4. Lilly agrees that so long as Executive timely signs and returns this Agreement to Lilly by no later than the deadline provided pursuant to paragraph 26 of this Agreement (and does not revoke it within the time period prescribed therein), Lilly agrees that Executive will receive 75% of his Shareholder Value Award for the period 2018-2020, less all applicable taxes and withholdings (the "Award Payout"), payable within seven (7) days following the expiration of the revocation period set forth in paragraph 26. Executive acknowledges and agrees that he is not entitled to the Award Payout or the other consideration set forth above other than as consideration for entering into this Agreement.

5. For the consideration stated in this Agreement, Executive (for himself, his heirs, successors, and assigns) hereby releases and forever discharges Lilly, its subsidiaries and affiliated companies and all of their present or former representatives, officers, employees, agents, directors, shareholders, predecessors, successors, purchasers, and assigns, or any other persons whom he may claim to be responsible for any alleged damages (the "Releasees"), to the fullest extent permitted by law, from any and all grievances, claims, liability, damages, demands, debts, obligations, actions and causes of action, of any nature whatsoever (including, but not limited to, all causes of action arising under worker's compensation non-interference or non-retaliation statutes), whether based on statutory, tort, contract or other legal or equitable theory of recovery, which Executive may now have or has had, whether known or unknown, in any way arising out of or relating to Executive's employment with Lilly, the terms and conditions of that employment or the cessation of such employment (collectively, "Released Claims"). Released Claims include, but are not limited to, all claims for compensation of any kind; all

claims for reinstatement or other equitable relief; claims for fringe benefits; all claims to any right to accept or receive any award or portion of any award resulting from a settlement or judgment against Lilly arising out of any action brought by Executive or on his behalf, or on behalf of any government, including any right to recover, directly or indirectly, under the False Claims Act or similar state laws, and all claims arising out of or relating to federal or state fraud and abuse, reimbursement, price reporting, compliance with laws or regulations, and/or federal healthcare programs (collectively, “Healthcare Laws”) (other than those claims that cannot be released); or any other statutory or common law claim which could be brought by, on behalf of, or through Executive under any legal or equitable theory. Executive will not join or participate as a class representative or class member in any class action or collective action against the Releasees relating to any claims covered by this Agreement. By signing this Agreement, Executive does not, however, give up his charge-filing rights as described in paragraph 6 below or his right to report governmental actions as described in paragraph 7 below. Executive expressly acknowledges that his Released Claims also include, but are not limited to, release of the Releasees to the fullest extent permitted by law from any claim of failure to provide adequate notice of the termination of Executive’s employment; of race, color, or national origin discrimination; of disability discrimination; of sex discrimination, sexual harassment or other harassment; of retaliation; or of any other claim of employment discrimination under any laws prohibiting employment discrimination, including, but not limited to, The Worker Adjustment and Retraining Notification Act, Title VII of The Civil Rights Act of 1964, as amended, the Older Workers Benefit Protection Act, the Civil Rights Act of 1866, 42 U.S.C. § 1981, Executive Order 11246, The Americans With Disabilities Act, as amended, and the Family and Medical Leave Act, or based on other alleged unlawful practices under any federal, state or local statute, ordinance or regulation, including, without limitation, claims under the Employee Retirement Income Security Act and the Equal Pay Act. Executive hereby agrees and acknowledges that the Released Claims are not limited to matters which are known or have been disclosed, as of the date hereof, to him. In addition, Executive’s employment relationship with Lilly is covered by the Age Discrimination in Employment Act of 1967, 29 U.S.C. § 621 et seq., as amended. By signing this Agreement, Executive waives any rights or claims against the Releasees, or any other persons whom he may claim to be responsible for any alleged

damages that have arisen or may arise under the Age Discrimination in Employment Act on or before the date he signs this Agreement.

6. Executive understands and agrees that although by signing this Agreement and accepting the Award Payout as described above in paragraph 4 he does not waive his right to file an Equal Employment Opportunity Commission ("EEOC") charge against Lilly, or to file a charge with any comparable state or local administrative agency, or to cooperate in an EEOC or agency investigation of any such charge, he does waive and release, to the fullest extent permitted by law, any and all entitlement to any form of personal relief arising from any such charge he has filed or may file in the future against Lilly related to his employment with Lilly. Executive understands that this waiver and release of personal relief would not affect the EEOC's or state or local administrative agency's ability to investigate such a charge or to pursue relief on behalf of other individuals. If Executive has filed such a charge prior to his signing of this Agreement, he agrees that he will, within two (2) business days of signing this Agreement, prepare, sign, and deliver to the EEOC or state or local administrative agency with which the charge is pending a letter that states as follows:

> This letter is in regard to charge number _____ ("Charge") which I have filed with this agency. This is to advise you that I have entered into an agreement, under which, in exchange for sufficient consideration, I have fully waived and released all claims to any personal relief, including any form of monetary relief, arising out of any claims related to my employment with Lilly through the date of my signing of the Agreement. This waiver and release includes any and all claims for personal relief related to the above-referenced Charge. I have also, again in exchange for sufficient consideration, fully waived and released all rights to file a lawsuit against Lilly in any court of law asserting claims arising out of my employment with Lilly, up through and including the date of my signing of the Agreement. These waivers and releases are effective to the fullest extent permitted by applicable law. I understand that this Agreement does not affect this agency's ability to investigate the above-referenced Charge or to pursue relief on behalf of other individuals.
>
> I entered into this Agreement with Lilly voluntarily and without coercion and with sufficient opportunity to consult an attorney for advice. Thank you for your assistance.

Executive further agrees to provide to Lilly a copy of the letter as signed and delivered.

7. Executive also understands and agrees that although by signing this Agreement and accepting the Award Payout as described above he does not waive his right to report actual or potential violations by Lilly to appropriate governmental authorities or employees or to cooperate in a governmental investigation of any such report, he does waive and release, to the fullest extent permitted by law, any and all entitlement to any form of personal relief arising from any such allegations he, or another party,

have filed or may file in the future against Lilly related to any Healthcare Law. Executive understands that this waiver and release of personal relief would not affect the governmental entity's ability to investigate such a report or to pursue relief on behalf of others. Executive is not aware of any actual or potential violations of any Healthcare Law by Lilly, its affiliates, employees or agents and is not a party to any governmental action involving Lilly.

8. Lilly agrees to pay Executive his gross monthly base salary (less all applicable taxes and withholdings) set forth in paragraph 2 through the Transition Period ("Final Pay"). In addition, Executive shall receive payment by no later than the first payroll period following the Transition Period for any 2021 vacation which he may have accrued but not used pursuant to The Eli Lilly and Company Holiday and Vacation Plan in effect during 2021. Likewise, if Executive used more vacation days than he accrued, the overpayment will be adjusted from his Final Pay.

9. The parties recognize that Executive has previously been awarded certain equity grants. Executive understands that, pursuant to the terms and conditions of the outstanding equity award(s) and action by the Lilly Compensation Committee, each such award, other than the Award Payout described above, will be forfeited as of the Transition Date.

10. Executive understands that he shall remain eligible as an active employee under The Eli Lilly and Company Health Plan and any other Lilly employee benefit plans and programs only through the Transition Period. Executive understands that coverage for him and any covered dependents under The Eli Lilly and Company Health Plan will be terminated as of the last day of the Transition Period. As will be explained more fully in the COBRA election notice and information he will receive, Executive and any of his covered dependents are eligible for continuation of coverage of dental, vision, and/or medical benefits pursuant to COBRA.

11. The parties recognize that Executive has accrued certain benefits under The Lilly Retirement Plan and that those benefits continue in full force and effect, subject to the terms of The Lilly Retirement Plan, and that nothing in this Agreement serves to modify the terms of such plan. Accordingly, Executive will receive any and all vested benefits to which he is entitled under The Lilly Retirement Plan, in accordance with the terms of such plan, and additional retirement benefits under The Lilly Excess Benefit Plan – Retirement ("Excess Retirement Plan"). Executive understands that he will be responsible

for all required FICA taxes associated with his Excess Retirement Plan benefits and other applicable taxes. Additionally, Executive will receive any and all vested benefits to which he is entitled under The Lilly Employee 401(k) Plan, in accordance with the terms of such plan, and additional savings benefits under The Lilly Excess Savings Plan ("Excess Savings Plan"). Executive understands that any benefits provided through the Excess Retirement Plan will not begin sooner than age fifty-five consistent with Section 409A of the Internal Revenue Code and the terms of such plan. Executive also understands that any benefits provided through the Excess Savings Plan will be provided consistent with Section 409A of the Internal Revenue Code and the terms of such plan. All of the terms of the applicable benefit plans apply, except as otherwise required by applicable law.

12. Executive agrees that he is not entitled to reinstatement of active employment or reemployment with Lilly or any of its subsidiaries or related companies, he waives any such right or claim, and he agrees that he will not seek employment in the future with Lilly or any of its subsidiaries or related companies.

13. Except as provided herein, Lilly's U.S. Human Resources component agrees to follow its standard practice in responding to inquiries from a third party (other than a government entity) about Executive's employment at Lilly, which is to provide only dates of employment and last position held. Notwithstanding the foregoing, Lilly may make public disclosures related to Executive's resignation as its chief financial officer as it deems appropriate in its sole discretion, which disclosures may include, without limitation, the following statement (or like statements):

> On February 9, 2021, the Company also announced that Joshua L. Smiley, senior vice president and chief financial officer of the Company, informed the Company of his resignation from the Company. The Company was recently made aware of allegations of an inappropriate relationship between Mr. Smiley and a Lilly employee. Lilly immediately engaged external counsel to conduct a thorough, independent investigation. That investigation revealed consensual though inappropriate personal communications between Mr. Smiley and certain Lilly employees and behavior that Lilly leadership concluded exhibited poor judgment by Mr. Smiley. Lilly holds all employees accountable to its core values and strongly believes its executive officers carry an even higher burden in ensuring those values are upheld. Mr. Smiley did not meet that standard. For clarity, Mr. Smiley's conduct in question was not related to financial controls, financial statements or any other business matters or judgments.

Executive understands and agrees that he will direct any employment verification inquiries concerning his employment at Lilly to Stephen F. Fry, Sr. Vice President, Human Resources and Diversity.

14. Executive agrees that he will not disparage or otherwise communicate any information damaging or potentially damaging to Lilly's business or reputation to any third party, including without limitation the media, consultants, physicians, vendors, and any customers or others with whom Lilly has a business relationship. Notwithstanding the foregoing, nothing in this Agreement will prohibit or restrict Executive (or Executive's attorney) from (i) making any disclosure of information required by law, including with respect to possible violations of law or providing truthful testimony if required to do so by court order or legal process, (ii) responding to any inquiry about this Agreement or its underlying facts and circumstances by the Securities and Exchange Commission (SEC) or the Financial Industry Regulatory Authority (FINRA), or participating, cooperating, or testifying in any action, investigation, or proceeding with, or providing information to, any governmental entity or legislative body, any self-regulatory organization, and/or pursuant to the Sarbanes-Oxley Act, or (iii) accepting any whistleblower incentive awards from the SEC.

15. Executive agrees that he will, at any future time before or after the Separation Date, upon notice from Lilly that Lilly or its attorneys believe that his compliance would be helpful in the resolution of an investigation or the prosecution or defense of litigation, be available upon reasonable notice from Lilly and discussion with Executive as to reasonable time and day of the week, with or without subpoena, to be interviewed, review documents or things, give depositions, testify, or engage in other reasonable activities, with respect to matters concerning which he has or may have knowledge as a result of or in connection with his employment by Lilly. In performing Executive's obligations under this paragraph to testify or otherwise provide information, Executive will honestly, truthfully, forthrightly, and completely provide the information requested. In addition, Executive hereby represents and warrants to Lilly that he has participated honestly, truthfully, forthrightly, and completely with respect to the investigation of his behavior conducted to date by Lilly and its counsel. Following the Separation Date, Lilly will pay Executive for the time he spends in activities described in this paragraph, at Lilly's request, in one-half day or whole-day increments, at his final Lilly rate of pay, and it will pay all reasonable and necessary expenses that Executive incurs at Lilly's request in performing those activities; however, nothing in this Agreement shall require Lilly to pay Executive for in-court testimony. Moreover, nothing in this paragraph

15 shall, however, obligate Executive to provide such cooperation to Lilly in connection with any EEOC or comparable state or local administrative agency charge filed against Lilly.

16. Executive agrees to cooperate fully with Lilly in effecting a smooth transfer of responsibilities; to return to Lilly by the last day of the Transition Period all identification and credit cards, keys, telephones, computers, company-issued devices, mobile devices, USB devices (e.g., thumbdrives, hard-drives, etc.), or other equipment, and other things owned by Lilly and all documents, materials, records, or other things belonging to Lilly or containing Lilly's property and/or confidential information, including such property and/or information on personal devices.

17. Executive understands and acknowledges that the Award Payout and any other bonus payments and/or incentive awards previously received by Executive remain subject to recoupment by the Company pursuant to the terms of the Executive Compensation Recovery Policy for the period of time specified therein, and any recoupment consistent with the terms of the Executive Compensation Recovery Policy will not affect the validity of this Agreement or the release provided by Executive herein.

18. Executive understands and acknowledges that given his role and position of trust with Lilly, and pursuant to the terms of his Employee Confidentiality and Invention Agreement, he has ongoing duties to Lilly, including duties to protect and not disclose Lilly's confidential and proprietary information. Executive represents and acknowledges that all non-public financial information about Lilly and its products (both in market and in development products) is confidential and proprietary information subject to the terms of the Confidentiality and Invention Agreement and that Executive will not disclose such information to, discuss such information with, or use such information on behalf of, any third party, including any competitor, customer, supplier, or payor. Executive further represents and warrants to Lilly that he has not at any time before executing this Agreement disclosed any of the terms or conditions of compromise and settlement set forth in this Agreement to any person other than his attorney and his financial advisor (if any). Nothing in this Agreement shall prohibit or restrict Executive from participating, cooperating, or testifying in any action, investigation, or proceeding with, or providing relevant and truthful information to, any court, governmental agency or legislative body, including but not limited to the IRS, any self-regulatory organization and/or pursuant to the Sarbanes-Oxley Act; provided that, to the extent permitted by law, upon receipt of any subpoena, court order or other legal process compelling the

disclosure of any such information or documents, including this Agreement, Executive gives ten (10) days' written notice to Lilly prior to responding to such subpoena, court order or other legal process so as to permit Lilly to protect its interests in confidentiality to the fullest extent possible. This notice requirement does not, however, apply to Executive's non-waived rights related to his filing of or cooperation in the investigation of any charge of the type referenced in paragraph 7 of this Agreement, nor does it apply to his non-waived rights related to Executive's rights to report governmental actions of the types referenced in paragraph 8 of this Agreement.

Executive agrees that in any communication he has other than with his attorney and financial advisor (if any) regarding his departure from Lilly, he shall state only that he resigned from Lilly unless that communication is in connection with his participation, cooperation, or testimony in any action, investigation, or proceeding with, or his provision of relevant and truthful information to any court, governmental agency or legislative body. **These promises of confidentiality are material terms of this Agreement.**

19. Executive further agrees to indemnify Lilly to the fullest extent permitted by law from all claims, costs and expenses, including all attorneys' fees, arising out of any misrepresentation made by him in this Agreement. In the event Executive personally sues Lilly based on any claim, complaint, action, injury or right of action for which he has released and agreed not to sue Lilly in this Agreement (other than a suit under the Age Discrimination in Employment Act), Executive agrees, to the fullest extent permitted by law, to pay all costs and attorneys' fees incurred by Lilly in defending such lawsuit.

Nothing in this paragraph shall limit Executive's charge-filing rights as described in paragraph 6 of this Agreement or Executive's rights to report governmental actions as described in paragraph 7 of this Agreement, and Executive shall have no obligation to pay Lilly for costs or attorney's fees incurred by Lilly in defending against an EEOC or state or local administrative agency charge filed by Executive against Lilly, or any report of actual or potential violations by Lilly, as long as Executive waives and releases any and all entitlement to any form of personal relief arising from any such charge or report as described in paragraphs 6 and 7 of this Agreement.

20. During Executive's employment with Lilly and for a period of twelve (12) months after the Separation Date, Executive will not, directly or indirectly: (a) solicit, recruit, hire, employ, engage or

attempt to hire, employ or engage any person who is an employee of Lilly or any of its subsidiaries or affiliates; (b) assist any person or entity in the recruitment, hiring or engagement of any person who is an employee of Lilly or any of its subsidiaries or affiliates; (c) urge, induce or seek to induce any person to terminate his/her employment with Lilly or any of its subsidiaries or affiliates; or (d) advise, suggest to or recommend to any Competitive Business that it employ, engage or seek to employ or engage any person who is an employee of Lilly or any of its subsidiaries or affiliates. For purposes of this Agreement, "Competitive Business" means any entity that (1) competes with Lilly (including its subsidiaries and affiliates); or (2) develops, manufacturers, sells, offers or provides any products and/or services that are similar to and/or competitive with any products and/or services that Lilly or any of its subsidiaries or affiliates was developing, manufacturing, selling, offering or providing as of the time Executive's employment with Lilly ended.

21. During Executive's employment with Lilly and for a period of twelve (12) months after the Non-Compete Transition Date, Executive agrees that he will not, directly or indirectly, provide any services (as an employee, advisor, consultant, or otherwise) in an executive or financial capacity, to any Competitive Business (or any owner of or investor of a Competitive Business, to the extent the services provided to such owner or investor relate to the Competitive Business). Executive agrees and acknowledges that this restriction is reasonable and necessary to protect Lilly's trade secrets and confidential information because, if Executive were to violate the restriction, it would be highly likely, if not inevitable, that he would rely on Lilly's confidential information in the course of his work, either consciously or subconsciously, harming Lilly.

22. Executive acknowledges that a breach by Executive of paragraphs 18, 20 and 21 of this Agreement will give rise to irreparable injury to Lilly and money damages will not be adequate relief for such injury. As a result, Executive agrees that Lilly (including any third-party beneficiary) will be entitled to obtain equitable or injunctive relief without having to post any bond or other security to restrain or prohibit any such breach or threatened breach, in addition to any other remedies which may be available, including the recovery of monetary damages from Executive.

23. This Agreement shall be governed by and construed in accordance with the laws of the State of Indiana. The courts of the State of Indiana will have exclusive jurisdiction in relation to matters connected with or concerning this Agreement.

24. If any term or provision of this Agreement shall to any extent be invalid or unenforceable, the remainder of this Agreement shall not be affected, and each term and provision of this Agreement shall be valid and able to be enforced to the fullest extent permitted by law.

25. Executive acknowledges that he has contractual obligations pursuant to the Employee Confidentiality and Invention Agreement which he signed previously with Lilly and agrees that those obligations are not extinguished by this Agreement. Except as described herein, this Agreement, the Employee Confidentiality and Invention Agreement, and the exhibits attached hereto, contain the entire understanding between the parties relating to the subject matter hereof and may not be amended, supplemented or otherwise modified except by an instrument in writing signed by both parties.

26. Executive acknowledges that Lilly (i) provided him this Agreement on February 7, 2021; (ii) any revisions to this Agreement since originally provided to him are not material changes to this Agreement; (iii) has advised and advises him to consult an attorney prior to signing the Agreement; (iv) informed him that he could have until twenty-one (21) days from receipt to consider this Agreement; and (v) advised him that this Agreement shall not be effective or enforceable against him or Lilly if he revokes it in writing not later than seven (7) days after he signs it. If Executive decides to revoke the Agreement, then he must deliver written notice to Stephen F. Fry, Senior Vice President, Human Resources and Diversity, Eli Lilly and Company, Lilly Corporate Center, Indianapolis, Indiana 46285, within such seven (7) day period after signing. The other terms and conditions contained herein will not be enforceable by the parties hereto until the expiration of the seven (7) day period.

IN WITNESS WHEREOF, Lilly and Executive have executed this Agreement on this 8th day of February, 2021.

/s/ Joshua L. Smiley
Joshua L. Smiley

ELI LILLY AND COMPANY

By: /s/ Stephen F. Fry
Stephen F. Fry
Sr. Vice President, Human Resources
and Diversity

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

CERTIFICATIONS

I, David A. Ricks, Chairman, 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 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 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, 2021

By: /s/David A. Ricks
David A. Ricks
Chairman, President, and Chief Executive Officer

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

CERTIFICATIONS

I, Anat Ashkenazi, Senior 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 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 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, 2021

By: /s/Anat Ashkenazi

Anat Ashkenazi
Senior 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, 2021 (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, 2021

/s/David A. Ricks
David A. Ricks
Chairman, President, and Chief Executive Officer

Date: April 30, 2021

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