SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2000

COMMISSION FILE NUMBER 001-6351

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

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

LILLY CORPORATE CENTER, INDIANAPOLIS, INDIANA 46285
(Address of principal executive offices)

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

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, and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

The number of shares of common stock outstanding as of October 31, 2000:

Class	Number of Shares Outstanding
Common	1,127,274,346

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Unaudited)
ELI LILLY AND COMPANY AND SUBSIDIARIES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
	(Dollars in millions except per-share data)			
Net sales	$ 2,811.9	$2,585.2	$ 7,884.5	$7,182.4
Cost of sales	490.1	548.2	1,490.5	1,532.8
Research and development	506.1	442.9	1,473.4	1,316.5
Marketing and administrative	800.3	696.4	2,284.0	1,938.9
Asset impairment and other site charges	-	-	-	61.4
Interest expense	44.1	45.9	136.4	132.8
Other income - net	(27.1)	(87.4)	(374.8)	(21.7)
	1,813.5	1,646.0	5,009.5	4,960.7
Income from continuing operations before income taxes	998.4	939.2	2,875.0	2,221.7
Income taxes	219.6	206.6	584.5	461.3
Income from continuing operations	778.8	732.6	2,290.5	1,760.4
Income from discontinued operations, net of tax	-	-	-	174.3
Net income	$ 778.8	$ 732.6	$ 2,290.5	$1,934.7
EARNINGS PER SHARE - BASIC:				
Income from continuing operations	$ .72	$ .68	$ 2.12	$ 1.62
Income from discontinued operations	-	-	-	.16
Net income	$ .72	$ .68	$ 2.12	$ 1.78
EARNINGS PER SHARE - DILUTED:				
Income from continuing operations	$ .71	$ .67	$ 2.09	$ 1.59
Income from discontinued operations	-	-	-	.16
Net income	$ .71	$ .67	$ 2.09	$ 1.75
Dividends paid per share	$ .26	$ .23	$ .78	$ .69

See Notes to Consolidated Condensed Financial Statements.

CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited)
ELI LILLY AND COMPANY AND SUBSIDIARIES

	September 30, 2000	December 31, 1999
	(Dollars in millions)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,116.2	$ 3,700.4
Short-term investments	738.5	135.6
Accounts receivable, net of allowances for doubtful amounts of $91.7 (2000) and $79.9 (1999)	1,394.7	1,443.2
Other receivables	240.2	399.6
Inventories	905.0	899.6
Deferred income taxes	164.3	240.3
Prepaid expenses	333.2	236.8
TOTAL CURRENT ASSETS	6,892.1	7,055.5
OTHER ASSETS		
Prepaid retirement	896.2	741.1
Investments	869.3	180.3
Goodwill and other intangibles, net of allowances for amortization of $114.9 (2000) and $107.6 (1999)	108.1	118.6
Sundry	815.8	748.2
	2,689.4	1,788.2
PROPERTY AND EQUIPMENT		
Land, buildings, equipment, and construction-in-progress	7,526.3	7,347.3
Less allowances for depreciation	3,522.8	3,365.8
	4,003.5	3,981.5
	$13,585.0	$12,825.2
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	$ 45.0	$ 241.5
Accounts payable	375.9	445.5
Employee compensation	390.4	489.3
Dividends payable	-	283.0
Income taxes payable	1,731.1	1,445.3
Other liabilities	1,151.6	1,030.8
TOTAL CURRENT LIABILITIES	3,694.0	3,935.4
LONG-TERM DEBT	2,785.4	2,811.9
DEFERRED INCOME TAXES	77.5	137.0
RETIREE MEDICAL BENEFIT OBLIGATION	94.1	115.7
OTHER NONCURRENT LIABILITIES	869.9	812.2
	3,826.9	3,876.8
COMMITMENTS AND CONTINGENCIES	-	-
SHAREHOLDERS' EQUITY		
Common stock	704.9	682.0
Additional paid-in capital	2,610.0	-
Retained earnings	6,259.1	4,985.6
Employee benefit trust	(2,635.0)	-
Deferred costs-ESOP	(136.4)	(139.9)
Accumulated other comprehensive income	(629.2)	(406.4)
	6,173.4	5,121.3
Less cost of common stock in treasury	109.3	108.3
	6,064.1	5,013.0
	$13,585.0	$12,825.2

See Notes to Consolidated Condensed Financial Statements.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

ELI LILLY AND COMPANY AND SUBSIDIARIES

	Nine Months Ended September 30,	
	2000	1999
	(Dollars in millions)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$2,290.5	$1,934.7
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:		
Changes in operating assets and liabilities	206.2	(741.0)
Depreciation and amortization	359.9	340.4
Change in deferred taxes	(74.9)	184.3
Gain related to sale of Kinetra, net of tax	(214.4)	-
Gain related to sale of PCS, net of tax	-	(174.3)
Asset impairment, net of tax	-	39.9
Other, net	84.3	84.5
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,651.6	1,668.5
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of property and equipment	(433.0)	(320.2)
Purchase of investments	(1,484.5)	(36.2)
Proceeds from sale of investments	534.7	126.3
Other, net	(96.9)	(92.7)
Proceeds from sale of PCS	-	1,600.0
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(1,479.7)	1,277.2
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(845.0)	(751.5)
Purchase of common stock and other capital transactions	(754.2)	(1,292.7)
Issuances under stock plans	124.5	132.0
Net change in short-term borrowings	(191.4)	(34.8)
Net repayments of long-term debt	(23.9)	832.3
NET CASH USED FOR FINANCING ACTIVITIES	(1,690.0)	(1,114.7)
Effect of exchange rate changes on cash and cash equivalents	(66.1)	(34.8)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(584.2)	1,796.2
Cash and cash equivalents at January 1	3,700.4	1,495.7
CASH AND CASH EQUIVALENTS AT SEPTEMBER 30	$3,116.2	$3,291.9

See Notes to Consolidated Condensed Financial Statements.

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

ELI LILLY AND COMPANY AND SUBSIDIARIES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
	(Dollars in millions)			
Net income	$778.8	$732.6	$2,290.5	$1,934.7
Other comprehensive income/(loss)/1/	(76.1)	37.4	(222.8)	(141.0)
Comprehensive income	$702.7	$770.0	$2,067.7	$1,793.7

/1/The significant component of other comprehensive income/(loss) was a loss of $96.1 million and $216.6 million from foreign currency translation adjustments for the three months and nine months ended September 30, 2000, respectively, as compared to gains of $32.7 million and losses of $140.2 million for the three months and nine months ended September 30, 1999, respectively.

See Notes to Consolidated Condensed Financial Statements.

SEGMENT INFORMATION

The company operates in one significant business segment - pharmaceutical products. Operations of the animal health business are not material and share many of the same economic characteristics as pharmaceutical products. The company's business segments are distinguished by the ultimate end user of the product: humans or animals. Performance is evaluated based on profit or loss from operations before income taxes. Income before income taxes for the animal health business was $47 million and $36 million, respectively, for the three months ended September 30, 2000 and 1999 and $127 million and $105 million, respectively, for the nine months ended September 30, 2000 and 1999.

SALES BY PRODUCT CATEGORY

Worldwide sales by product category for the three months and nine months of 2000 and 1999 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
	(Dollars in millions)			
Net sales - to unaffiliated customers				
Neurosciences	$1,385.9	$1,252.3	$3,726.5	$3,430.0
Endocrinology	669.6	558.4	1,893.4	1,445.8
Anti-infectives	194.4	245.8	648.6	742.6
Animal health	164.4	149.5	471.1	435.5
Oncology	160.5	126.3	415.8	341.2
Cardiovascular	137.9	151.1	445.0	459.3
Gastrointestinal	79.5	82.0	232.9	274.8
Other pharmaceuticals	19.7	19.8	51.2	53.2
Net sales	$2,811.9	$2,585.2	$7,884.5	$7,182.4

BASIS OF PRESENTATION

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with the requirements of Form 10-Q and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles. In the opinion of management, the financial statements reflect all adjustments, all of which are of a normal recurring nature, that are necessary for a fair statement of the results of operations for the periods shown. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

CONTINGENCIES

Barr Laboratories, Inc. (Barr), and Geneva Pharmaceuticals, Inc. (Geneva), have each submitted an Abbreviated New Drug Application (ANDA) seeking FDA approval to market generic forms of Prozac(R) before the expiration of the company's patents. The ANDAs assert that two U.S. patents held by Lilly covering Prozac are invalid and unenforceable. The company filed suit against Barr and Geneva in federal court in Indianapolis seeking a ruling that Barr's challenge to Lilly's patents is without merit. In January 1999, the trial court granted summary judgment in favor of Lilly on two of the four claims raised by Barr and Geneva against Lilly's patents. That decision was appealed to the Court of Appeals for the Federal Circuit. Barr and Geneva dismissed their other two claims in exchange for a $4 million payment. On August 9, 2000, the Court of Appeals upheld the 2001 compound patent but held that the 2003 method of use patent was invalid. The company has filed a petition for rehearing by the Court of Appeals.

In late 1998, three additional generic pharmaceutical companies, Zenith Goldline Pharmaceuticals, Inc. (Zenith); Teva Pharmaceuticals USA (Teva); and Cheminor Drugs, Ltd. (Cheminor), together with one of its subsidiaries, filed ANDAs for generic forms of Prozac, asserting that the 2003 patent is invalid and unenforceable. Also in late 1998, Novex Pharma, a division of Apotex, Inc., changed its previously-filed ANDA to assert that both the 2001 and 2003 patents are invalid and unenforceable. Lilly has filed suits against the four companies in federal court in Indianapolis. In November 1999, Lilly filed a lawsuit against Cheminor and Schein Pharmaceuticals, Inc. (Schein), based on their ANDA filing for an additional dosage form. In March 2000, another generic company, Alphapharm Pty., Ltd. (Alphapharm) filed an ANDA challenging the company's patents. In April 2000, Barr notified the company that it filed a second ANDA for an additional dosage form. In May 2000, the company filed suits in federal court in Indianapolis against Barr and Alphapharm. In June 2000, the company received notice that Alphapharm had filed an amended ANDA for an additional dosage form. In July 2000, the company received notice that Teva filed a second ANDA for an additional dosage form. In August 2000, the company filed a suit against Alphapharm in Indianapolis. In September 2000, the company filed a second suit against Teva in federal court in Indianapolis.

Assuming the Prozac patent ruling is not overturned and assuming the FDA grants the company market exclusivity in the U.S. until August 2, 2001 in connection with pediatric studies, the company expects a very substantial decline in Prozac sales in the U.S. in the twelve months following the entry of generic fluoxetine in the U.S. market in August, 2001. Prozac sales in the U.S. represent a significant portion of the company's overall sales, accounting for approximately 21 percent of the company's consolidated worldwide sales in the first nine months of 2000. The company believes that the Prozac patent litigation will not have a material adverse effect on the company's consolidated financial position or liquidity.

The company has been named as a defendant in numerous product liability lawsuits involving primarily two products, diethylstilbestrol (DES) and Prozac. The company has accrued for its estimated exposure with respect to all current product liability claims. In addition, the company has accrued for certain claims incurred, but not filed, to the extent the company can formulate a reasonable estimate of their costs. The company's estimates of these expenses are based primarily on historical claims experience and data

regarding product usage. The company expects the cash amounts related to the accruals to be paid out over the next several years. The majority of costs associated with defending and disposing of these suits are covered by insurance. The company's estimate of insurance recoverables is based on existing deductibles, coverage limits, and the existing and projected future level of insolvencies among its insurance carriers.

Under the Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as Superfund, the company has been designated as one of several potentially responsible parties with respect to fewer than 10 sites. Under Superfund, each responsible party may be jointly and severally liable for the entire amount of the cleanup. The company also continues remediation of certain of its own sites. The company has accrued for estimated Superfund cleanup costs, remediation, and certain other environmental matters, taking into account, as applicable, available information regarding site conditions, potential cleanup methods, estimated costs, and the extent to which other parties can be expected to contribute to payment of those costs. The company has reached a settlement with its primary liability insurance carrier providing for coverage for certain environmental liabilities and has instituted litigation seeking coverage from certain excess carriers.

The environmental liabilities and litigation accruals have been reflected in the company's consolidated condensed balance sheet at the gross amount of approximately $151.8 million at September 30, 2000. Estimated insurance recoverables of approximately $91.7 million at September 30, 2000, have been reflected as assets in the consolidated balance sheet.

While it is not possible to predict or determine the outcome of the patent, product liability, antitrust, or other legal actions brought against the company or the ultimate cost of environmental matters, the company believes that, except as noted above with respect to the Prozac patent litigation, the costs associated with all such matters will not have a material adverse effect on its consolidated financial position or liquidity but could possibly be material to the consolidated results of operations in any one accounting period.

EARNINGS PER SHARE

All per share amounts, unless otherwise noted in the footnotes, are presented on a diluted basis, that is, based on weighted average number of outstanding common shares and the effect of all potentially dilutive common shares (primarily unexercised stock options).

SHAREHOLDER'S EQUITY

During the second quarter of 2000, the company funded an employee benefit trust with 40,000,000 shares of Lilly common stock to provide a source of funds to assist the company in meeting its obligations under various employee benefit plans. The funding had no net impact on shareholders' equity as the employee benefit trust is consolidated with the company. The cost basis of the shares held in the trust is shown as a reduction in shareholders' equity, which offsets the resulting increases in additional paid-in capital and common stock. Any dividend transactions between the company and the trust are eliminated. Stock held by the trust is not considered outstanding in the computation of earnings per share.

The company announced a $3 billion share repurchase program in 2000. Approximately 11.2 million shares were repurchased through the nine-month period ended September 30, 2000, at a cost of approximately $775 million. In connection with the share repurchase program, the company has entered into agreements to purchase shares of the company's stock. As of September 30, 2000, the company has agreements to purchase up to approximately 4.5 million shares of company stock from an independent third party at various times through the expiration of the agreements in December 2002, at prices ranging from $78 to $100 per share. The number of shares to be purchased will be reduced ratably each quarter through the expiration of the agreements. In addition, as of September 30, 2000, written equity put options, purchased call options and other derivative contracts for purchase of a total of approximately 3 million shares remain outstanding at prices ranging from $69 to $80 per share with expiration dates ranging from October 2000 to November 2002. If the options are exercised, the contracts allow the company, at its option, to repurchase the shares for cash or deliver to the holder cash or shares for the difference between the contractual

exercise price and the market price of the company's stock. The company's objective with the above hedging agreements is to reduce the average price of repurchased shares.

ACCOUNTING CHANGES

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements," which summarized the SEC staff's views regarding the recognition and reporting of revenues in certain transactions. The company must comply with SAB No. 101 by the end of 2000. The company does not expect that SAB No. 101 will have a material effect on its consolidated results of operations.

In June 1998, Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," was issued. Statement 133 was amended in June 1999 and is now required to be adopted in years beginning after June 15, 2000. The statement permits early adoption as of the beginning of any fiscal quarter after its issuance. The company will adopt Statement 133 on January 1, 2001. The statement will require the company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. Hedge ineffectiveness (the amount by which the change in the value of a hedge does not exactly offset the change in the value of the hedged item) will be immediately recognized in earnings. The company anticipates that adopting Statement 133 will not have a material effect on the consolidated results of operations and financial position of the company based on the derivatives owned by the company at September 30, 2000, anticipated derivative purchases prior to adoption, and anticipated market rates as of January 1, 2001.

DISCONTINUED OPERATIONS

In January 1999, the company sold PCS, its health-care-management subsidiary, to Rite Aid Corporation for $1.60 billion in cash. The transaction generated a gain of $174.3 million ($.16 per share), net of $8.7 million tax benefit, in the first quarter of 1999. The results of operations from PCS prior to the close of the sale were not material, and have been classified as discontinued operations in the consolidated condensed statements of income.

UNUSUAL ITEMS

During the first quarter of 2000, the company sold its interest in Kinetra LLC, a joint venture between the company and EDS, to WebMD Corporation (WebMD) in exchange for shares of WebMD common stock. A gain of $214.4 million was recognized on the combined effect of the transaction and the subsequent sale of the majority of those shares of WebMD stock. The gain is included in other income in the consolidated condensed statement of income.

During the fourth quarter of 1999, the company realized an estimated $91 million of sales as a result of year-2000-related wholesaler buying that normally would have been realized during the first quarter of 2000.

During the third quarter of 1999, the company recognized a pretax gain of $67.8 million on the sale of the U.S. and Puerto Rican marketing rights of Lorabid(R), an antibiotic used in the treatment of bacterial infections, to King Pharmaceuticals, Inc. The gain was included in other income in the consolidated condensed statement of income. The company has an opportunity to receive additional payments if certain sales performance milestones are achieved.

During the first quarter of 1999, the company recognized a pretax charge of $150.0 million, which resulted from a contribution made to Eli Lilly and Company Foundation, the non-profit foundation through which the company makes charitable contributions. The charge for the contribution was included in other income in the consolidated condensed statement of income.

During the first quarter of 1999, the company also recognized a pretax asset impairment charge of $61.4 million to adjust the carrying value of certain manufacturing assets to fair value. The major portion of the charge related to the decommissioning of a building previously used for antibiotic manufacturing, which resulted from the consolidation of certain manufacturing processes. The company planned to continue ownership of the vacated building although no planned future uses had been identified. The fair value of the facility was estimated based upon anticipated future cash flows, discounted at a rate commensurate with the risk involved.

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

OPERATING RESULTS FROM CONTINUING OPERATIONS

Income from continuing operations was $778.8 million, or $.71 per share, for the third quarter of 2000, compared with $732.6 million, or $.67 per share, for the third quarter of 1999, representing increases in earnings and earnings per share of 6 percent. Excluding the effect of a one-time gain on the sale of Lorabid marketing rights during the third quarter of 1999 which is discussed further below, earnings and earnings per share increased by 15 percent. Reported income from continuing operations was $2.29 billion, or $2.09 per share, for the first nine months of 2000, compared with $1.76 billion, or $1.59 per share, for the first nine months of 1999. Comparisons between the nine month periods are made difficult by the impact of several unusual items that are reflected in the company's operating results for both periods. Excluding these unusual items, which are discussed further below, income from continuing operations for the nine month periods of 2000 and 1999 would have been $2.14 billion, or $1.95 per share, and $1.84 billion, or $1.67 per share, respectively. This represents increases in earnings and earnings per share of 16 percent and 17 percent, respectively, for the nine month period. Income from continuing operations for the quarter and nine month period was favorably affected by increased sales, improved gross margins, and increased interest income, offset somewhat by higher operating expenses (as defined below) as a percent of sales.

Earnings per share for the nine month period of 2000 benefited from a lower number of shares outstanding resulting from the company's share repurchase programs.

As noted above, several unusual items are reflected in the company's operating results for the nine month periods of 2000 and 1999. These transactions are summarized as follows (see "Unusual Items" and "Discontinued Operations" in the Notes to Consolidated Condensed Financial Statements for additional information):

- - The company recognized a gain of $214.4 million on the sale of its interest in Kinetra LLC to WebMD and the subsequent sale of WebMD stock, which increased earnings per share by approximately $.20 in the first quarter of 2000.
- - The company realized an estimated $91 million of sales as a result of year-2000-related wholesaler buying during the fourth quarter of 1999 that normally would have been realized in the first quarter of 2000, which decreased earnings per share by approximately $.06 in the first quarter of 2000.
- - The company recognized a pretax gain of $67.8 million on the sale of the U.S. and Puerto Rican marketing rights of Lorabid, which increased earnings per share by approximately $.05 in the third quarter of 1999.
- - The company recognized a pretax charge of $150.0 million as the result of a contribution to Eli Lilly and Company Foundation, which decreased earnings per share by approximately $.09 in the first quarter of 1999.
- - The company recognized a pretax charge of $61.4 million associated with the impairment of certain manufacturing assets, which decreased earnings per share by approximately $.04 in the first quarter of 1999.
- - The company recognized a gain on the disposal of PCS of $174.3 million, net of $8.7 million tax benefit, which increased earnings per share by approximately $.16, net of tax, in the first quarter of 1999.

The company's sales for the third quarter of 2000 increased 9 percent, to $2.81 billion, compared with the third quarter of 1999. Sales growth was led by Zyprexa(R), diabetes care products, Evista(R), and Gemzar(R), partially offset by lower sales of Prozac, anti-infectives, and ReoPro(R). Sales in the U.S. increased 12 percent, to $1.87 billion, for the third quarter of 2000 compared with the third quarter of 1999. Sales outside the U.S. increased 3 percent, to $944.4 million. Worldwide sales for the quarter reflected volume growth of 10 percent and a 1 percent increase in selling prices, partially offset by an unfavorable exchange rate impact of 2 percent.

The company's reported sales for the first nine months of 2000 increased 10 percent, to $7.88 billion, compared with the first nine months of 1999. Sales growth was led by Zyprexa, diabetes care products, Evista, and Gemzar, partially offset by lower sales of Prozac, anti-infectives, Axid(R), and ReoPro. Sales in the U.S. increased 12 percent, to $5.03 billion, for the nine month period of 2000 compared with the nine month period of 1999. Sales outside the U.S. increased 6 percent, to $2.85 billion. Worldwide sales reflected volume growth of 12 percent, partially offset by an unfavorable exchange rate impact of 2 percent, while selling prices remained flat.

Prozac and Sarafem(TM) had combined worldwide sales of $680.2 million and $1.90 billion for the third quarter and nine month period of 2000, respectively, representing decreases of 1 percent and 3 percent, compared with the same periods of 1999. Sarafem, launched in the U.S. in August 2000 for the treatment of premenstrual dysphoric disorder (PMDD), had sales of $10.0 million for the third quarter of 2000. Prozac and Sarafem combined sales in the U.S. increased 6 percent, to $598.7 million for the quarter, primarily as a result of the Sarafem launch and wholesaler stocking during the third quarter of 2000. For the nine month period, sales increased 4 percent, to $1.65 billion, primarily due to abnormally low wholesaler buying during the first quarter of 1999, as well as the factors noted previously. Prozac sales outside the U.S. decreased 35 percent, to $81.5 million, for the quarter and 33 percent, to $257.3 million, for the nine month period, primarily due to continuing generic competition in the U.K. On August 9, 2000, the Court of Appeals for the Federal Circuit affirmed a lower court decision upholding the company's February 2001 U.S. patent on Prozac but ruled that the company's December 2003 patent is invalid. Reference is made to the discussion of the Prozac patent litigation under Part II, Item 1 of this Form 10-Q. For additional information on the expected financial impact of the ruling, see the "Financial Expectations for 2001 and 2002" section below.

Zyprexa had worldwide sales of $644.9 million and $1.65 billion for the third quarter and nine month period of 2000, respectively, representing increases of 28 percent and 27 percent, compared with the same periods of 1999. Sales in the U.S. increased 28 percent, to $474.6 million, for the quarter and 24 percent, to $1.17 billion, for the nine month period. Sales outside the U.S. increased 29 percent, to $170.3 million, for the quarter and 37 percent, to $482.6 million, for the nine month period.

Gemzar had worldwide sales of $155.1 million and $399.0 million for the third quarter and nine month period of 2000, respectively, representing increases of 30 percent and 25 percent, compared with the same periods of 1999. Sales in the U.S. increased 30 percent, to $92.8 million, for the quarter and 19 percent, to $220.7 million, for the nine month period. Sales outside the U.S. increased 30 percent, to $62.3 million, for the quarter and 32 percent, to $178.3 million, for the nine month period.

Evista had worldwide sales of $141.5 million and $375.7 million for the third quarter and nine month period of 2000, respectively, representing increases of 53 percent and 76 percent, compared with the same periods of 1999. Sales in the U.S increased 45 percent, to $119.3 million, for the quarter and 67 percent, to $314.6 million, for the nine month period. Increases in Evista sales in the U.S. were due, in part, to the FDA approval for the treatment of postmenopausal osteoporosis in the U.S., which was received in September of 1999. Sales outside the U.S. increased 108 percent, to $22.2 million, for the quarter and 142 percent, to $61.2 million, for the nine month period.

ReoPro had worldwide sales of $97.7 million and $312.5 million for the third quarter and nine month period of 2000, respectively, representing decreases of 9 percent and 3 percent, compared with the same periods of 1999. The decline in sales for both periods was due to increased competition in the U.S.

Diabetes care worldwide revenues, composed primarily of Humulin(R), Humalog(R), and Actos(R), increased to $450.0 million and $1.30 billion for the third quarter and nine month period of 2000, respectively, representing increases of 14 percent and 27 percent, compared with the same periods of 1999. Diabetes care revenues in the U.S. increased 14 percent, to $285.1 million, for the quarter and 28 percent, to $789.2 million, for the nine month period. Sales outside the U.S. increased 16 percent, to $164.9 million, for the quarter and 26 percent, to $506.4 million, for the nine month period. Worldwide Humulin sales of $282.6 million declined 3 percent for the quarter largely as a result of patients shifting to Humalog and Humalog mix products. Worldwide Humulin sales of $821.3 million increased 6 percent for the nine month period. Worldwid e Humalog sales of $90.6 million for the quarter and $239.3 million for the nine month period increased 54 percent and 58 percent, respectively. Sales of Humalog for the quarter and nine month period benefited from the U.S. launch of Humalog Mix75/25 Pen in the first quarter of 2000. The company received service revenues of $61.2 million and $178.9 million, respectively, for the third quarter and nine month period of 2000 relating to sales of Actos. Actos, an oral agent for the treatment of type 2 diabetes, was introduced to the U.S. diabetes market in the third quarter of 1999. Actos is manufactured and sold in the U.S. by Takeda Chemical Industries, Ltd., and is copromoted by the company.

Anti-infectives had worldwide sales of $194.4 million and $648.6 million for the third quarter and nine month period of 2000, respectively, representing decreases of 21 percent and 13 percent, compared with the same periods of 1999. Lower sales of anti-infectives for both periods were due to continuing competitive pressures, with cefaclor and Lorabid accounting for the majority of the decline. Sales in the U.S. decreased 41 percent and 21 percent for the quarter and nine month period, respectively. Sales outside the U.S. decreased 15 percent and 10 percent for the quarter and nine month period, respectively.

Axid had worldwide sales of $79.5 million and $232.9 million for the third quarter and nine month period of 2000, respectively, representing decreases of 3 percent and 15 percent, compared with the same periods of 1999.

For the third quarter of 2000, gross margins improved to 82.6 percent compared with 78.8 percent for the third quarter of 1999. For the nine month period of 2000, gross margins improved to 81.1 percent compared with 78.7 percent for the nine month period of 1999. The improved gross margin for both periods was primarily the result of favorable product mix, and to a lesser extent manufacturing volume increases.

Operating expenses (the aggregate of research and development and marketing and administrative expenses) increased 15 percent for the third quarter of 2000 and for the nine month period of 2000.

Investment in research and development increased 14 percent, to $506.1 million, for the third quarter and 12 percent, to $1.47 billion, for the nine month period, as the company continues to invest heavily in both its internal research and development programs and external collaborations. Marketing and administrative expenses increased 15 percent from the third quarter of 1999 and 18 percent from the nine month period of 1999, as the company continues to invest in sales force expansions and increased marketing efforts.

Net other income for the third quarter of 2000 increased $7.5 million, to $27.1 million, excluding the third quarter 1999 gain on the sale of Lorabid marketing rights. Net other income for the nine month period of 2000 increased $57.5 million, to $161.4 million, excluding the first quarter 2000 gain on the sale of Kinetra LLC, the third quarter 1999 gain on the sale of Lorabid marketing rights, and the first quarter 1999 charge from funding Eli Lilly and Company Foundation. The increase for both periods was primarily due to an increase in interest income.

For both the third quarters of 2000 and 1999, the effective tax rate was 22.0 percent. The effective tax rate for the nine month period of 2000 was 20.3 percent compared with 20.8 percent for the nine month period of 1999. Excluding the impact of the unusual items discussed previously, the effective tax rate would have been 22.0 percent for both nine month periods.

FINANCIAL CONDITION

As of September 30, 2000, cash, cash equivalents and short-term investments totaled $3.85 billion as compared with $3.84 billion at December 31, 1999. Cash flow from operations of $2.65 billion was offset primarily by dividends paid of $845.0 million, shares repurchased and other capital transactions of $754.2 million, a decrease in debt of $223.0 million, and capital expenditures of $442.0 million. Total debt at September 30, 2000, was $2.83 billion, a decrease of $223.0 million from December 31, 1999, primarily due to the repayment of $200 million of euro bonds in February 2000. In March 2000, the company announced a $3.0 billion share repurchase program, following successful completion of a $1.5 billion share repurchase in 1999.

The company believes that cash generated from operations in 2000, along with available cash and cash equivalents, will be sufficient to fund essentially all of the 2000 operating needs, including debt service, capital expenditures, share repurchases, and dividends.

EURO CONVERSION

On January 1, 1999, 11 European nations adopted a common currency, the euro, and formed the European Economic and Monetary Union (EMU). For a three-year transition period, both the euro and individual participants' currencies will remain in circulation. After July 1, 2002, at the latest, the euro will be the sole legal tender for EMU countries. Greece is now expected to join the original 11 countries adopting the euro in 2002. The adoption of the euro affects a multitude of financial systems and business applications as the commerce of these nations is transacted in the euro and the existing national currency.

The company has created the capability to transact in both the euro and the legacy currency and will continue to address euro-related issues and their impact on information systems, currency exchange rate risk, taxation, contracts, competition, and pricing. Action plans currently being implemented are expected to result in compliance with all laws and regulations; however, there can be no certainty that such plans will be successfully implemented or that external factors will not have an adverse effect on the company's operations. Any costs of compliance associated with the adoption of the euro will be expensed as incurred and the company does not expect these costs to be material to its results of operations, financial condition, or liquidity.

FINANCIAL EXPECTATIONS FOR FULL-YEAR 2000

Looking forward to full-year 2000 results excluding unusual items for 2000 and 1999, the company anticipates low double-digit sales growth combined with gross margin improvements, leading to earnings per share growth of approximately 16 percent for 2000 over the 1999 normalized earnings per share of $2.28.

The sales line will be driven by our portfolio of newer products and will grow despite the expected slight decline in combined worldwide Prozac and Sarafem sales for the full year. Actual Prozac sales levels will depend on the effectiveness of the company's marketing efforts in offsetting increased competition, the rate of growth of the antidepressant market, and the stocking patterns of wholesalers, retailers, and consumers. Notably, the company anticipates that Zyprexa sales will grow in the range of 25 to 30 percent and insulin products will increase in the low double digits. Gemzar, Evista, and Actos are expected to continue strong growth for the balance of the year. The company continues to anticipate a decline in worldwide sales of ReoPro.

In addition, the company expects the full-year improvement in gross margin to be greater than 150 basis points. Research and development and marketing and administrative expenses are expected to grow at a rate slightly above the rate of sales as the company continues to invest in its commitment to scientific innovation and increased sales and marketing efforts. The tax rate is expected to remain at approximately 22 percent for the full year.

FINANCIAL EXPECTATIONS FOR 2001 AND 2002

Assuming the Prozac patent ruling is not overturned and assuming the U.S. FDA grants the company market exclusivity in the U.S. until August 2, 2001 in connection with pediatric studies, the company expects a very substantial decline in Prozac sales in the U.S. in the twelve months following the entry of generic fluoxetine in the U.S. market in August, 2001. Prozac sales in the U.S. represent a significant portion of the company's overall sales, accounting for approximately 21 percent of the company's consolidated worldwide sales in the first nine months of 2000.

As a result of the above, excluding any unusual items, the company expects to post single-digit sales and earnings-per-share growth in the calendar years 2001 and 2002, accelerating to double-digit sales and earnings growth in 2003. Solid sales and earnings growth in the first half of 2001 are expected to more than offset declines in the second half of 2001 due to the anticipated entry of generic fluoxetine in August. For 2002, sales and earnings growth in the second half of the year are expected to more than offset declines in the first half of the year.

The company believes that the Prozac patent litigation will not have a material adverse effect on the company's consolidated financial position or liquidity. Actual results will depend on, among other things, the outcome of the appeal of the Federal Circuit ruling; securing the additional six months of market exclusivity from the FDA; the timing, number of entrants, and pricing strategies of generic competitors; the continuing growth of the company's other currently marketed products; and the expected introduction of new products.

RECENT DEVELOPMENT

On October 28, 2000, President Clinton signed the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act for fiscal year 2001. This legislation includes a provision that repeals the federal ban on the reimportation of most prescription drugs by anyone other than the manufacturer. Consequently, under the new law, wholesalers and pharmacists may be permitted to reimport certain drugs approved for sale in the U.S. and originally sold abroad, subject to several conditions. The law authorizes reimportation from select jurisdictions, including Australia, Canada, Israel, Japan, New Zealand, Switzerland, South Africa, and the European Union. Reimportation of biological products, such as ReoPro, is prohibited.

Before the law takes effect, the Secretary of Health and Human Services (HHS) must "demonstrate" to Congress that the law poses no additional risk to public health and safety and will result in significant reductions in drug costs for American consumers. If HHS can make that demonstration, then the FDA is to draft regulations to implement the law. HHS has stated that it could take up to two years to put regulations in place followed by a period of implementation. Finally, the law expires five years after the regulations become effective.

The company cannot predict at this time the extent to which it will be impacted by this legislation or potential future legislative or regulatory developments in this area. However, if widespread reimportation

of the company's products were to occur, this could have a material adverse effect on the company's results of operations.

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the company cautions investors that any forward-looking statements or projections made by the company, including those made in this document, are based on management's expectations at the time they are made, but they are subject to risks and uncertainties that may cause actual results to differ materially from those projected. Economic, competitive, governmental, technological, and other factors that may affect the company's operations and prospects are discussed in Exhibit 99 to this Form 10-Q filing. In particular, the company's expectations may be affected by the timing of the entry of generic fluoxetine in the U.S., by competitive developments affecting its growth products, by the uncertainties of new product development, and possible U.S. legislation affecting pharmaceutical pricing and reimbursement. The company undertakes no duty to update forward-looking statements.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

PROZAC PATENT LITIGATION

In March 1996 the company was informed by Barr Laboratories, Inc. (Barr), a generic pharmaceutical manufacturer, that it had submitted an abbreviated new drug application (ANDA) to the U.S. FDA seeking to market a generic form of Prozac in the United States several years before the expiration of the company's patents. Barr has alleged that the company's U.S. patents covering Prozac are invalid and unenforceable. The compound patent expires in February 2001 and a patent for the method of use of the compound expires in December 2003. These patents are material to the company.

On April 11, 1996, the company filed suit in the United States District Court for the Southern District of Indiana seeking a ruling that Barr's challenge to the two patents is without merit. In 1997, Geneva Pharmaceuticals, Inc. (Geneva), another generic manufacturer, submitted a similar ANDA and, like Barr, asserted that the company's U.S. Prozac patents are invalid and unenforceable. On June 23, 1997, the company sued Geneva in the same court seeking a similar ruling as in the Barr suit. The two suits were consolidated. On January 12, 1999, the trial court judge for the Southern District of Indiana granted partial summary judgment in the company's favor, dismissing the claims of Barr and Geneva based on the patent doctrines of "best mode" and "double patenting." On January 25, 1999, Barr and Geneva agreed to abandon their remaining two claims (based on the patent doctrines of "anticipation" and "inequitable conduct") in exchange for a payment of $4 million to be shared among Barr, Geneva, and a third defendant, Apotex, Inc. (Apotex). Barr, Geneva, and Apotex appealed the trial court's January 12, 1999 rulings to the Court of Appeals for the Federal Circuit. On August 9, 2000, the Court of Appeals upheld the 2001 compound patent but held that the 2003 method of use patent was invalid on the basis of "double patenting." On October 6, 2000, the company petitioned for a rehearing by the Court of Appeals. Petitions for rehearing by the Court of Appeals for the Federal Circuit are rarely granted; therefore there can be no assurance that the court will rehear this matter. There can also be no assurance that, if the case is accepted for review by the court, the decision invalidating the 2003 patent will be reversed. Should the company be unsuccessful in overturning the decision upon a rehearing, the company would petition the U.S. Supreme Court for a writ of certiorari. However, the U.S. Supreme Court rarely grants such petitions in patent cases.

In late 1998, three additional generic manufacturers, Zenith Goldline Pharmaceuticals, Inc. (Zenith), Teva Pharmaceuticals USA (Teva), and Cheminor Drugs, Ltd. (Cheminor) together with one of its subsidiaries filed ANDAs for generic forms of Prozac, asserting that the December 2003 patent is invalid and unenforceable. Also, in December 1998, Novex Pharma, a division of Apotex, changed its previously-filed ANDA to assert that both the 2001 and 2003 patents are invalid and unenforceable. The company filed lawsuits in the United States District Court of the Southern District of Indiana seeking rulings that the four companies' challenges to the patent(s) are without merit. In November 1999, the company filed a lawsuit in federal court in Indiana against Cheminor and Schein Pharmaceuticals, Inc. (Schein), based on their ANDA filing for an additional dosage form. In March 2000, the company received notice that another generic manufacturer, Alphapharm Pty., Ltd. (Alphapharm), had filed an ANDA for one dosage form, asserting that both the 2001 and 2003 patents are invalid and unenforceable. In April 2000, Barr notified the company that it filed a second ANDA for an additional dosage form. In May 2000, the company filed suits in federal court in Indianapolis against Barr and Alphapharm, seeking rulings that their challenges to the company's patents are without merit. In June 2000, the company received notice that Alphapharm had filed an amended ANDA on an additional dosage form. In July 2000, the company received notice that Teva has filed a second ANDA for an additional dosage form. In August 2000, the company filed a second suit against Alphapharm in federal court in Indianapolis. In September 2000, the company filed a second suit against Teva in federal court in Indianapolis.

For more discussion on the expected financial impact of this litigation, see "Financial Expectations for 2001 and 2002" under Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 2. Changes in Securities and Use of Proceeds

Reference is made to the information on sales of put options and other equity derivatives related to repurchases of Lilly stock as described in the accompanying notes to consolidated condensed financial statements. All such transactions were exempt from registration under Section 4(2) of the Securities Act of 1933. No public offering or public solicitation was used in the offering of these securities. The transactions were privately negotiated, and all offerees and purchasers were accredited investors and/or qualified institutional buyers.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits. The following documents are filed as exhibits to this Report:

EXHIBIT 11. Statement re: Computation of Earnings Per Share

EXHIBIT 12. Statement re: Computation of Ratio of Earnings from Continuing Operations to Fixed Charges

EXHIBIT 27. Financial Data Schedule

EXHIBIT 99. Cautionary Statement Under Private Securities Litigation Reform Act of 1995 - "Safe Harbor" for Forward-Looking Disclosures

(b) Reports on Form 8-K.

The company filed no reports on Form 8-K during the third quarter of 2000.

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 November 14, 2000

/s/ Alecia A. DeCoudreaux

Secretary and Deputy General Counsel

Date November 14, 2000

/s/ Arnold C. Hanish

Arnold C. Hanish
Executive Director, Finance and Chief Accounting Officer

INDEX TO EXHIBITS

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

Exhibit	
11.	Statement re: Computation of Earnings Per Share
12.	Statement re: Computation of Ratio of Earnings from Continuing Operations to Fixed Charges
27.	Financial Data Schedule (EDGAR filing only)
99.	Cautionary Statement Under Private Securities Litigation Reform Act of 1995 - "Safe Harbor" for Forward-Looking Disclosures

EXHIBIT 11. STATEMENT RE: COMPUTATION OF EARNINGS PER SHARE
(Unaudited)

ELI LILLY AND COMPANY AND SUBSIDIARIES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
	(Dollars and shares in millions except per-share data)			
BASIC				
Net income	$ 778.8	$ 732.6	$2,290.5	$1,934.7
Preferred stock dividends	-	-	-	(.1)
Adjusted net income	$ 778.8	$ 732.6	$2,290.5	$1,934.6
Average number of common shares outstanding	1,081.0	1,084.1	1,081.9	1,088.9
Contingently issuable shares	-	-	.2	.4
Adjusted average shares	1,081.0	1,084.1	1,082.1	1,089.3
Basic earnings per share	$ .72	$ .68	$ 2.12	$ 1.78
DILUTED				
Net income	$ 778.8	$ 732.6	$2,290.5	$1,934.7
Preferred stock dividends	-	-	-	(.1)
Adjusted net income	$ 778.8	$ 732.6	$2,290.5	$1,934.6
Average number of common shares outstanding	1,081.0	1,084.1	1,081.9	1,088.9
Incremental shares - stock options and contingently issuable shares	16.5	16.3	16.0	19.1
Adjusted average shares	1,097.5	1,100.4	1,097.9	1,108.0
Diluted earnings per share	$ .71	$ .67	$ 2.09	$ 1.75

EXHIBIT 12. STATEMENT RE: COMPUTATION OF RATIO OF EARNINGS FROM CONTINUING OPERATIONS TO FIXED CHARGES
(Unaudited)

ELI LILLY AND COMPANY AND SUBSIDIARIES

	Nine Months Ended September 30,	Years Ended December 31,				
	2000	1999	1998	1997	1996	1995
	(Dollars in millions)					
Consolidated Pretax Income from Continuing Operations before Extraordinary Item	$2,875.0	$3,245.5	$2,665.0	$2,901.1	$2,131.3	$1,866.6
Interest from Continuing Operations and Other Fixed Changes	167.9	213.1	198.3	253.1	323.8	323.9
Less Interest Capitalized During the Period from Continuing Operations	(31.5)	(29.3)	(17.0)	(20.4)	(35.8)	(38.3)
Earnings	$3,011.4	$3,429.2	$2,846.3	$3,133.8	$2,419.3	$2,152.2
Fixed Charges/1/	$ 167.9	$ 213.2	$ 200.5	$ 256.8	$ 328.5	$ 323.9
Ratio of Earnings to Fixed Charges	17.9	16.1	14.2	12.2	7.4	6.6

/1/ Fixed charges include interest from continuing operations for all years presented and preferred stock dividends for 1996 through 1999.

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1,000,000

9-MOS
DEC-31-2000
JAN-01-2000
SEP-30-2000
3,116
738
1,487
92
905
6,892
7,526
3,523
13,585
3,694
2,785
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0
705
5,359
13,585
7,885
7,885
1,491
1,491
3,757
0
136
2,875
585
2,291
0
0
0
2,291
2.12
2.09

EXHIBIT 99. CAUTIONARY STATEMENT UNDER PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 - "SAFE HARBOR" FOR FORWARD-LOOKING DISCLOSURES

Certain forward-looking statements are included in this Form 10-Q and may be made by company spokespersons based on current expectations of management. All forward-looking statements made by the company are subject to risks and uncertainties. Certain factors, including but not limited to those listed below, may cause actual results to differ materially from current expectations and historical results.

- - Competitive factors, including generic competition as patents on key products, such as Prozac, expire; pricing pressures, both in the U.S. and abroad, primarily from managed care groups and government agencies; and new patented products or expanded indications for existing products introduced by competitors, which can lead to declining demand for the company's products.

- - Changes in inventory levels maintained by pharmaceutical wholesalers can cause reported sales for a particular period to differ significantly from underlying prescriber demand.

- - Economic factors over which the company has no control, including changes in inflation, interest rates and foreign currency exchange rates, and overall economic conditions in volatile areas such as Latin America.

- - Governmental factors, including federal, state and foreign laws and regulations that affect pharmaceutical pricing, including Medicaid, Medicare, pharmaceutical importation laws, and other laws and regulations that could, directly or indirectly, impose governmental controls on the prices at which the company's products are sold.

- - The difficulties and uncertainties inherent in new product development. New product candidates that appear promising in development may fail to reach the market or may have only limited commercial success because of efficacy or safety concerns, inability to obtain necessary regulatory approvals, difficulty or excessive costs to manufacture, or infringement of the patents or intellectual property rights of others.

- - Delays and uncertainties in the FDA approval process and the approval processes in other countries, resulting in lost market opportunity.

- - Unexpected safety or efficacy concerns arising with respect to marketed products, whether or not scientifically justified, leading to product recalls, withdrawals or declining sales.

- - Legal factors including unanticipated litigation of product liability or other liability claims; antitrust litigation; environmental matters; and patent disputes with competitors which could preclude commercialization of products or negatively affect the profitability of existing products. In particular see "Financial Expectations for 2001 and 2002" under Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, for a discussion of the expected impact of litigation involving the company's U.S. patents on Prozac. In addition, the company has applied to the U.S. FDA under applicable law for an additional six months of U.S. market exclusivity after the Prozac patent expiry based on studies conducted in pediatric populations. While the company believes it will receive the additional six months of exclusivity, there can be no assurance that this will occur.

- - Changes in tax laws, including laws related to the remittance of foreign earnings or investments in foreign countries with favorable tax rates, and settlements of federal, state, and foreign tax audits.

- - Changes in accounting standards promulgated by the Financial Accounting Standards Board, the Securities and Exchange Commission, and the American Institute of Certified Public Accountants which are adverse to the company.

- - Internal factors such as changes in business strategies and the impact of restructurings and business combinations.