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

Form 10-Q

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

For the quarterly period ended June 30, 2022

COMMISSION FILE NUMBER 001-6351

ELI LILLY AND COMPANY
(Exact name of Registrant as specified in its charter)

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

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

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

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

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).
Yes ☒ No ☐

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

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

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

The number of shares of common stock outstanding as of August 1, 2022:

Class	Number of Shares Outstanding
Common	950,174,817

Eli Lilly and Company

Form 10-Q
For the Quarter Ended June 30, 2022

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Forward-Looking Statements

This Quarterly Report on Form 10-Q and our other publicly available documents include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (Exchange Act), and are subject to the safe harbor created thereby under the Private Securities Litigation Reform Act of 1995. 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 or any future pandemic, epidemic, or similar public health threat and the global response thereto;
- uncertainties related to our efforts to develop, manufacture, and distribute 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 and outcome 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 information technology 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, disruptions, or shortages, including as a result of demand, labor shortages, third-party performance, or 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, 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, trade disruptions, global disputes, unrest, war, or other costs, uncertainties and risks related to engaging in business in foreign jurisdictions;
- 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, 2021, particularly under the caption "Risk Factors." Investors should understand that it is not possible to predict or identify all such factors and should not consider the risks described above and under Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K to be a complete statement of all potential risks and uncertainties.

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

PART I. Financial Information

Item 1. Financial Statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue (Note 2)	**$ 6,488.0**	$ 6,740.1	**$ 14,298.0**	$ 13,545.7
Costs, expenses, and other:				
Cost of sales	**1,430.5**	1,953.2	**3,502.6**	3,831.8
Research and development	**1,781.9**	1,655.0	**3,392.0**	3,327.1
Marketing, selling, and administrative	**1,625.1**	1,685.7	**3,183.0**	3,261.7
Acquired in-process research and development and development milestones (Note 3)	**440.4**	42.8	**606.0**	354.8
Asset impairment, restructuring, and other special charges (Note 5)	**—**	—	**—**	211.6
Other–net, (income) expense (Note 11)	**119.2**	(190.5)	**469.9**	(511.6)
	5,397.1	5,146.2	**11,153.5**	10,475.4
Income before income taxes	**1,090.9**	1,593.9	**3,144.5**	3,070.3
Income taxes (Note 7)	**138.4**	203.7	**289.1**	324.8
Net income	**$ 952.5**	$ 1,390.2	**$ 2,855.4**	$ 2,745.5
Earnings per share:				
Basic	**$ 1.06**	$ 1.53	**$ 3.17**	$ 3.02
Diluted	**$ 1.05**	$ 1.53	**$ 3.16**	$ 3.01
Shares used in calculation of earnings per share:				
Basic	**900.3**	907.3	**902.0**	908.2
Diluted	**902.9**	910.4	**904.4**	911.6

See notes to consolidated condensed financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Net income	**$ 952.5**	$ 1,390.2	**$ 2,855.4**	$ 2,745.5
Other comprehensive income (loss), net of tax (Note 10)	**(62.4)**	108.5	**55.4**	209.3
Comprehensive income	**$ 890.1**	$ 1,498.7	**$ 2,910.8**	$ 2,954.8

See notes to consolidated condensed financial statements.

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

	June 30, 2022	December 31, 2021
Assets	(Unaudited)	
Current Assets		
Cash and cash equivalents (Note 6)	**$ 2,622.9**	$ 3,818.5
Short-term investments (Note 6)	**113.8**	90.1
Accounts receivable, net of allowances of **$19.2 (2022)** and $22.5 (2021)	**6,364.5**	6,672.8
Other receivables	**1,307.9**	1,454.4
Inventories	**3,899.4**	3,886.0
Prepaid expenses and other	**2,806.7**	2,530.6
Total current assets	**17,115.2**	18,452.4
Investments (Note 6)	**2,587.2**	3,212.6
Goodwill	**3,891.8**	3,892.0
Other intangibles, net	**7,497.7**	7,691.9
Deferred tax assets	**2,371.9**	2,489.3
Property and equipment, net of accumulated depreciation of **$10,119.7 (2022)** and $9,976.7 (2021)	**9,128.2**	8,985.1
Other noncurrent assets	**4,471.6**	4,082.7
Total assets	**$ 47,063.6**	$ 48,806.0
Liabilities and Equity		
Current Liabilities		
Short-term borrowings and current maturities of long-term debt	**$ 2,121.8**	$ 1,538.3
Accounts payable	**1,659.3**	1,670.6
Employee compensation	**835.8**	958.1
Sales rebates and discounts	**7,991.4**	6,845.8
Dividends payable	**882.2**	885.5
Income taxes payable	**126.6**	126.9
Other current liabilities	**2,003.5**	3,027.5
Total current liabilities	**15,620.6**	15,052.7
Other Liabilities		
Long-term debt	**14,692.0**	15,346.4
Accrued retirement benefits (Note 8)	**1,888.6**	1,954.1
Long-term income taxes payable	**3,557.6**	3,920.0
Deferred tax liabilities	**862.5**	1,733.7
Other noncurrent liabilities	**1,783.1**	1,644.3
Total other liabilities	**22,783.8**	24,598.5
Commitments and Contingencies (Note 9)		
Eli Lilly and Company Shareholders' Equity		
Common stock	**594.1**	596.3
Additional paid-in capital	**6,746.0**	6,833.4
Retained earnings	**8,556.0**	8,958.5
Employee benefit trust	**(3,013.2)**	(3,013.2)
Accumulated other comprehensive loss (Note 10)	**(4,287.7)**	(4,343.1)
Cost of common stock in treasury	**(50.5)**	(52.7)
Total Eli Lilly and Company shareholders' equity	**8,544.7**	8,979.2
Noncontrolling interests	**114.5**	175.6
Total equity	**8,659.2**	9,154.8
Total liabilities and equity	**$ 47,063.6**	$ 48,806.0

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								
(Dollars in millions, except per-share data, and shares in thousands)	Common Stock		Additional Paid-in Capital	Retained Earnings	Employee Benefit Trust	Accumulated Other Comprehensive Loss	Common Stock in Treasury[1]		Noncontrolling Interests
	Shares	Amount					Shares	Amount	
Balance at April 1, 2021	959,482	$ 599.7	$ 6,579.2	$ 9,181.3	$ (3,013.2)	$ (6,395.6)	463	$ (52.7)	$ 200.6
Net income				1,390.2					31.4
Other comprehensive income, net of tax						108.5			
Cash dividends declared per share: $1.70				(1,542.9)					
Retirement of treasury shares	(2,467)	(1.6)		(498.5)			(2,467)	500.0	
Purchase of treasury shares							2,467	(500.0)	
Issuance of stock under employee stock plans, net	23		(1.9)						
Stock-based compensation			91.9						
Other									(12.9)
Balance at June 30, 2021	957,038	$ 598.1	$ 6,669.2	$ 8,530.1	$ (3,013.2)	$ (6,287.1)	463	$ (52.7)	$ 219.1
Balance at April 1, 2022	**950,605**	**$ 594.1**	**$ 6,656.3**	**$ 9,369.4**	**$ (3,013.2)**	**$ (4,225.3)**	**450**	**$ (50.5)**	**$ 131.2**
Net income (loss)				**952.5**					**(11.4)**
Other comprehensive loss, net of tax						**(62.4)**			
Cash dividends declared per share: $1.96				**(1,765.9)**					
Issuance of stock under employee stock plans, net	**14**		**(2.4)**						
Stock-based compensation			**92.1**						
Other									**(5.3)**
Balance at June 30, 2022	**950,619**	**$ 594.1**	**$ 6,746.0**	**$ 8,556.0**	**$ (3,013.2)**	**$ (4,287.7)**	**450**	**$ (50.5)**	**$ 114.5**

[1] As of June 30, 2022, there was $3.25 billion remaining under our $5.00 billion share repurchase program authorized in May 2021.

See notes to consolidated condensed financial statements.

(Dollars in millions, except per-share data, and shares in thousands)	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
	Shares	Amount					Shares	Amount	
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				2,745.5					47.8
Other comprehensive income, net of tax						209.3			
Cash dividends declared per share: $1.70				(1,542.9)					
Retirement of treasury shares	(2,467)	(1.6)		(498.5)			(2,467)	500.0	
Purchase of treasury shares							2,467	(500.0)	
Issuance of stock under employee stock plans, net	2,428	1.5	(285.8)				(24)	3.0	
Stock-based compensation			177.4						
Other			(0.9)	(4.2)					(12.3)
Balance at June 30, 2021	957,038	$ 598.1	$ 6,669.2	$ 8,530.1	$ (3,013.2)	$ (6,287.1)	463	$ (52.7)	$ 219.1
Balance at January 1, 2022	**954,116**	**$ 596.3**	**$ 6,833.4**	**$ 8,958.5**	**$ (3,013.2)**	**$ (4,343.1)**	**463**	**$ (52.7)**	**$ 175.6**
Net income (loss)				**2,855.4**					**(48.0)**
Other comprehensive income, net of tax						**55.4**			
Cash dividends declared per share: $1.96				**(1,765.9)**					
Retirement of treasury shares	**(5,607)**	**(3.5)**		**(1,496.5)**			**(5,607)**	**1,500.0**	
Purchase of treasury shares							**5,607**	**(1,500.0)**	
Issuance of stock under employee stock plans, net	**2,110**	**1.3**	**(280.5)**				**(13)**	**2.2**	
Stock-based compensation			**193.1**						
Other				**4.5**					**(13.1)**
Balance at June 30, 2022	**950,619**	**$ 594.1**	**$ 6,746.0**	**$ 8,556.0**	**$ (3,013.2)**	**$ (4,287.7)**	**450**	**$ (50.5)**	**$ 114.5**

[1] As of June 30, 2022, there was $3.25 billion remaining under our $5.00 billion share repurchase program authorized in May 2021.

See notes to consolidated condensed financial statements.

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

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Cash Flows from Operating Activities		
Net income	**$ 2,855.4**	$ 2,745.5
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:		
Depreciation and amortization	**784.6**	719.6
Change in deferred income taxes	**(1,125.0)**	(413.8)
Stock-based compensation expense	**193.1**	177.4
Net investment (gains) losses	**545.6**	(518.1)
Acquired in-process research and development	**233.0**	324.3
Other changes in operating assets and liabilities, net of acquisitions and divestitures	**(117.6)**	118.4
Other non-cash operating activities, net	**(49.2)**	319.6
Net Cash Provided by Operating Activities	**3,319.9**	3,472.9
Cash Flows from Investing Activities		
Net purchases of property and equipment	**(736.4)**	(681.6)
Proceeds from sales and maturities of short-term investments	**57.6**	21.3
Purchases of short-term investments	**(32.9)**	(26.6)
Proceeds from sales of noncurrent investments	**168.5**	461.9
Purchases of noncurrent investments	**(251.4)**	(503.1)
Cash paid for acquisitions, net of cash acquired (Note 3)	**—**	(747.4)
Purchases of in-process research and development	**(571.8)**	(341.8)
Other investing activities, net	**(111.3)**	50.5
Net Cash Used for Investing Activities	**(1,477.7)**	(1,766.8)
Cash Flows from Financing Activities		
Dividends paid	**(1,769.2)**	(1,543.1)
Net change in short-term borrowings	**2,117.2**	196.3
Repayments of long-term debt	**(1,560.0)**	—
Purchases of common stock	**(1,500.0)**	(500.0)
Other financing activities, net	**(290.0)**	(294.8)
Net Cash Used for Financing Activities	**(3,002.0)**	(2,141.6)
Effect of exchange rate changes on cash and cash equivalents	**(35.8)**	(1.6)
Net decrease in cash and cash equivalents	**(1,195.6)**	(437.1)
Cash and cash equivalents at January 1	**3,818.5**	3,657.1
Cash and Cash Equivalents at June 30	**$ 2,622.9**	$ 3,220.0

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 and Implementation of New Financial Accounting Standard

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, 2021. 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.

Certain reclassifications have been made to prior periods in the consolidated condensed financial statements and accompanying notes to conform with the current presentation.

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.

Research and Development Expenses and Acquired In-Process Research and Development (IPR&D) and Development Milestones

Research and development costs are expensed as incurred. Research and development costs consist of expenses incurred in performing research and development activities, including but not limited to, compensation and benefits, facilities and overhead expense, clinical trial expense and fees paid to contract research organizations.

Acquired IPR&D and development milestones include the initial costs of externally developed IPR&D projects, acquired directly in a transaction other than a business combination, that do not have an alternative future use. Additionally, milestone payment obligations related to these transactions that are incurred prior to regulatory approval of the compound are expensed when the event triggering an obligation to pay the milestone occurs.

Implementation of New Financial Accounting Standard

Accounting Standards Update 2021-01, *Reference Rate Reform*, provides for temporary optional expedients and exceptions in applying current GAAP to contracts, hedging relationships, and other transactions affected by the transition from the use of the London Interbank Offered Rate (LIBOR) to an alternative reference rate. The standard is currently applicable to contracts entered into before January 1, 2023. We adopted the standard in the first quarter of 2022. The adoption did not have a material impact on our consolidated condensed financial statements.

Note 2: Revenue

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Net product revenue	**$ 5,870.9**	$ 6,070.5	**$ 13,003.8**	$ 12,390.5
Collaboration and other revenue[(1)]	**617.1**	669.6	**1,294.2**	1,155.2
Revenue	**$ 6,488.0**	$ 6,740.1	**$ 14,298.0**	$ 13,545.7

[(1)] Collaboration and other revenue associated with prior period transfers of intellectual property was $34.4 million and $87.6 million during the three and six months ended June 30, 2022, respectively, and $31.0 million and $73.9 million during the three and six months ended June 30, 2021, 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 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 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 1 percent of U.S. revenue during each of the three and six months ended June 30, 2022 and 2021.

Contract Liabilities

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

The following table summarizes contract liability balances:

	June 30, 2022	**December 31, 2021**
Contract liabilities	**$ 242.1**	$ 262.6

During the three and six months ended June 30, 2022 and 2021, 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 June 30, 2022 and 2021:

	Three Months Ended June 30,					
	2022			2021		
	U.S.	Outside U.S.	Total	U.S.	Outside U.S.	Total
Revenue—to unaffiliated customers:						
Diabetes:						
Trulicity®	**$ 1,430.1**	**$ 481.7**	**$ 1,911.9**	$ 1,147.6	$ 388.0	$ 1,535.6
Jardiance[1]	**250.7**	**210.3**	**461.0**	194.4	162.1	356.5
Humalog® [2]	**238.8**	**208.3**	**447.1**	329.1	278.6	607.6
Humulin®	**202.3**	**71.7**	**274.0**	221.1	94.3	315.3
Basaglar®	**95.8**	**78.4**	**174.2**	133.4	77.3	210.7
Other diabetes	**74.5**	**95.6**	**170.0**	54.2	95.4	149.8
Total diabetes	**2,292.2**	**1,146.0**	**3,438.2**	2,079.8	1,095.7	3,175.5
Oncology:						
Verzenio®	**384.3**	**204.2**	**588.5**	209.7	131.6	341.3
Cyramza®	**92.6**	**138.6**	**231.3**	101.4	167.3	268.7
Alimta®	**171.7**	**56.1**	**227.7**	353.5	257.1	610.6
Erbitux®	**125.1**	**15.7**	**140.8**	135.8	11.2	147.0
Tyvyt®	**—**	**73.6**	**73.6**	—	105.0	105.0
Other oncology	**45.3**	**61.6**	**106.8**	27.9	53.5	81.4
Total oncology	**819.0**	**549.8**	**1,368.7**	828.3	725.7	1,554.0
Immunology:						
Taltz®	**411.6**	**194.7**	**606.2**	399.8	169.3	569.1
Olumiant® [3]	**10.4**	**175.8**	**186.2**	17.8	190.6	208.4
Other immunology	**—**	**4.0**	**4.0**	4.8	3.2	7.9
Total immunology	**422.0**	**374.5**	**796.5**	422.4	363.1	785.4
Neuroscience:						
Emgality®	**108.6**	**48.9**	**157.5**	112.1	44.2	156.3
Zyprexa®	**8.7**	**78.6**	**87.3**	8.4	86.9	95.4
Cymbalta®	**8.1**	**67.4**	**75.5**	12.4	163.3	175.6
Other neuroscience	**19.4**	**50.3**	**69.6**	33.8	51.1	84.9
Total neuroscience	**144.8**	**245.2**	**389.9**	166.7	345.5	512.2
Other:						
Cialis®	**10.8**	**136.2**	**147.0**	(5.2)	286.3	281.0
Forteo®	**78.5**	**60.0**	**138.5**	122.8	95.6	218.4
COVID-19 antibodies[4]	**129.1**	**—**	**129.1**	83.4	65.7	148.9
Other	**38.5**	**41.7**	**80.1**	6.0	58.4	64.6
Total other	**256.9**	**237.9**	**494.7**	207.0	506.0	712.9
Revenue	**$ 3,934.8**	**$ 2,553.3**	**$ 6,488.0**	$ 3,704.2	$ 3,035.9	$ 6,740.1

Numbers may not add due to rounding.
[1] Jardiance revenue includes Glyxambi®, Synjardy®, and Trijardy® XR.
[2] Humalog revenue includes insulin lispro.
[3] Olumiant revenue includes sales for baricitinib that were made pursuant to Emergency Use Authorization (EUA) or similar regulatory authorizations.
[4] COVID-19 antibodies include sales for bamlanivimab administered alone, for bamlanivimab and etesevimab administered together, and for bebtelovimab and were made pursuant to EUAs or similar regulatory authorizations.

The following table summarizes revenue by product for the six months ended June 30, 2022 and 2021:

	Six Months Ended June 30,					
	2022			2021		
	U.S.	Outside U.S.	Total	U.S.	Outside U.S.	Total
Revenue—to unaffiliated customers:						
Diabetes:						
Trulicity	**$ 2,744.1**	**$ 909.1**	**$ 3,653.2**	$ 2,264.3	$ 723.7	$ 2,988.1
Humalog[(1)]	**607.7**	**457.6**	**1,065.3**	661.7	562.9	1,224.6
Jardiance[(2)]	**480.4**	**400.0**	**880.4**	345.6	322.9	668.5
Humulin	**392.8**	**154.5**	**547.2**	440.1	196.9	637.0
Basaglar	**215.1**	**150.6**	**365.7**	308.6	148.7	457.3
Other diabetes	**128.6**	**185.8**	**314.5**	120.7	190.4	311.1
Total diabetes	**4,568.7**	**2,257.6**	**6,826.3**	4,141.0	2,145.5	6,286.6
Oncology:						
Verzenio	**685.7**	**372.1**	**1,057.9**	382.5	227.8	610.3
Alimta	**425.9**	**145.8**	**571.7**	614.6	554.9	1,169.6
Cyramza	**171.8**	**289.7**	**461.5**	181.5	327.7	509.2
Erbitux	**234.7**	**28.7**	**263.4**	243.7	25.7	269.4
Tyvyt	**—**	**159.0**	**159.0**	—	214.6	214.6
Other oncology	**84.6**	**123.7**	**208.2**	48.5	104.7	153.2
Total oncology	**1,602.7**	**1,119.0**	**2,721.7**	1,470.8	1,455.4	2,926.3
Immunology:						
Taltz	**718.8**	**375.5**	**1,094.3**	649.4	322.9	972.4
Olumiant[(3)]	**81.7**	**360.1**	**441.8**	42.5	359.7	402.2
Other immunology	**—**	**8.5**	**8.5**	15.2	9.6	24.7
Total immunology	**800.5**	**744.1**	**1,544.6**	707.1	692.2	1,399.3
Neuroscience:						
Emgality	**216.9**	**89.8**	**306.7**	213.6	62.2	275.7
Zyprexa	**18.3**	**162.1**	**180.4**	15.3	175.8	191.1
Cymbalta	**17.2**	**139.4**	**156.6**	23.3	328.9	352.3
Other neuroscience	**45.7**	**98.2**	**144.0**	56.2	102.3	158.5
Total neuroscience	**298.1**	**489.5**	**787.7**	308.4	669.2	977.6
Other:						
COVID-19 antibodies[(4)]	**1,584.3**	**14.7**	**1,598.9**	734.0	225.1	959.1
Cialis	**17.7**	**347.0**	**364.7**	3.4	404.4	407.8
Forteo	**148.7**	**127.2**	**275.9**	220.5	196.4	416.9
Other	**88.5**	**89.6**	**178.2**	60.2	111.9	172.1
Total other	**1,839.2**	**578.5**	**2,417.7**	1,018.1	937.8	1,955.9
Revenue	**$ 9,109.4**	**$ 5,188.7**	**$ 14,298.0**	$ 7,645.5	$ 5,900.2	$ 13,545.7

Numbers may not add due to rounding.
(1) Humalog revenue includes insulin lispro.
(2) Jardiance revenue includes Glyxambi, Synjardy, and Trijardy XR.
(3) Olumiant revenue includes sales for baricitinib that were made pursuant to EUA or similar regulatory authorizations.
(4) COVID-19 antibodies include sales for bamlanivimab administered alone, for bamlanivimab and etesevimab administered together, and for bebtelovimab and were made pursuant to EUAs or similar regulatory authorizations.

The following table summarizes revenue by geographical area:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Revenue—to unaffiliated customers[1]:				
U.S.	**$ 3,934.8**	$ 3,704.2	**$ 9,109.4**	$ 7,645.5
Europe	**1,101.1**	1,209.8	**2,168.4**	2,531.0
Japan	**454.4**	665.4	**864.6**	1,237.2
China	**352.1**	522.5	**758.5**	884.7
Other foreign countries	**645.7**	638.1	**1,397.2**	1,247.3
Revenue	**$ 6,488.0**	$ 6,740.1	**$ 14,298.0**	$ 13,545.7

Numbers may not add due to rounding.
[1] Revenue is attributed to the countries based on the location of the customer.

Note 3: Acquisitions

We engage in various forms of business development activities to enhance our product pipeline, including acquisitions, collaborations, investments, and licensing arrangements. In connection with these arrangements, our partners may be entitled to future royalties and/or commercial milestones based on sales should products be approved for commercialization and/or milestones based on the successful progress of compounds through the development process.

In January 2021, we completed the acquisition of Prevail Therapeutics Inc. (Prevail). This transaction, as further discussed below in Acquisition of a Business, was accounted for as a business combination 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 this acquisition is included in our consolidated condensed financial statements from the date of acquisition.

We also acquired assets in development which are further discussed below in Asset Acquisitions. Upon each acquisition, the cost allocated to acquired IPR&D is immediately expensed if the compound has no alternative future use. Milestone payment obligations incurred prior to regulatory approval of the compound are expensed when the event triggering an obligation to pay the milestone occurs. We recognized acquired IPR&D and development milestone charges of $440.4 million and $606.0 million for the three and six months ended June 30, 2022, respectively, and $42.8 million and $354.8 million for the three and six months ended June 30, 2021, respectively.

Acquisition of a Business

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 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 without payment.

Under the terms of the agreement, we acquired potentially disease-modifying AAV9-based gene therapies for patients with neurodegenerative diseases. The acquisition established a new modality for drug discovery and development, extending our research efforts through the creation of a gene therapy program that is being anchored by Prevail's portfolio of assets. The lead gene therapies in clinical development that we acquired were 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

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]		824.0
Goodwill[2]		126.8
Deferred tax liabilities		(106.0)
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.

We are unable to provide the results of operations for the three and six months ended June 30, 2022 and 2021 attributable to Prevail as those operations were substantially integrated into our legacy business.

Pro forma information has not been included as this acquisition did not have a material impact on our consolidated condensed statements of operations for the three and six months ended June 30, 2021.

Asset Acquisitions

The following table summarizes our significant asset acquisitions during the six months ended June 30, 2022 and 2021:

Counterparty	Compound(s), Therapy or Asset	Acquisition Month	Phase of Development[1]	Acquired IPR&D Expense
BioMarin Pharmaceutical Inc.	Priority Review Voucher	February 2022	Not applicable	**$ 110.0**
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
Precision Biosciences, Inc.	Potential in vivo therapies for genetic disorders	January 2021	Pre-clinical	107.8

[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.

In connection with our acquisition of Petra Pharma Corporation (Petra), we were required to make milestone payments to Petra shareholders contingent upon the occurrence of certain future events linked to the success of the mutant-selective PI3Kα inhibitor. In the second quarter of 2022, we entered into agreements with substantially all Petra shareholders to acquire their rights to receive any future milestone payments in exchange for a one-time payment. As a result of these agreements, we recognized a charge of $333.8 million as a development milestone during the three and six months ended June 30, 2022. Any remaining contingent milestones payments linked to the success of the mutant-selective PI3Kα are not expected to be material. We recognized no other significant development milestones during the three and six months ended June 30, 2022 and 2021.

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.

In connection with the regulatory approvals of Jardiance, Trajenta, and Basaglar in the U.S., Europe, and Japan, milestone payments made for Jardiance and Trajenta were capitalized as intangible assets and are being amortized to cost of sales, and milestone payments received for Basaglar were recorded as contract liabilities and are being amortized to collaboration and other revenue. The milestones pertaining to Jardiance and Trajenta are being amortized through their respective term under the collaboration, which, depending on country or region, is determined based on the latest to occur of (a) a defined number of years following launch date, (b) the expiration of the compound patent, or (c) the expiration of marketing authorization exclusivity. The milestones pertaining to Basaglar are being amortized through 2029. The table below summarizes the net milestones capitalized with respect to the Jardiance and Trajenta families of products and the net milestones deferred with respect to Basaglar at June 30, 2022 and December 31, 2021:

	Net Milestones Capitalized (Deferred)[1] as of:	
	June 30, 2022	**December 31, 2021**
Jardiance	**$ 126.1**	$ 136.1
Trajenta	**75.8**	88.5
Basaglar	**(140.0)**	(149.3)

[1] This represents the amounts that have been capitalized (deferred) from the start of this collaboration through the end of the reporting period, net of amount amortized.

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. 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 collaboration and other revenue recognized with respect to the Jardiance and Trajenta families of products and net product revenue recognized with respect to Basaglar:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Jardiance	**$ 461.0**	$ 356.5	**$ 880.4**	$ 668.5
Basaglar	**174.2**	210.7	**365.7**	457.3
Trajenta	**97.1**	89.2	**189.2**	183.8

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 worldwide net sales with rates ranging up to 20 percent. Incyte has the right to receive an additional royalty ranging up to the low teens on worldwide net sales for the treatment of COVID-19 that exceed a specified aggregate worldwide net sales threshold. The agreement calls for payments by us to Incyte associated with certain development, success-based regulatory, and sales-based milestones.

In connection with the regulatory approvals of Olumiant in the U.S., Europe, and Japan, as well as achievement of a sales-based milestone, milestone payments of $330.0 million and $260.0 million were capitalized as intangible assets as of June 30, 2022 and December 31, 2021, respectively, 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 June 30, 2022, Incyte is eligible to receive up to $100.0 million of additional payments from us in potential sales-based milestones.

We record our sales of Olumiant, including sales of baricitinib that were made pursuant to EUA or similar regulatory authorizations, 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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Olumiant	**$ 186.2**	$ 208.4	**$ 441.8**	$ 402.2

COVID-19 Antibodies

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

We have 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 mainland China and the Special Administrative Regions of Hong Kong and Macau, and for which Junshi Biosciences currently maintains all rights in mainland China and the Special Administrative Regions of Hong Kong and Macau. Junshi Biosciences has the right to receive royalty payments in the mid-teens on our net sales of etesevimab. Junshi Biosciences received certain development, success-based regulatory and sales-based milestones. Capitalized regulatory and sales-based milestones were fully amortized to cost of sales as of June 30, 2022.

Pursuant to EUAs or similar regulatory authorizations, we recognized net product revenue associated with our sales of our COVID-19 antibodies of $129.1 million and $1.60 billion for the three and six months ended June 30, 2022, respectively, and $148.9 million and $959.1 million for the three and six months ended June 30, 2021, respectively.

Sintilimab Injection

We have a collaboration agreement with Innovent Biologics, Inc. (Innovent) to jointly develop and commercialize sintilimab injection in China, where it is branded and trademarked as Tyvyt. In 2020, we obtained an exclusive license for sintilimab injection from Innovent for geographies outside of China. Innovent, with collaboration from us, filed the initial registration of sintilimab injection in the U.S. that the FDA did not approve in its current form and recommended an additional multiregional clinical study be performed. Lilly does not plan to further pursue submission.

In connection with regulatory approvals for Tyvyt in China, milestone payments of $120.0 million and $40.0 million were capitalized as intangible assets as of June 30, 2022 and December 31, 2021, respectively, 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 June 30, 2022, Innovent is eligible to receive up to $825.0 million for geographies outside of China and up to $115.0 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.

We record our sales of Tyvyt to third parties as net product revenue, with payments made to Innovent for its portion of the gross margin reported as cost of sales. We report as collaboration and other revenue our portion of the gross margin for Tyvyt sales made by Innovent to third parties. The following table summarizes our revenue recognized in China with respect to Tyvyt:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	**2022**	2021
Tyvyt	**$ 73.6**	$ 105.0	**$ 159.0**	$ 214.6

Lebrikizumab

We have a worldwide license agreement with F. Hoffmann-La Roche Ltd and Genentech, Inc. (collectively, Roche), which provides us the worldwide development and commercialization rights to lebrikizumab. Roche has the right to receive tiered royalty payments on future worldwide net sales ranging in percentages from high single digits to high teens if the product is successfully commercialized. As of June 30, 2022, 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.

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 June 30, 2022, 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 June 30, 2022 and December 31, 2021, contract liabilities were not material. During the three and six months ended June 30, 2022 and 2021, collaboration and other revenue recognized was 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.

	Six Months Ended June 30,	
	2022	2021
Severance	$ —	$ 11.5
Asset impairment and other special charges	—	200.1
Total asset impairment, restructuring, and other special charges	$ —	$ 211.6

There were no asset impairment, restructuring, and other special charges recognized during the three months ended June 30, 2022 and 2021.

Asset impairment, restructuring, and other special charges recognized during the six months ended June 30, 2021 were primarily related to an intangible asset impairment of $108.1 million resulting from the sale of the rights to Qbrexza®, as well as acquisition and integration costs associated with the acquisition of Prevail.

We recognized inventory impairment charges related to our COVID-19 antibodies of $423.0 million and $504.5 million during the three and six months ended June 30, 2021, respectively, in cost of sales in our consolidated condensed statements of operations. As part of our response to the COVID-19 pandemic, and at the request of the U.S. and international governments, we invested in large-scale manufacturing of COVID-19 antibodies at risk, in order to ensure rapid access to patients around the world. As the COVID-19 pandemic evolved during 2021, we incurred inventory impairment charges primarily due to the combination of changes to demand from U.S. and international governments, including changes to our agreement with the U.S. government, and near-term expiry dates of COVID-19 antibodies.

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 investment grade 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, Chinese yuan, and Japanese yen). Foreign currency derivatives used for hedging are put in place using the same or like currencies and duration as the underlying exposures. Forward and option contracts are principally used to manage exposures arising from subsidiary trade and loan payables and receivables denominated in foreign currencies. These contracts are recorded at fair value with the gain or loss recognized in other–net, (income) expense. 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 June 30, 2022, we had outstanding foreign currency forward commitments, including foreign currency forward contracts designated as economic hedges of net investments, to purchase 2.19 billion U.S. dollars and sell 2.05 billion euro; commitments to purchase 2.56 billion euro and sell 2.68 billion U.S. dollars; commitments to purchase 273.9 million U.S. dollars and sell 1.85 billion Chinese yuan; commitments to purchase 145.6 million U.S. dollars and sell 19.64 billion Japanese yen; and commitments to purchase 186.2 million British pounds and sell 228.8 million U.S. dollars, which all have settlement dates within 180 days.

Foreign currency exchange risk is also managed through the use of foreign currency debt, cross-currency interest rate swaps, and foreign currency forward contracts. Our foreign currency-denominated notes had carrying amounts of $6.72 billion and $7.90 billion as of June 30, 2022 and December 31, 2021, respectively, of which $5.38 billion and $5.79 billion have been designated as, and are effective as, economic hedges of net investments in certain of our foreign operations as of June 30, 2022 and December 31, 2021, respectively. At June 30, 2022, we had outstanding cross-currency swaps with notional amounts of $1.56 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. At June 30, 2022, we had outstanding foreign currency forward contracts to sell 1.01 billion euro with settlement dates ranging through 2022, which have been designated as, and are effective as, economic hedges of net investments.

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

Interest rate swaps or collars that convert our fixed-rate debt to a floating rate are designated as fair value hedges of the underlying instruments. Interest rate swaps or collars that convert floating-rate debt to a fixed rate are designated as cash flow hedges. Interest expense on the debt is adjusted to include the payments made or received under the swap agreements. Cash proceeds from or payments to counterparties resulting from the termination of interest rate swaps are classified as operating activities in our consolidated condensed statements of cash flows. At June 30, 2022, substantially all of our total long-term debt is at a fixed rate. We have converted approximately 10 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, 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 June 30, 2022, 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 June 30,		Six Months Ended June 30,	
	2022	2021	**2022**	2021
Fair value hedges:				
Effect from hedged fixed-rate debt	**$ (58.2)**	$ 31.1	**$ (152.8)**	$ (50.4)
Effect from interest rate contracts	**58.2**	(31.1)	**152.8**	50.4
Cash flow hedges:				
Effective portion of losses on interest rate contracts reclassified from accumulated other comprehensive loss	**4.1**	4.2	**8.2**	8.3
Cross-currency interest rate swaps	**33.6**	(23.4)	**41.9**	48.1
Net (gains) losses on foreign currency exchange contracts not designated as hedging instruments	**151.1**	(73.2)	**145.0**	59.8
Total	**$ 188.8**	$ (92.4)	**$ 195.1**	$ 116.2

During the three and six months ended June 30, 2022 and 2021, the amortization of losses related to the portion of our risk management hedging instruments, fair value hedges, and cash flow hedges that was excluded from the assessment of effectiveness was not material.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	**2022**	2021
Net investment hedges:				
Foreign currency-denominated notes	**$ 333.3**	$ (57.8)	**$ 387.7**	$ 149.9
Cross-currency interest rate swaps	**68.5**	(46.5)	**79.3**	104.1
Foreign currency forward contracts	**13.6**	—	**13.6**	—
Cash flow hedges:				
Forward-starting interest rate swaps	**157.7**	(165.2)	**280.2**	129.9
Cross-currency interest rate swaps	**1.4**	(6.9)	**18.5**	19.4

During the next 12 months, we expect to reclassify $16.6 million of pretax net losses on cash flow hedges from accumulated other comprehensive loss to other–net, (income) expense. During the three and six months ended June 30, 2022 and 2021, 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 June 30, 2022 and December 31, 2021 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
June 30, 2022						
Cash equivalents	**$ 1,047.9**	**$ 1,047.9**	**$ 1,041.8**	**$ 6.1**	**$ —**	**$ 1,047.9**
Short-term investments:						
U.S. government and agency securities	**$ 45.6**	**$ 46.1**	**$ 45.6**	**$ —**	**$ —**	**$ 45.6**
Corporate debt securities	**51.9**	**52.0**	**—**	**51.9**	**—**	**51.9**
Mortgage-backed securities	**0.2**	**0.2**	**—**	**0.2**	**—**	**0.2**
Asset-backed securities	**4.4**	**4.5**	**—**	**4.4**	**—**	**4.4**
Other securities	**11.7**	**11.7**	**—**	**—**	**11.7**	**11.7**
Short-term investments	**$ 113.8**					
Noncurrent investments:						
U.S. government and agency securities	**$ 109.5**	**$ 120.7**	**$ 109.5**	**$ —**	**$ —**	**$ 109.5**
Corporate debt securities	**202.4**	**226.2**	**—**	**202.4**	**—**	**202.4**
Mortgage-backed securities	**97.7**	**105.5**	**—**	**97.7**	**—**	**97.7**
Asset-backed securities	**41.7**	**43.2**	**—**	**41.7**	**—**	**41.7**
Other securities	**171.2**	**81.2**	**—**	**47.9**	**123.3**	**171.2**
Marketable equity securities	**614.9**	**408.0**	**614.9**	**—**	**—**	**614.9**
Equity investments without readily determinable fair values[(2)]	**614.6**					
Equity method investments[(2)]	**735.2**					
Noncurrent investments	**$ 2,587.2**					
December 31, 2021						
Cash equivalents	$ 2,379.5	$ 2,379.5	$ 2,361.0	$ 18.5	$ —	$ 2,379.5
Short-term investments:						
U.S. government and agency securities	$ 25.7	$ 25.6	$ 25.7	$ —	$ —	$ 25.7
Corporate debt securities	43.7	43.7	—	43.7	—	43.7
Mortgage-backed securities	0.2	0.2	—	0.2	—	0.2
Asset-backed securities	6.2	6.2	—	6.2	—	6.2
Other securities	14.3	14.3	—	—	14.3	14.3
Short-term investments	$ 90.1					
Noncurrent investments:						
U.S. government and agency securities	$ 137.0	$ 136.8	$ 137.0	$ —	$ —	$ 137.0
Corporate debt securities	235.3	232.7	—	235.3	—	235.3
Mortgage-backed securities	109.8	108.1	—	109.8	—	109.8
Asset-backed securities	23.1	23.1	—	23.1	—	23.1
Other securities	108.1	22.2	—	—	108.1	108.1
Marketable equity securities	1,279.7	487.0	1,279.7	—	—	1,279.7
Equity investments without readily determinable fair values[(2)]	548.1					
Equity method investments[(2)]	771.5					
Noncurrent investments	$ 3,212.6					

(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: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Short-term commercial paper borrowings					
June 30, 2022	**$ (2,117.1)**	**$ —**	**$ (2,115.8)**	**$ —**	**$ (2,115.8)**
December 31, 2021	—	—	—	—	—
Long-term debt, including current portion					
June 30, 2022	**$ (14,696.7)**	**$ —**	**$ (12,929.6)**	**$ —**	**$ (12,929.6)**
December 31, 2021	(16,884.7)	—	(18,157.7)	—	(18,157.7)

	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
June 30, 2022					
Risk-management instruments:					
Interest rate contracts designated as fair value hedges:					
Other noncurrent liabilities	**$ (77.3)**	**$ —**	**$ (77.3)**	**$ —**	**$ (77.3)**
Interest rate contracts designated as cash flow hedges:					
Other noncurrent assets	**297.7**	**—**	**297.7**	**—**	**297.7**
Cross-currency interest rate contracts designated as net investment hedges:					
Other receivables	**29.3**	**—**	**29.3**	**—**	**29.3**
Other noncurrent assets	**77.2**	**—**	**77.2**	**—**	**77.2**
Cross-currency interest rate contracts designated as cash flow hedges:					
Other noncurrent assets	**21.7**	**—**	**21.7**	**—**	**21.7**
Other noncurrent liabilities	**(13.1)**	**—**	**(13.1)**	**—**	**(13.1)**
Foreign exchange contracts designated as net investment hedges:					
Other receivables	**15.6**	—	**15.6**	—	**15.6**
Foreign exchange contracts not designated as hedging instruments:					
Other receivables	**19.1**	**—**	**19.1**	**—**	**19.1**
Other current liabilities	**(17.0)**	**—**	**(17.0)**	**—**	**(17.0)**
Contingent consideration liability:					
Other noncurrent liabilities	**(65.1)**	**—**	**—**	**(65.1)**	**(65.1)**
December 31, 2021					
Risk-management instruments:					
Interest rate contracts designated as fair value hedges:					
Other receivables	$ 4.8	$ —	$ 4.8	$ —	$ 4.8
Other noncurrent assets	78.3	—	78.3	—	78.3
Other noncurrent liabilities	(7.6)	—	(7.6)	—	(7.6)
Interest rate contracts designated as cash flow hedges:					
Other noncurrent assets	49.2	—	49.2	—	49.2
Other noncurrent liabilities	(31.7)	—	(31.7)	—	(31.7)
Cross-currency interest rate contracts designated as net investment hedges:					
Other noncurrent assets	31.3	—	31.3	—	31.3
Other current liabilities	(1.2)	—	(1.2)	—	(1.2)
Cross-currency interest rate contracts designated as cash flow hedges:					
Other noncurrent assets	33.2	—	33.2	—	33.2
Other noncurrent liabilities	(1.3)	—	(1.3)	—	(1.3)
Foreign exchange contracts not designated as hedging instruments:					
Other receivables	9.9	—	9.9	—	9.9
Other current liabilities	(35.3)	—	(35.3)	—	(35.3)
Contingent consideration liabilities:					
Other noncurrent liabilities	(70.5)	—	—	(70.5)	(70.5)

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. Fair values are not readily available for certain equity investments measured under the measurement alternative. As of June 30, 2022, we had approximately $980 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 June 30, 2022:

	Maturities by Period				
	Total	**Less Than 1 Year**	**1-5 Years**	**6-10 Years**	**More Than 10 Years**
Fair value of debt securities	$ 553.4	$ 102.1	$ 170.4	$ 109.0	$ 171.9

The net gains (losses) recognized in our consolidated condensed statements of operations for equity securities were $(118.9) million and $(544.3) million for the three and six months ended June 30, 2022, respectively, and $215.4 million and $517.0 million for the three and six months ended June 30, 2021, respectively. The net gains (losses) recognized for the three and six months ended June 30, 2022 and 2021 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 for the three and six months ended June 30, 2022 and 2021 were not material.

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

	June 30, 2022	**December 31, 2021**
Unrealized gross gains	**$ 0.2**	$ 9.7
Unrealized gross losses	**36.9**	5.2
Fair value of securities in an unrealized gain position	**28.8**	250.7
Fair value of securities in an unrealized loss position	**489.2**	290.2

We periodically assess our investment in available-for-sale securities for impairment losses and credit losses. The amount of credit losses are determined by comparing the difference between the present value of future cash flows expected to be collected on these securities and the amortized cost. Factors considered in assessing credit losses include the position in the capital structure, vintage and amount of collateral, delinquency rates, current credit support, and geographic concentration. Impairment and credit losses related to available-for-sale securities were not material for the three and six months ended June 30, 2022 and 2021.

As of June 30, 2022, 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 97 percent of the fixed-rate debt securities in a loss position are investment-grade debt securities. As of June 30, 2022, we do not intend to sell, and it is not more likely than not that we will be required to sell, the securities in a loss position before the market values recover or the underlying cash flows have been received, and there is no indication of a material default on interest or principal payments for our debt securities.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	**2022**	2021
Proceeds from sales	**$ 29.9**	$ 44.4	**$ 65.1**	$ 87.7
Realized gross gains on sales	**0.1**	0.7	**0.2**	1.8
Realized gross losses on sales	**0.7**	0.4	**1.5**	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 $408.6 million and $550.5 million of accounts receivable as of June 30, 2022 and December 31, 2021, respectively, under these factoring arrangements. The costs of factoring such accounts receivable on our consolidated condensed results of operations for the three and six months ended June 30, 2022 and 2021 were not material.

Note 7: Income Taxes

The effective tax rates were 12.7 percent and 9.2 percent for the three and six months ended June 30, 2022, respectively, reflecting the favorable tax impact of the implementation of a provision in the Tax Cuts and Jobs Act (2017 Tax Act) that requires capitalization and amortization of research and development expenses for tax purposes starting in 2022 and of net investment losses on equity securities, partially offset by the tax impact related to non-deductible development milestones. We expect our effective tax rate to be approximately 13 percent to 14 percent for 2022 if the capitalization and amortization of research and development expenses provision of the 2017 Tax Act is deferred or repealed by the U.S. Congress effective for 2022.

The effective tax rates were 12.8 percent and 10.6 percent for the three and six months ended June 30, 2021, respectively, reflecting the favorable tax impact of inventory impairment charges related to our COVID-19 antibodies, partially offset by the tax impact of net investment gains on equity securities. The effective tax rate for the six months ended June 30, 2021 was also impacted favorably by a net discrete tax benefit.

The U.S. examination of tax years 2016-2018 began in the fourth quarter of 2019 and remains ongoing. 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 June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Components of net periodic benefit cost:				
Service cost	**$ 88.2**	$ 93.3	**$ 177.3**	$ 185.3
Interest cost	**99.6**	84.8	**200.1**	169.1
Expected return on plan assets	**(237.0)**	(237.2)	**(476.5)**	(475.2)
Amortization of prior service cost	**0.6**	1.1	**1.3**	2.2
Recognized actuarial loss	**84.5**	122.6	**171.5**	244.4
Net periodic benefit cost	**$ 35.9**	$ 64.6	**$ 73.7**	$ 125.8

	Retiree Health Benefit Plans			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Components of net periodic benefit income:				
Service cost	**$ 12.1**	$ 12.9	**$ 23.3**	$ 24.6
Interest cost	**9.6**	8.2	**19.0**	16.3
Expected return on plan assets	**(38.2)**	(36.5)	**(76.1)**	(73.1)
Amortization of prior service benefit	**(13.7)**	(14.9)	**(27.4)**	(29.8)
Recognized actuarial loss	**0.3**	0.8	**0.5**	1.6
Net periodic benefit income	**$ (29.9)**	$ (29.5)	**$ (60.7)**	$ (60.4)

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 final outcome of these matters, and we cannot reasonably estimate the maximum potential exposure or the range of possible loss in excess of amounts accrued for any of these matters; however, we believe that the resolution of all such matters will not have a material adverse effect on our consolidated financial position or liquidity, but could possibly be material to our consolidated results of operations in any one accounting period.

Litigation accruals, 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 litigation liability insurance, we are self-insured for litigation liability losses for all our currently and previously marketed products.

Patent Litigation

Alimta European Patent Litigation

In Europe, Alimta (pemetrexed) was protected by a patent through June 2021. A number of legal proceedings that were initiated prior to patent expiration are ongoing.

Emgality Patent Litigation

We are a named defendant in litigation filed by Teva Pharmaceuticals International GMBH and Teva Pharmaceuticals USA, Inc. (collectively, Teva) in the U.S. District Court for the District of Massachusetts seeking a ruling that various claims in three different Teva patents would be infringed by our launch and continued sales of Emgality for the prevention of migraine in adults. Trial is currently scheduled to begin in October 2022. In June 2021, we were named as a defendant in a second litigation filed by Teva in the U.S. District Court for the District of Massachusetts seeking a ruling that two of Teva's patents, which are directed toward use of the active ingredient in Emgality to treat migraine, would be infringed by our continued sales of Emgality. This matter is ongoing.

Jardiance Patent Litigation

In November 2018, Boehringer Ingelheim, 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 submissions of Abbreviated New Drug Applications (ANDA) by a number of generic companies 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, the generic companies' 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. This litigation has been stayed.

Taltz Patent Litigation

In April 2021, we petitioned the High Court of Ireland to declare invalid a 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.

In April 2021, Novartis petitioned the Court of Rome Intellectual Property Division for a preliminary injunction (PI) against us related to our commercialization of Taltz. In May 2021, Lilly commenced patent revocation proceedings against Novartis before the Court of Milan’s IP Division where Lilly is also seeking a declaration of non-infringement. Novartis counter-claimed for patent infringement and is seeking a permanent injunction. A hearing on the PI request before the Court of Rome Intellectual Property Division took place in May 2022 and in July 2022, the court rejected Novartis' request. The Milan action is ongoing.

In November 2021, Novartis petitioned the Swiss Federal Patent Court for a PI and a permanent injunction in main infringement proceedings against us related to our commercialization of Taltz. Lilly petitioned the court to revoke the patent and for a declaration of non-infringement. In April 2022, Novartis withdrew its PI request but the main proceeding there is ongoing.

Zyprexa Canada Patent Litigation

Beginning in the mid-2000s, 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, Trademark Act, and common law. In March 2021, the Ontario Superior Court granted our motion for summary judgment, thereby dismissing Apotex's case. Apotex appealed that ruling to the Court of Appeal for Ontario in April 2021 and a hearing occurred February 2022. This matter is ongoing.

Product Liability Litigation

Byetta® Product Liability

We have been named as a defendant in over 500 Byetta product liability lawsuits in the U.S. that were first initiated in March 2009 and involved over 800 plaintiffs. These lawsuits have been filed in various state and federal jurisdictions, including California state court (coordinated in Los Angeles County Superior Court), and various federal courts, the majority of which are coordinated in a multi-district litigation (MDL) in the U.S. District Court for the Southern District of California. The majority of these suits contain allegations that Byetta caused or contributed to the plaintiffs' cancer (primarily pancreatic cancer or thyroid cancer). The federal MDL and coordinated California state trial courts granted summary judgment in our favor on claims pertaining to pancreatic cancer, and the plaintiffs have dismissed Lilly from their appeal of the MDL ruling (the parties still await the order of judgment in the Los Angeles County Superior Court). Most of the MDL and state court lawsuits have been dismissed as of August 2022.

Cialis Product Liability

We are named as a defendant in over 300 Cialis product liability lawsuits in various U.S. courts, which were first initiated in August 2015. These cases 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 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. Following an appeal by the plaintiffs, the parties have reached agreement and all cases are now resolved.

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 us. In May 2021, HRSA notified us that it determined that our policy was contrary to the 340B statute. In response, in May 2021, we filed a motion for preliminary injunction and temporary restraining order requesting that the U.S. District Court for the Southern District of Indiana enjoin defendants from taking any action against us relating to the 340B drug pricing program until after the court issues a final judgment on the aforementioned litigation. In May 2021, the court denied our motion for a temporary restraining order but deferred resolution of our motion for preliminary injunction. In June 2021, the defendants withdrew the HHS December 30, 2020 advisory opinion. In July 2021, the court held oral argument on the parties' cross motions for summary judgment, the defendants' motion to dismiss, and our motion for preliminary injunction related to HRSA's May 2021 enforcement letter. In October 2021, the court denied the defendants' motion to dismiss, and granted in part and denied in part the parties' cross motions for summary judgment. Both parties filed notices of appeal related to the court's summary judgment order. The appeals are proceeding through briefing in the U.S. Court of Appeals for the Seventh Circuit. This 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 Administrative 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 July 2021, we, along with Sanofi-Aventis U.S., LLC (Sanofi), Novo Nordisk Inc. (Novo Nordisk), and AstraZeneca Pharmaceuticals LP, were named as a defendant in a purported class action lawsuit filed in the U.S. District Court for the Western District of New York by Mosaic Health, Inc. alleging antitrust and unjust enrichment claims related to the defendants' 340B distribution programs. We, with Sanofi and Novo Nordisk, filed a motion to dismiss the lawsuit. This matter is ongoing.

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

Branchburg Manufacturing Facility

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

Brazil Litigation – Cosmopolis Facility

Labor Attorney Litigation

First initiated in 2008, our subsidiary in Brazil, Eli Lilly do Brasil Limitada (Lilly Brasil), is named in a Public Civil Action brought by the Labor Public Attorney (LPA) for the 15th Region in the Labor Court of Paulinia, State of Sao Paulo, Brazil, (the Labor Court) alleging possible harm to employees and former employees caused by alleged exposure to soil and groundwater contaminants 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 remedial and compensatory actions including health coverage for a class of individuals and certain of their children. In July 2018, the appeals court (TRT) generally affirmed our appeal of the Labor Court's ruling, which included a liquidated award of 300 million Brazilian real, which, when adjusted for inflation and the addition of pre and post judgment interest using the current Central Bank of Brazil's special system of clearance and custody rate, is approximately one billion Brazilian real (approximately $191 million as of June 30, 2022). In August 2019, Lilly Brasil filed an appeal to the superior labor court (TST) and in June 2021, the TRT published its decision on the admissibility of Lilly Brasil's appeal, allowing the majority of the elements, which were allowed to proceed in June 2021; elements not proceeding are subject to an interlocutory appeal to the TST that was filed in June 2021. In September 2019, the TRT stayed a number of elements of its trial court decision pending the determination of Lilly Brasil's appeal to the TST.

In June 2019 and September 2020, the LPA filed applications in the Labor Court for enforcement of certain remedies granted by the TRT in its July 2018 decision, requested restrictions on Lilly Brasil’s assets in Brazil, and required Lilly Brasil and Antibióticos do Brasil Ltda. (ABL) to submit a list of potential beneficiaries of the Public Civil Action. In July 2019, the Labor Court issued a ruling requiring a freeze of Lilly Brasil’s immovable property or, alternatively, a security deposit or lien of 500 million Brazilian real, which ruling was subsequently limited in scope and the security was reduced to 100 million Brazilian real. ABL and LPA appealed the June 2021 Labor Court ruling to the TST, which appeal is under review. The Labor Court is currently assessing the status of Lilly Brasil’s and ABL’s compliance with such portion of the July 2018 TRT decision and an inspection in the industrial plant is expected. These matters are ongoing.

Individual Former Employee Litigation

Lilly Brasil is also named in over 20 pending lawsuits filed in the Labor Court by individual former employees making similar claims. These individual lawsuits are at various stages in the litigation process.

Puerto Rico Tax Matter

In May 2013, the Municipality of Carolina in Puerto Rico (Municipality) filed a lawsuit against us alleging noncompliance with respect to a contract with the Municipality and seeking a declaratory judgment. In December 2020, the Puerto Rico Appellate Court (AP) reversed the summary judgment previously granted by the Court of First Instance (CFI) in our favor, dismissing the Municipality's complaint in its entirety. The AP remanded the case to the CFI for trial on the merits and trial began in May 2022 and will continue in September 2022. This matter is ongoing.

Eastern District of Pennsylvania Pricing (Average Manufacturer Price) Inquiry

In November 2014, we, along with another pharmaceutical manufacturer, were named as co-defendants in *United States et al. ex rel. Streck v. Takeda Pharm. Am., Inc., et al.*, which was filed in November 2014 and unsealed in the U.S. District Court for the Northern District of Illinois. The complaint alleges that the defendants should have treated certain credits from distributors as retroactive price increases and included such increases in calculating average manufacturer prices. Following a trial in August 2022, the jury returned a verdict in favor of the plaintiff. The case will proceed to post-trial motions after which the court will enter final judgment in the case. This matter is ongoing.

Health Choice Alliance

We are named as a defendant in two lawsuits filed in Texas and New Jersey state courts in October 2019 seeking damages under the Texas Medicaid Fraud Prevention Act and New Jersey Medicaid False Claims Act, respectively, for certain patient support programs related to our products Humalog, Humulin, and Forteo. The Texas state court action has been stayed. The New Jersey state court action was dismissed with prejudice pending an ongoing appeal before the Appellate Division of the New Jersey Superior Court. This matter is ongoing.

Pricing Litigation, Investigations, and Inquiries

Litigation

In December 2017 and February 2018, we, along with Sanofi and Novo Nordisk, were named as defendants in a consolidated purported class action lawsuit, In re. Insulin Pricing Litigation and in MSP Recovery Claims, Series, LLC et al. v. Sanofi Aventis U.S. LLC et al., both filed in the U.S. District Court for the District of New Jersey. The cases relate to insulin pricing and seek damages or other relief under various theories, including state consumer protection laws, common law fraud, unjust enrichment, and the Federal Racketeer Influenced and Corrupt Organization Act (federal RICO Act). In both cases, the court dismissed claims under the federal RICO Act and certain state laws. In April 2021, the plaintiffs in In re. Insulin Pricing Litigation amended their complaint to allege additional state law claims for civil conspiracy and violations of state RICO statutes. The court allowed the Arizona RICO statute and certain state civil conspiracy law claims to proceed. Additionally in 2020, we, along with Sanofi, Novo Nordisk, CVS, Express Scripts, and Optum, have been sued in a putative class action, FWK Holdings, LLC v. Novo Nordisk Inc., et al., filed in the same court, for alleged violations of the federal RICO Act as well as the New Jersey RICO Act and antitrust law. The 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., which were both initiated in March 2020, with the plaintiffs seeking damages 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 July 2021, the U.S. District Court for the District of New Jersey dismissed the three antitrust claims alleged by plaintiffs in the consolidated litigation and denied dismissal of the federal RICO Act claims.

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, seeking damages for 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 June 2021, the City of Miami, Florida initiated litigation against us, Sanofi, Novo Nordisk, ESI, CVS/Caremark/Aetna, and Optum, asserting state law antitrust, common law fraud, money had and received, unjust enrichment, and civil conspiracy claims. In January 2022, the court dismissed certain claims, but allowed the antitrust and conspiracy claims to proceed against us, Sanofi and Novo Nordisk. In May 2022, the City of Miami voluntarily dismissed all claims with prejudice and this matter has concluded.

In June 2021, the Mississippi Attorney General's Office initiated litigation against us, Sanofi, Novo Nordisk, Evernorth/ESI, CVS/Caremark, and United/Optum in the Hinds County, Mississippi Chancery Court, alleging state law consumer protection, unjust enrichment, and civil conspiracy claims. After the case was removed to federal court, we, along with the other defendants, filed a motion to dismiss the lawsuit. This matter is ongoing.

In May 2022, the state of Arkansas filed suit against us Sanofi, Novo Nordisk, ESI, CVS/Caremark/Aetna, and Optum, asserting state law consumer protection, civil conspiracy, and unjust enrichment claims. The case has been removed to federal court and is ongoing.

Insulin Investigations, Subpoenas, and Inquiries

In connection with the pricing and sale of our insulin products, we have been subject to various investigations and received subpoenas, civil investigative demand requests, information requests, interrogatories, and other inquiries from various governmental entities. These include subpoenas from the New York and Vermont Attorney General Offices, civil investigative demands from the Washington, New Mexico, Colorado, Illinois Attorney General Offices, and the Federal Trade Commission, as well as information requests from the Mississippi, Washington D.C., California, Florida, Hawaii, and Nevada Attorney General Offices. In January 2022, the Michigan Attorney General filed a petition in Michigan state court seeking authorization to investigate Lilly for potential violations of the Michigan Consumer Protection Act (MCPA), and a complaint seeking a declaratory judgment that the Attorney General has authority to investigate Lilly's sale of insulin under the MCPA. The court authorized the proposed investigation and the issuance of civil investigative subpoenas. In April 2022, the parties entered into a stipulation providing that the State will not issue any civil investigative subpoena to us under the MCPA until the declaratory judgment action is resolved. In July 2022, the court dismissed the case in its entirety. The Michigan Attorney General has filed its notice of appeal.

We received a request in January 2019 from the House of Representatives' Committee on Oversight and Reform seeking commercial information and business records related to the pricing of insulin products, among other issues. We also received similar requests from the Senate Finance Committee and the Senate Committee on Health, Education, Labor, and Pensions, and separate requests from the House Committee on Energy and Commerce majority and minority members. In January 2021, the Senate Finance Committee released a report summarizing the findings of its investigation. In December 2021 the House of Representatives' Committee on Oversight and Reform majority and minority staffs released separate reports with findings from their investigations into drug pricing, including of insulin products.

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

Research Corporation Technologies, Inc.

In April 2016, we were named as a defendant in litigation filed by Research Corporation Technologies, Inc. (RCT) in the U.S. District Court for the District of Arizona. RCT is seeking damages for breach of contract, unjust enrichment, and conversion related to processes used to manufacture certain products, including Humalog and Humulin. In October 2021, the court issued a summary judgment decision finding in favor of RCT on certain issues, including with respect to a disputed royalty. Both parties filed motions for reconsideration. Potential damages payable under the litigation, if finally awarded after an appeal, could be material but are not currently reasonably estimable. This matter is ongoing.

Note 10: Other Comprehensive Income (Loss)

The following tables summarize the activity related to each component of other comprehensive income (loss) during the three months ended June 30, 2022 and 2021:

(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 April 1, 2022	**$ (1,575.2)**	**$ (18.1)**	**$ (2,531.6)**	**$ (100.4)**	**$ (4,225.3)**
Other comprehensive income (loss) before reclassifications	**(269.6)**	**(9.3)**	**31.7**	**124.8**	**(122.4)**
Net amount reclassified from accumulated other comprehensive loss	**0.6**	**(0.5)**	**56.7**	**3.2**	**60.0**
Net other comprehensive income (loss)	**(269.0)**	**(9.8)**	**88.4**	**128.0**	**(62.4)**
Balance at June 30, 2022	**$ (1,844.2)**	**$ (27.9)**	**$ (2,443.2)**	**$ 27.6**	**$ (4,287.7)**

(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 April 1, 2021	$ (1,677.2)	$ 4.5	$ (4,646.3)	$ (76.6)	$ (6,395.6)
Other comprehensive income (loss) before reclassifications	161.0	4.4	(10.2)	(136.8)	18.4
Net amount reclassified from accumulated other comprehensive loss	—	0.2	86.6	3.3	90.1
Net other comprehensive income (loss)	161.0	4.6	76.4	(133.5)	108.5
Balance at June 30, 2021	$ (1,516.2)	$ 9.1	$ (4,569.9)	$ (210.1)	$ (6,287.1)

The following tables summarize the activity related to each component of other comprehensive income (loss) during the six months ended June 30, 2022 and 2021:

(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, 2022	**$ (1,550.2)**	**$ 3.7**	**$ (2,583.6)**	**$ (213.0)**	**$ (4,343.1)**
Other comprehensive income (loss) before reclassifications	**(294.6)**	**(30.6)**	**25.1**	**234.2**	**(65.9)**
Net amount reclassified from accumulated other comprehensive loss	**0.6**	**(1.0)**	**115.3**	**6.4**	**121.3**
Net other comprehensive income (loss)	**(294.0)**	**(31.6)**	**140.4**	**240.6**	**55.4**
Balance at June 30, 2022	**$ (1,844.2)**	**$ (27.9)**	**$ (2,443.2)**	**$ 27.6**	**$ (4,287.7)**

(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	(88.7)	(6.4)	8.6	116.0	29.5
Net amount reclassified from accumulated other comprehensive loss	—	0.7	172.5	6.6	179.8
Net other comprehensive income (loss)	(88.7)	(5.7)	181.1	122.6	209.3
Balance at June 30, 2021	$ (1,516.2)	$ 9.1	$ (4,569.9)	$ (210.1)	$ (6,287.1)

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 June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Foreign currency translation gains/losses	**$ (87.2)**	$ (21.9)	**$ (100.9)**	$ (53.3)
Unrealized net gains/losses on securities	**3.0**	(1.3)	**9.7**	3.1
Defined benefit pension and retiree health benefit plans	**(22.4)**	(20.2)	**(50.8)**	(51.5)
Effective portion of cash flow hedges	**(34.0)**	35.5	**(63.9)**	(32.6)
Benefit (expense) for income taxes allocated to other comprehensive income (loss) items	**$ (140.6)**	$ (7.9)	**$ (205.9)**	$ (134.3)

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 June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021	Affected Line Item in the Consolidated Condensed Statements of Operations
Amortization of retirement benefit items:					
Prior service benefits, net	**$ (13.1)**	$ (13.8)	**$ (26.1)**	$ (27.6)	Other–net, (income) expense
Actuarial losses, net	**84.8**	123.4	**172.0**	246.0	Other–net, (income) expense
Total before tax	**71.7**	109.6	**145.9**	218.4	
Tax benefit	**(15.0)**	(23.0)	**(30.6)**	(45.9)	Income taxes
Net of tax	**56.7**	86.6	**115.3**	172.5	
Other, net of tax	**3.3**	3.5	**6.0**	7.3	Other–net, (income) expense
Total reclassifications, net of tax	**$ 60.0**	$ 90.1	**$ 121.3**	$ 179.8	

Note 11: Other–Net, (Income) Expense

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

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Interest expense	**$ 81.2**	$ 86.9	**$ 166.1**	$ 174.7
Interest income	**(10.2)**	(5.4)	**(17.2)**	(10.9)
Net investment (gains) losses on equity securities (Note 6)	**118.9**	(215.4)	**544.3**	(517.0)
Retirement benefit plans	**(94.3)**	(71.1)	**(187.6)**	(144.5)
Other (income) expense	**23.6**	14.5	**(35.7)**	(13.9)
Other–net, (income) expense	**$ 119.2**	$ (190.5)	**$ 469.9**	$ (511.6)

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, 2021, 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 focused on maintaining a 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.

In May 2022, the United States Food and Drug Administration (FDA) approved Olumiant® for the treatment of certain hospitalized patients with COVID-19. In February 2022, the FDA granted an Emergency Use Authorization (EUA) for bebtelovimab for certain high-risk patients who have been recently diagnosed with mild-to-moderate COVID-19. We have received various EUAs and other regulatory authorizations for our COVID-19 therapies as described in "Business" in Part I, Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2021. We supplied the United States (U.S.) government 600,000 doses and approximately 71,000 doses of bebtelovimab during the first and second quarter of 2022, respectively, and we will supply the U.S. government approximately 79,000 doses of bebtelovimab in the third quarter of 2022. In collaboration with the U.S. government, we intend to make bebtelovimab commercially available for purchase by U.S. states/territories, hospitals, and a broad set of other providers beginning mid-August 2022, which is prior to the anticipated depletion of the U.S. government's currently available supply. The FDA has revised, and may in the future revise, any EUA for our COVID-19 therapies in response to the prevalence of variants against which our therapies have varying degrees of efficacy.

The COVID-19 pandemic has, and may continue to, adversely impact our business and operations. Strain on global transportation, logistics, manufacturing, and labor markets, including as aggravated by the pandemic and global unrest, the focus of resources on COVID-19, widespread protective measures implemented to control the spread of COVID-19, and an increase in overall demand in our industry for certain materials resulting in changed buying patterns, increased costs, and constrained supply, have negatively impacted and may continue to negatively impact the development, manufacturing, supply, distribution, and sales of our medicines.

The degree to which the COVID-19 pandemic continues to affect our business and operations will depend on developments that are highly uncertain and beyond our knowledge or control.

Product Supply

Accelerated demand for Trulicity in many international markets, due to market growth and the limited availability of competitor GLP-1s in select markets, may continue to challenge our ability to meet Trulicity demand in some markets at times. We are working to meet this increased demand while also implementing actions in select countries to manage growth and minimize patient impact. We do not expect a material impact on our consolidated results of operations. In general, we expect continued high utilization of supply resources to meet international demand for Trulicity until newly announced capacities, and perhaps further capital investments, are fully operational over the next several years.

See "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021 for additional information on risk factors that could impact our business and operations.

Financial Results

The following table summarizes our key operating results:

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2022	2021		**2022**	2021	
Revenue	**$ 6,488.0**	$ 6,740.1	(4)	**$ 14,298.0**	$ 13,545.7	6
Gross margin	**5,057.5**	4,786.9	6	**10,795.4**	9,713.9	11
Gross margin as a percent of revenue	**78.0 %**	71.0 %		**75.5 %**	71.7 %	
Research and development	**$ 1,781.9**	$ 1,655.0	8	**$ 3,392.0**	$ 3,327.1	2
Marketing, selling, and administrative	**1,625.1**	1,685.7	(4)	**3,183.0**	3,261.7	(2)
Acquired in-process research and development (IPR&D) and development milestones	**440.4**	42.8	NM	**606.0**	354.8	71
Asset impairment, restructuring, and other special charges	**—**	—	—	**—**	211.6	NM
Other–net, (income) expense	**119.2**	(190.5)	NM	**469.9**	(511.6)	NM
Net income	**952.5**	1,390.2	(31)	**2,855.4**	2,745.5	4
EPS - diluted	**1.05**	1.53	(31)	**3.16**	3.01	5

NM - not meaningful

Revenue decreased for the three months ended June 30, 2022, driven by lower realized prices and the unfavorable impact of foreign exchange rates, partially offset by increased volume. Revenue increased for the six months ended June 30, 2022, driven by increased volume, partially offset by lower realized prices and the unfavorable impact of foreign exchange rates. Research and development expenses increased for the three and six months ended June 30, 2022, primarily driven by higher development expenses for late-stage assets, partially offset by lower development expenses for COVID-19 antibodies. Marketing, selling, and administrative expenses decreased for the three and six months ended June 30, 2022, primarily driven by the favorable impact of foreign exchange rates as well as reduced marketing costs.

The following highlighted items also affect comparisons of our financial results for the three and six months ended June 30, 2022 and 2021:

2022

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

- We recognized $440.4 million and $606.0 million of acquired IPR&D and development milestones for the three and six months ended June 30, 2022, respectively, primarily related to the buy-out of substantially all future obligations that were contingent upon the occurrence of certain events linked to the success of our mutant-selective PI3kα inhibitor. The charges for the six months ended June 30, 2022 also included a purchase of a Priority Review Voucher.

Other-Net, (Income) Expense (See Note 11 to the consolidated condensed financial statements)

- We recognized $118.9 million and $544.3 million of net investment losses on equity securities for the three and six months ended June 30, 2022, respectively.

2021

Cost of Sales (See Note 5 to the consolidated condensed financial statements)

- We recognized inventory impairment charges related to our COVID-19 antibodies of $423.0 million and $504.5 million for the three and six months ended June 30, 2021, respectively. As part of our response to the COVID-19 pandemic, and at the request of the U.S. and international governments, we invested in large-scale manufacturing of COVID-19 antibodies at risk, in order to ensure rapid access to patients around the world. As the COVID-19 pandemic evolved during 2021, we incurred inventory impairment charges primarily due to the combination of changes to demand from U.S. and international governments, including changes to our agreement with the U.S. government, and near-term expiry dates of COVID-19 antibodies.

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

- We recognized $42.8 million and $354.8 million of acquired IPR&D and development milestones for the three and six months ended June 30, 2021, respectively. The charges for the six months ended June 30, 2021 were primarily related to acquired IPR&D charges resulting from business development transactions with Rigel Pharmaceuticals, Inc. (Rigel) and Precision Biosciences, Inc. (Precision).

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 six months ended June 30, 2021 primarily related to an intangible asset impairment resulting from the sale of 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 11 to the consolidated condensed financial statements)

- We recognized $215.4 million and $517.0 million of net investment gains on equity securities for the three and six months ended June 30, 2021, respectively.

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

The following certain new molecular entities (NMEs) are currently in Phase II or Phase III clinical trials or have been submitted for regulatory review or have received regulatory approval in the U.S., Europe, or Japan. The following table reflects the status of these NMEs, including certain other developments since our Annual Report on Form 10-K for the year ended December 31, 2021.

Compound	Indication	Status	Developments
Diabetes			
Tirzepatide (Mounjaro®)	Type 2 diabetes	Approved	Approved in the U.S. in the second quarter of 2022. Submitted in Europe and Japan in 2021. Received a positive opinion from the European Medicines Agency's Committee for Medicinal Products for Human Use in July 2022.
	Heart failure with preserved ejection fraction	Phase III	Phase III trials are ongoing.
	Obesity	Phase III	Announced in the second quarter of 2022 that the initial Phase III trial met co-primary and all key secondary endpoints. Phase III trials are ongoing.
	Obstructive sleep apnea	Phase III	Phase III trial initiated in July 2022.
	Nonalcoholic steatohepatitis	Phase II	Phase II trial is ongoing.
Basal Insulin-Fc	Type 1 and 2 diabetes	Phase III	Phase III trials initiated in the first and second quarters of 2022.
GLP-1R NPA	Obesity	Phase II	Phase II trials are ongoing.
	Type 2 diabetes		
Retatrutide (GGG Tri-Agonist)	Obesity	Phase II	Phase II trials are ongoing.
	Type 2 diabetes		
Immunology			
Mirikizumab	Ulcerative colitis	Submitted	Submitted in the U.S. in first quarter of 2022 and in Europe and Japan in the second quarter of 2022.
	Crohn's Disease	Phase III	Phase III trials are ongoing.
Lebrikizumab[1]	Atopic dermatitis	Phase III	Granted FDA Fast Track designation[2]. Announced in 2021 and in the second quarter of 2022 that Phase III trials met primary and all key secondary endpoints. Phase III trials are ongoing.
BTLA MAB Agonist	Systemic lupus erythematosus	Phase II	Phase II trial initiated in the second quarter of 2022.
CXCR1/2 Ligands Monoclonal Antibody	Hidradenitis suppurativa	Phase II	Phase II trial is ongoing.
Peresolimab (PD-1 MAB Agonist)	Rheumatoid arthritis	Phase II	Phase II trial is ongoing.
Rezpegaldesleukin (IL-2 Conjugate)	Systemic lupus erythematosus	Phase II	Phase II trial is ongoing.

Compound	Indication	Status	Developments
Neuroscience			
Donanemab	Early Alzheimer's disease	Submitted	Granted FDA Breakthrough Therapy designation[3]. Submitted in the U.S. in the second quarter of 2022. Received Priority Review designation under the accelerated approval pathway. Phase III trials are ongoing.
	Preclinical Alzheimer's disease	Phase III	Phase III trial is ongoing.
Solanezumab	Preclinical Alzheimer's disease	Phase III	Phase III trial is ongoing.
GBA1 Gene Therapy (PR001)	Parkinson's disease	Phase II	Granted FDA Fast Track designation[2]. Phase II trials are ongoing.
GRN Gene Therapy (PR006)	Frontotemporal dementia	Phase II	
O-glc-NAcase	Alzheimer's disease	Phase II	Phase II trial is ongoing.
PACAP38 Antibody	Migraine	Phase II	Phase II trial is ongoing.
SSTR4 Agonist	Pain	Phase II	Phase II trials are ongoing.
TRPA1 Antagonist	Pain	Phase II	Phase II trials are ongoing.
Oncology			
Selpercatinib (Retevmo®)	Lung cancer	Approved[4]	Phase III trials are ongoing.
	Thyroid cancer		
Pirtobrutinib (LOXO-305)	Mantle cell lymphoma	Submitted	Submitted in the U.S. in second quarter of 2022. Received Priority Review designation under the accelerated approval pathway. Phase II and Phase III trials are ongoing.
	Chronic lymphocytic leukemia	Phase III	Phase III trials are ongoing.
	B-cell malignancies	Phase II	Phase II trial is ongoing.
Imlunestrant	ER+HER2- metastatic breast cancer	Phase III	Phase III trial is ongoing.
Sintilimab injection[5]	Lung cancer	Not pursuing submission	In the first quarter of 2022 the FDA issued a complete response letter indicating that the FDA did not approve the application in its current form and recommended an additional multiregional clinical study be performed. Lilly does not plan to further pursue submission.

(1) In collaboration with Almirall, S.A. in Europe.
(2) Fast Track designation is designed to expedite the development and review of new therapies to treat serious conditions and address unmet medical needs.
(3) 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.
(4) Continued approval may be contingent on verification and description of clinical benefit in confirmatory Phase III trials.
(5) In collaboration with Innovent Biologics, Inc.

Our pipeline also contains several new indication line extension (NILEX) products. The following certain NILEX products for use in the indication described are currently in Phase II or Phase III clinical trials or have been submitted for regulatory review or have received regulatory approval in the U.S., Europe, or Japan. The following table reflects the status of these NILEX products, including certain other developments since our Annual Report on Form 10-K for the year ended December 31, 2021.

Compound	Indication	Status	Developments
Diabetes			
Empagliflozin (Jardiance®)[1]	Heart failure with preserved ejection fraction	Approved	Approved in the U.S. and Europe in the first quarter of 2022 and in Japan in the second quarter of 2022.
	Chronic kidney disease	Phase III	Granted FDA Fast Track designation[2]. In the first quarter of 2022 the Independent Data Monitoring Committee recommended stopping the Phase III trial early due to clear positive efficacy.
Immunology			
Baricitinib (Olumiant®)	Alopecia areata	Approved	Approved in the U.S., Europe and Japan in the second quarter of 2022.
	COVID-19	Approved	Approved in the U.S. in the second quarter of 2022.
Oncology			
Abemaciclib (Verzenio®)	Prostate cancer	Phase III	Phase III trials are ongoing.

(1) In collaboration with Boehringer Ingelheim.
(2) Fast Track designation is designed to expedite the development and review of new therapies to treat serious conditions and address unmet medical needs.

Other Matters

Patent Matters

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

In June 2021, our vitamin regimen patents for Alimta® expired worldwide. Following the loss of patent exclusivity in major European countries and Japan, we faced, and remain exposed to, generic competition which has rapidly and severely eroded revenue and is likely to continue to erode revenue from current levels. In addition, as a result of the entry of multiple generics in the U.S. following the loss of pediatric exclusivity in May 2022, we began facing, and remain exposed to, additional generic competition which has eroded revenue and is likely to continue to rapidly and severely erode revenue from current levels. This decline in revenue has had and 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 description of legal proceedings currently pending regarding certain of our patents.

Our 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 has a similar version of insulin lispro in the U.S. and in certain European markets. While it is difficult to estimate the severity of the impact of insulin lispro products entering the market, we have not experienced a rapid and severe decline in revenue. However, due to the impact of competition and pricing pressure in the U.S. and some international markets, we expect lower revenue due to some realized price decline and loss of market share to continue over time.

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

Foreign Currency Exchange Rates

As a global company, we face foreign currency risk exposure from fluctuating currency exchange rates, primarily the U.S. dollar against the euro, Japanese yen, and Chinese yuan. While we seek to manage a portion of these exposures through hedging and other risk management techniques, significant fluctuations in currency rates can have a material impact, either positive or negative, on our consolidated results of operations in any given period. During the three and six months ended June 30, 2022, revenue was unfavorably impacted by 3 percent due to foreign exchange rates. While there is uncertainty in the future movements in foreign exchange rates, fluctuations in these rates have and in the future could adversely impact our future consolidated results of operations and cash flows.

Trends Affecting Pharmaceutical Pricing, Reimbursement, and Access

Global concern over access to and affordability of pharmaceutical products continues to drive regulatory and legislative debate, as well as worldwide cost containment efforts by governmental authorities. Such measures may include the use of mandated discounts, price reporting requirements, mandated reference prices, restrictive formularies, changes to available intellectual property protections, as well as other efforts. Additional policies, regulations, legislation, or enforcement, including those proposed and/or pursued by the U.S. Congress and executive branch of the administration and other regulatory authorities worldwide, could adversely impact our business and consolidated results of operations. For example, pending legislation in the U.S. could result in government negotiation of the price of some of our medicines. In addition, consolidation of private payors in the U.S. has significantly impacted the market for pharmaceuticals by increasing payor leverage in negotiating manufacturer price concessions and pharmacy reimbursement rates. Furthermore, restrictive or unfavorable pricing, coverage, or reimbursement determinations for our medicines or product candidates by governments, regulatory agencies, courts, or private payers, such as the Centers for Medicare & Medicaid Services' recently released National Coverage Determination for monoclonal antibodies for the treatment of Alzheimer's Disease, may adversely impact our business and financial results. We expect that these actions may intensify and could particularly affect certain products, such as insulin, as governments manage and emerge from the COVID-19 pandemic, which could adversely affect our business. In addition, we are engaged in litigation and investigations related to our 340B program and access to insulin that, if resolved adversely to us, could negatively impact our business and consolidated results of operations. It is not currently possible to predict the overall potential adverse impact to us or the general pharmaceutical industry of continued cost containment efforts worldwide.

In addition, evolving regulatory priorities have intensified governmental scrutiny of our operations and our industry, including with respect to current Good Manufacturing Practices, quality assurance, and similar regulations, and increased focus on business combinations in our industry. 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 or supplemental approvals of current products pending resolution of the issues, impediments to the completion of business combinations, and reputational harm, any of which would adversely affect our business.

See "Business - Regulations and Private Payer Actions Affecting Pharmaceutical Pricing, Reimbursement, and Access" in Part I, Item 1 and "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021. See also Note 9 to the consolidated condensed financial statements.

Tax Matters

We are subject to income taxes and various other taxes in the U.S. and in many foreign jurisdictions; therefore, changes in both domestic and international tax laws or regulations have affected and may affect our effective tax rate, results of operations, and cash flows. In 2017, the U.S. enacted the Tax Cuts and Jobs Act (the 2017 Tax Act), which contains a provision that requires capitalization and amortization of research and development expenses for tax purposes starting in 2022. Previously, these expenses could be deducted in the year incurred. The implementation of this provision has increased, and is expected to continue to increase, our 2022 cash payments of income taxes and subsequently decrease our cash payments of income taxes moderately over the five-year amortization period. We expect the implementation of this provision to impact our 2022 cash payments of income taxes by up to $1.50 billion. For the three and six months ended June 30, 2022, the implementation of this provision favorably impacted other tax items that decreased our effective tax rate by approximately 4 percentage points. If this provision of the 2017 Tax Act is deferred or repealed by the U.S. Congress effective for 2022, we expect our effective tax rate to be approximately 13 percent to 14 percent for 2022.

The U.S. and countries around the world are actively considering and enacting tax law changes. Tax proposals introduced by the U.S. Congress and presidential administration contain significant changes, including increases to the tax rates at which both domestic and foreign income of U.S. companies would be taxed. In addition, tax authorities in the U.S. and other jurisdictions in which we do business routinely examine our tax returns and are intensifying their scrutiny and examinations of profit allocations among jurisdictions. 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 laws in countries in which we operate. Changes to existing tax law and increased scrutiny by tax authorities in the U.S. and other jurisdictions could adversely impact our future consolidated results of operations and cash flows.

Acquisitions

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

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 June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2022	2021		2022	2021	
U.S.	**$ 3,934.8**	$ 3,704.2	6	**$ 9,109.4**	$ 7,645.5	19
Outside U.S.	**2,553.3**	3,035.9	(16)	**5,188.7**	5,900.2	(12)
Revenue	**$ 6,488.0**	$ 6,740.1	(4)	**$ 14,298.0**	$ 13,545.7	6

Numbers may not add due to rounding.

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

	Three Months Ended June 30, 2022 vs. 2021			Six Months Ended June 30, 2022 vs. 2021		
	U.S.	Outside U.S.	Consolidated	U.S.	Outside U.S.	Consolidated
Volume	14 %	5 %	10 %	23 %	5 %	15 %
Price	(8)	(14)	(11)	(4)	(11)	(7)
Foreign exchange rates	—	(6)	(3)	—	(6)	(3)
Percent change	6 %	(16)%	(4)%	19 %	(12)%	6 %

Numbers may not add due to rounding.

In the U.S. for the three and six months ended June 30, 2022, the increase in volume was primarily driven by COVID-19 antibodies, Trulicity, Verzenio, Jardiance, and Taltz®, partially offset by decreased volume for Alimta resulting from the entry of generic competition. In the U.S. for the three months ended June 30, 2022, the decrease in realized prices was primarily driven by Humalog, due to unfavorable segment mix, as more highly rebated segments made up a larger portion of the business, and a list price reduction of insulin lispro injection; Alimta and Forteo, due to higher contracted rebates and unfavorable segment mix; and Taltz, due to changes to estimates for rebates and discounts and unfavorable segment mix. In the U.S. for the six months ended June 30, 2022, the lower realized prices were primarily driven by Humalog, due to a list price reduction of insulin lispro injection, and Trulicity and Basaglar®, due to higher contracted rebates and unfavorable segment mix.

Outside the U.S. for the three and six months ended June 30, 2022, the increase in volume was largely driven by Verzenio, Trulicity, Tyvyt®, Taltz, and Jardiance, partially offset by Alimta and Cymbalta® resulting from the entry of generic competition, COVID-19 antibodies, and the sale of the rights to Cialis® in China in the second quarter of 2021. Outside the U.S. for the three and six months ended June 30, 2022, the decrease in realized prices was primarily driven by the impact of government pricing in China from the National Reimbursement Drug List (NRDL) formulary for certain products, particularly Tyvyt and Verzenio, and volume-based procurement (VBP) for Humalog.

The following table summarizes our revenue activity by product for the three months ended June 30, 2022 and 2021:

	Three Months Ended June 30,				
	2022			2021	
Product	U.S.	Outside U.S.	Total	Total	Percent Change
Trulicity	**$ 1,430.1**	**$ 481.7**	**$ 1,911.9**	$ 1,535.6	25
Taltz	**411.6**	**194.7**	**606.2**	569.1	7
Verzenio	**384.3**	**204.2**	**588.5**	341.3	72
Jardiance[1]	**250.7**	**210.3**	**461.0**	356.5	29
Humalog[2]	**238.8**	**208.3**	**447.1**	607.6	(26)
Humulin®	**202.3**	**71.7**	**274.0**	315.3	(13)
Cyramza®	**92.6**	**138.6**	**231.3**	268.7	(14)
Alimta	**171.7**	**56.1**	**227.7**	610.6	(63)
Olumiant[3]	**10.4**	**175.8**	**186.2**	208.4	(11)
Basaglar	**95.8**	**78.4**	**174.2**	210.7	(17)
Emgality®	**108.6**	**48.9**	**157.5**	156.3	1
Cialis	**10.8**	**136.2**	**147.0**	281.0	(48)
Erbitux®	**125.1**	**15.7**	**140.8**	147.0	(4)
Forteo	**78.5**	**60.0**	**138.5**	218.4	(37)
COVID-19 antibodies[4]	**129.1**	**—**	**129.1**	148.9	(13)
Zyprexa®	**8.7**	**78.6**	**87.3**	95.4	(8)
Cymbalta	**8.1**	**67.4**	**75.5**	175.6	(57)
Tyvyt	**—**	**73.6**	**73.6**	105.0	(30)
Other products	**177.6**	**253.1**	**430.6**	388.7	11
Revenue	**$ 3,934.8**	**$ 2,553.3**	**$ 6,488.0**	$ 6,740.1	(4)

Numbers may not add due to rounding.
NM - not meaningful
[1] Jardiance revenue includes Glyxambi®, Synjardy®, and Trijardy® XR.
[2] Humalog revenue includes insulin lispro.
[3] Olumiant revenue includes sales for baricitinib that were made pursuant to EUA or similar regulatory authorizations.
[4] COVID-19 antibodies include sales for bamlanivimab administered alone, for bamlanivimab and etesevimab administered together, and for bebtelovimab and were made pursuant to EUAs or similar regulatory authorizations.

The following table summarizes our revenue activity by product for the six months ended June 30, 2022 and 2021:

	Six Months Ended June 30,				
	2022			2021	
Product	U.S.	Outside U.S.	Total	Total	Percent Change
Trulicity	$ 2,744.1	$ 909.1	$ 3,653.2	$ 2,988.1	22
COVID-19 antibodies[(1)]	1,584.3	14.7	1,598.9	959.1	67
Taltz	718.8	375.5	1,094.3	972.4	13
Humalog[(2)]	607.7	457.6	1,065.3	1,224.6	(13)
Verzenio	685.7	372.1	1,057.9	610.3	73
Jardiance[(3)]	480.4	400.0	880.4	668.5	32
Alimta	425.9	145.8	571.7	1,169.6	(51)
Humulin	392.8	154.5	547.2	637.0	(14)
Cyramza	171.8	289.7	461.5	509.2	(9)
Olumiant[(4)]	81.7	360.1	441.8	402.2	10
Basaglar	215.1	150.6	365.7	457.3	(20)
Cialis	17.7	347.0	364.7	407.8	(11)
Emgality	216.9	89.8	306.7	275.7	11
Forteo	148.7	127.2	275.9	416.9	(34)
Erbitux	234.7	28.7	263.4	269.4	(2)
Zyprexa	18.3	162.1	180.4	191.1	(6)
Tyvyt	—	159.0	159.0	214.6	(26)
Cymbalta	17.2	139.4	156.6	352.3	(56)
Other products	347.6	505.8	853.4	819.6	4
Revenue	$ 9,109.4	$ 5,188.7	$ 14,298.0	$ 13,545.7	6

Numbers may not add due to rounding.
NM - not meaningful
(1) COVID-19 antibodies include sales for bamlanivimab administered alone, for bamlanivimab and etesevimab administered together, and for bebtelovimab and were made pursuant to EUAs or similar regulatory authorizations.
(2) Humalog revenue includes insulin lispro.
(3) Jardiance revenue includes Glyxambi, Synjardy, and Trijardy XR.
(4) Olumiant revenue includes sales for baricitinib that were made pursuant to EUA or similar regulatory authorizations.

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 25 percent and 21 percent in the U.S. during the three and six months ended June 30, 2022, respectively, driven by increased demand, partially offset by lower realized prices. Revenue outside the U.S. increased 24 percent and 26 percent during the three and six months ended June 30, 2022, respectively, driven by increased demand, partially offset by the unfavorable impact of foreign exchange rates and lower realized prices.

Revenue of COVID-19 antibodies, treatments for mild to moderate COVID-19 for higher-risk patients and for post-exposure prophylaxis in certain individuals for the prevention of SARS-CoV-2 infection, was $129.1 million and $1.58 billion in the U.S. during the three and six months ended June 30, 2022, respectively. Revenue outside the U.S. was not material during the three and six months ended June 30, 2022. The availability of superior or competitive therapies, including therapies that can be administered more easily, or preventative measures, such as vaccines, coupled with the unpredictable nature of pandemics, have and could further negatively impact or eliminate demand for these COVID-19 antibodies. The FDA has revised, and may in the future revise, any EUA for our COVID-19 antibodies in response to the prevalence of variants against which our antibodies have varying degrees of efficacy. We will supply the U.S. government approximately 79,000 doses of bebtelovimab in the third quarter of 2022. In collaboration with the U.S. government, we intend to make bebtelovimab commercially available for purchase by U.S. states/territories, hospitals, and a broad set of other providers beginning mid-August 2022, which is prior to the anticipated depletion of the U.S. government's currently available supply.

Revenue of Taltz, a treatment for moderate-to-severe plaque psoriasis, active psoriatic arthritis, ankylosing spondylitis, and active non-radiographic axial spondyloarthritis, increased 3 percent and 11 percent in the U.S. during the three and six months ended June 30, 2022, respectively, driven by increased demand. Taltz's increase in revenue in the U.S. for the three months ended June 30, 2022 was partially offset by lower realized prices due to changes to estimates for rebates and discounts as well as unfavorable segment mix. Revenue outside the U.S. increased 15 percent and 16 percent during the three and six months ended June 30, 2022, respectively, driven by increased volume, partially offset by lower realized prices and the unfavorable impact of foreign exchange rates.

Revenue of Humalog, an injectable human insulin analog for the treatment of diabetes, decreased 27 percent in the U.S. during the three months ended June 30, 2022, driven by lower realized prices due to unfavorable segment mix, as more highly rebated segments made up a larger portion of the business, and a list price reduction of insulin lispro injection. Revenue of Humalog decreased 8 percent in the U.S. during the six months ended June 30, 2022, driven by lower realized prices due to a list price reduction of insulin lispro injection. Revenue outside the U.S. decreased 25 percent and 19 percent during the three and six months ended June 30, 2022, respectively, primarily driven by lower realized prices due to the impact of VBP in China and, to a lesser extent, the unfavorable impact of foreign exchange rates. While it is difficult to estimate the severity of the impact of insulin lispro products entering the market, we have not experienced a rapid and severe decline in revenue. However, due to the impact of competition and pricing pressure in the U.S. and some international markets, we expect lower revenue due to some realized price decline and loss of market share to continue over time.

Revenue of Verzenio, a treatment for HR+, HER2- metastatic breast cancer and high risk early breast cancer, increased 83 percent and 79 percent in the U.S. during the three and six months ended June 30, 2022, respectively, primarily driven by increased demand. Revenue outside the U.S. increased 55 percent and 63 percent during the three and six months ended June 30, 2022, respectively, driven by increased demand, partially offset by lower realized prices due to the impact of the NRDL formulary in China and, to a lesser extent, the unfavorable impact of foreign exchange rates.

Revenue of Jardiance, a treatment for type 2 diabetes, to reduce the risk of cardiovascular death in adult patients with type 2 diabetes and established cardiovascular disease, and to reduce the risk of cardiovascular death and hospitalization for heart failure in adults with heart failure, regardless of left ventricular ejection fraction, increased 29 percent and 39 percent in the U.S. during the three and six months ended June 30, 2022, respectively, primarily driven by increased demand. Revenue outside the U.S. increased 30 percent and 24 percent during the three and six months ended June 30, 2022, respectively, driven by increased demand, partially offset by the unfavorable 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 Alimta, a treatment for various cancers, decreased 51 percent and 31 percent in the U.S. during the three and six months ended June 30, 2022, respectively, driven by decreased demand and lower realized prices due to the entry of multiple generics in the second quarter of 2022. Revenue outside the U.S. decreased 78 percent and 74 percent during the three and six months ended June 30, 2022, respectively, largely driven by decreased demand due to entry of generic competition. Following the loss of patent exclusivity in major European countries and Japan, we faced, and remain exposed to, generic competition which has rapidly and severely eroded revenue and is likely to continue to erode revenue from current levels. In addition, as a result of the entry of multiple generics in the U.S. following the loss of pediatric exclusivity in May 2022, we began facing, and remain exposed to, additional generic competition which has eroded revenue and is likely to continue to rapidly and severely erode revenue from current levels. See "Executive Overview - Other Matters- Patent Matters" for additional information.

Gross Margin, Costs, and Expenses

Gross margin as a percent of revenue increased 6.9 percentage points to 78.0 percent and increased 3.8 percentage points to 75.5 percent for the three and six months ended June 30, 2022, respectively. The increase in gross margin percent for the three and six months ended June 30, 2022 was primarily driven by inventory impairment charges recognized related to our COVID-19 antibodies in 2021 and, to a lesser extent, the unfavorable effect of foreign exchange rates on international inventories sold in 2021 and favorable product mix, partially offset by lower realized prices.

Research and development expenses increased 8 percent to $1.78 billion and 2 percent to $3.39 billion for the three and six months ended June 30, 2022, respectively, primarily driven by higher development expenses for late-stage assets, partially offset by lower development expenses for COVID-19 antibodies.

Marketing, selling, and administrative expenses decreased 4 percent to $1.63 billion and 2 percent to $3.18 billion for the three and six months ended June 30, 2022, respectively, primarily driven by the favorable impact of foreign exchange rates as well as reduced marketing costs.

We recognized $440.4 million and $606.0 million of acquired IPR&D and development milestones for the three and six months ended June 30, 2022, respectively, primarily related to the buy-out of substantially all future obligations that were contingent upon the occurrence of certain events linked to the success of our mutant-selective PI3kα inhibitor. The charges for the six months ended June 30, 2022 also included the purchase of a Priority Review Voucher. We recognized $42.8 million and $354.8 million of acquired IPR&D and development milestones for the three and six months ended June 30, 2021, respectively. The charges for the six months ended June 30, 2021 primarily related to acquired IPR&D charges from business development transactions with Rigel and Precision. See Note 3 to the consolidated condensed financial statements for additional information.

There were no asset impairment, restructuring, and other special charges recognized for the three and six months ended June 30, 2022 and for the three months ended June 30, 2021. We recognized asset impairment, restructuring, and other special charges of $211.6 million for the six months ended June 30, 2021, primarily related to an intangible asset impairment resulting from the sale of the rights to Qbrexza, as well as acquisition and integration costs associated with the acquisition of Prevail.

Other–net, (income) expense was expense of $119.2 million and $469.9 million for the three and six months ended June 30, 2022, respectively, compared with income of $190.5 million and $511.6 million for the three and six months ended June 30, 2021, respectively. The decrease in other–net, (income) expense was primarily driven by net investment losses on equity securities in 2022 compared with net investment gains on equity securities in 2021.

The effective tax rates were 12.7 percent and 9.2 percent for the three and six months ended June 30, 2022, respectively, reflecting the favorable tax impact of the implementation of a provision in the 2017 Tax Act that requires capitalization and amortization of research and development expenses for tax purposes starting in 2022 and of net investment losses on equity securities, partially offset by the tax impact related to non-deductible development milestones. We expect our effective tax rate to be approximately 13 percent to 14 percent for 2022 if the capitalization and amortization of research and development expenses provision of the 2017 Tax Act is deferred or repealed by U.S. Congress effective for 2022.

The effective tax rates were 12.8 percent and 10.6 percent for the three and six months ended June 30, 2021, respectively, reflecting the favorable tax impact of inventory impairment charges related to our COVID-19 antibodies, partially offset by the tax impact of net investment gains on equity securities. The effective tax rate for the six months ended June 30, 2021 was also impacted favorably by a net discrete tax benefit.

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, 2021.

We plan to invest more than $2 billion over several years in two new facilities in Lebanon, Indiana to manufacture existing and future products and more than $1 billion over several years in a new facility in Concord, North Carolina to manufacture parenteral (injectable) products and devices. We plan to invest more than 400 million euro over several years in a new facility in Limerick, Ireland to expand our manufacturing network for biologic active ingredients.

Cash and cash equivalents decreased to $2.62 billion as of June 30, 2022, compared with $3.82 billion as of December 31, 2021. Refer to the consolidated condensed statements of cash flows for additional information on the significant sources and uses of cash for the six months ended June 30, 2022 and 2021.

In addition to our cash and cash equivalents, we held total investments of $2.70 billion and $3.30 billion as of June 30, 2022 and December 31, 2021, respectively. See Note 6 to the consolidated condensed financial statements for additional information.

As of June 30, 2022, total debt was $16.81 billion, consistent with $16.88 billion as of December 31, 2021. See Note 6 to the consolidated condensed financial statements for additional information.

As of June 30, 2022, we had a total of $5.26 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 six months ended June 30, 2022, we repurchased $1.50 billion of shares under our $5.00 billion share repurchase program authorized in May 2021. As of June 30, 2022, we had $3.25 billion remaining under this program.

During the six months ended June 30, 2022, we paid dividends of $1.77 billion, or $1.96 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.

Critical Accounting Estimates

For a discussion of our critical accounting estimates, refer to "Management's Discussion and Analysis of Results of Operations and Financial Condition" in Part II, Item 7 and the notes to our consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2021. See also Note 1 to the consolidated condensed financial statements. There have been no material changes to our critical accounting estimates since our Annual Report on Form 10-K for the year ended December 31, 2021.

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

Our management, with the participation of David 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, 2021) as of June 30, 2022, and concluded that they were effective.

(b) *Changes in Internal Controls*. During the second quarter of 2022, 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, 2021.

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, 2021. 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, 2021.

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, 2021.

The following table summarizes the activity related to repurchases of our equity securities during the three months ended June 30, 2022:

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)
April 2022	—	$ —	—	$ 3,250.0
May 2022	—	—	—	3,250.0
June 2022	—	—	—	3,250.0
Total	—	—	—	

During the three months ended June 30, 2022, we did not repurchase any shares under our $5.00 billion share repurchase program authorized in May 2021.

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 Current Report on Form 8-K filed on May 4, 2022
EXHIBIT 3.2	Bylaws, as amended, are incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on May 4, 2022
EXHIBIT 31.1	Rule 13a-14(a) Certification of David A. Ricks, Chair, 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 percent of our consolidated assets are not filed as exhibits to this Quarterly Report. We will furnish a copy of these agreements to the Securities and Exchange Commission upon request.

Signatures

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

ELI LILLY AND COMPANY
(Registrant)

Date:	August 4, 2022	/s/ Anat Ashkenazi Anat Ashkenazi Senior Vice President and Chief Financial Officer
Date:	August 4, 2022	/s/ Donald A. Zakrowski Donald A. Zakrowski Vice President, Finance, and Chief Accounting Officer

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

CERTIFICATIONS

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

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

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

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

4. The registrant's other certifying officer 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: August 4, 2022

By: /s/ David A. Ricks

David A. Ricks

Chair, 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: August 4, 2022

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 June 30, 2022 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 4, 2022

/s/ David A. Ricks

David A. Ricks
Chair, President, and Chief Executive Officer

Date: August 4, 2022

/s/ Anat Ashkenazi

Anat Ashkenazi
Senior Vice President and Chief Financial Officer