SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

FOR QUARTER ENDED SEPTEMBER 30, 1996

COMMISSION FILE NUMBER 1-6351

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

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

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

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

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

The number of shares of common stock outstanding as of October 31, 1996:

Class	Number of Shares Outstanding
Common	551,804,518

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Unaudited)

Eli Lilly and Company and Subsidiaries

	Three Months Ended September 30, 1996	Three Months Ended September 30, 1995	Nine Months Ended September 30, 1996	Nine Months Ended September 30, 1995
	(Dollars in millions except per-share data)			
Net Sales..................	$1,803.9	$1,631.9	$5,285.5	$4,964.0
Cost of sales..............	502.9	419.7	1,526.0	1,391.6
Research & development......	290.7	260.6	840.1	757.8
Marketing & administrative..	473.1	444.1	1,412.1	1,287.6
Interest expense...........	74.1	75.6	219.5	214.2
Other income - net..........	(96.3)	(5.4)	(260.7)	(89.0)
	1,244.5	1,194.6	3,737.0	3,562.2

Income from continuing operations before income taxes	559.4	437.3	1,548.5	1,401.8
Income taxes...............	143.8	126.8	398.0	406.5
Income from continuing operations	415.6	310.5	1,150.5	995.3
Income from discontinued operations, net of tax......	-	917.5	-	953.0
Net Income.................	$ 415.6	$1,228.0	$1,150.5	$1,948.3
Earnings per share:				
Income from continuing operations	$ .76	$ .54	$2.10	$1.73
Income from discontinued operations............	-	1.60	-	1.65
Net income.................	$ .76	$2.14	$2.10	$3.38
Dividends paid per share....	$ .3425	$ .3225	$1.0275	$.9675

See Notes to Consolidated Condensed Financial Statements.

CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited)
Eli Lilly and Company and Subsidiaries

	September 30, 1996	December 31, 1995
	(Millions)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$738.1	$999.5
Short-term investments	128.3	84.6
Accounts receivable, net of allowances of $77.0 (1996) and $55.1 (1995)	1,616.4	1,520.5
Other receivables	174.9	287.9
Inventories	878.3	839.6
Deferred income taxes	156.5	259.2
Prepaid expenses	168.3	147.3
TOTAL CURRENT ASSETS	3,860.8	4,138.6
OTHER ASSETS		
Prepaid retirement	513.9	484.2
Investments	429.4	573.8
Goodwill and other intangibles, net of allowances for amortization of $280.6 (1996) and $192.2 (1995)	4,039.1	4,105.2
Sundry	923.8	871.4
	5,906.2	6,034.6
PROPERTY AND EQUIPMENT		
Land, buildings, equipment, and construction-in-progress	7,007.9	6,828.3
Less allowances for depreciation	2,722.1	2,589.0
	4,285.8	4,239.3
	$14,052.8	$14,412.5
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	$1,499.4	$1,908.8
Accounts payable	707.5	1,018.0
Employee compensation	308.9	316.0
Dividends payable	-	189.1
Income taxes payable	719.8	660.5
Other liabilities	958.5	874.6
TOTAL CURRENT LIABILITIES	4,194.1	4,967.0
LONG-TERM DEBT	2,582.3	2,592.9
DEFERRED INCOME TAXES	332.3	295.5
RETIREE MEDICAL BENEFIT OBLIGATION	129.4	147.8
OTHER NONCURRENT LIABILITIES	788.0	976.7
COMMITMENTS AND CONTINGENCIES	-	-
SHAREHOLDERS' EQUITY		
Common stock	355.6	355.6
Additional paid-in capital	154.5	418.3
Retained earnings	7,231.9	6,484.3
Deferred costs-ESOP	(188.7)	(199.5)
Currency translation adjustments	(54.1)	(0.6)
	7,499.2	7,058.1
Less cost of common stock in treasury	1,472.5	1,625.5
	6,026.7	5,432.6
	$14,052.8	$14,412.5

See Notes to Consolidated Condensed Financial Statements.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

Eli Lilly and Company and Subsidiaries

	Nine Months Ended September 30, 1996	1995
	(Millions)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$1,150.5	$1,948.3
Adjustments to reconcile net income to cash flows from operating activities		
Net gain on disposition of discontinued operations	-	(910.0)
Changes in operating assets and liabilities	(259.6)	(473.0)
Change in deferred taxes	147.9	136.3
Depreciation and amortization	404.8	419.8
Other items, net	(155.6)	(63.4)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,288.0	1,058.0
CASH FLOWS FROM INVESTING ACTIVITIES		
Net additions to property and equipment	(360.9)	(393.1)
Additions to sundry assets and intangibles	(32.1)	(1.7)
Reduction of investments	330.1	327.7
Additions to investments	(192.2)	(228.1)
Acquisitions	(93.3)	-
NET CASH USED BY INVESTING ACTIVITIES	(348.4)	(295.2)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(562.3)	(559.9)
Purchase of common stock and other capital transactions	(171.8)	(49.9)
Net reductions to short-term borrowings	(439.4)	(236.1)
Net additions to long-term debt	8.9	504.5
NET CASH USED BY FINANCING ACTIVITIES	(1,164.6)	(341.4)
Effect of exchange rate changes on cash	(36.4)	17.9
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(261.4)	439.3
Cash and cash equivalents at January 1	999.5	536.9
CASH AND CASH EQUIVALENTS AT SEPTEMBER 30	$738.1	$976.2

See Notes to Consolidated Condensed Financial Statements.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

BASIS OF PRESENTATION

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

As a consequence of the 1995 divestiture, the operating results of the Medical Device and Diagnostics businesses have been reflected as `discontinued operations'' in the Company's 1995 financial statements and have been excluded from consolidated sales and expenses reflected therein.

As presented herein, sales include sales of the Company's life-sciences products and service revenues from PCS Health Systems, Inc. (PCS) and Integrated Medical Systems, Inc.

CONTINGENCIES

The Company has been named as a defendant in numerous product liability lawsuits involving primarily two products, diethylstilbestrol and Prozac (REGISTERED). The Company has accrued for its estimated exposure, including costs of litigation, with respect to all current product liability claims. In addition, the Company has accrued for certain future anticipated product liability claims to the extent the Company can formulate a reasonable estimate of their costs. The Company's estimates of these expenses are based primarily on historical claims experience and data regarding product usage. The Company expects the cash amounts related to the accruals to be paid out over the next several years. The majority of costs associated with defending and disposing of these suits are covered by insurance. The Company's estimate of insurance recoverables is based on existing deductibles, coverage limits, and the existing and projected future level of insolvencies among its insurance carriers.

Under the Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as Superfund, the Company has been designated as one of several potentially responsible parties with respect to certain sites. Under Superfund, each responsible party may be jointly and severally liable for the entire amount of the cleanup. The Company also continues remediation of certain of its own sites. The Company has accrued for estimated Superfund cleanup costs, remediation, and certain other environmental matters, taking into account, as applicable, available information regarding site conditions, potential cleanup methods, estimated costs, and the extent to which other parties can be expected to contribute to payment of those costs. The Company has reached a settlement with its liability insurance carriers providing for coverage for certain environmental liabilities. However, because of uncertainties with respect to the timing and ultimate realization of recoveries under the policies, the Company has not recorded any environmental insurance recoverables.

The Company has been named, along with numerous other U.S. prescription drug manufacturers, as a defendant in a large number of related actions brought by retail pharmacies alleging violations of federal and state antitrust and pricing laws. The federal suits include a class action on behalf of the majority of U.S. retail pharmacies. The Company and several other manufacturers agreed to settle the federal class action case and the anticipated settlement was accrued in the fourth quarter of

1995. The settlement has been approved by the U.S. District Court but certain class members have appealed that decision. Other related suits, brought in federal and several state courts by several thousand pharmacies, involve claims of price discrimination or claims under other pricing laws. Additional cases have been brought on behalf of consumers in several states.

The environmental liabilities and litigation accruals have been reflected in the Company's consolidated balance sheet at the gross amount of approximately $273 million at September 30, 1996. Estimated insurance recoverables have been reflected as assets in the consolidated balance sheet of approximately $97 million at September 30, 1996.

Barr Laboratories, Inc. (Barr) has asserted a claim that the U.S. patents covering Prozac, which are material to the Company, are invalid and unenforceable. The Company has filed suit in federal court in Indianapolis seeking a ruling that Barr's challenge to Lilly's patents is without merit. While the Company believes Barr's claims are without merit, there can be no assurance that the Company will prevail. An unfavorable outcome of this claim could have a material adverse effect on the Company's consolidated financial position, liquidity, or results of operations.

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

EARNINGS PER SHARE

Earnings per share are calculated based on the weighted-average number of outstanding common shares. The number of shares of common stock and per-share data for previously reported periods have been restated to reflect the impact of the Company's two-for-one stock split in the fourth quarter of 1995.

ACCOUNTING CHANGES

Effective January 1, 1996, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" This statement requires that impairments, measured using fair market value, are recognized whenever events or changes in circumstances indicate that the carrying amount of long-lived assets may not be recoverable and the future undiscounted cash flows attributable to the asset are less than its carrying value. Adoption of this statement did not impact the Company's consolidated results of operations.

Effective January 1, 1996, the Company adopted SFAS No. 123, "Stock Based Compensation". This statement requires a company to choose between two different methods of accounting for stock options. The statement defines a fair-value-based method of accounting for stock options but allows an entity to continue to measure compensation cost for stock options using the accounting prescribed by APB No. 25 (APB 25), "Accounting for Stock Issued to Employees". The Company has elected to continue applying accounting prescribed by APB 25.

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

OPERATING RESULTS OF CONTINUING OPERATIONS:

The Company's sales for the third quarter increased 11 percent from the third quarter of 1995. Overall, sales inside and outside the United States increased 15 percent and 4 percent respectively. Compared with the third quarter of 1995, volume increased sales 13 percent, while foreign exchange rates and selling prices combined to decrease sales 2 percent.

The Company's sales for the first nine months of 1996 increased 6 percent when compared with the same period in 1995. Sales in the United States increased 8 percent, while sales outside the United States increased 5 percent. Compared with the first nine months of 1995, volume increased sales 8 percent while foreign exchange rates and selling prices decreased sales by 1 percent each.

Worldwide sales of pharmaceutical products increased 11 percent and 7 percent for the third quarter and nine months, respectively, as compared with the same periods of 1995. Sales growth was led by Prozac, Humulin (REGISTERED) and two of the Company's newer products, Gemzar (REGISTERED) and ReoPro (TRADEMARK). In addition, the quarter and year-to-date sales benefited from increased health care management service revenues. Worldwide Prozac sales improved 10 percent to $637.5 million for the third quarter and 13 percent to $1.8 billion for the nine months. These sales increases were achieved despite continuing competition from generic forms of Prozac in Canada and substantial competitive pressures in France. Humulin sales increased 15 percent to $225.6 million for the third quarter and 11 percent to $645.3 million for the first nine months of 1996. ReoPro, a cardiovascular product launched in February 1995, experienced strong growth with sales of $38.5 million in the third quarter. For the first nine months of 1996, sales of ReoPro aggregated $98.5 million. Health care management service revenues were $94.8 million for the quarter, an increase of 49 percent. The quarter and year to date sales growth was offset in part by decreased sales of Axid (REGISTERED), which declined 4 percent and 1 percent respectively from the prior periods, and anti-infectives, which were 4 percent and 15 percent below the third quarter and nine months of 1995, respectively. Axid sales for the quarter and nine months were $126.9 million and $394.4 million, respectively. The Company anticipates that Axid sales for 1996 will likely reflect a decline as the product faces increased competitive pressures. The decline in anti-infective sales was principally the result of cefaclor sales which reflected decreases of $14.2 million (12 percent) and $153.9 million (29 percent) for the quarter and nine month periods, respectively.

U.S. pharmaceutical sales growth of 17 percent during the quarter was due to increased volume and reflects a 15 percent increase in Prozac sales, a 12 percent increase in Humulin sales, a 49 percent increase in health care management service revenues and strong ReoPro sales which aggregated $33.9 million. However, lower anti-infectives sales, which reflected a 9 percent decrease from the third quarter of 1995, and a decline in Axid sales of 3 percent from third quarter of last year partially offset the sales growth. For the nine months, U.S. pharmaceutical sales grew 8 percent, substantially all of which was due to increased volume. Major products contributing to this growth were Prozac, which had an increase of $190.8 million or 17 percent and ReoPro, which had an increase of $78.6 million over 1995. This growth was somewhat offset by a 39% decline in sales of anti-infectives due primarily to continued generic competition for cefaclor.

International pharmaceutical sales volume growth of 11 percent for the third quarter was substantially offset by unfavorable foreign exchange rates (5 percent) and reduced selling prices (3 percent), resulting in overall sales growth of 3 percent. For the nine months, international pharmaceutical sales reflected a 4 percent increase. International sales growth for the quarter was primarily due to increased sales of Gemzar, Humulin, ReoPro, and Permax (REGISTERED), offset, in part, by a decline in Prozac sales due to generic competition in Canada and general competitive pressures in France. Year-to-date sales growth was primarily due to Gemzar, Humulin, Permax and Prozac.

Worldwide sales of animal health products increased 2 percent in the third quarter and 4 percent in the first nine months compared with the same periods last year. These increases resulted from increased performance across a majority of the product line, primarily driven by increased international sales which were offset somewhat by decreased sales in the U.S.

Cost of sales was 27.9 percent of sales for the third quarter and 28.9 percent of sales for the first nine months, as compared to 25.7 percent and 28 percent for the third quarter and nine months of 1995, respectively. The increase as compared to the third quarter of 1995 reflects the impacts of increased health care management service revenues, which have lower margins than pharmaceuticals, reduced production volumes as the Company endeavors to reduce inventory levels and a sales mix that included increased revenues from lower margin product lines, such as ReoPro. The increase for the nine months primarily reflects the impacts of increased health care management service revenues.

Total operating expenses increased 8 percent for the third quarter and 10 percent for the nine months compared to the same periods in 1995. Research and development grew 12 percent and 11 percent for the third quarter and nine months, respectively, over the same periods in 1995. The large number of compounds in the later and most expensive phases of clinical trials, primarily raloxifene, drove the increase in research and development expenses for both periods. Assuming business conditions remain stable, the Company expects spending in research and development to increase approximately 12 to 14 percent for the year compared with 1995. The increase in the marketing and administrative expenses (7 percent for the third quarter and 10 percent for the nine months compared to the same periods in 1995) was caused primarily by higher costs associated with new product launches of Gemzar and Humalog (REGISTERED), the anticipated launch of Zyprexa (TRADEMARK) and reserves taken to cover outstanding receivables from FoxMeyer Health Corporation, a pharmaceutical wholesaler which filed for bankruptcy in the third quarter. The Company's continued efforts to expand globally, especially in emerging markets, as well as investments in increased information technology capabilities also contributed to the increase. In the second quarter of 1996, the Company implemented cost-containment programs designed to reduce the overall rate of expense growth while directing greater funding to new product launches and globalization efforts. These programs helped slow the rate of marketing and administrative expense growth to 7 percent for the third quarter compared to 10 percent for the second quarter and year to date.

Net other income of $96.3 million for the third quarter and $260.7 million for the nine months was $90.9 million higher and $171.7 million higher than the same periods in 1995. The third quarter was favorably impacted by the sale of the U.S. marketing rights of Ceclor (REGISTERED) CD and Keftab (REGISTERED) to Dura Pharmaceuticals, Inc. for approximately $100 million or $.12 per share. In addition to the above, the other income increase for the nine months reflects non-recurring income received under royalty, co-development and co-marketing contracts, the sale of marketing rights for ReoPro in Japan and Tapazole (REGISTERED) in the U.S., and the sale of certain equity securities.

The Company's estimated tax rate for both the third quarter and nine months of 1996 was 25.7 percent compared to 29 percent for the same periods in 1995. The decline is primarily the result of increased earnings in jurisdictions with lower tax rates and the effectiveness of various tax strategies. The estimated effective tax rate for the first nine months of 1996 essentially equals the annual 1995 rate of 26 percent. The Company expects current tax strategies will allow its 1996 rate to remain approximately the same as the 1995 annual rate.

Income from continuing operations was $415.6 million and $.76 per share for the third quarter, representing increases of 34 percent and 41 percent, respectively, as compared with the same periods in 1995. For the first nine months of 1996, income from continuing operations was $1.2 billion and $2.10 per share, increases of 16 percent and 21 percent respectively, from last year. For the quarter, income was favorably impacted by increased sales, a lower growth rate of operating expenses, increased other income and the reduced effective tax rate, offset, in part, by increased costs of goods sold as a percent of sales. For the first nine months of 1996, operating expenses grew at a faster rate than sales, but the negative income impact was more than offset by the reduced estimated tax rate and increased other income.

DISCONTINUED OPERATIONS AND NET INCOME:

The Company completed its divestiture of all its Medical Devices and Diagnostics Division subsidiaries in 1995. As a result, reported net income and earnings per share in 1996 do not include income from discontinued operations. The Company realized a net gain on the divestitures of $910 million during the third quarter of 1995 which added $1.60 in earnings per share. As a consequence, net income in 1996 reflects decreases of 66 percent and 41 percent for the three month and nine month periods, respectively, as compared with the same periods in 1995. Further, earnings per share for the quarter and nine months decreased 64 percent and 38 percent.

FINANCIAL CONDITION:

As of September 30, 1996, cash, cash equivalents and short-term investments totaled $866.4 million as compared with $1,084.1 million at December 31, 1995. Total debt at September 30, 1996, was $4,081.7 million, a decrease of $420 million from December 31, 1995. The decrease in debt was primarily the result of using cash flows from operations and excess cash to reduce short-term borrowings. Short-term debt aggregating $1,499.4 million is primarily in the form of commercial paper.

The Company believes that cash generated from operations in 1996, along with available cash and cash equivalents, will be sufficient to fund essentially all of the 1996 operating needs, including debt service, capital expenditures, and dividends. The Company believes that amounts available through existing commercial paper programs should be adequate to fund maturities of short-term borrowings. The outstanding commercial paper is also backed up by committed bank credit facilities.

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995:

Under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the Company cautions investors that any forward-looking statements or projections made by the Company are subject to risks and uncertainties which may cause actual results to differ materially from those projected. Economic, competitive, governmental, technological and other factors which may affect the Company's operations are discussed in Exhibit 99 to this Form 10-Q filing.

PART II OTHER INFORMATION

Item 1.Legal Proceedings

In October 1996, the Federal Trade Commission issued a subpoena to the Company and PCS requesting production of certain documents in connection with a non-public investigation reviewing whether the relationships and activities between pharmacy benefit management companies and pharmaceutical companies have violated federal antitrust laws, including a review of whether the Company has violated the consent decree it entered into at the time it acquired PCS. The Company believes that all of its actions and those of PCS have been lawful, proper and in accordance with the PCS consent decree.

Item 6. Exhibits and Reports on Form 8-K

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

10. 1994 Lilly Stock Plan, as amended through October 21, 1996

11. Statement re: Computation of Earnings Per Share on Primary and Fully Diluted Bases

12. Statement re: Computation of Ratio of Earnings to Fixed Charges

27. Financial Data Schedule

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

(b) Reports on Form 8-K.

No reports on Form 8-K were filed during the third quarter of 1996.

SIGNATURES

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

ELI LILLY AND COMPANY
(Registrant)

Date November 11, 1996

s/Daniel P. Carmichael

Daniel P. Carmichael
Secretary and Deputy General Counsel

Date November 11, 1996

s/Arnold C. Hanish

Arnold C. Hanish
Director, Corporate Accounting and
Chief Accounting Officer

INDEX TO EXHIBITS

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

EXHIBIT 10.

1994

LILLY STOCK PLAN,
as amended through
October 21, 1996

The 1994 Lilly Stock Plan ("1994 Plan") authorizes the Compensation and Management Development Committee ("Committee") to provide officers and other key executive, management, professional, and administrative employees of Eli Lilly and Company and its subsidiaries with certain rights to acquire shares of Eli Lilly and Company common stock ("Lilly Stock"). The Company believes that this incentive program will benefit the Company's shareholders by allowing the Company to attract, motivate, and retain key employees and by causing those employees, through stock-based incentives, to contribute materially to the growth and success of the Company. For purposes of the 1994 Plan, the term "Company" shall mean Eli Lilly and Company and its subsidiaries, unless the context requires otherwise.

1. Administration.

The 1994 Plan shall be administered and interpreted by the Committee consisting of not less than three persons appointed by the Board of Directors of the Company from among its members. A person may serve on the Committee only if he or she (i) is a "Non-employee Director" for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "1934 Act"), and (ii) satisfies the requirements of an "outside director" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). The Committee shall determine the fair market value of Lilly Stock for purposes of the 1994 Plan. The Committee may, subject to the provisions of the 1994 Plan, from time to time establish such rules and regulations and delegate such authority to administer the 1994 Plan as it deems appropriate for the proper administration of the Plan. The decisions of the Committee or its authorized delegatees shall be final, conclusive, and binding with respect to the interpretation and administration of the 1994 Plan and any Grant made under it.

2. Grants.

Incentives under the 1994 Plan shall consist of incentive stock options, nonqualified stock options, performance awards, and restricted stock grants (collectively, "Grants"). All Grants shall be subject to the terms and conditions consistent with the 1994 Plan as the Committee deems appropriate. The Committee shall approve the form and provisions of each Grant. Grants under a particular section of the 1994 Plan need not be uniform and Grants under two or more sections may be combined in one instrument.

3. Eligibility for Grants.

Grants may be made to any employee of the Company who is an officer or other key executive, managerial, professional, or administrative employee, including a person who is also a member of the Board of Directors ("Eligible Employee"). The Committee shall select the persons to receive Grants ("Grantees") from among the Eligible Employees and determine the number of shares subject to any particular Grant.

4. Shares Available for Grant.

(a) Shares Subject to Issuance or Transfer. Subject to adjustment as provided in Section 4(b), the aggregate number of shares of Lilly Stock that may be issued or transferred under the 1994 Plan is 25,000,000. The shares may be authorized but unissued shares or treasury shares. The number of shares available for Grants at any given time shall be 25,000,000, reduced by the aggregate of all shares previously issued or transferred and of shares which may become subject to issuance or transfer under then-outstanding Grants. Payment in cash in lieu of shares shall be deemed to be an issuance of the shares for purposes of determining the number of shares available for Grants under the 1994 Plan as a whole or to any individual Grantee.

(b) Adjustment Provisions. If any subdivision or combination of shares of Lilly Stock or any stock dividend, reorganization, recapitalization, or consolidation or merger with Eli Lilly and Company as the surviving corporation occurs, or if additional shares or new or different shares or other securities of the Company or any other issuer are distributed with respect to the shares of Lilly Stock through a spin-off or other extraordinary distribution, the Committee shall make such adjustments as it determines appropriate in the number of shares of Lilly Stock that may be issued or transferred in the future under Sections 4(a), 5(f), and 6(f). The Committee shall also adjust as it determines appropriate the number of shares and Option Price in outstanding Grants made before the event.

5. Stock Options.

The Committee may grant options qualifying as incentive stock options under the Code ("Incentive Stock Options"), and nonqualified stock options (collectively, "Stock Options"). The following provisions are applicable to Stock Options:

(a) Option Price. The Committee shall determine the price at which Lilly Stock may be purchased by the Grantee under a Stock Option ("Option Price") which shall be not less than the fair market value of Lilly Stock on the date the Stock Option is granted (the "Grant Date").

In the Committee's discretion, the Grant Date of a Stock Option may be established as the date on which Committee action approving the Stock Option is taken or any later date specified by the Committee.

(b) Option Exercise Period. The Committee shall determine the option exercise period of each Stock Option. The period shall not exceed ten years from the Grant Date.

(c) Exercise of Option. A Stock Option will be deemed exercised by a Grantee upon delivery of (i) a notice of exercise to the Company or its representative as designated by the Committee, and (ii) accompanying payment of the Option Price if the Stock Option requires such payment at the time of exercise. The notice of exercise, once delivered, shall be irrevocable.

(d) Satisfaction of Option Price. A Stock Option may require payment of the Option Price upon exercise or may specify a period not to exceed 30 days following exercise within which payment must be made ("Payment Period"). The Grantee shall pay or cause to be paid the Option Price in cash, or with the Committee's permission, by delivering (or providing adequate evidence of ownership of) shares of Lilly Stock already owned by the Grantee and having a fair market value on the date of exercise equal to the Option Price, or a combination of cash and such shares. If the Grantee fails to pay the Option Price within the Payment Period, the Committee shall have the right to take whatever action it deems appropriate, including voiding the option exercise or voiding that part of the Stock Option for which payment was not timely received. The Company shall not deliver shares of Lilly Stock upon exercise of a Stock Option until the Option Price and any required withholding tax are fully paid.

(e) Share Withholding. With respect to any nonqualified option, the Committee may, in its discretion and subject to such rules as the Committee may adopt, permit or require the Grantee to satisfy, in whole or in part, any withholding tax obligation which may arise in connection with the exercise of the nonqualified option by having the Company withhold shares of Lilly Stock having a fair market value equal to the amount of the withholding tax.

(f) Limits on Individual Grants. No individual Grantee may be granted Stock Options under the 1994 Plan for more than 1,500,000 shares of Lilly Stock in any three consecutive calendar years.

(g) Limits on Incentive Stock Options. The aggregate fair market value of the stock covered by Incentive Stock Options granted under the 1994 Plan or any other stock option plan of the Company or any subsidiary or parent of the Company that become exercisable for the first time by any employee in any calendar year shall not exceed $100,000. The aggregate fair market value will be determined at the Grant Date. An Incentive Stock Option shall not be granted to any Eligible Employee who, on the Grant Date, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any subsidiary or parent of the Company.

6. Performance Awards.

The Committee may grant Performance Awards which shall be denominated at the time of grant either in shares of Lilly Stock ("Stock Performance Awards") or in dollar amounts ("Dollar Performance Awards"). Payment under a Stock Performance Award or a Dollar Performance Award shall be made, at the discretion of the Committee, in shares of Lilly Stock ("Performance Shares"), or in cash or in any combination thereof, if the financial performance of the Company or any subsidiary, division, or other unit of the Company ("Business Unit") selected by the Committee meets certain financial goals established by the Committee for the Award Period. The following provisions are applicable to Performance Awards:

(a) Award Period. The Committee shall determine and include in the Grant the period of time (which shall be four or more consecutive fiscal quarters) for which a Performance Award is made ("Award Period"). Grants of Performance Awards need not be uniform with respect to the length of the Award Period. Award Periods for different Grants may overlap. A Performance Award may not be granted for a given Award Period after one half (1/2) or more of such period has elapsed.

(b) Performance Goals and Payment. Before a Grant is made, the Committee shall establish objectives ("Performance Goals") that must be met by the Business Unit during the Award Period as a condition to payment being made under the Performance Award. The Performance Goals, which must be set out in the Grant, are limited to earnings per share, divisional income, net income, or any of the foregoing before the effect of acquisitions, divestitures, accounting changes, and restructuring and special charges (determined according to criteria established by the Committee). The Committee shall also set forth in the Grant the number of Performance Shares or the amount of payment to be made under a Performance Award if the Performance Goals are met or exceeded, including the fixing of a maximum payment (subject to Section 6(f)).

(c) Computation of Payment. After an Award Period, the financial performance of the Business Unit during the period shall be measured against the Performance Goals. If the Performance Goals are not met, no payment shall be made under a Performance Award. If the Performance Goals are met or exceeded, the Committee shall certify that fact in writing and certify the number of Performance

Shares or the amount of payment to be made under a Performance Award in accordance with the grant for each Grantee. The Committee, in its sole discretion, may elect to pay part or all of the Performance Award in cash in lieu of issuing or transferring Performance Shares. The cash payment shall be based on the fair market value of Lilly Stock on the date of payment (subject to Section 6(f)). The Company shall promptly notify each Grantee of the number of Performance Shares and the amount of cash, if any, he or she is to receive.

(d) Revisions for Significant Events. At any time before payment is made, the Committee may revise the Performance Goals and the computation of payment if unforeseen events occur during an Award Period which have a substantial effect on the Performance Goals and which in the judgment of the Committee make the application of the Performance Goals unfair unless a revision is made; provided, however, that no such revision shall be made with respect to a Performance Award to the extent that the Committee determines the revision would cause payment under the Award to fail to be fully deductible by the Company under Section 162 (m) of the Code.

(e) Requirement of Employment. To be entitled to receive payment under a Performance Award, a Grantee must remain in the employment of the Company to the end of the Award Period, except that the Committee may provide for partial or complete exceptions to this requirement as it deems equitable in its sole discretion.

(f) Maximum Payment. No individual may receive Performance Award payments in respect of Stock Performance Awards in excess of 60,000 shares of Lilly Stock in any calendar year or payments in respect of Dollar Performance Awards in excess of $2,000,000 in any calendar year. No individual may receive both a Stock Performance Award and a Dollar Performance Award for the same Award Period.

7. Restricted Stock Grants.

The Committee may issue or transfer shares of Lilly Stock to a Grantee under a Restricted Stock Grant. Upon the issuance or transfer, the Grantee shall be entitled to vote the shares and to receive any dividends paid. The following provisions are applicable to Restricted Stock Grants:

(a) Requirement of Employment. If the Grantee's employment terminates during the period designated in the Grant as the "Restriction Period," the Restricted Stock Grant terminates. However, the Committee may provide for partial or complete exceptions to this requirement as it deems equitable.

(b) Restrictions on Transfer. During the Restriction Period, a Grantee may not sell, assign, transfer, pledge, or otherwise dispose of the shares of Lilly Stock except to a Successor Grantee under Section 10(a). Each certificate for shares issued or transferred under a Restricted Stock Grant shall be held in escrow by the Company until the expiration of the Restriction Period.

(c) Withholding Tax. Before delivering the certificate for shares of Lilly Stock to the Grantee, Lilly may require the Grantee to pay to the Company any required withholding tax. The Committee may, in its discretion and subject to such rules as the Committee may adopt, permit or require the Grantee to satisfy, in whole or in part, any withholding tax requirement by having the Company withhold shares of Lilly Stock from the Grant having a fair market value equal to the amount of the withholding tax. In the event the Grantee fails to pay the withholding tax within the time period specified in the Grant, the Committee may take whatever action it deems appropriate, including withholding or selling sufficient shares from the Grant to pay the tax and assessing interest or late fees to the Grantee.

(d) Lapse of Restrictions. All restrictions imposed under the Restricted Stock Grant shall lapse (i) upon the expiration of the Restriction Period if all conditions stated in Sections 7(a), (b) and (c) have been met or (ii) as provided under Section 9(a)(ii). The Grantee shall then be entitled to delivery of the certificate.

8. Amendment and Termination of the 1994 Plan.

(a) Amendment. The Company's Board of Directors may amend or terminate the 1994 Plan, but no amendment shall withdraw from the Committee the right to select Grantees under Section 3.

(b) Termination of 1994 Plan. The 1994 Plan shall terminate on the fifth anniversary of its effective date unless terminated earlier by the Board or unless extended by the Board.

(c) Termination and Amendment of Outstanding Grants. A termination or amendment of the 1994 Plan that occurs after a Grant is made shall not result in the termination or amendment of the Grant unless the Grantee consents or unless the Committee acts under Section 10(e). The termination of the 1994 Plan shall not impair the power and authority of the Committee with respect to outstanding Grants. Whether or not the 1994 Plan has terminated, an outstanding Grant may be terminated or amended under Section 10(e) or may be amended (i) by agreement of the Company and the Grantee consistent with the 1994 Plan or (ii) by action of the Committee provided that the amendment is consistent with the 1994 Plan and is found by the Committee not to impair the rights of the Grantee under the Grant.

9. Change in Control.

(a) Effect on Grants. Unless the Committee shall otherwise expressly provide in the agreement relating to a Grant, upon the occurrence of a Change in Control (as defined below):

(i) In the case of Stock Options, (y) each outstanding Stock Option that is not then fully exercisable shall automatically become fully exercisable until the termination of the option exercise period of the Stock Option (as modified by subsection (i)(z) that follows), and (z) in the event the Grantee's employment is terminated within two years after a Change in Control, his or her outstanding Stock Options at that date of termination shall be immediately exercisable for a period of three months following such termination, provided, however, that, to the extent the Stock Option by its terms otherwise permits a longer option exercise period after such termination, such longer period shall govern, and provided further that in no event shall a Stock Option be exercisable more than 10 years after the Grant Date;

(ii) The Restriction Period on all outstanding Restricted Stock Grants shall automatically expire and all restrictions imposed under such Restricted Stock Grants shall immediately lapse; and

(iii) Each Grantee of a Performance Award for an Award Period that has not been completed at the time of the Change in Control shall be deemed to have earned a minimum Performance Award equal to the product of (y) such Grantee's maximum award opportunity for such Performance Award, and (z) a fraction, the numerator of which is the number of full and partial months that have elapsed since the beginning of such Award Period to the date on which the Change in Control occurs, and the denominator of which is the total number of months in such Award Period.

(b) Change in Control. For purposes of the 1994 Plan, a Change in Control shall mean the happening of any of the following events:

(i) The acquisition by any "person," as that term is used in Sections 13(d) and 14(d) of the 1934 Act (other than (w) the Company, (x) any subsidiary of the Company, (y) any employee benefit plan or employee stock plan of the Company or a subsidiary of the Company or any trustee or fiduciary with respect to any such plan when acting in that capacity, or (z) Lilly Endowment, Inc.,) of "beneficial ownership," as defined in Rule 13d-3 under the 1934 Act, directly or indirectly, of 20% or more of the shares of the Company's capital stock the holders of which have general voting power under ordinary circumstances to elect at least a majority of the Board of Directors of the Company (or which would have such voting power but for the application of the Indiana Control Share Statute) ("Voting Stock");

(ii) the first day on which less than two-thirds of the total membership of the Board of Directors of the Company shall be Continuing Directors (as that term is defined in Article 13(f) of the Company's Articles of Incorporation);

(iii) approval by the shareholders of the Company of a merger, share exchange, or consolidation of the Company (a "Transaction"), other than a Transaction which would result in the Voting Stock of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the Voting Stock of the Company or such surviving entity immediately after such Transaction; or

(iv) approval by the shareholders of the Company of a complete liquidation of the Company or a sale or disposition of all or substantially all the assets of the Company.

10. General Provisions.

(a) Prohibitions Against Transfer. (i) Except as provided in part (ii) of this subparagraph, only a Grantee or his or her authorized legal representative may exercise rights under a Grant. Such persons may not transfer those rights. The rights under a Grant may not be disposed of by transfer, alienation, pledge, encumbrance, assignment, or any other means, whether voluntary, involuntary, or by operation of law, and any such attempted disposition shall be void; provided, however, that when a Grantee dies, the personal representative or other person entitled under a Grant under the 1994 Plan to succeed to the rights of the Grantee ("Successor Grantee") may exercise the rights. A Successor Grantee must furnish proof satisfactory to the Company of his or her right to receive the Grant under the Grantee's will or under the applicable laws of descent and distribution.

(ii) Notwithstanding the foregoing, the Committee may, in its discretion and subject to such limitations and conditions as the Committee deems appropriate, grant non-qualified stock options on terms which permit the Grantee to transfer all or part of the stock option, for estate or tax planning purposes or for donative purposes, and without consideration, to a member of the Grantee's immediate family (as defined by the Committee), a trust for the exclusive benefit of such immediate family members, or a partnership, corporation or limited liability company the equity interests of which are owned exclusively by the Grantee and/or one or more members of his or her immediate family. No such stock option or any other Grant shall be transferable incident to divorce. Subsequent transfers of a stock option transferred under this part (ii) shall be prohibited except for transfers to a Successor Grantee upon the death of the transferee.

(b) Substitute Grants. The Committee may make a Grant to an employee of another corporation who becomes an Eligible Employee by reason of a corporate merger, consolidation, acquisition of stock or property, reorganization or liquidation involving the Company in substitution for a stock option, performance award, or restricted stock grant granted by such other corporation ("Substituted Stock Incentive"). The terms and conditions of the substitute Grant may vary from the terms and conditions that would otherwise be required by the 1994 Plan and from those of the Substituted Stock Incentives. The Committee shall prescribe the exact provisions of the substitute Grants, preserving where possible the provisions of the Substituted Stock Incentives. The Committee shall also determine the number of shares of Lilly Stock to be taken into account under Section 4.

(c) Subsidiaries. The term "subsidiary" means a corporation of which Eli Lilly and Company owns directly or indirectly 50% or more of the voting power.

(d) Fractional Shares. Fractional shares shall not be issued or transferred under a Grant, but the Committee may pay cash in lieu of a fraction or round the fraction.

(e) Compliance with Law. The 1994 Plan, the exercise of Grants, and the obligations of the Company to issue or transfer shares of Lilly Stock under Grants shall be subject to all applicable laws and regulations and to approvals by any governmental or regulatory agency as may be required. The Committee may revoke any Grant if it is contrary to law or modify a Grant to bring it into compliance with any valid and mandatory law or government regulation. The Committee may also adopt rules regarding the withholding of taxes on payment to Grantees.

(f) Ownership of Stock. A Grantee or Successor Grantee shall have no rights as a shareholder of the Company with respect to any shares of Lilly Stock covered by a Grant until the shares are issued or transferred to the Grantee or Successor Grantee on the Company's books.

(g) No Right to Employment. The 1994 Plan and the Grants under it shall not confer upon any Grantee the right to continue in the employment of the Company or affect in any way the right of the Company to terminate the employment of a Grantee at any time, with or without notice or cause.

(h) Foreign Jurisdictions. The Committee may adopt, amend, and terminate such arrangements and make such Grants, not inconsistent with the intent of the 1994 Plan, as it may deem necessary or desirable to make available tax or other benefits of the laws of foreign jurisdictions to Grantees who are subject to such laws. The terms and conditions of such foreign Grants may vary from the terms and conditions that would otherwise be required by the 1994 Plan.

(i) Governing Law. The 1994 Plan and all Grants made under it shall be governed by and interpreted in accordance with the laws of the State of Indiana, regardless of the laws that might otherwise govern under applicable Indiana conflict-of-laws principles.

(j) Effective Date of the 1994 Plan. The 1994 Plan shall become effective upon its approval by the Company's shareholders at the annual meeting to be held on April 18, 1994, or any adjournment of the meeting.

EXHIBIT 11. STATEMENT RE: COMPUTATION OF EARNINGS PER SHARE ON PRIMARY AND FULLY DILUTED BASES
(Unaudited)

Eli Lilly and Company and Subsidiaries

	Three Months Ended September 30, 1996	Three Months Ended September 30, 1995	Nine Months Ended September 30, 1996	Nine Months Ended September 30, 1995
	(Dollars in millions except per-share data) (Shares in thousands)			
PRIMARY:				
Net income	$415.6	$1,228.0	$1,150.5	$1,948.3
Preferred stock dividends .	(.9)	-	(2.6)	-
Adjusted net income	$414.7	$1,228.0	$1,147.9	$1,948.3
Average number of common shares outstanding	546,466	573,074	546,686	576,588
Add incremental shares: Stock plans and contingent payments	11,140	8,454	12,581	7,822
Adjusted average shares ...	557,606	581,528	559,267	584,410
Primary earnings per share	$0.74	$2.11	$2.05	$3.33
FULLY DILUTED:				
Net income	$415.6	$1,228.0	$1,150.5	$1,948.3
Preferred stock dividends .	(.9)	-	(2.6)	-
Adjusted net income	$414.7	$1,228.0	$1,147.9	$1,948.3
Average number of common shares outstanding	546,466	573,074	546,686	576,588
Add incremental shares: Stock plans and contingent payments	12,804	10,496	15,027	11,884
Adjusted average shares ..	559,270	583,570	561,713	588,472
Fully diluted earnings per share	$0.74	$2.10	$2.04	$3.31

Common stock equivalents are not materially dilutive and, accordingly, have not been considered in the

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

Eli Lilly and Company and Subsidiaries
(Dollars in Millions)

	Nine Months Ended September 30,	Years Ended December 31,				
	1996	1995	1994	1993	1992	1991
Consolidated Pretax Income from Continuing Operations before Accounting Changes	$1,548.5	$1,765.6	$1,698.6	$ 662.8	$1,193.5	$1,626.3
Interest from Continuing Operations	247.6	324.6	129.2	96.1	108.4	87.1
Less Interest Capitalized during the Period from Continuing Operations	(28.1)	(38.3)	(25.4)	(25.5)	(35.2)	(48.1)
Earnings	$1,768.0	$2,051.9	$1,802.4	$733.4	$1,266.7	$1,665.3
Fixed Charges(1)....	$ 251.1	$ 324.6	$ 129.2	$ 96.1	$ 108.4	$ 87.1
Ratio of Earnings to Fixed Charges	7.0	6.3	14.0	7.6	11.7	19.1

(1) Fixed charges include interest from continuing operations for all years presented and beginning in 1996, preferred stock dividends.

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9-MOS
DEC-31-1996
SEP-30-1996
738,108
128,324
1,693,370
77,017
878,275
3,860,819
7,007,920
2,722,141
14,052,805
4,194,128
2,582,340
0
0
355,564
5,671,087
14,052,805
5,016,934
5,285,524
1,330,610
1,525,996
2,252,216
0
219,499
1,548,518
397,969
1,150,549
0
0
0
1,150,549
2.05
2.04

Note 1 - Amounts include research and development, selling and general and administrative expenses.
Note 2 - The information called for is not given as the balances are not individually significant.

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

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

- Economic factors over which the Company has no control, including changes in inflation, interest rates and foreign currency exchange rates.

- Competitive factors including generic competition as patents on key products, such as Prozac, expire; pricing pressures, both in the U.S. and abroad, primarily from managed care groups and government agencies; and technological advances and patents obtained by competitors.

- Governmental factors including laws and regulations and judicial decisions at the state and federal level related to Medicare, Medicaid and healthcare reform; and laws and regulations affecting international operations.

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

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

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

- Legal factors including unanticipated litigation of product liability claims; antitrust litigation; environmental matters; and patent disputes with competitors which could preclude commercialization of products or negatively affect the profitability of existing products.

- Future difficulties obtaining or the inability to obtain existing levels of product liability insurance.

- Changes in tax laws, including the amendment to the Section 936 income tax credit, and future changes in tax laws related to the remittance of foreign earnings or investments in foreign countries with favorable tax rates.

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

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