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, 1998

COMMISSION FILE NUMBER 001-06351

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 Number)

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, 1998:

Class	Number of Shares Outstanding
Common	1,099,699,808

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, 1998	Three Months Ended September 30, 1997	Nine Months Ended September 30, 1998	Nine Months Ended September 30, 1997
	(Dollars in millions except per-share data)			
Net Sales	$2,573.2	$2,160.1	$7,183.0	$6,101.8
Cost of sales	667.3	587.8	1,895.5	1,677.9
Research & development	441.6	345.4	1,225.0	973.3
Acquired technology	127.5	-	127.5	-
Marketing & administrative	680.5	587.2	1,900.6	1,631.6
Asset impairment	-	-	-	2,443.0
Gain on sale of DowElanco	-	(13.6)	-	(631.8)
Interest expense	45.7	57.3	137.4	180.4
Other income - net	(4.8)	(16.3)	(77.9)	(72.8)
	1,957.8	1,547.8	5,208.1	6,201.6
Income (loss) before income taxes and extraordinary item	615.4	612.3	1,974.9	(99.8)
Income taxes	97.2	155.4	437.1	742.8
Income (loss) before extraordinary item	518.2	456.9	1,537.8	(842.6)
Extraordinary item Loss on early redemption of debt, net of tax	-	-	(7.2)	-
Net income (loss)	$ 518.2	$ 456.9	$1,530.6	$ (842.6)
Earnings (loss) per share				
Income (loss) before extraordinary item	$ 0.47	$ 0.41	$ 1.40	$ (0.77)
Extraordinary item	0.00	0.00	(0.01)	0.00
Net income (loss)	$ 0.47	$ 0.41	$ 1.39	$ (0.77)
Earnings (loss) per share-diluted				
Income (loss) before extraordinary item	$ 0.46	$ 0.40	$ 1.37	$ (0.77)
Extraordinary item	0.00	0.00	(0.01)	0.00
Net income (loss)	$ 0.46	$ 0.40	$ 1.36	$ (0.77)
Dividends paid per share	$ 0.20	$ 0.18	$ 0.60	$ 0.54

See Notes to Consolidated Condensed Financial Statements.

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

Eli Lilly and Company and Subsidiaries

	Three Months Ended September 30, 1998	Three Months Ended September 30, 1997	Nine Months Ended September 30, 1998	Nine Months Ended September 30, 1997
	(Dollars in millions except per-share data)			
Net income (loss)	$518.2	$456.9	$1,530.6	$ (842.6)
Other comprehensive income (expense)	67.1	(43.0)	34.7	(173.1)
Comprehensive income (loss)	$585.3	$413.9	$1,565.3	$(1,015.7)

See Notes to Consolidated Condensed Financial Statements.

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

	September 30, 1998	December 31, 1997
	(Millions)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$1,543.5	$1,947.5
Short-term investments	72.9	77.1
Accounts receivable, net of allowances for doubtful amounts of $61.3 (1998) and $53.3 (1997)	1,796.7	1,544.3
Other receivables	191.0	338.9
Inventories	1,028.5	900.7
Deferred income taxes	365.9	325.7
Prepaid expenses	331.4	186.5
TOTAL CURRENT ASSETS	5,329.9	5,320.7
OTHER ASSETS		
Prepaid retirement	599.6	579.1
Investments	248.9	465.6
Goodwill and other intangibles, net of allowances for amortization of $157.3 (1998) and $119.3 (1997)	1,501.4	1,550.5
Sundry	855.9	559.8
	3,205.8	3,155.0
PROPERTY AND EQUIPMENT		
Land, buildings, equipment, and construction-in-progress	7,163.0	7,034.9
Less allowances for depreciation	3,117.4	2,933.2
	4,045.6	4,101.7
	$12,581.3	$12,577.4
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	$ 397.4	$ 227.6
Accounts payable	881.8	985.5
Employee compensation	553.0	456.6
Dividends payable	-	221.7
Income taxes payable	1,162.2	1,188.0
Other liabilities	1,013.5	1,112.2
TOTAL CURRENT LIABILITIES	4,007.9	4,191.6
LONG-TERM DEBT	2,268.9	2,326.1
DEFERRED INCOME TAXES	516.6	215.5
RETIREE MEDICAL BENEFIT OBLIGATION	110.1	118.3
OTHER NONCURRENT LIABILITIES	1,008.8	920.3
	3,904.4	3,580.2
COMMITMENTS AND CONTINGENCIES	-	-
MINORITY INTEREST IN SUBSIDIARY	160.0	160.0
SHAREHOLDERS' EQUITY		
Common stock	686.2	694.7
Retained earnings	4,325.8	4,497.3
Deferred costs-ESOP	(147.5)	(155.7)
Accumulated comprehensive income	(246.5)	(281.2)
	4,618.0	4,755.1
Less cost of common stock in treasury	109.0	109.5
	4,509.0	4,645.6
	$12,581.3	$12,577.4

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, 1998	1997
	(Millions)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 1,530.6	$ (842.6)
Adjustments to reconcile net income (loss) to cash flows from operating activities:		
Changes in operating assets and liabilities	(348.9)	(154.5)
Change in deferred taxes	133.2	(44.5)
Depreciation and amortization	358.8	399.8
Net gain from sale of DowElanco	-	(303.5)
Asset impairment, net of tax	-	2,429.6
Other items, net	(99.4)	(42.9)
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,574.3	1,441.4
CASH FLOWS FROM INVESTING ACTIVITIES		
Net additions to property and equipment	(264.1)	(213.7)
Additions to sundry assets and intangibles	(82.0)	(24.4)
Reduction of investments	192.6	355.3
Additions to investments	(35.1)	(251.6)
Proceeds from sale of DowElanco	-	1,211.1
NET CASH FROM (USED FOR) INVESTING ACTIVITIES	(188.6)	1,076.7
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(662.3)	(594.8)
Purchases of common stock and other capital transactions	(1,278.7)	(179.5)
Net additions (reductions) to short-term borrowings	150.9	(948.5)
Net additions (reductions) to long-term debt	(23.4)	5.6
NET CASH USED FOR FINANCING ACTIVITIES	(1,813.5)	(1,717.2)
Effect of exchange rate changes on cash	23.8	(110.5)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(404.0)	690.4
Cash and cash equivalents at January 1	1,947.5	813.7
CASH AND CASH EQUIVALENTS AT SEPTEMBER 30	$ 1,543.5	$ 1,504.1

See 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 that are necessary for a fair presentation 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 presented herein, sales include sales of the Company's life-sciences products and service revenue from the Company's health-care management operations, primarily PCS Health Systems, Inc. (PCS).

CONTINGENCIES

The Company has been named as a defendant in numerous product liability lawsuits involving primarily two products, diethylstilbestrol and Prozac(R). 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 recoveries 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 the payment of those costs. The Company has reached a settlement with its primary liability insurance carrier providing for coverage for certain environmental liabilities and has instituted litigation seeking coverage from certain excess carriers.

The 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. The Company has also settled with a large number of the remaining retail pharmacies. Still pending are related suits brought in federal and some state courts by a large number of retail pharmacies involving 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 $329 million at September 30, 1998. Estimated insurance recoverables have been reflected as assets in the consolidated balance sheet of approximately $243 million at September 30, 1998.

Barr Laboratories, Inc. ("Barr"), Geneva Pharmaceuticals, Inc. ("Geneva"), Zenith Goldline Pharmaceuticals, Inc. ("Zenith") and Teva Pharmaceuticals USA, ("Teva") have each submitted Abbreviated New Drug Applications (ANDAs) seeking FDA approval to market generic forms of Prozac before the expiration of the Company's patents. The ANDAs assert that one or more of Lilly's U.S. patents covering Prozac are invalid and unenforceable. In April 1996, the Company filed suit against Barr in federal court in Indianapolis seeking a ruling that Barr's challenge to Lilly's patents is without merit. In June 1997, the Company filed a similar suit against Geneva in the same court. In October 1998, the Company brought similar suits in the same court against Zenith and Teva. The patent validity aspects of the Barr and Geneva cases are currently set for trial on January 25, 1999. While the Company believes that the claims of the four companies are without merit, there can be no assurance that the Company will prevail. An unfavorable outcome of this litigation 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, antitrust, patent, 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

To reflect the impact of the Company's September 1997 stock split, previously reported outstanding and weighted-average number of shares of common stock and per share data have been adjusted.

At December 31, 1997, the Company adopted SFAS No. 128, "Earnings per Share", which requires presentation of both basic earnings per share and diluted earnings per share on the income statement. Accordingly, earnings per share data for previous periods has been restated. 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 outstanding common shares and the effect of all potentially dilutive common shares (primarily unexercised stock options).

ICOS COLLABORATION

During the quarter, the Company announced a collaboration with ICOS Corporation to jointly develop and globally commercialize phosphodiesterase type 5 inhibitors (PDE5) as oral therapeutic agents for the treatment of both male and female sexual dysfunction. The combined impact of the up-front payment to ICOS plus certain other payments resulted in a one-time expense of $127.5 million for acquired technology, which reduced earnings per share by approximately $.07 in the third quarter.

ACCOUNTING CHANGES

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income". Under provisions of this statement, the Company has included a financial statement presentation of comprehensive income to conform to these new requirements. SFAS No. 130 requires unrealized gains or losses on the Company's available-for-sale securities, minimum pension liability adjustments and foreign currency translation adjustments, which prior to adoption were reported separately in shareholders' equity to be included in other comprehensive income. As a consequence of this change, certain balance sheet reclassifications were necessary for previously reported amounts to achieve the required presentation of comprehensive income. Implementation of this disclosure standard did not affect the Company's financial position or results of operations.

Effective January 1, 1998, the Company adopted the American Institute of Certified Public Accountants' (AICPA) Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". The statement requires capitalization of certain costs incurred in the development of internal-use software, including external direct material and service costs, employee payroll and payroll-related costs, and capitalized interest. Prior to adoption of SOP 98-1, the Company expensed these costs as incurred. The effect of this change in accounting principle on consolidated earnings during the current period is immaterial.

In June 1997, SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information", was issued. The statement must be adopted by the Company on December 31, 1998. Under provisions of this statement, the Company will be required to modify or expand the financial statement disclosures for operating segments, products and services, and geographic areas. Implementation of this disclosure standard will not affect the Company's financial position or results of operations.

In December 1997, SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits", was issued and is effective for the Company's 1998 fiscal year. The statement revises current disclosure requirements for employers' pensions and other retirees' benefits. Implementation of this disclosure standard will not affect the Company's financial position or results of operations.

In June 1998, SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", was issued. Statement No. 133 is required to be adopted in years beginning after June 15, 1999. The statement permits early adoption as of the beginning of any fiscal quarter after its issuance. The statement will require the company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. Hedge ineffectiveness, the amount by which the change in the value of a hedge does not exactly offset the change in the value of the hedged item, will be immediately recognized in earnings. The Company has not yet determined what the effect of Statement No. 133 will be on the Company or when the statement will be adopted.

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

OPERATING RESULTS:

The Company's sales for the third quarter of 1998 increased 19 percent compared with the third quarter of 1997. Sales inside the United States increased 25 percent while sales outside of the United States increased 8 percent. Compared with the third quarter of 1997, worldwide sales reflected volume growth of 17.6 percent and a 3.1 percent increase in selling prices which were partially offset by the unfavorable impact of exchange rates of 1.5 percent.

The Company's sales for the first nine months of 1998 increased 18 percent compared with the same period in 1997. Sales inside the United States increased 23 percent while sales outside the United States increased 8 percent. Compared with the first nine months of 1997, worldwide sales reflected volume growth of 17.3 percent and a 2.6 percent increase in selling prices which were partially offset by an unfavorable exchange rate impact of 2.2 percent.

Worldwide pharmaceutical sales and services for the quarter were $2,423 million and for the nine month period were $6,749 million, reflecting increases of 20 percent and 19 percent, respectively, compared with the same periods of 1997. Sales growth in both periods was led by the antidepressant Prozac and three of the Company's newer products, the oncolytic product Gemzar(R), the cardiovascular agent ReoPro(R), and Zyprexa(R), indicated for schizophrenia. Sales in both periods also benefited from increased health care management revenues and from sales of Evista(R), the osteoporosis prevention agent launched in the first quarter. Revenue growth for both the quarter and the nine month period was partially offset by lower sales of anti-infective products and the anti-ulcer agent Axid(R), due to continuing generic competition and other competitive pressures. Total U.S. pharmaceutical sales and services for the quarter increased 25 percent to $1,699 million and for the nine month period increased 24 percent to $4,550 million. Growth in both periods was driven primarily by increased volumes. International pharmaceutical sales for both the quarter and nine months increased 9 percent to $723 million and $2,199 million, respectively. Strong volume growth drove these increases, offset by the effect of unfavorable exchange rates with selling prices remaining stable. The exchange rate impact in the Asia Pacific region did not have a material impact on worldwide sales.

Worldwide sales of Prozac for the quarter were $793 million and for the nine month period were $2,077 million, representing increases over the same periods of 1997 of 12 percent and 11 percent, respectively. Prozac sales in the U.S. increased 15 percent to $666 million for the quarter and 14 percent to $1,681 million for the nine month period. Sales of Prozac outside the U.S. were flat to 1997 at $127 million for the quarter, but reflected an increase of 1 percent to $396 million for the nine month period. Both periods were affected by unfavorable exchange rates and continued competitive pressures.

Zyprexa posted worldwide sales for the quarter of $396 million and $1,011 million for the nine month period, representing increases of $194 million and $548 million, respectively, over the same periods of 1997. U.S. sales of Zyprexa increased $149 million to $312 million for the quarter and increased

$418 million to $798 million for the nine month period. Sales outside the U.S. increased $45 million to $84 million for the quarter and increased $130 million to $213 million for the nine month period.

Worldwide insulin sales, composed of Humulin(R), Humalog(R), and Iletin(R), increased in the quarter by 10 percent to $288 million and, for the nine month period, increased 9 percent to $816 million. Insulin sales in the U.S. for the quarter increased by 6 percent to $179 million and for the nine month period increased 5 percent to $487 million. Insulin sales outside the U.S. increased by 18 percent to $109 million for the quarter and increased 15 percent to $330 million for the nine month period. Worldwide Humulin sales increased 6 percent for the quarter and 4 percent for the nine month period. U.S. Humulin sales increased for the quarter by 3 percent, but for the nine month period were flat with 1997. Humulin sales outside the U.S. increased by 12 percent and 10 percent for the quarter and nine month period, respectively, despite unfavorable exchange rates. The Company expects Humulin sales for the full year to increase from 3 to 5 percent over 1997 levels. Worldwide Humalog sales were $32 million for the quarter and $86 million for the nine month period, representing substantial increases over the same periods of 1997.

Worldwide sales of anti-infectives decreased by 9 percent to $232 million for the quarter and by 12 percent to $777 million for the nine month period. U.S. anti-infective sales declined 6 percent for the quarter and 23 percent for the nine month period. International anti-infective sales declined by 10 percent and 7 percent for the same time periods. These declines were due in part to continued generic competition in certain markets and the impact of unfavorable exchange rates. Cefaclor and Vancocin(R) accounted for the majority of the decline in anti-infective sales. Sales of cefaclor declined 7 percent for the quarter and 12 percent for the nine month period. Vancocin sales declined 15 percent in the quarter and 10 percent for the nine month period.

Worldwide Axid sales decreased by 27 percent to $97 million for the quarter and by 23 percent to $319 million for the nine month period due to continuing competition from other branded and generic anti-ulcer agents. The Company expects continued declines in Axid sales.

Worldwide ReoPro sales of $87 million for the quarter and $258 million for the nine month period reflected increases of 37 percent and 47 percent over the same periods of 1997, respectively.

Worldwide Gemzar sales of $69 million for the quarter and $212 million for the nine month period reflected increases of 46 percent and 74 percent over the same periods of 1997, respectively.

Evista, launched in the first quarter, had worldwide sales of $33 million for the quarter and $82 million for the nine month period. The Company expects to have introduced Evista in approximately 16-20 countries by the end of 1998. Assuming that current new prescription trends continue, the Company anticipates worldwide Evista sales for the full year of 1998 to be in the range of $125 million to $140 million.

Health-care management revenues increased 61 percent for the quarter to $207 million and 54 percent for the nine months to $565 million, driven largely by increased mail order pharmacy sales.

Worldwide sales of animal health products increased 6 percent over the third quarter of 1997 to $149 million and 6 percent for the nine month period to $428 million. This sales growth was driven primarily by Micotil(R), Tylan(R) and Surmax(R).

Cost of sales decreased in the third quarter to 25.9 percent of sales as compared with 27.2 percent of sales in the same quarter of 1997. Cost of sales for the first nine months of 1998 was 26.4 percent of sales as compared with 27.5 percent in the prior year. The decreases for both periods were primarily the result of favorable changes in product mix, continued productivity improvements, and enhanced plant utilization. These improvements were offset in part by increased health-care-management service revenues, which have lower margins than pharmaceutical products. For the year, the Company anticipates that cost of sales as a percent of sales will be below 1997 levels due to the factors cited above and the expiration of a royalty obligation on Humulin and Humalog sales in August 1998.

During the quarter, the Company announced a collaboration with ICOS Corporation to jointly develop and globally commercialize phosphodiesterase type 5 inhibitors (PDE5) as oral therapeutic agents for the treatment of both male and female sexual dysfunction. The combined impact of the up-front payment to ICOS plus certain other payments resulted in a one-time expense of $127.5 million for acquired technology, which reduced earnings per share by approximately $.07 in the third quarter.

Operating expenses for 1998, excluding the effect of the one-time expenses of the ICOS collaboration, increased 20 percent in both the third quarter and the first nine months. The increases reflect 28 percent and 26 percent growth rates in research and development for the third quarter and nine month periods, respectively. This growth is the result of greater investments in both internal research efforts and external research collaborations. The Company expects research and development expenses for the full year to increase from 23 to 25 percent over 1997 levels excluding the ICOS expenses. Marketing and administrative expenses increased 16 percent in both the third quarter and the first nine months. This increase was driven by increased expenditures to support continued new product launches around the world, including the U.S. launch of Evista, enhancements of the Company's global information technology capabilities, including expenditures relating to the Company's Year 2000 computer initiatives, and direct-to-consumer advertising campaigns in the U.S.

Two transactions occurred in the first nine months of 1997 that affect comparisons with 1998. First, in the second quarter of 1997 the Company recognized an asset impairment (a noncash charge) of approximately $2.4 billion to adjust the carrying value of PCS health-care-management businesses (PCS) long-lived assets, primarily goodwill, to their fair value of approximately $1.5 billion. The Company determined that PCS' estimated future undiscounted cash flows were below the carrying value of PCS' long-lived assets. As a consequence, the carrying value was adjusted to estimated fair value based on anticipated future cash flows, discounted at a rate commensurate with the risk involved. Second, on June 30, 1997, The Dow Chemical Company acquired the Company's 40 percent interest in DowElanco. The cash purchase price was $1.2 billion resulting in a gain of $631.8 million ($303.5 million after-tax).

Compared to the third quarter and first nine months of 1997, interest expense decreased $12 million (20 percent) and $43 million (24 percent), respectively, due largely to declines in the Company's short-term borrowings.

Net other income for the quarter of $5 million reflected a decrease of $12 million from 1997. Net other income for the nine month period was $78 million, an increase of $5 million over 1997. The first nine months of 1998 benefited from a decrease in goodwill amortization expense, gains on the sale of certain investments, the exchange of Somatogen stock for Baxter stock as part of their merger, and increased interest income. Also, the first nine months comparison benefited from the inclusion in the 1997 amount of the charges associated with the discontinuance of a collaboration with Somatogen, Inc. These increases were partially offset by the absence of DowElanco joint venture income and certain license fee income in the first nine months of 1998.

The Company's effective tax rate for the third quarter and first nine months was 16 percent and 22 percent, respectively. The 1998 tax rate for the year had been forecasted at 25 percent, the same rate as in 1997. However, after confirmation in the third quarter of evolving operating and tax trends outside the U.S., the estimated effective tax rate for the year was revised to approximately 23 percent, resulting in a third quarter benefit of $.03 per share attributable to the catch-up effect. This new rate is primarily the result of various tax strategies that have led to changes in the mix of earnings between jurisdictions with lower tax rates and those with higher rates. The Company expects that the new tax rate will be sustainable under present law for the foreseeable future. For the first nine months of 1997 the Company's effective tax rate was distorted by the impacts of the PCS impairment and the gain from the sale of DowElanco. The Company's estimated tax rate for the first nine months of 1997, excluding the impacts of these items, was 25 percent.

Third quarter net income was $518 million, or $.46 per share, compared to $457 million for the third quarter of 1997, or $.40 per share. For the nine month period, net income was $1,531 million, or $1.36 per share, compared to an $843 million net loss ($.77 per share) for the same period in 1997. The third quarter 1998 results were impacted by the previously mentioned ICOS collaboration expenses. Excluding these non-recurring expenses, third quarter net income increased 30 percent as compared to 1997. The results of the first nine months of 1997 and 1998 were impacted by certain non-recurring significant events described above: the PCS asset impairment, the retail pharmacy pricing litigation settlement and the DowElanco sale in 1997 and the ICOS collaboration expenses in 1998. Excluding these non-recurring significant events, net income increased 24 percent over the first nine months of 1997. For the third quarter and the first nine months, net income was favorably impacted by increased sales, improved gross margin and a lower effective tax rate, offset somewhat by higher research and development expenses as a percent of sales.

FINANCIAL CONDITION:

As of September 30, 1998, cash, cash equivalents and short-term investments totaled $1,616 million as compared with $2,025 million at December 31, 1997, a net decrease of $409 million. Total debt at September 30, 1998, was $2,666 million, an increase of $112 million from December 31, 1997. The decrease in cash and increase in debt were due primarily to stock repurchases. During the first nine months of 1998, the Company repurchased approximately 22.6 million shares at a cost of $1,494 million. The Company expects to complete its previously announced $2 billion share repurchase by the end of 1998.

The Company believes that cash generated from operations in 1998, along with available cash and cash equivalents, will be sufficient to fund essentially all of the 1998 operating needs, including debt service, repayment of short term borrowing, capital expenditures, and dividends.

YEAR 2000 READINESS DISCLOSURE:

Many of the Company's global information technology (IT) systems and non-IT systems including laboratory and process automation devices will require modification or replacement in order to render the systems ready for the year 2000 (Y2K). The Company has undertaken a comprehensive program which began in late 1996 to enable the Company to reduce the likelihood of a material impact on the business. Utilizing both internal and external resources, the numerous activities undertaken to enable the Company to obtain Y2K readiness are being centrally managed through a program office. Monthly reporting occurs to senior management and a business council comprised of various management representatives. In addition, regular reporting has occurred with the Audit Committee of the Board of Directors.

The Company's inventory of IT systems, including software applications, has been divided into various categories. Those most critical to the Company's global operations are generally being assessed and renovated, when necessary, first. The Company has instituted a process to monitor all critical and essential replacement and upgrade projects of existing systems to assist in managing them toward completion in a timely manner. The Company expects to have completed renovation of approximately 95 percent of its critical applications by January 31, 1999. Of applications deemed essential, the Company anticipates Y2K readiness of approximately 95% by June 30, 1999.

The most important non-IT systems are various laboratory and process automation devices. The Company has completed a global assessment of all critical devices and anticipates completing assessment of all others by December 1, 1998. Based on this assessment, only a small percentage (5-10%) of all automation devices appears to require action. The Company has begun the process of either remediating or replacing these devices and anticipates that this process will be substantially complete by mid-1999.

The representatives of the program office have visited numerous global sites to assess the progress being made toward site readiness. In addition, several global training programs have occurred to foster the consistent application of the chosen methodologies.

The Company has also mailed letters to thousands of vendors, service providers and customers to determine the extent to which they are prepared for the Year 2000 issue. These activities are being coordinated through a global network of site and functional coordinators. Responses have been received from many and the Company is identifying those that are critical to the Company through a business impact analysis. Analysis of the responses and follow-up interviews are being made to those deemed critical in order to more thoroughly assess their readiness.

Contingency plans will be developed for the Company and its critical vendors, customers and suppliers to address the flow of products to the consumer. The contingency planning will involve a multifaceted approach which may include additional purchases of raw materials, manufacturing additional finished stock of critical products, and/or locating inventories of products closer to the consumer. Business continuity plans will be developed to address the Company approach for dealing with extended disruptions. In addition, "rapid response" teams will be established to respond to any issues that occur around the millennium. The Company currently plans to complete analysis and have contingency plans in place by September 30, 1999.

The Company has begun, but not yet completed, a comprehensive analysis of the operational problems and costs (including loss of revenues) that would be reasonably likely to result from the failure by the Company and certain third parties to complete efforts necessary to achieve Year 2000 compliance on a timely basis. A contingency plan has not been developed for dealing with the most reasonably likely worst case scenario, and such scenario has not yet been clearly identified. The Company currently plans to complete such analysis and contingency planning by September 30, 1999.

The costs of the Company's Year 2000 efforts are based upon management's best estimates, which are derived using numerous assumptions regarding future events, including the continued availability of certain resources, third-party remediation plans, and other factors. There can be no assurance that these estimates will prove to be accurate, and actual results could differ materially from those currently anticipated. The Company currently estimates it will spend between $160-190 million over the life of the program and that approximately 55-60% of the anticipated costs will have been incurred by the end of 1998. Expenses associated with addressing the Year 2000 issues are being recognized as incurred.

The failure to correct a material Year 2000 problem could result in an interruption in, or a failure of, certain normal business activities or operations. Such failures could materially and adversely affect the Company's results of operations. Due to the uncertainty inherent in the Year 2000 problem, the Company is unable to determine, at this time, whether the consequences of Year 2000 failures will have a material impact on the Company's results of operations. The Year 2000 project is expected to significantly reduce the Company's level of uncertainty about the Year 2000 problem and, in particular, about the Year 2000 compliance and readiness of its vendors, service suppliers and customers. The Company believes that with the completion of the project as scheduled, the possibility of a material interruption of normal operations should be reduced.

EURO CONVERSION

On January 1, 1999, certain member nations of the European Economic and Monetary Union ("EMU") will adopt a common currency, the Euro. For a three-year transition period, both the Euro and individual participants' currencies will remain in circulation. After January 1, 2002, the Euro will be the sole legal tender for EMU countries. The adoption of the Euro will affect a multitude of financial systems and business applications as the commerce of these nations will be transacted in the Euro and the existing national currency.

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

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 and elsewhere in this Form 10-Q filing.

PART II OTHER INFORMATION

Item 1 - Legal Proceedings

Reference is made to the discussion of the Prozac patent litigation contained in the "Legal Proceedings" section of the Company's 1997 Form 10-K and Form 10-Q for the quarter ended June 30, 1998. In the third quarter of 1998, the Company was informed that Zenith Goldline Pharmaceuticals, Inc. ("Zenith") and Teva Pharmaceuticals, USA ("Teva") had each submitted similar ANDAs, but claiming invalidity and unenforceability of the December 2003 patent only. In October 1998, the Company sued Zenith and Teva separately in the United States District Court for the Southern District of Indiana (where the Barr and Geneva suits are pending), seeking to enforce the December 2003 patent.

Reference is made to the discussion of In re Brand Name Prescription Drugs Antitrust Litigation (MDL No. 997) and related cases contained in the "Legal Proceedings" section of the Company's 1997 Form 10-K and in the Company's Form 10-Q for the quarter ended March 31, 1998. Of the eleven state court cases in which settlements were awaiting court approval, the courts have approved the settlements in Arizona, Michigan, and Wisconsin.

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibits

The following documents are filed as exhibits to this Report:

3 Amended Articles of Incorporation (amended through October 20, 1998)

11 Statement re: Basic Computation of Earnings Per Share and Diluted Earnings Per Share

12 Statement re: Computation of Ratio of Earnings from Continuing Operations 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 1998.

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 12, 1998 /s/ Daniel P. Carmichael

Daniel P. Carmichael
Secretary and Deputy General Counsel

Date November 12, 1998 /s/ Arnold C. Hanish

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

TO EXHIBITS

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

Exhibit	
3	Amended Articles of Incorporation (amended through October 20, 1998)
11	Statement re: Computation Of Basic Earnings Per Share and Diluted Earnings Per Share
12	Statement re: Computation of Ratio of Earnings from Continuing Operations to Fixed Charges
27	Financial Data Schedule
99	Cautionary Statement Under Private Securities Litigation Reform Act of 1995 - "Safe Harbor" for Forward-Looking Disclosures

(As amended and restated through October 20, 1998)

ELI LILLY AND COMPANY
(an Indiana corporation)

AMENDED ARTICLES OF INCORPORATION

1. The name of the Corporation shall be

ELI LILLY AND COMPANY.

2. The purposes for which the Corporation is formed are to engage in any lawful act or activity for which a corporation may be organized under the Indiana Business Corporation Law.

3. The period during which the Corporation is to continue as a corporation is perpetual.

4. The total number of shares which the Corporation shall have authority to issue is 3,205,000,000 shares, consisting of 3,200,000,000 shares of Common Stock and 5,000,000 shares of Preferred Stock. The Corporation's shares do not have any par or stated value, except that, solely for the purpose of any statute or regulation imposing any tax or fee based upon the capitalization of the Corporation, each of the Corporation's shares shall be deemed to have a par value of $0.01 per share.

5. The following provisions shall apply to the Corporation's shares:

(a) The Corporation shall have the power to acquire (by purchase, redemption, or otherwise), hold, own, pledge, sell, transfer, assign, reissue, cancel, or otherwise dispose of the shares of the Corporation in the manner and to the extent now or hereafter permitted by the laws of the State of Indiana (but such power shall not imply an obligation on the part of the owner or holder of any share to sell or otherwise transfer such share to the Corporation), including the power to purchase, redeem, or otherwise acquire the Corporation's own shares, directly or indirectly, and without pro rata treatment of the owners or holders of any class or series of shares, unless, after giving effect thereto, the Corporation would not be able to pay its debts as they become due in the usual course of business or the Corporation's total assets would be less than its total liabilities (and without regard to any amounts that would be needed, if the Corporation were to be dissolved at the time of the purchase, redemption, or other acquisition, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those of the holders of the shares of the Corporation being purchased, redeemed, or otherwise acquired, unless otherwise expressly provided with respect to a series of Preferred Stock). Shares of the Corporation purchased, redeemed, or otherwise acquired by it shall constitute authorized but unissued shares, unless prior to any such purchase, redemption, or other acquisition, or within thirty (30) days thereafter, the Board of Directors adopts a resolution providing that such shares constitute authorized and issued but not outstanding shares.

(b) Preferred Stock of any series that has been redeemed (whether through the operation of a retirement or sinking fund or otherwise) or purchased by the Corporation, or which, if convertible, have been converted into shares of the Corporation of any other class or series, may be reissued as a part of such series or of any other series of Preferred Stock, subject to such limitations (if any) as may be fixed by the Board of Directors with respect to such series of Preferred Stock in accordance with the provisions of Article 7 of these Amended Articles of Incorporation.

(c) The Board of Directors of the Corporation may dispose of, issue, and sell shares in accordance with, and in such amounts as may be permitted by, the laws of the State of Indiana and the provisions of these Amended Articles of Incorporation and for such consideration, at such price or prices, at such time or times and upon such terms and conditions (including the privilege of selectively repurchasing the same) as the Board of Directors of the Corporation shall determine, without the authorization or approval by any shareholders of the Corporation. Shares may be disposed of, issued, and sold to such persons, firms, or corporations as the Board of Directors may determine, without any preemptive or other right on the part of the owners or holders of other shares of the Corporation of any class or kind to acquire such shares by reason of their ownership of such other shares.

6. The following provisions shall apply to the Common Stock:

(a) Except as otherwise provided by the Indiana Business Corporation Law and subject to such shareholder disclosure and recognition procedures (which may include voting prohibition sanctions) as the Corporation may by action of its Board of Directors establish, shares of Common Stock shall have unlimited voting rights and each outstanding share of Common Stock shall, when validly issued by the Corporation, entitle the record holder thereof to one vote at all shareholders' meetings on all matters submitted to a vote of the shareholders of the Corporation.

(b) Shares of Common Stock shall be equal in every respect insofar as their relationship to the Corporation is concerned, but such equality of rights shall not imply equality of treatment as to redemption or other acquisition of shares by the Corporation. Subject to the rights of the holders of any outstanding series of Preferred Stock, the holders of Common Stock shall be entitled to share ratably in such dividends or other distributions (other than purchases, redemptions, or other acquisitions of shares by the Corporation), if any, as are declared and paid from time to time on the Common Stock at the discretion of the Board of Directors.

(c) In the event of any liquidation, dissolution, or winding up of the Corporation, either voluntary or involuntary, after payment shall have been made to the holders of any outstanding series of Preferred Stock of the full amount to which they shall be entitled, the holders of Common Stock shall be entitled, to the exclusion of the holders of the Preferred Stock of any and all series, to share, ratably according to the number of shares of Common Stock held by them, in all remaining assets of the Corporation available for distribution to its shareholders.

7. The Board of Directors is hereby expressly authorized to provide, out of the unissued shares of Preferred Stock, for one or more series of Preferred Stock. Before any shares of any such series are issued, the Board of Directors shall fix, and hereby is expressly empowered to fix, by the adoption and filing in accordance with the Indiana Business Corporation Law, of an amendment or amendments to these Amended Articles of Incorporation, the terms of such Preferred Stock or series of Preferred Stock, including the following:

(a) the designation of such series, the number of shares to constitute such series and the stated value thereof if different from the par value thereof;

(b) whether the shares of such series shall have voting rights, in addition to any voting rights provided by law, and, if so, the terms of such voting rights, which may be general or limited and may include the right, under specified circumstances, to elect additional directors;

(c) the dividends, if any, payable on such series, whether any such dividends shall be cumulative, and, if so, from what dates, the conditions and dates upon which such dividends shall be payable, the preference or relation which such dividends shall bear to the dividends payable on any shares of stock of any other class or any other series of Preferred Stock;

(d) whether the shares of such series shall be subject to redemption by the Corporation and, if so, the times, prices and other conditions of such redemption;

(e) the amount or amounts payable upon shares of such series upon, and the rights of the holders of such series in, the voluntary or involuntary liquidation, dissolution or winding up, or upon any distribution of the assets, of the Corporation;

(f) whether the shares of such series shall be subject to the operation of a retirement or sinking fund and, if so, the extent to and manner in which any such retirement or sinking fund shall be applied to the purchase or redemption of the shares of such series for retirement or other corporate purposes and the terms and provisions relative to the operation thereof;

(g) whether the shares of such series shall be convertible into, or exchangeable for, shares of stock of any other class or any other series of Preferred Stock or any other securities (whether or not issued by the Corporation) and, if so, the price or prices or the rate or rates of conversion or exchange and the method, if any, of adjusting the same, and any other terms and conditions of conversion or exchange;

(h) the limitations and restrictions, if any, to be effective while any shares of such series are outstanding upon the payment of dividends or the making of other distributions on, and upon the purchase, redemption or other acquisition by the Corporation of, the Common Stock or shares of stock of any other class or any other series of Preferred Stock;

(i) the conditions or restrictions, if any, upon the creation of indebtedness of the Corporation or upon the issue of any additional stock, including additional shares of such series or of any other series of Preferred Stock or of any other class of stock; and

(j) any other powers, preferences and relative, participating, optional and other special rights, and any qualifications, limitations and restrictions thereof.

Except to the extent otherwise expressly provided in these Amended Articles of Incorporation or required by law (i) no share of Preferred Stock shall have any voting rights other than those which shall be fixed by the Board of Directors pursuant to this Article 7 and (ii) no share of Common Stock shall have any voting rights with respect to any amendment to the terms of any series of Preferred Stock; provided however, that in the case of this clause (ii) the terms of such series of Preferred Stock, as so amended, could have been established without any vote of any shares of Common Stock.

8. The Corporation shall have the power to declare and pay dividends or other

distributions upon the issued and outstanding shares of the Corporation, subject to the limitation that a dividend or other distribution may not be made if, after giving it effect, the Corporation would not be able to pay its debts as they become due in the usual course of business or the Corporation's total assets would be less than its total liabilities (and without regard to any amounts that would be needed, if the Corporation were to be dissolved at the time of the dividend or other distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those of the holders of shares receiving the dividend or other distribution, unless otherwise expressly provided with respect to any outstanding series of Preferred Stock). The Corporation shall have the power to issue shares of one class or series as a share dividend or other distribution in respect of that class or series or one or more other classes or series.

9. The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation, and it is expressly provided that the same are intended to be in furtherance and not in limitation or exclusion of the powers conferred by statute:

(a) The number of directors of the Corporation, exclusive of directors who may be elected by the holders of any one or more series of Preferred Stock pursuant to Article 7(b) (the "Preferred Stock Directors"), shall not be less than nine, the exact number to be fixed from time to time solely by resolution of the Board of Directors, acting by not less than a majority of the directors then in office.

(b) The Board of Directors (exclusive of Preferred Stock Directors) shall be divided into three classes, with the term of office of one class expiring each year. At the annual meeting of shareholders in 1985, five directors of the first class shall be elected to hold office for a term expiring at the 1986 annual meeting, five directors of the second class shall be elected to hold office for a term expiring at the 1987 annual meeting, and six directors of the third class shall be elected to hold office for a term expiring at the 1988 annual meeting. Commencing with the annual meeting of shareholders in 1986, each class of directors whose term shall then expire shall be elected to hold office for a three-year term. In the case of any vacancy on the Board of Directors, including a vacancy created by an increase in the number of directors, the vacancy shall be filled by election of the Board of Directors with the director so elected to serve for the remainder of the term of the director being replaced or, in the case of an additional director, for the remainder of the term of the class to which the director has been assigned. All directors shall continue in office until the election and qualification of their respective successors in office. When the number of directors is changed, any newly created directorships or any decrease in directorships shall be so assigned among the classes by a majority of the directors then in office, though less than a quorum, as to make all classes as nearly equal in number as possible. No decrease in the number of directors shall have the effect of shortening the term of any incumbent director. Election of directors need not be by written ballot unless the By-laws so provide.

(c) Any director or directors (exclusive of Preferred Stock Directors) may be removed from office at any time, but only for cause and only by the affirmative vote of at least 80% of the votes entitled to be cast by holders of all the outstanding shares of Voting Stock (as defined in Article 13 hereof), voting together as a single class.

(d) Notwithstanding any other provision of these Amended Articles of Incorporation or of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class of Voting Stock required by law or these Amended Articles of Incorporation, the affirmative vote of at least 80% of the votes entitled to be cast by holders of all the outstanding shares of Voting Stock, voting together as a single class, shall be required to alter, amend or repeal this Article 9.

10. The Board of Directors of the Corporation is exclusively authorized (a) to adopt, repeal, alter or amend the By-laws of the Corporation by the vote of a majority of the entire Board of Directors and (b) to adopt any By-laws which the Board of Directors may deem necessary or desirable for the efficient conduct of the affairs of the Corporation, including, without limitation, provisions governing the conduct of, and the matters which may properly be brought before, meetings of the shareholders and provisions specifying the manner and extent to which prior notice shall be given of the submission of proposals to be submitted at any meeting of shareholders or of nominations of elections of directors to be held at any such meeting.

11. The Corporation shall, to the fullest extent permitted by applicable law now or hereafter in effect, indemnify any person who is or was a director, officer or employee of the Corporation (an "Eligible Person") and who is or was involved in any manner (including, without limitation, as a party or a witness) or is threatened to be made so involved in any threatened, pending or completed investigation, claim, action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, any action, suit or proceeding by or in the right of the Corporation to procure a judgment in its favor) (a "Proceeding") by reason of the fact that such person is or was a director, officer or employee of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, partner, member, manager, trustee, fiduciary or agent of another corporation, partnership, joint venture, limited liability company, trust or other enterprise (including, without limitation, any employee benefit plan), against all expenses (including attorneys' fees), judgments, fines or penalties (including excise taxes assessed with respect to an employee benefit plan) and amounts paid in settlement actually and reasonably incurred by such Eligible Person in connection with such Proceeding; provided, however, that the foregoing shall not apply to a Proceeding commenced by an Eligible Person except to the extent provided otherwise in the Corporation's By-laws or an agreement with an Eligible Person. The Corporation may establish provisions supplemental to or in furtherance of the provisions of this Article 11, including, but not limited to, provisions concerning the determination of any Eligible Person to indemnification, mandatory or permissive advancement of expenses to an Eligible Person incurred in connection with a Proceeding, the effect of any change in control of the Corporation on indemnification and advancement of expenses and the funding or other payment of amounts necessary to effect indemnification and advancement of expenses, in the By-laws of the Corporation or in agreements with any Eligible Person.

12. Except as otherwise expressly provided for in these Amended Articles of Incorporation, the Corporation reserves the right to amend, alter or repeal any provision contained in these Amended Articles of Incorporation, in the manner now or hereafter prescribed by law, and all rights conferred upon shareholders herein are subject to this reservation.

13. In addition to all other requirements imposed by law and these Amended Articles and except as otherwise expressly provided in paragraph (c) of this Article 13, none of the actions or transactions listed below shall be effected by the Corporation, or approved by the Corporation as a shareholder of any majority-owned subsidiary of the Corporation if, as of the record date for the determination of the shareholders entitled to vote thereon, any Related Person (as hereinafter defined) exists, unless the applicable requirements of paragraphs (b), (c), (d), (e), and (f) of this Article 13 are satisfied.

(a) The actions or transactions within the scope of this Article 13 are as follows:

(i) any merger or consolidation of the Corporation or any of its subsidiaries into or with such Related Person;

(ii) any sale, lease, exchange, or other disposition of all or any substantial part of the assets of the Corporation or any of its majority-owned subsidiaries to or with such Related Person;

(iii) the issuance or delivery of any Voting Stock (as hereinafter defined) or of voting securities of any of the Corporation's majority-owned subsidiaries to such Related Person in exchange for cash, other assets or securities, or a combination thereof;

(iv) any voluntary dissolution or liquidation of the Corporation;

(v) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its subsidiaries, or any other transaction (whether or not with or otherwise involving a Related Person) that has the effect, directly or indirectly, of increasing the proportionate share of any class or series of capital stock of the Corporation, or any securities convertible into capital stock of the Corporation or into equity securities of any subsidiary, that is beneficially owned by any Related Person; or

(vi) any agreement, contract, or other arrangement providing for any one or more of the actions specified in the foregoing clauses (i) through (v).

(b) The actions and transactions described in paragraph (a) of this Article 13 shall have been authorized by the affirmative vote of at least 80% of all of the votes entitled to be cast by holders of the outstanding shares of Voting Stock, voting together as a single class.

(c) Notwithstanding paragraph (b) of this Article 13, the 80% voting requirement shall not be applicable if any action or transaction specified in paragraph (a) is approved by the Corporation's Board of Directors and by a majority of the Continuing Directors (as hereinafter defined).

(d) Unless approved by a majority of the Continuing Directors, after becoming a Related Person and prior to consummation of such action or transaction.

(i) the Related Person shall not have acquired from the Corporation or any of its subsidiaries any newly issued or treasury shares of capital stock or any newly issued securities convertible into capital stock of the Corporation or any of its majority-owned subsidiaries, directly or indirectly (except upon conversion of convertible securities acquired by it prior to becoming a Related Person or as a result of a pro rata stock dividend or stock split or other distribution of stock to all shareholders pro rata);

(ii) such Related Person shall not have received the benefit directly or indirectly (except proportionately as a shareholder) of any loans, advances, guarantees, pledges, or other financial assistance or tax credits provided by the Corporation or any of its majority-owned subsidiaries, or made any major changes in the Corporation's or any of its majority-owned subsidiaries' businesses or capital structures or reduced the current rate of dividends payable on the Corporation's capital stock below the rate in effect immediately prior to the time such Related Person became a Related Person; and

(iii) such Related Person shall have taken all required actions within its power to ensure that the Corporation's Board of Directors included representation by Continuing Directors at least proportionate to the voting power of the shareholdings of Voting Stock of the Corporation's Remaining Public Shareholders (as hereinafter defined), with a Continuing Director to occupy an additional Board position if a fractional right to a director results and, in any event, with at least one Continuing Director to serve on the Board so long as there are any Remaining Public Shareholders.

(e) A proxy statement responsive to the requirements of the Securities Exchange Act of 1934, as amended, whether or not the Corporation is then subject to such requirements, shall be mailed to the shareholders of the Corporation for the purpose of soliciting shareholder approval of such action or transaction and shall contain at the front thereof, in a prominent place, any recommendations as to the advisability or inadvisability of the action or transaction which the Continuing Directors may choose to state and, if deemed advisable by a majority of the Continuing Directors, the opinion of an investment banking firm selected by a majority of the Continuing Directors as to the fairness (or not) of the terms of the action or transaction from a financial point of view to the Remaining Public Shareholders, such investment banking firm to be paid a reasonable fee for its services by the Corporation. The requirements of this paragraph (e) shall not apply to any such action or transaction which is approved by a majority of the Continuing Directors.

(f) For the purpose of this Article 13

(i) the term "Related Person" shall mean any other corporation, person, or entity which beneficially owns or controls, directly or indirectly, 5% or more of the outstanding shares of Voting Stock, and any Affiliate or Associate (as those terms are defined in the General Rules and Regulations under the Securities Exchange Act of 1934) of a Related Person; provided, however, that the term Related Person shall not include (a) the Corporation or any of its subsidiaries, (b) any profit-sharing, employee stock ownership or other employee benefit plan of the Corporation or any subsidiary of the Corporation or any trustee of or fiduciary with respect to any such plan when acting in such capacity, or (c) Lilly Endowment, Inc.; and further provided, that no corporation, person, or entity shall be deemed to be a Related Person solely by reason of being an Affiliate or Associate of Lilly Endowment, Inc.;

(ii) a Related Person shall be deemed to own or control, directly or indirectly, any outstanding shares of Voting Stock owned by it or any Affiliate or Associate of record or beneficially, including without limitation shares

a. which it has the right to acquire pursuant to any agreement, or upon exercise of conversion rights, warrants, or options, or otherwise or

b. which are beneficially owned, directly or indirectly (including shares deemed owned through application of clause a. above), by any other corporation, person, or other entity with which it or its Affiliate or Associate has any agreement, arrangement, or understanding for the purpose of acquiring, holding, voting, or disposing of Voting Stock, or which is its Affiliate (other than the Corporation) or Associate (other than the Corporation);

(iii) the term "Voting Stock" shall mean all shares of any class of capital stock of the Corporation which are entitled to vote generally in the election of directors;

(iv) the term "Continuing Director" shall mean a director who is not an Affiliate or Associate or representative of a Related Person and who was a member of the Board of Directors of the Corporation immediately prior to the time that any Related Person involved in the proposed action or transaction became a Related Person or a director who is not an Affiliate or Associate or representative of a Related Person and who was nominated by a majority of the remaining Continuing Directors; and

(v) the term "Remaining Public Shareholders" shall mean the holders of the Corporation's capital stock other than the Related Person.

(g) A majority of the Continuing Directors of the Corporation shall have the power and duty to determine for the purposes of this Article 13, on the basis of information then known to the Continuing Directors, whether (i) any Related Person exists or is an Affiliate or an Associate of another and (ii) any proposed sale, lease, exchange, or other disposition of part of the assets of the Corporation or any majority-owned subsidiary involves a substantial part of the assets of the Corporation or any of its subsidiaries. Any such determination by the Continuing Directors shall be conclusive and binding for all purposes.

(h) Nothing contained in this Article 13 shall be construed to relieve any Related Person or any Affiliate or Associate of any Related Person from any fiduciary obligation imposed by law.

(i) The fact that any action or transaction complies with the provisions of this Article 13 shall not be construed to waive or satisfy any other requirement of law or these Amended Articles of Incorporation or to impose any fiduciary duty, obligation, or responsibility on the Board of Directors or any member thereof, to approve such action or transaction or recommend its adoption or approval to the shareholders of the Corporation, nor shall such compliance limit, prohibit, or otherwise restrict in any manner the Board of Directors, or any member thereof, with respect to evaluations of or actions and responses taken with respect to such action or transaction. The Board of Directors of the Corporation, when evaluating any actions or transactions described in paragraph (a) of this Article 13, shall, in connection with the exercise of its judgment in determining what is in the best interests of the Corporation and its shareholders, give due consideration to all relevant factors, including without limitation the social and economic effects on the employees, customers, suppliers, and other constituents of the Corporation and its subsidiaries and on the communities in which the Corporation and its subsidiaries operate or are located.

(j) Notwithstanding any other provision of these Amended Articles of Incorporation or of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class of Voting Stock required by law or these Amended Articles of Incorporation, the affirmative vote of the holders of at least 80% of the votes entitled to be cast by holders of all the outstanding shares of Voting Stock, voting together as a single class, shall be required to alter, amend, or repeal this Article 13.

14. A total of 1,500,000 shares of the 5,000,000 shares of authorized Preferred Stock are designated as "Series B Junior Participating Preferred Stock" (the "Series B Preferred Stock"). Such number of shares may be increased or decreased by resolution of the Board of Directors; provided that no decrease shall reduce the number of shares of Series B Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series B Preferred Stock. The Series B Preferred Stock shall possess the rights, preferences, qualifications, limitations, and restrictions set forth below:

(a) The holders of shares of Series B Preferred Stock shall have the following rights to dividends and distributions:

(i) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series B Preferred Stock with respect to dividends, the holders of shares of Series B Preferred Stock, in preference to the holders of Common Stock, without par value (the "Common Stock"), of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the tenth day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series B Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $10 or (b) subject to the provision for adjustment hereinafter set forth, 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non- cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series B Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(ii) The Corporation shall declare a dividend or distribution on the Series B Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $10 per share on the Series B Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(iii) Dividends shall begin to accrue and be cumulative on outstanding shares of Series B Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series B Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series B Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series B Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

(b) The holders of shares of Series B Preferred Stock shall have the following voting rights:

(i) Subject to the provision for adjustment hereinafter set forth, each share of Series B Preferred Stock shall entitle the holder thereof to 1000 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(ii) Except as otherwise provided herein, in any other Articles of Amendment creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series B Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(iii) Except as set forth herein, or as otherwise provided by law, holders of Series B Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

(c) The Corporation shall be subject to the following restrictions:

(i) Whenever quarterly dividends or other dividends or distributions payable on the Series B Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series B Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

a. declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preferred Stock;

b. declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preferred Stock, except dividends paid ratably on the Series B Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

c. redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series B Preferred Stock; or

d. redeem or purchase or otherwise acquire for consideration any shares of Series B Preferred Stock, or any shares of stock ranking on a parity with the Series B Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(ii) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (i) of this Article 14(c), purchase or otherwise acquire such shares at such time and in such manner.

(d) Any shares of Series B Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Articles of Incorporation, or in any other Articles of Amendment creating a series of Preferred Stock or any similar stock or as otherwise required by law.

(e) Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (i) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preferred Stock unless, prior thereto, the holders of shares of Series B Preferred Stock shall have received the greater of (a) $1000 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, or (b) an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1000 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (ii) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preferred Stock, except distributions made ratably on the Series B Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event under the proviso in clause (i) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(f) In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series B Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series B Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(g) The shares of Series B Preferred Stock shall not be redeemable.

(h) The Series B Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Corporation's Preferred Stock.

(i) The Amended Articles of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series B Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series B Preferred Stock, voting together as a single class.

(j) In the event that the Rights Agreement dated as of July 20, 1998 between the Corporation and First Chicago Trust Company of New York, as Rights Agent (or any successor Rights Agent) is terminated or expires prior to the issuance of any shares of Series B Preferred Stock, all shares of Series B Preferred Stock shall become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth in the Articles of Incorporation or in any other Articles of Amendment creating a series of Preferred Stock or any similar stock or as otherwise required by law.

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

Eli Lilly and Company and Subsidiaries

	Three Months Ended September 30, 1998	Three Months Ended September 30, 1997	Nine Months Ended September 30, 1998	Nine Months Ended September 30, 1997
	(In millions except per-share data)			
BASIC:				
Net income (loss)................	$ 518.2	$ 456.9	$1,530.6	$ (842.6)
Preferred stock dividends........	(.2)	(0.7)	(1.5)	(2.0)
Adjusted net income (loss).......	$ 518.0	$ 456.2	$1,529.1	$ (844.6)
Average number of common shares outstanding..................	1,091.6	1,101.8	1,096.9	1,101.1
Contingently issuable shares.....	-	-	.4	-
Adjusted average shares..........	1,091.6	1,101.8	1,097.3	1,101.1
Basic earnings (loss) per share.........................	$ 0.47	$ 0.41	$ 1.39	$ (0.77)
DILUTED:				
Net income (loss)................	$ 518.2	$ 456.9	$1,530.6	$ (842.6)
Preferred stock dividends........	(0.2)	(0.7)	(1.5)	(2.0)
Adjusted net income (loss).......	$ 518.0	$ 456.2	$1,529.1	$ (844.6)
Average number of common shares outstanding..................	1,091.6	1,101.8	1,096.9	1,101.1
Incremental shares: Stock plans and contingently issuable shares...............	26.6	28.0	27.6	-
Adjusted average shares..........	1,118.2	1,129.9	1,124.5	1,101.1
Diluted earnings (loss) per share.....................	$ 0.46	$ 0.40	$ 1.36	$ (0.77)

For 1997, because the inclusion of stock options and other incremental shares would be antidilutive, earnings per share has been calculated assuming no incremental shares.

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,				
	1998	1997	1996	1995	1994	1993
Consolidated Pretax Income from Continuing Operations before Accounting Changes and Extraordinary Item.....	$1,974.9	$510.2	$2,031.3	$1,765.6	$1,698.6	$662.8
Interest from Continuing Operations............	151.5	260.0	324.9	324.6	129.2	96.1
Interest Capitalized during the Period from Continuing Operations............	(14.1)	(23.8)	(36.1)	(38.3)	(25.4)	(25.5)
Earnings.................	$2,112.3	$746.4	$2,320.1	$2,051.9	$1,802.4	$733.4
Fixed Charges/(1)/.......	$ 153.5	$264.2	$ 329.6	$ 324.6	$ 129.2	$ 96.1
Ratio of Earnings to Fixed Charges..........	13.8	2.8/(2)/	7.0	6.3	14.0	7.6

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

/2/ Included in the 1997 earnings is a non-cash charge of $2,443 million due to an asset impairment. See notes to consolidated condensed financial statements. If the asset impairment charge had not occurred, the ratio of earnings to fixed charges would have been 12.5.

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9-MOS
DEC-31-1998
JAN-01-1998
SEP-30-1998
1,543,501
72,940
1,858,034
61,357
1,028,456
5,329,856
7,162,996
3,117,402
12,581,264
4,007,853
2,268,891
0
0
686,242
3,822,757
12,581,264
6,301,629
7,183,051
1,141,415
1,895,511
3,253,159
0
137,399
1,974,839
437,060
1,537,779
0
(7,249)
0
1,530,529
1.39
1.36

Amounts include research and development, selling and general and administrative expenses.

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, foreign currency exchange rates and the Euro conversion.

- 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, regulations, and judicial decisions at the state and federal level related to Medicare, Medicaid and healthcare reform; and laws and regulations affecting international pricing and pharmaceutical reimbursement.

- The difficulties and uncertainties inherent in new product development. New product candidates that appear promising in development may fail to reach the market or may not be as commercially successful as anticipated because of efficacy or safety concerns, inability to obtain necessary regulatory approvals, limitations on approved indications, 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.

- Factors such as changes in business strategies and the impact of restructurings, impairments in asset carrying values and business combinations.

- Difficulties in modification or replacement of existing computer systems, software, and/or non-IT systems in order to render the Company's various systems ready for the Year 2000, including the difficulties encountered by third party vendors, suppliers, and/or customers in their failure to render their systems ready for the Year 2000.