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 September 30, 2026

COMMISSION FILE NUMBER 001-6351

ELI LILLY AND COMPANY

(Exact name of Registrant as specified in its charter)

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

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

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

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

Title of Each Class	Trading Symbols	Name of Each Exchange On Which Registered
Common Stock (no par value)	LLY	New York Stock Exchange
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 October 26, 2026:

Class	Number of Shares Outstanding
Common	940,745,031

Eli Lilly and Company

Form 10-Q
For the Quarter Ended September 30, 2026

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Forward-Looking Statements

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

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

- the significant costs and uncertainties in the pharmaceutical research and development process, including with respect to the timing and process of obtaining regulatory approvals and the ability of the company's clinical trials to meet expectations;
- the impact and uncertain outcome of acquisitions and business development transactions and related costs;
- intense competition affecting our products, pipeline, or industry;
- market uptake of launched products and indications;
- continued pricing pressures and the impact of actions of governmental and private actors affecting pricing of, reimbursement for, and patient access to pharmaceuticals, or reporting obligations related thereto;
- implementation of our voluntary agreement with the U.S. government related to drug pricing and access;
- developments or uncertainties related to our or competitive products, including as may relate to safety or efficacy concerns;
- dependence on relatively few products or product classes for a significant percentage of our total revenue and a consolidated supply chain;
- the expiration of intellectual property protection for certain of our products and competition from generic and biosimilar products;
- our ability to protect and enforce patents and other intellectual property and changes in patent law or regulations related to data package exclusivity;
- information technology system inadequacies, inadequate controls or procedures, security breaches, or operating failures;
- unauthorized access, disclosure, misappropriation, or compromise of confidential information or other data stored in our information technology systems, networks, and facilities, or those of third parties with whom we share our data and violations of data protection laws or regulations;
- issues with product supply, regulatory approvals, or other negative outcomes stemming from manufacturing difficulties, disruptions, or shortages, including as a result of unpredictability and variability in demand, labor shortages, third-party performance, quality, cyber-attacks, or regulatory actions related to our and third-party facilities;
- reliance on third-party relationships and outsourcing arrangements;
- the use of artificial intelligence or other emerging technologies in various facets of our operations, including partnerships related to the use of, or the sharing of, such technologies with third parties, which may exacerbate competitive, regulatory, litigation, cybersecurity, and other risks;
- the impact of global macroeconomic conditions, including uneven economic growth or downturns or uncertainty, trade and other global disputes and interruptions, including related to tariffs, trade protection measures, and similar restrictions, international tension, conflicts, regional dependencies, or other costs, uncertainties, and risks related to engaging in business globally;
- fluctuations in foreign currency exchange rates, changes in interest rates, and inflation or deflation;
- significant and sudden declines or volatility in the trading price of our common stock and market capitalization;
- litigation, investigations, or other similar proceedings involving past, current, or future products, activities, or intellectual property;

- changes in tax law and regulation, tax rates, or events that differ from our assumptions related to tax positions;
- regulatory changes, developments, and uncertainty;
- regulatory oversight and actions regarding our operations and products;
- regulatory compliance problems or government investigations;
- risks from the proliferation of counterfeit, misbranded, adulterated, or illegally compounded products;
- actual or perceived deviation from environmental-, social-, or governance-related requirements or expectations;
- asset impairments and restructuring charges; and
- changes in accounting and reporting standards.

More information on factors that could cause our actual results to differ from those expressed in forward-looking statements is included from time to time in our reports filed with the Securities and Exchange Commission, including in our Annual Report on Form 10-K for the year ended December 31, 2025, particularly under Part I, Item 1A, "Risk Factors." Investors should understand that it is not possible to predict or identify all such factors and should not consider the risks described above and under Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K to be a complete statement of all potential risks and uncertainties.

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

Trademarks and Trade Names

All trademarks or trade names referred to in this Quarterly Report on Form 10-Q are the property of the company, or, to the extent trademarks or trade names belonging to other companies are referenced in this Quarterly Report on Form 10-Q, the property of their respective owners. Solely for convenience, the trademarks and trade names in this Quarterly Report on Form 10-Q are referred to without the ® and ™ symbols, but such references should not be construed as any indicator that the company or, to the extent applicable, their respective owners will not assert, to the fullest extent under applicable law, the company's or their rights thereto. We do not intend the use or display of other companies' trademarks and trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

PART I. Financial Information

Item 1. Financial Statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	**2025**	**2026**	**2025**
Revenue	**$ 24,397**	$ 17,601	**$ 67,170**	$ 45,887
Costs, expenses, and other:				
Cost of sales	**3,933**	3,008	**10,778**	7,680
Research and development	**4,247**	3,466	**11,576**	9,536
Marketing, selling, and administrative	**3,125**	2,741	**9,489**	7,963
Acquired in-process research and development	**4,181**	656	**7,541**	2,381
Asset impairment, restructuring, and other special charges	**303**	365	**1,285**	400
Other–net, (income) expense	**202**	132	**(2)**	462
	15,991	10,368	**40,667**	28,422
Income before income taxes	**8,406**	7,233	**26,503**	17,465
Income taxes	**1,955**	1,650	**5,561**	3,463
Net income	**$ 6,451**	$ 5,583	**$ 20,942**	$ 14,002
Earnings per share:				
Basic	**$ 7.23**	$ 6.22	**$ 23.45**	$ 15.60
Diluted	**$ 7.22**	$ 6.21	**$ 23.42**	$ 15.56
Shares used in calculation of earnings per share:				
Basic	**891.9**	896.9	**892.9**	897.8
Diluted	**893.4**	898.8	**894.4**	899.7

See notes to consolidated condensed financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	**2025**	**2026**	**2025**
Net income	**$ 6,451**	$ 5,583	**$ 20,942**	$ 14,002
Other comprehensive income, net of tax	**132**	510	**251**	1,116
Comprehensive income	**$ 6,583**	$ 6,093	**$ 21,193**	$ 15,118

See notes to consolidated condensed financial statements.

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

	September 30, 2026	December 31, 2025
Assets	**(Unaudited)**	
Current Assets		
Cash and cash equivalents	**$ 4,885**	$ 7,268
Accounts receivable	**22,089**	17,760
Other receivables	**3,142**	2,395
Inventories	**18,194**	13,744
Prepaid expenses	**16,862**	14,315
Other current assets	**91**	147
Total current assets	**65,263**	55,629
Noncurrent Assets		
Investments	**4,013**	2,802
Goodwill	**9,874**	5,898
Other intangibles, net	**18,084**	6,521
Deferred tax assets	**10,955**	9,959
Property and equipment, net of accumulated depreciation of **$13,373 (2026)** and $12,560 (2025)	**32,188**	24,675
Other noncurrent assets	**7,695**	6,992
Total assets	**$ 148,072**	$ 112,476
Liabilities and Equity		
Current Liabilities		
Short-term borrowings and current maturities of long-term debt	**$ 2,517**	$ 1,635
Accounts payable	**5,793**	5,379
Employee compensation	**2,292**	2,375
Sales rebates and discounts	**24,170**	17,382
Other current liabilities	**12,224**	8,457
Total current liabilities	**46,996**	35,228
Noncurrent Liabilities		
Long-term debt	**46,986**	40,868
Long-term income taxes payable	**6,070**	5,875
Other noncurrent liabilities	**7,749**	3,970
Total noncurrent liabilities	**60,805**	50,713
Commitments and Contingencies		
Equity		
Common stock	**588**	590
Additional paid-in capital	**7,309**	7,346
Retained earnings	**37,969**	24,470
Employee benefit trust	**(3,013)**	(3,013)
Accumulated other comprehensive loss	**(2,629)**	(2,880)
Other equity	**47**	22
Total equity	**40,271**	26,535
Total liabilities and equity	**$ 148,072**	$ 112,476

See notes to consolidated condensed financial statements.

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

	Nine Months Ended September 30,	
	2026	**2025**
Cash Flows from Operating Activities		
Net income	**$ 20,942**	$ 14,002
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:		
Depreciation and amortization	**1,588**	1,411
Change in deferred income taxes	**(1,098)**	(959)
Stock-based compensation expense	**562**	490
Acquired in-process research and development	**7,541**	2,381
Other changes in operating assets and liabilities, net of acquisitions and divestitures	**(1,899)**	(4,419)
Other operating activities, net	**(216)**	682
Net Cash Provided by Operating Activities	**27,420**	13,588
Cash Flows from Investing Activities		
Purchases of property and equipment	**(8,437)**	(5,294)
Purchases of noncurrent investments	**(862)**	(518)
Purchases of in-process research and development	**(7,548)**	(2,584)
Cash paid for acquisitions, net of cash acquired	**(10,692)**	(549)
Other investing activities, net	**(72)**	776
Net Cash Used for Investing Activities	**(27,611)**	(8,169)
Cash Flows from Financing Activities		
Dividends paid	**(4,635)**	(4,039)
Net change in short-term borrowings	**—**	(4,338)
Proceeds from issuance of long-term debt	**8,941**	13,167
Repayments of long-term debt	**(1,623)**	(778)
Purchases of common stock	**(4,334)**	(2,600)
Other financing activities, net	**(612)**	(746)
Net Cash (Used for) Provided by Financing Activities	**(2,263)**	666
Effect of exchange rate changes on cash and cash equivalents	**71**	439
Net (decrease) increase in cash and cash equivalents	**(2,383)**	6,524
Cash and cash equivalents at January 1	**7,268**	3,268
Cash and Cash Equivalents at September 30	**$ 4,885**	$ 9,792

See notes to consolidated condensed financial statements.

Notes to Consolidated Condensed Financial Statements
(Tables present dollars and shares in millions, except per-share data, and numbers may not add due to rounding)

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

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

The information included in this Quarterly Report on Form 10-Q should be read in conjunction with our consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2025. We issued our financial statements by filing them with the Securities and Exchange Commission and have evaluated subsequent events up to the time of the filing of this Quarterly Report on Form 10-Q.

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

We operate as a single operating segment engaged in the discovery, development, manufacturing, marketing, and sales of pharmaceutical products worldwide. A global research and development organization and a supply chain organization are responsible for the discovery, development, manufacturing, and supply of our products. Our commercial organizations market, distribute, and sell the products. The business is also supported by global corporate staff functions. See Note 11 for additional information.

Implementation of New Financial Accounting Standards

Accounting Standards Update 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*, requires disaggregation of specific expense categories in the notes to the financial statements and a qualitative description of the remaining expense amounts not separately disaggregated. This standard is effective for annual reporting periods beginning after December 15, 2026, and requires prospective application with the option to apply it retrospectively. We intend to adopt this standard in our Annual Report on Form 10-K for the year ending December 31, 2027. We are currently evaluating the potential impact of adopting this standard on our disclosures.

Note 2: Revenue

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Net product revenue	**$ 22,650**	$ 16,331	**$ 62,506**	$ 42,658
Collaboration and other revenue	**1,747**	1,270	**4,664**	3,229
Revenue	**$ 24,397**	$ 17,601	**$ 67,170**	$ 45,887

We recognize revenue primarily from two different types of contracts, product sales to customers (net product revenue) and collaborations and other arrangements. Revenue recognized from collaborations and other arrangements includes our share of profits from the collaborations, as well as royalties, upfront, and milestone payments we receive under these types of contracts. See Note 3 for additional information related to our collaborations and other arrangements. Collaboration and other revenue disclosed above includes the revenue resulting from our collaboration with Boehringer Ingelheim, as well as the sale of product rights. Substantially all of the remainder of collaboration and other revenue is related to contracts accounted for as contracts with customers.

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 2 percent of U.S. revenue during the three and nine months ended September 30, 2026 and less than 1 percent of U.S. revenue during the three and nine months ended September 30, 2025.

Disaggregation of Revenue

The following table summarizes revenue, including net product revenue and collaboration and other revenue, by product for the three months ended September 30, 2026 and 2025:

	Three Months Ended September 30,					
	2026			2025		
	U.S.	Outside U.S.	Total	U.S.	Outside U.S.	Total
Cardiometabolic Health:						
Mounjaro	**$ 4,998**	**$ 5,725**	**$ 10,723**	$ 3,550	$ 2,965	$ 6,515
Zepbound[1]	**5,267**	**86**	**5,352**	3,568	20	3,588
Jardiance[2]	**781**	**796**	**1,578**	424	535	959
Trulicity	**601**	**302**	**904**	707	345	1,052
Other cardiometabolic health	**729**	**479**	**1,207**	618	446	1,064
Total cardiometabolic health	**12,376**	**7,388**	**19,764**	8,867	4,311	13,178
Oncology:						
Verzenio	**897**	**614**	**1,511**	880	590	1,470
Other oncology	**621**	**468**	**1,089**	495	443	937
Total oncology	**1,518**	**1,082**	**2,600**	1,375	1,033	2,408
Immunology:						
Taltz	**539**	**316**	**856**	583	318	902
Other immunology	**262**	**318**	**579**	190	271	461
Total immunology	**801**	**634**	**1,435**	773	589	1,362
Neuroscience	**384**	**59**	**444**	240	76	316
Other	**57**	**97**	**154**	45	292	337
Revenue	**$ 15,136**	**$ 9,261**	**$ 24,397**	$ 11,300	$ 6,301	$ 17,601

(1) Tirzepatide is marketed for obesity under the brand name Zepbound in Canada, Japan, and the U.S.
(2) Jardiance revenue includes Glyxambi, Synjardy, and Trijardy XR.

The following table summarizes revenue, including net product revenue and collaboration and other revenue, by product for the nine months ended September 30, 2026 and 2025:

	Nine Months Ended September 30,					
	2026			2025		
	U.S.	Outside U.S.	Total	U.S.	Outside U.S.	Total
Cardiometabolic Health:						
Mounjaro	**$ 14,022**	**$ 15,306**	**$ 29,328**	$ 9,508	$ 6,048	$ 15,556
Zepbound[1]	**14,273**	**167**	**14,440**	9,254	28	9,281
Jardiance[2]	**1,909**	**2,014**	**3,924**	1,116	1,547	2,663
Trulicity	**2,109**	**932**	**3,042**	2,221	1,018	3,239
Other cardiometabolic health	**1,728**	**1,416**	**3,143**	1,709	1,281	2,989
Total cardiometabolic health	**34,041**	**19,836**	**53,877**	23,807	9,922	33,729
Oncology:						
Verzenio	**2,448**	**1,838**	**4,286**	2,467	1,651	4,118
Other oncology	**1,770**	**1,381**	**3,151**	1,373	1,277	2,650
Total oncology	**4,218**	**3,219**	**7,437**	3,840	2,929	6,769
Immunology:						
Taltz	**1,495**	**949**	**2,444**	1,609	902	2,511
Other immunology	**716**	**895**	**1,611**	444	751	1,195
Total immunology	**2,211**	**1,844**	**4,055**	2,052	1,654	3,706
Neuroscience	**1,002**	**253**	**1,254**	677	255	932
Other	**197**	**349**	**546**	227	525	752
Revenue	**$ 41,668**	**$ 25,502**	**$ 67,170**	$ 30,604	$ 15,283	$ 45,887

(1) Tirzepatide is marketed for obesity under the brand name Zepbound in Canada, Japan, and the U.S.
(2) Jardiance revenue includes Glyxambi, Synjardy, and Trijardy XR.

The following table summarizes revenue by geographical area:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Revenue[1]:				
U.S.	**$ 15,136**	$ 11,300	**$ 41,668**	$ 30,604
Europe	**4,459**	3,498	**12,219**	8,461
China	**947**	560	**2,582**	1,477
Japan	**648**	555	**1,847**	1,478
Rest of world	**3,206**	1,688	**8,854**	3,867
Revenue	**$ 24,397**	$ 17,601	**$ 67,170**	$ 45,887

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

Note 3: Collaborations and Other Arrangements

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

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

Boehringer Ingelheim Collaboration

We and Boehringer Ingelheim have a global agreement to jointly develop and commercialize a portfolio of compounds. Boehringer Ingelheim's Jardiance product family, which includes Glyxambi, Synjardy, and Trijardy XR, is the significant product family included in the collaboration.

For the Jardiance product family in the most significant markets, which remains in the collaboration through December 31, 2028, we receive a share of net sales depending on performance of the product, which we recognize as collaboration and other revenue. The following table summarizes our revenue recognized:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Jardiance	**$ 1,578**	$ 959	**$ 3,924**	$ 2,663

We recognized sales-based milestones for Jardiance of $410 million and $910 million for the three and nine months ended September 30, 2026, respectively, compared with $200 million for both the three and nine months ended September 30, 2025. During the nine months ended September 30, 2025, we also recognized a one-time benefit of $370 million for Jardiance. As of September 30, 2026, no further sales-based milestones remain to be earned under the collaboration.

Ebglyss

We have a license agreement with F. Hoffmann-La Roche Ltd and Genentech, Inc. (collectively, Roche), which provides us the worldwide development and commercialization rights to lebrikizumab, which is branded and trademarked as Ebglyss. Roche receives tiered royalty payments on worldwide net sales ranging in percentages from high single digits to high teens, which we recognize as cost of sales. As of September 30, 2026, Roche is eligible to receive additional payments from us, including up to $900 million in potential sales-based milestones.

We have a license agreement with Almirall, S.A. (Almirall), under which Almirall licensed the rights to develop and commercialize Ebglyss, for the treatment or prevention of dermatology indications, including, but not limited to, atopic dermatitis, in Europe. We receive tiered royalty payments on net sales in Europe ranging in percentages from low double digits to low twenties, which we recognize as collaboration and other revenue. As of September 30, 2026, we are eligible to receive additional payments up to $1.2 billion in a series of sales-based milestones.

Foundayo

We have a license agreement with Chugai Pharmaceutical Co., Ltd. (Chugai), which provides us the worldwide development and commercialization rights to orforglipron, which is branded and trademarked as Foundayo. In addition to milestone payment rights which are not material, Chugai receives tiered royalty payments on worldwide net sales ranging in percentages from mid single digits to low teens, which we recognize as cost of sales.

Note 4: Acquisitions

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

Business Combinations

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

For the nine months ended September 30, 2026 and 2025, our significant acquisitions that were accounted for as business combinations were Kelonia Therapeutics, Inc. (Kelonia), Centessa Pharmaceuticals plc (Centessa), and Ventyx Biosciences, Inc. (Ventyx) and are summarized in the following table:

	Kelonia	Centessa	Ventyx
Acquisition date	June 25, 2026	June 24, 2026	March 4, 2026
Business description	In vivo chimeric antigen receptor T-cell (CAR-T) therapies	Orexin receptor 2 agonists for sleep-wake disorders	Oral therapies for inflammatory-mediated diseases
Estimated fair value as of acquisition date:			
Cash	$ 46	$ 233	$ 120
Acquired in-process research and development (IPR&D)	4,695	6,058	977
Goodwill[1]	1,052	1,655	232
Deferred tax liabilities, net	(822)	(1,279)	(150)
Other assets and liabilities, net	(74)	(74)	(1)
Acquisition date fair value of consideration	4,897	6,593	1,178
Less:			
Cash acquired	(46)	(233)	(120)
Fair value of contingent consideration	(1,765)	(402)	N/A
Cash consideration paid, net of cash acquired	$ 3,086	$ 5,958	$ 1,058
Contingent consideration[2]	$ 3,750	$ 1,542	N/A
Primary acquired IPR&D intangible	KLN-1010	ORX750	VTX3232

[1] The goodwill recognized from these acquisitions is primarily attributable to future unidentified projects and products, the assembled workforce for the companies, and the recognition of deferred tax liabilities, which is not deductible for tax purposes.
[2] These amounts represent the maximum amount of potential payments and are subject to the achievement of certain specified milestones. See Note 8 for additional information related to contingent consideration amounts.
N/A - Not applicable

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

Asset Acquisitions

Upon each asset acquisition, the cost allocated to acquired IPR&D was immediately expensed as acquired IPR&D if the compound had no alternative future use. Milestone payment obligations incurred prior to regulatory approval of the compound were expensed as acquired IPR&D when the event triggering an obligation to pay the milestone occurred. We recognized acquired IPR&D charges of $4.2 billion and $7.5 billion for the three and nine months ended September 30, 2026, respectively, and $656 million and $2.4 billion for the three and nine months ended September 30, 2025, respectively.

The following table summarizes our significant acquired IPR&D charges during 2026 and 2025:

Counterparty	Compound, Therapy, or Asset	Acquisition Month	Phase of Development[1]	Acquired IPR&D Charge
AtaiBeckley Inc. (AtaiBeckley)	BPL-003 (mebufotenin benzoate), synthetic form of 5-MeO-DMT for treatment-resistant depression	September 2026	Phase 2	**$ 2,610**
Curevo Inc. (Curevo)	Amezosvatein, adjuvanted subunit vaccine for the prevention of shingles	July 2026	Phase 2	**954**
Ajax Therapeutics, Inc. (Ajax)	AJ1-11095, oral, Type II JAK2 inhibitor for the treatment of myelofibrosis and polycythemia vera	June 2026	Phase 1	**909**
Orna Therapeutics, Inc. (Orna)	ORN-252, CD19 targeting in vivo CAR-T therapy designed to treat B cell-driven autoimmune diseases	May 2026	Phase 1	**1,233**
SiteOne Therapeutics, Inc. (SiteOne)	STC-004, Nav1.8 inhibitor for the treatment of pain	July 2025	Phase 1	494
Scorpion Therapeutics, Inc. (Scorpion)	STX-478, PI3Kα inhibitor for the treatment of breast cancer and other advanced solid tumors	March 2025	Phase 1	1,412

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

Subsequent Events

In October 2026, we acquired Merida Biosciences, Inc. (Merida) for up to $2.9 billion in aggregate, inclusive of an upfront payment and additional potential payments based upon the achievement of certain clinical and regulatory milestones. Our access to information was limited prior to the acquisition. As a consequence, we are in the process of determining the fair values of the assets acquired and liabilities assumed and the associated accounting treatment.

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

Asset impairment, restructuring, and other special charges recognized during the three and nine months ended September 30, 2026 were $303 million and $1.3 billion, respectively. The charges recognized in the three and nine months ended September 30, 2026 related to a partial impairment of an intangible asset associated with a molecule in development. In addition, charges recognized in the nine months ended September 30, 2026 included charges related to acquisition and integration costs associated with the closing of our acquisitions and charges related to litigation matters.

Asset impairment, restructuring, and other special charges recognized during the three and nine months ended September 30, 2025 were $365 million and $400 million, respectively, primarily related to a litigation charge and acquisition and integration costs associated with the closing of our acquisitions.

See Note 4 and Note 9 for additional information related to our acquisitions and litigation matters, respectively.

Note 6: Income Taxes

The effective tax rates were 23.3 percent and 21.0 percent for the three and nine months ended September 30, 2026, respectively, compared to 22.8 percent and 19.8 percent for the three and nine months ended September 30, 2025, respectively, primarily driven by the unfavorable tax impact of nondeductible acquired IPR&D charges, with a larger impact occurring in 2026. The 2025 effective tax rates were also unfavorably impacted by U.S. tax law changes.

At September 30, 2026 and December 31, 2025, prepaid expenses included prepaid taxes of $15.1 billion and $12.9 billion, respectively.

In October 2026, the Internal Revenue Service (IRS) commenced its examination of tax years 2022-2024. The IRS examination of tax years 2019-2021 remains ongoing. For tax years 2016-2018, we are pursuing competent authority assistance through the Mutual Agreement Procedure (MAP) process for the pricing of certain intercompany transactions. The resolution of these audit periods will likely extend beyond the next 12 months.

Note 7: Inventories

The following table summarizes components of inventories:

	September 30, 2026	December 31, 2025
Finished products	**$ 2,998**	$ 1,931
Work in process	**10,688**	8,183
Raw materials and supplies	**4,460**	3,587
Total (approximates replacement cost)	**18,146**	13,701
Increase to last-in, first-out cost	**48**	43
Inventories	**$ 18,194**	$ 13,744

Note 8: Financial Instruments

Investments in Equity and Debt Securities

The following table summarizes certain fair value information at September 30, 2026 and December 31, 2025 for investment assets measured at fair value on a recurring basis, as well as the carrying amount and amortized cost of certain other investments:

			Fair Value Measurements Using			
	Carrying Amount	Cost	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
September 30, 2026						
Cash equivalents[1]	**$ 1,336**	**$ 1,336**	**$ 1,336**	**$ —**	**$ —**	**$ 1,336**
Short-term investments:						
Available-for-sale debt securities[2]	**$ 14**	**$ 14**	**$ 5**	**$ 9**	**$ —**	**$ 14**
Other securities	**60**	**60**	**—**	**20**	**40**	**60**
Short-term investments	**$ 74**					
Noncurrent investments:						
Available-for-sale debt securities[2]	**$ 355**	**$ 380**	**$ 67**	**$ 288**	**$ —**	**$ 355**
Other securities	**84**	**54**	**—**	**1**	**83**	**84**
Marketable equity securities	**760**	**597**	**760**	**—**	**—**	**760**
Equity investments without readily determinable fair values[3]	**1,191**					
Equity method investments[3]	**1,623**					
Noncurrent investments	**$ 4,013**					
December 31, 2025						
Cash equivalents[1]	$ 4,392	$ 4,392	$ 4,392	$ —	$ —	$ 4,392
Short-term investments:						
Available-for-sale debt securities[2]	$ 16	$ 16	$ 9	$ 7	$ —	$ 16
Other securities	89	89	—	12	78	89
Short-term investments	$ 105					
Noncurrent investments:						
Available-for-sale debt securities[2]	$ 360	$ 368	$ 69	$ 291	$ —	$ 360
Other securities	85	54	—	2	83	85
Marketable equity securities	223	292	223	—	—	223
Equity investments without readily determinable fair values[3]	846					
Equity method investments[3]	1,288					
Noncurrent investments	$ 2,802					

[1] 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.
[2] For available-for-sale debt securities, amounts disclosed represent the securities' amortized cost.
[3] Fair value disclosures are not applicable for equity method investments and investments accounted for under the measurement alternative for equity investments.

Debt

Below are the details of our issuance of long-term debt in 2026. The cash proceeds were used for general corporate purposes, including the repayment of outstanding commercial paper and the funding of a portion of the upfront cash consideration and related fees and expenses payable in connection with our acquisitions of Centessa and Kelonia.

Date of Issuance	Amount	Maturity	Stated Interest Rate
May 2026	$ 9,000	2028-2066	4.150%-5.700%[1]

[1] Included in the 2028 and 2029 tranches are an aggregate $1.3 billion of floating-rate notes, with interest reset and paid quarterly using Secured Overnight Financing Rate (SOFR) plus 0.350 and 0.460 percent, respectively.

In August 2026, we renewed our 364-day credit facility, which continues to provide $6.0 billion of capacity and is available to support our commercial paper program. We have not drawn against the 364-day facility as of September 30, 2026.

In August 2026, we refinanced our multi-year credit facility, which continues to provide $4.0 billion of capacity and is available to support our commercial paper program. Our multi-year credit facility will now expire in August 2031. We have not drawn against the multi-year facility as of September 30, 2026.

The following table summarizes the carrying amount and fair value using Level 2 inputs for our long-term debt:

	September 30, 2026		December 31, 2025	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current portion	**$ 49,503**	**$ 43,687**	$ 42,503	$ 39,799

Contingent Consideration

Contingent consideration is additional consideration payable as a result of an acquisition accounted for as a business combination that is contingent on the achievement of certain development, success-based regulatory, or sales-based milestones. Contingent consideration liabilities are carried at fair value, estimated using a discounted cash flow analysis and Level 3 inputs. These inputs include projections of expected cash payments associated with the agreed-upon milestones based primarily on probabilities of technical success, timing of the potential milestone events for the compounds, and estimated discount rates. The following table summarizes the fair value for our contingent consideration liabilities:

	September 30, 2026	December 31, 2025
Other current liabilities	**$ 818**	$ 34
Other noncurrent liabilities	**2,070**	217

During 2026, the increase in contingent consideration liabilities primarily related to our acquisition of Kelonia. See Note 4 for additional information.

Hedging

As a global company, we face foreign currency risk exposure from fluctuating currency exchange rates, primarily the U.S. dollar against the euro. We manage foreign currency risk primarily through the use of foreign currency debt and foreign currency forward contracts. Our foreign currency-denominated notes designated as accounting hedges had carrying amounts of $5.0 billion and $6.0 billion as of September 30, 2026 and December 31, 2025, respectively. The following table summarizes the aggregate outstanding notional amounts of our foreign currency forward contracts in U.S. dollar equivalent:

	September 30, 2026		December 31, 2025	
	Purchase	Sell	Purchase	Sell
Designated as accounting hedges	**$ 5,712**	**$ —**	$ 67	$ —
Not designated as accounting hedges	**11,438**	**7,969**	14,281	9,264

The following table summarizes the effects of significant hedging activity on our consolidated condensed financial statements:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Recognized in other–net, (income) expense:				
Foreign currency forward contracts not designated as accounting hedges	**$ 163**	$ 170	**$ 13**	$ (468)
Recognized in other comprehensive income (loss):				
Foreign currency-denominated notes:				
Designated as accounting hedges	**37**	6	**168**	(683)
Foreign currency forward contracts:				
Designated as accounting hedges	**14**	1	**(16)**	(1,292)

Note 9: Contingencies

We are and may become involved in various lawsuits, claims, government investigations and other legal proceedings that arise from time to time in the course of our business, including patent, environmental, commercial, contractual, licensing, employment, health and safety, consumer protection, pricing, access, consumer, sales and marketing, product liability, insurance, antitrust, securities, and regulatory compliance matters, among others. Such matters may involve inquiries from or disputes with various types of parties, including governments, regulatory agencies, competitors, customers, suppliers, service providers, licensees, employees, or shareholders, among others. We cannot predict the final outcome of these proceedings, and while we intend to vigorously prosecute or defend our position as appropriate, there can be no assurance that we will be successful or obtain any requested relief. Matters often develop over a long period of time and expectations can change as a result of new findings, rulings, appeals, settlements, legal or regulatory changes, or other factors. From time to time we may discontinue or settle and compromise matters as appropriate in our best interest.

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

Litigation accruals and environmental liabilities and any related estimated insurance recoverables are reflected on a gross basis as liabilities and assets, respectively, on our consolidated balance sheets. We accrue for estimated exposures to the extent they are both probable and reasonably estimable based on the then available information. We accrue for certain unfiled product liability claims to the extent we can formulate a reasonable estimate of their exposure. We estimate these exposures based primarily on historical claims experience and data regarding product usage. Legal defense costs expected to be incurred in connection with significant 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 predominantly self-insured for litigation liability losses for all our currently and previously marketed products.

Patent Matters

In the course of our business, we are party to actions and proceedings involving third parties that seek to challenge, invalidate, or circumvent our patents and patent applications relating to our products, product candidates, and technologies, including the matter described below.

Emgality Patent Litigation

In September 2018, Teva Pharmaceuticals International GmbH and Teva Pharmaceuticals USA, Inc. (collectively, Teva) filed a complaint in the U.S. District Court for the District of Massachusetts alleging that Lilly's launch and continued sales of Emgality infringed various claims in three Teva patents. In November 2022, following a trial, a jury returned a verdict in favor of Teva. In September 2023, the trial court overruled the jury verdict, found all asserted claims invalid, and entered judgment in Lilly's favor. In April 2026, the U.S. Court of Appeals for the Federal Circuit issued an opinion reversing the trial court's finding that the patents are invalid and remanding to the district court, and we recognized a charge related to the matter during the three months ended March 31, 2026. In September 2026, the Federal Circuit denied our petition for rehearing en banc.

Verzenio Hatch-Waxman Litigation

In April 2026, Lilly received notice that Cipla Ltd. had filed an Abbreviated New Drug Application (ANDA) seeking approval for a generic version of Verzenio (abemaciclib) tablets before expiration of the compound patent listed in the U.S. Food and Drug Administration's (FDA) Orange Book. In June 2026, Lilly filed a patent infringement action against Cipla Ltd. and its subsidiary Cipla USA Inc. in the U.S. District Court for the District of Delaware. Trial is scheduled for May 2028.

Tirzepatide Hatch-Waxman Litigation

In July 2026, Lilly received notice that multiple generic companies had filed ANDAs seeking approval to market generic versions of Mounjaro and/or Zepbound before the expiration of some or all of the patents listed for those products in the FDA's Orange Book. In August 2026, we filed patent infringement actions against these companies in the U.S. District Court for the District of Delaware.

Environmental Matters

We are party to environmental proceedings and other matters, and are responsible under various federal, state and foreign laws, including the Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as "Superfund," for certain costs of investigating and/or remediating environmental contingencies resulting from past activity at our current or former sites or waste disposal or reprocessing facilities operated by third parties.

Pricing Matters

340B Litigation and Investigations

Since 2021, we have been involved in litigation, administrative proceedings, and other inquiries related to the 340B program. Various state and 340B provider plaintiffs have filed lawsuits against us, and in some cases other manufacturers and third parties, relating to the 340B program, including our policies regarding contract pharmacies, submission of claims data, and our compliance with state laws purporting to regulate the 340B program. The complaints in these lawsuits assert a variety of claims, including antitrust, consumer protection, unfair or deceptive trade practices, unfair competition, breach of contract, breach of the implied covenant of good faith and fair dealing, unjust enrichment, and violations of state statutes governing 340B pricing. The lawsuits are pending in various federal courts. The plaintiffs generally seek damages, civil penalties, and/or injunctive relief, and are at various stages in the litigation process. We are also involved in other ongoing litigation and inquiries related to the 340B program, including lawsuits Lilly has filed challenging aspects of the 340B program.

Insulin Pricing Litigation

Since 2017, various plaintiffs, including consumers, states and state attorneys general, counties, municipalities, Native American tribes, school districts, wholesalers, third-party payers, and others, have filed lawsuits, including putative class actions, against us, other manufacturers, pharmacy benefit managers, and others, relating to the pricing of insulin medications, and in some cases other diabetes medications, and rebates paid by manufacturers to pharmacy benefit managers. The complaints in the various lawsuits assert a variety of claims, including among others consumer protection, unfair or deceptive trade practices, fraud, false advertising, unjust enrichment, civil conspiracy, racketeering, antitrust, and unfair competition claims. Most cases have been coordinated or consolidated for pretrial proceedings in a multidistrict litigation (MDL) pending in the U.S. District Court for the District of New Jersey. The lawsuits are at various stages in the litigation process.

Pricing Investigations

We have been subject to various investigations and received subpoenas, civil investigative demands, information requests, interrogatories, and other inquiries from various governmental entities related to the pricing and sale of our medications, and/or calculations of average manufacturer price and best price. These include subpoenas, civil investigative demands, or information requests from the U.S. Department of Justice, the U.S. Federal Trade Commission, and attorneys general from various states and the District of Columbia.

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

Other Matters

Actos Litigation

We, along with Takeda Chemical Industries, Ltd. and Takeda affiliates (collectively, Takeda), are named as defendants in a third-party payer class action in the U.S. District Court for the Central District of California. The plaintiffs allege that bladder cancer risk was concealed from them and claim that as a result they and a class of third-party payers are entitled to recover money paid for Actos prescriptions. Our agreement with Takeda calls for Takeda to defend and indemnify us against losses and expenses with respect to U.S. litigation arising out of the manufacture, use, or sale of Actos and other related expenses in accordance with the terms of the agreement. In October 2025, defendants filed a motion for summary judgment, which remains pending.

Mounjaro, Trulicity, and Zepbound Product Liability Litigation

Since August 2023, various plaintiffs have filed lawsuits against us, Novo Nordisk A/S, and other related entities, alleging various injuries following purported use of incretin medicines, including Mounjaro, Trulicity, and Zepbound. The complaints assert a variety of claims and generally seek damages and/or other relief. Most of these lawsuits in the United States have been coordinated or consolidated for pretrial proceedings in two federal MDLs: one focused on alleged gastrointestinal injuries, and the other relating to claims of non-arteritic anterior ischemic optic neuropathy (NAION). Both MDLs are pending in the U.S. District Court for the Eastern District of Pennsylvania. There are also similar proceedings pending against Lilly in Indiana and other state courts. In addition to the cases in the United States, there are two class action petitions in Israel and two class action petitions in Canada alleging various injuries and claims.

Health Choice Alliance

In October 2019, a relator filed a *qui tam* lawsuit against us in Texas state court asserting claims under the Texas Medicaid Fraud Prevention Act (TMFPA) based on allegations about certain patient support programs related to three of our products. The relator sought to recover the value of payments by the Texas Medicaid Program for these products, as well as civil penalties and other relief. In August 2025, the relator purported to dismiss the first lawsuit and filed a second lawsuit in a different Texas state court adding the State of Texas as a party and expanding claims under the TMFPA to fifteen of our products. We are opposing the relator's purported dismissal of the first lawsuit.

Note 10: Equity

The following table summarizes components of equity with significant changes during the three months ended September 30, 2026 and 2025:

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss
	Shares	Amount			
Balance at June 30, 2026	**941.5**	**$ 588**	**$ 7,117**	**$ 31,893**	**$ (2,761)**
Net income				**6,451**	
Other comprehensive income, net of tax					**132**
Purchases of common stock	**(0.3)**	**—**		**(377)**	
Issuance of stock under employee stock plans, net	**—**	**—**	**(8)**		
Stock-based compensation			**200**		
Other				**2**	
Balance at September 30, 2026	**941.2**	**$ 588**	**$ 7,309**	**$ 37,969**	**$ (2,629)**
Balance at June 30, 2025	947.2	$ 592	$ 7,089	$ 17,376	$ (3,716)
Net income				5,583	
Other comprehensive income, net of tax					510
Purchases of common stock	(1.0)	(1)		(708)	
Issuance of stock under employee stock plans, net	—	—	(8)		
Stock-based compensation			151		
Other				1	
Balance at September 30, 2025	946.2	$ 591	$ 7,232	$ 22,252	$ (3,206)

The following table summarizes components of equity with significant changes during the nine months ended September 30, 2026 and 2025:

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss
	Shares	Amount			
Balance at December 31, 2025	**944.8**	**$ 590**	**$ 7,346**	**$ 24,470**	**$ (2,880)**
Net income				**20,942**	
Other comprehensive income, net of tax					**251**
Cash dividends declared per share: $3.46				**(3,088)**	
Purchases of common stock	**(4.7)**	**(3)**		**(4,361)**	
Issuance of stock under employee stock plans, net	**1.1**	**1**	**(599)**		
Stock-based compensation			**562**		
Other				**6**	
Balance at September 30, 2026	**941.2**	**$ 588**	**$ 7,309**	**$ 37,969**	**$ (2,629)**
Balance at December 31, 2024	947.9	$ 592	$ 7,439	$ 13,545	$ (4,322)
Net income				14,002	
Other comprehensive income, net of tax					1,116
Cash dividends declared per share: $3.00				(2,692)	
Purchases of common stock	(3.3)	(2)		(2,598)	
Issuance of stock under employee stock plans, net	1.6	1	(697)		
Stock-based compensation			490		
Other				(5)	
Balance at September 30, 2025	946.2	$ 591	$ 7,232	$ 22,252	$ (3,206)

As of September 30, 2026, we had $6.6 billion remaining under our $15.0 billion share repurchase program authorized in December 2024. We retire shares once we repurchase them.

The following table summarizes the activity related to each component of accumulated other comprehensive income (loss) during the three months ended September 30, 2026 and 2025:

	Foreign Currency Translation[1]	Retirement Benefit Plans	Other	Accumulated Other Comprehensive Loss
Balance at June 30, 2026	**$ (1,055)**	**$ (1,957)**	**$ 250**	**$ (2,761)**
Other comprehensive income (loss)	**132**	**13**	**(13)**	**132**
Balance at September 30, 2026	**$ (922)**	**$ (1,944)**	**$ 237**	**$ (2,629)**
Balance at June 30, 2025	$ (1,758)	$ (2,193)	$ 235	$ (3,716)
Other comprehensive income (loss)	466	20	23	510
Balance at September 30, 2025	$ (1,292)	$ (2,173)	$ 259	$ (3,206)

[1] Includes the impact of foreign currency transactions designated as net investment hedges. See Note 8 for additional information.

The following table summarizes the activity related to each component of accumulated other comprehensive income (loss) during the nine months ended September 30, 2026 and 2025:

	Foreign Currency Translation[1]	Retirement Benefit Plans	Other	Accumulated Other Comprehensive Loss
Balance at December 31, 2025	**$ (1,149)**	**$ (1,987)**	**$ 255**	**$ (2,880)**
Other comprehensive income (loss)	**226**	**43**	**(18)**	**251**
Balance at September 30, 2026	**$ (922)**	**$ (1,944)**	**$ 237**	**$ (2,629)**
Balance at December 31, 2024	$ (2,390)	$ (2,179)	$ 246	$ (4,322)
Other comprehensive income (loss)	1,098	6	12	1,116
Balance at September 30, 2025	$ (1,292)	$ (2,173)	$ 259	$ (3,206)

[1] Includes the impact of foreign currency transactions designated as net investment hedges. See Note 8 for additional information.

Note 11: Segment Information

We operate as a single reportable 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. Our 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 nature of our operations and the financial information regularly reviewed by the chief executive officer, in his capacity as the chief operating decision maker (CODM), for the purposes of evaluating performance, allocating resources, setting incentive compensation targets, and planning and forecasting for future periods.

Our purpose is to unite caring with discovery to create medicines that make life better for people around the world. Our long-term success is significantly dependent on our ability to research and develop innovative medicines. The CODM uses consolidated net income to assess performance of our company, ensuring that we are investing in future research and development while efficiently delivering products to patients. The CODM allocates research and development resources based upon several factors, including the likelihood of technical success, unmet medical needs, and the viability of commercial success. A significant component of the CODM's decision-making process is to ensure a balanced investment in our research and development portfolio to drive near-term success and sustain for the long-term.

The following table summarizes information for our single reportable segment, including significant segment expenses:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Revenue	**$ 24,397**	$ 17,601	**$ 67,170**	$ 45,887
Less:				
Cost of sales	**3,933**	3,008	**10,778**	7,680
Early-stage research and development[1]	**1,663**	1,250	**4,379**	3,396
Late-stage research and development[1]	**2,584**	2,216	**7,197**	6,140
Marketing, selling, and administrative	**3,125**	2,741	**9,489**	7,963
Acquired in-process research and development	**4,181**	656	**7,541**	2,381
Other segment items[2]	**2,460**	2,148	**6,844**	4,325
Net income	**$ 6,451**	$ 5,583	**$ 20,942**	$ 14,002
Interest expense	**$ 378**	$ 180	**$ 1,055**	$ 672
Expenditures for long-lived assets[3]	**3,639**	2,320	**8,983**	5,821

[1] Early-stage research and development primarily includes costs incurred from discovery through Phase 2 clinical trials. Late-stage research and development primarily includes costs incurred from Phase 3 clinical trials.
[2] Other segment items primarily include income taxes.
[3] Includes expenditures for property and equipment and computer software costs.

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

(Tables present dollars in millions, except per-share data, and numbers may not add due to rounding)

General

Management's discussion and analysis of results of operations and financial condition is intended to assist the reader in understanding and assessing significant changes and trends related to our results of operations and financial position. This discussion and analysis should be read in conjunction with the consolidated condensed financial statements and accompanying footnotes in Part I, Item 1 of this Quarterly Report on Form 10-Q. Certain statements in this Part I, Item 2 of this Quarterly Report on Form 10-Q constitute forward-looking statements. Various risks and uncertainties, including those discussed in "Forward-Looking Statements" in this Quarterly Report on Form 10-Q and "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2025, may cause our actual results, financial position, and cash generated from operations to differ from these forward-looking statements.

EXECUTIVE OVERVIEW

This section provides an overview of our financial results, updates to our clinical development pipeline, and other matters affecting our company and industry.

Financial Results

The following table summarizes certain financial information:

	Three Months Ended September 30,		Percent Change	Nine Months Ended September 30,		Percent Change
	2026	2025		2026	2025	
Revenue	**$ 24,397**	$ 17,601	39	**$ 67,170**	$ 45,887	46
Net income	**6,451**	5,583	16	**20,942**	14,002	50
Earnings per share - diluted	**7.22**	6.21	16	**23.42**	15.56	51

Revenue increased for the three and nine months ended September 30, 2026, driven primarily by increased volume, partially offset by lower realized prices. The increased volume and the lower realized prices during the three and nine months ended September 30, 2026 were primarily driven by Mounjaro and Zepbound.

Net income and earnings per share for the three and nine months ended September 30, 2026 increased primarily due to higher gross margin, partially offset by higher acquired IPR&D charges, research and development expenses, and marketing, selling, and administrative expenses.

See "Results of Operations" for additional information.

Clinical Development Pipeline Updates

Our long-term success depends on our ability to continually discover or acquire, develop, and commercialize innovative medicines. See "Management's Discussion and Analysis of Results of Operations and Financial Condition—Executive Overview—Clinical Development Pipeline" in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2025 for select new molecular entities (NMEs) and new indication line extension (NILEX) products in clinical trials or that were submitted for regulatory review or received regulatory approval in the U.S., European Union (EU), or Japan. The following reflects certain developments since our Annual Report on Form 10-K for the year ended December 31, 2025:

Compound	Development
Insulin efsitora alfa (Onswik)	The FDA approved insulin efsitora alfa for type 2 diabetes.
	The Committee for Medicinal Products for Human Use (CHMP) issued a positive opinion recommending insulin efsitora alfa for the treatment of type 2 diabetes in the EU.
Orforglipron (Foundayo)	The FDA approved orforglipron for obesity.
	The CHMP issued a positive opinion recommending orforglipron for the treatment of obesity and of type 2 diabetes in the EU.
	Submitted orforglipron for type 2 diabetes in the U.S. and Japan.
Tirzepatide (Mounjaro)	The FDA approved tirzepatide to reduce cardiovascular risk in type 2 diabetes.
Retatrutide	Announced that Phase 3 trials for retatrutide for obesity met their primary endpoints.
	Announced that Phase 3 trials for retatrutide for type 2 diabetes met their primary endpoints.
Baricitinib	A Phase 3 trial was initiated for baricitinib for type 1 diabetes.
Eloralintide	A Phase 3 trial was initiated for eloralintide incretin add-on for obesity.
	A Phase 3 trial was initiated for eloralintide for obstructive sleep apnea (OSA).
	A Phase 3 trial was initiated for eloralintide for osteoarthritis (OA) pain.
Brenipatide	A Phase 3 trial was initiated for brenipatide for major depressive disorder.
Sofetabart mipitecan[1]	A Phase 3 trial was initiated for sofetabart mipitecan for platinum-sensitive ovarian cancer.
Tersolisib	A Phase 3 trial was initiated for tersolisib for PIK3CA+ advanced breast cancer.

[1] The FDA granted Breakthrough Therapy designation for sofetabart mipitecan for the treatment of certain patients with platinum-resistant ovarian cancer. Breakthrough Therapy designation is designed to expedite the development and review of potential medicines that are intended to treat a serious condition when preliminary clinical evidence indicates that the treatment may demonstrate substantial improvement on a clinically significant endpoint(s) over already available therapies.

Other Matters

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

Global concern over access to, and affordability of, pharmaceutical products continues to drive debate and action, as well as cost containment efforts by governmental authorities and scrutiny of pricing and access disparities. Cost containment measures include the use of mandated discounts, price reporting requirements, mandated reference prices, restrictive formularies, changes to available intellectual property protections, as well as other efforts.

Reforms, initiatives, and other actions, including those that may stem from political initiatives, periods of uneven economic growth or downturns, or as a result of inflation or deflation, trade and other global disputes and interruptions including related to tariffs, trade protection measures, and similar restrictions, the emergence or escalation of, and responses to, international tension and conflicts, or government budgeting priorities, are expected to continue to result in added pressure on cost, pricing, reimbursement, and access for our products.

We have entered into voluntary agreements with the U.S. government in which, among other arrangements, we agreed to lower Medicaid and certain other drug prices for U.S. patients and to launch new medicines with a more balanced pricing approach across developed nations. Under the Medicare GLP-1 Bridge program, Medicare beneficiaries obtained access to discounted Lilly obesity medicines effective July 1, 2026 through December 31, 2027, and individual state Medicaid programs separately have the option to expand access to these medicines. We continue to engage with the Centers for Medicare & Medicaid Services on long-term Medicare access to obesity medicines. Continued uptake from this expanded access is unknown. Moreover, the outcome of these arrangements and broader U.S. policy efforts to align domestic pharmaceutical pricing with international benchmarks from countries with competing healthcare cost containment priorities is uncertain and could negatively impact our pricing strategies, product demand or access, or competitive positioning across global markets, and may result in reduced revenue in certain markets.

The Inflation Reduction Act of 2022 (IRA) requires the U.S. Department of Health and Human Services (HHS) to effectively set prices for certain single-source drugs and biologics reimbursed under Medicare Part B and Part D. Currently, these government prices generally apply beginning at nine years (for medicines approved under a New Drug Application) or thirteen years (for medicines approved under a Biologics License Application) following FDA approval or licensure for the molecule. HHS selected Jardiance, which is part of our collaboration with Boehringer Ingelheim, in August 2023 (effective 2026), and selected Trulicity and Verzenio in January 2026 (to be effective 2028), as medicines subject to government-set prices. Given our product portfolio, we expect other significant products will be selected in future years. The IRA has, and will continue to, meaningfully influence our business strategies and those of our competitors and could significantly impact our business and consolidated results of operations.

The U.S. and other countries have imposed or reached alignment on tariffs. In some cases, imposed tariffs have been paused but may come into effect quickly and unpredictably. While Lilly and pharmaceuticals are exempt from certain of these tariffs, such exemptions may expire, may be terminated or may not apply to any future tariffs. The precise impact of tariffs, trade protection measures, and other restrictions depends on their ultimate scope, timing, and other factors. If enacted, additional restrictions could result in supply disruptions or delays, further increase costs, or otherwise have a negative impact on our business.

Private payers and pharmacy benefit managers in the U.S. continue to significantly impact the market for pharmaceuticals through negotiation of access, manufacturer price or rebate concessions and pharmacy reimbursement rates. Restrictive or unfavorable pricing, coverage, or reimbursement determinations for our medicines or product candidates by governments, regulatory agencies, courts, or private actors have and may continue to adversely impact our business and consolidated results of operations. In addition, we are engaged in litigation, investigations, and discussions with government entities related to government programs (including the 340B program), access to medicine, pricing, product safety, and other matters that could negatively impact our business and consolidated results of operations. It is not currently possible to predict the overall potential adverse impact to us or the general pharmaceutical industry of continued cost containment efforts worldwide.

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

Other policies, regulations, legislation, or enforcement, including those proposed or pursued by lawmakers, regulators, and other authorities in the U.S. and worldwide, have and may continue to adversely impact our business and consolidated results of operations.

Incretin Medicines

Mounjaro, Zepbound, and Foundayo accounted for 66 percent of our total revenue for the nine months ended September 30, 2026, and we expect cardiometabolic health products will continue to represent a significant and growing portion of our business, revenue, and prospects.

In the second quarter of 2026, we launched Foundayo (orforglipron) in the U.S. for the treatment of obesity and submitted orforglipron to the FDA for type 2 diabetes. Internationally, we have launched Mounjaro, and we have submitted or launched orforglipron for the treatment of obesity and/or type 2 diabetes in all major markets. To support anticipated demand for our current and prospective products, we have undertaken significant manufacturing expansion initiatives. Additional capacity is expected to become operational over the next several years.

We expect our near-term financial performance will be impacted by, among other factors, the timing of additional potential regulatory approvals for orforglipron, as well as the demand and pace of uptake in new incretin channels and markets, including in U.S. Medicare for Zepbound and Foundayo. More generally, incretin volume fluctuations due to channel dynamics or demand can have a disproportionate impact on our results of operations in any given period. Longer term, the durability of our cardiometabolic health product offerings and sustainability of our growth and prospects will depend on our ability to maintain or strengthen our competitive position as the therapeutic landscape evolves and to deliver further innovations that provide sufficient value to sustain our growth momentum.

We continue to see the production, marketing, and sale of counterfeit, misbranded, adulterated, and mass-compounded incretins. These practices may impact patient safety and undermine regulatory drug approval processes. Although the FDA has declared that compounding pharmacies are required to cease mass production, we cannot guarantee adequate regulation or compliance. Lilly will continue to consider all options, including filing lawsuits where appropriate, to address unlawful practices and the patient safety risks of unapproved, untested, and manipulated drugs.

Tax Matters

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

Acquisitions

We invest in external research and technologies and manufacturing capabilities that we believe complement and strengthen our own efforts. These investments can take many forms, including acquisitions, collaborations, investments, and licensing arrangements. We view business development activity as an important component of our research and development strategy.

Continued regulatory focus on business combinations in our industry, including by the Federal Trade Commission and competition authorities in Europe and other jurisdictions, could continue to delay, jeopardize, or increase the costs of our business development activities and may negatively impact our consolidated financial position or results of operations.

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. While we seek to manage a portion of these exposures through hedging and other risk management techniques, significant fluctuations in currency rates can have a material impact, either positive or negative, on our consolidated results of operations in any given period. There is uncertainty in the future movements in foreign currency exchange rates, and fluctuations in these rates have and could adversely impact our consolidated results of operations and cash flows.

Other Factors

Other factors have had, and may continue to have, an impact on our consolidated results of operations. See "Business" 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, 2025 and Notes 4 and 9 to the consolidated condensed financial statements for additional information and risks and uncertainties that could impact our business and operations, including the matters described within this Executive Overview.

RESULTS OF OPERATIONS

Revenue

The following table summarizes our revenue activity by region:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2026	2025	Percent Change	2026	2025	Percent Change
U.S.	**$ 15,136**	$ 11,300	34	**$ 41,668**	$ 30,604	36
Outside U.S.	**9,261**	6,301	47	**25,502**	15,283	67
Revenue	**$ 24,397**	$ 17,601	39	**$ 67,170**	$ 45,887	46

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

	Three Months Ended September 30, 2026 vs. 2025			Nine Months Ended September 30, 2026 vs. 2025		
	U.S.	Outside U.S.	Consolidated	U.S.	Outside U.S.	Consolidated
Volume	41 %	76 %	53 %	42 %	93 %	59 %
Price	(7)	(29)	(15)	(5)	(30)	(14)
Foreign exchange rates	—	—	—	—	4	1
Percent change	34 %	47 %	39 %	36 %	67 %	46 %

In the U.S. for the three and nine months ended September 30, 2026, the volume increase was primarily driven by Zepbound and Mounjaro. In the U.S. for the three months ended September 30, 2026, the lower realized prices were primarily driven by Zepbound, partially offset by adjustments to estimates for rebates and discounts primarily driven by Mounjaro. In the U.S. for the nine months ended September 30, 2026, the lower realized prices were primarily driven by Zepbound and Mounjaro, partially offset by adjustments to estimates for rebates and discounts primarily driven by Mounjaro, Trulicity, and Zepbound.

Outside the U.S. for the three and nine months ended September 30, 2026, the volume increase was driven by Mounjaro, and the lower realized prices were primarily driven by the inclusion of Mounjaro on the National Reimbursement Drug List (NRDL) in China.

The following table summarizes our revenue, including net product revenue and collaboration and other revenue, by product for the three months ended September 30, 2026 and 2025:

	Three Months Ended September 30,				
	2026			2025	
	U.S.	Outside U.S.	Total	Total	Percent Change
Mounjaro	**$ 4,998**	**$ 5,725**	**$ 10,723**	$ 6,515	65
Zepbound[1]	**5,267**	**86**	**5,352**	3,588	49
Jardiance[2]	**781**	**796**	**1,578**	959	65
Verzenio	**897**	**614**	**1,511**	1,470	3
Trulicity	**601**	**302**	**904**	1,052	(14)
Taltz	**539**	**316**	**856**	902	(5)
Other	**2,052**	**1,422**	**3,474**	3,115	12
Revenue	**$ 15,136**	**$ 9,261**	**$ 24,397**	$ 17,601	39

[1] Tirzepatide is marketed for obesity under the brand name Zepbound in Canada, Japan, and the U.S.
[2] Jardiance revenue includes Glyxambi, Synjardy, and Trijardy XR.

The following table summarizes our revenue, including net product revenue and collaboration and other revenue, by product for the nine months ended September 30, 2026 and 2025:

	Nine Months Ended September 30,				
	2026			2025	
	U.S.	Outside U.S.	Total	Total	Percent Change
Mounjaro	**$ 14,022**	**$ 15,306**	**$ 29,328**	$ 15,556	89
Zepbound[1]	**14,273**	**167**	**14,440**	9,281	56
Verzenio	**2,448**	**1,838**	**4,286**	4,118	4
Jardiance[2]	**1,909**	**2,014**	**3,924**	2,663	47
Trulicity	**2,109**	**932**	**3,042**	3,239	(6)
Taltz	**1,495**	**949**	**2,444**	2,511	(3)
Other	**5,411**	**4,295**	**9,706**	8,518	14
Revenue	**$ 41,668**	**$ 25,502**	**$ 67,170**	$ 45,887	46

[1] Tirzepatide is marketed for obesity under the brand name Zepbound in Canada, Japan, and the U.S.
[2] Jardiance revenue includes Glyxambi, Synjardy, and Trijardy XR.

Revenue of Mounjaro increased 41 percent and 47 percent in the U.S. during the three and nine months ended September 30, 2026, respectively, reflecting strong demand, partially offset by lower realized prices. Lower realized prices in the U.S. were partially offset by adjustments to estimates for rebates and discounts during the three and nine months ended September 30, 2026. Revenue of Mounjaro increased 93 percent and 153 percent outside the U.S. during the three and nine months ended September 30, 2026, respectively, primarily driven by volume growth, partially offset by lower realized prices driven by the inclusion of Mounjaro on the NRDL in China.

Revenue of Zepbound increased 48 percent and 54 percent in the U.S. during the three and nine months ended September 30, 2026, respectively, primarily driven by strong demand, partially offset by lower realized prices. Lower realized prices were partially offset by adjustments to estimates for rebates and discounts during the nine months ended September 30, 2026.

Gross Margin, Costs, and Expenses

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

	Three Months Ended September 30,		Percent Change	Nine Months Ended September 30,		Percent Change
	2026	2025		2026	2025	
Gross margin	**$ 20,464**	$ 14,593	40	**$ 56,392**	$ 38,207	48
Gross margin as a percent of revenue	**83.9 %**	82.9 %		**84.0 %**	83.3 %	
Research and development	**$ 4,247**	$ 3,466	23	**$ 11,576**	$ 9,536	21
Marketing, selling, and administrative	**3,125**	2,741	14	**9,489**	7,963	19
Acquired IPR&D	**4,181**	656	NM	**7,541**	2,381	NM
Asset impairment, restructuring, and other special charges	**303**	365	(17)	**1,285**	400	NM
Income taxes	**1,955**	1,650	18	**5,561**	3,463	61
Effective tax rate	**23.3 %**	22.8 %		**21.0 %**	19.8 %	

NM- not meaningful

Gross margin as a percent of revenue increased 1.0 percentage point and 0.7 percentage points for the three and nine months ended September 30, 2026, respectively, primarily driven by improved cost of production and favorable product mix, partially offset by lower realized prices.

Research and development expenses increased 23 percent and 21 percent for the three and nine months ended September 30, 2026, respectively, driven by continued investments in our early and late-stage portfolio.

Marketing, selling, and administrative expenses increased 14 percent and 19 percent for the three and nine months ended September 30, 2026, respectively, primarily driven by promotional efforts supporting ongoing and planned launches.

Acquired IPR&D charges for the three months ended September 30, 2026 were primarily related to the acquisitions of AtaiBeckley and Curevo. Acquired IPR&D charges for the nine months ended September 30, 2026 were primarily related to the acquisitions of AtaiBeckley, Orna, Curevo, and Ajax. Acquired IPR&D charges for the three months ended September 30, 2025 were primarily related to the acquisition of SiteOne. Acquired IPR&D charges for the nine months ended September 30, 2025 were primarily related to the acquisitions of Scorpion's PI3Kα inhibitor program STX-478 and of SiteOne. See Note 4 to the consolidated condensed financial statements for additional information.

Asset impairment, restructuring, and other special charges for the three and nine months ended September 30, 2026 included a partial impairment of an intangible asset associated with a molecule in development. Asset impairment, restructuring, and other special charges for the nine months ended September 30, 2026 and for the three and nine months ended September 30, 2025 included charges related to acquisition and integration costs associated with the closing of our acquisitions and charges related to litigation matters. See Note 4 and Note 9 to the consolidated condensed financial statements for additional information.

The effective tax rates were 23.3 percent and 21.0 percent for the three and nine months ended September 30, 2026, respectively, compared to 22.8 percent and 19.8 percent for the three and nine months ended September 30, 2025, respectively, primarily driven by the unfavorable tax impact of nondeductible acquired IPR&D charges, with a larger impact occurring in 2026. The 2025 effective tax rates were also unfavorably impacted by U.S. tax law changes.

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, 2025.

We are making investments in global facilities to manufacture existing and future products. These investments, and other capital investments that support our operations, have increased our capital expenditures and will result in higher capital expenditures in the near term.

Cash and cash equivalents decreased to $4.9 billion as of September 30, 2026, compared with $7.3 billion as of December 31, 2025. Refer to the consolidated condensed statements of cash flows for additional information on the significant sources and uses of cash for the nine months ended September 30, 2026 and 2025.

In addition to our cash and cash equivalents, we held total investments of $4.1 billion and $2.9 billion as of September 30, 2026 and December 31, 2025, respectively. As of September 30, 2026, we had approximately $862 million of unfunded commitments to invest in venture capital funds, which we anticipate will be paid over a period of up to 10 years. See Note 8 to the consolidated condensed financial statements for additional information.

In May 2026, we issued long-term debt totaling $9.0 billion and used the net cash proceeds from this offering for general corporate purposes, including the repayment of outstanding commercial paper and the funding of a portion of the upfront cash consideration and related fees and expenses payable in connection with our acquisitions of Centessa and Kelonia. See Note 8 to the consolidated condensed financial statements for additional information.

During the nine months ended September 30, 2026, we paid $18.2 billion related to business development activity, primarily driven by the acquisitions of Centessa, Kelonia, AtaiBeckley, Orna, Ventyx, Curevo, and Ajax. In October 2026, we acquired Merida for up to $2.9 billion in aggregate, inclusive of an upfront payment and additional potential payments based upon the achievement of certain clinical and regulatory milestones. See Note 4 to the consolidated condensed financial statements for additional information.

As of September 30, 2026, total debt was $49.5 billion, an increase of $7.0 billion compared with $42.5 billion as of December 31, 2025.

As of September 30, 2026, we had a total of $10.1 billion of unused committed bank credit facilities, $10.0 billion of which is available to support our commercial paper program. See Note 8 to the consolidated condensed financial statements for additional information. We believe that amounts accessible through existing commercial paper markets or other sources should be adequate to fund short-term borrowing needs.

During the nine months ended September 30, 2026, we repurchased $4.3 billion of shares under our $15.0 billion share repurchase program authorized in December 2024. As of September 30, 2026, we had $6.6 billion remaining under this program.

During the nine months ended September 30, 2026, we paid dividends of $4.6 billion, or $5.19 per share, to our shareholders. In October 2026, we declared a dividend for the fourth quarter of 2026 of $1.73 per share of outstanding common stock. The dividend of approximately $1.5 billion is payable on December 10, 2026 to shareholders of record at the close of business on November 13, 2026.

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

CRITICAL ACCOUNTING ESTIMATES

For a discussion of our critical accounting estimates, refer to "Management's Discussion and Analysis of Results of Operations and Financial Condition" in Part II, Item 7 and the notes to our consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2025. 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, 2025.

AVAILABLE INFORMATION ON OUR WEBSITE

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

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For a discussion of our market risk, see "Quantitative and Qualitative Disclosures About Market Risk" in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2025.

Item 4. Controls and Procedures

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

Our management, with the participation of David Ricks, president and chief executive officer, and Lucas Montarce, executive vice president and chief financial officer, evaluated our disclosure controls and procedures (as such terms are defined in our Annual Report on Form 10-K for the year ended December 31, 2025) as of September 30, 2026, and concluded that they were effective.

(b) *Changes in Internal Controls.* During the third quarter of 2026, 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, 2025.

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, 2025. 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, 2025.

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

The following table summarizes the activity related to repurchases of our equity securities during the three months ended September 30, 2026:

	Total Number of Shares Purchased (in thousands)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (in thousands)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
July 2026	197	$ 1,168.21	197	$ 6,759
August 2026	28	1,188.97	28	6,726
September 2026	95	1,161.39	95	6,615
Total	320	1,167.99	320	

During the three months ended September 30, 2026, we repurchased $374 million of shares under our $15.0 billion share repurchase program that our board authorized in December 2024.

Item 5. Other Information

On September 3, 2026, Ilya Yuffa, executive vice president and president Lilly USA and Global Customer Capabilities, adopted a sales plan (Yuffa Plan). The Yuffa Plan provides for the sale of up to 1,000 shares of company common stock and expires on February 10, 2027, subject to earlier termination in accordance with its terms.

On September 8, 2026, Jacob Van Naarden, executive vice president, president of Lilly Oncology and head of corporate business development, adopted a sales plan (Van Naarden Plan). The Van Naarden Plan provides for the sale of up to 7,064 shares of company common stock and expires on February 10, 2027, subject to earlier termination in accordance with its terms.

On September 8, 2026, Anat Hakim, executive vice president, general counsel and secretary, adopted a sales plan (Hakim Plan). The Hakim Plan provides for the sale of up to 22,591 shares of company common stock and expires on February 10, 2027, subject to earlier termination in accordance with its terms.

On September 14, 2026, Edgardo Hernandez, executive vice president and president, manufacturing operations, adopted a sales plan (Hernandez Plan). The Hernandez Plan provides for the sale of up to 1,350 shares of company common stock and expires on February 9, 2028, subject to earlier termination in accordance with its terms.

Each of the above described plans was entered into during an open trading window and is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act of 1934 and our policies regarding trading in our securities.

Item 6. Exhibits

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

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

* Filed herewith.

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

Signatures

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

ELI LILLY AND COMPANY
(Registrant)

Date: October 29, 2026

/s/ Lucas Montarce
Lucas Montarce
Executive Vice President and Chief Financial Officer

Date: October 29, 2026

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