SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTER ENDED JUNE 30, 1995

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 July 31, 1995:

Class	Number of Shares Outstanding
Common	292,011,493

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Unaudited)

Eli Lilly and Company and Subsidiaries

	Three Months Ended June 30,		Six Months Ended June 30,	
	1995	1994	1995	1994

(Dollars in millions except per-share data)				
Net sales	$1,614.8	$1,346.8	$3,332.1	$2,655.9
Cost of sales	459.4	385.8	971.9	767.9
Research and development	260.5	202.2	497.2	379.5
Marketing and administrative	436.3	330.6	843.5	610.6
Special charges	-	10.0	-	66.0
Interest expense	72.3	18.7	138.5	35.4
Other income - net	(50.3)	(61.0)	(83.5)	(96.8)
	1,178.2	886.3	2,367.6	1,762.6
Income from continuing operations before income taxes	436.6	460.5	964.5	893.3
Income taxes	126.6	141.3	279.7	273.4
Income from continuing operations	310.0	319.2	684.8	619.9
Income from discontinued operations, net of tax	17.1	27.4	35.5	57.4
Net income	$327.1	$346.6	$720.3	$677.3
Earnings per share:				
Income from continuing operations	$1.07	$1.10	$2.37	$2.14
Income from discontinued operations	.06	.10	.12	.20
Net income	$1.13	$1.20	$2.49	$2.34
Dividends paid per share	$ .645	$ .625	$1.29	$1.25

See Notes to Consolidated Condensed Financial Statements.

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

	June 30, 1995	December 31, 1994
	(Millions)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$989.7	$536.9
Short-term investments	208.6	209.8
Accounts receivable, net of allowances of $57.0 (1995) and $46.6 (1994)	1,549.2	1,550.2
Other receivables	307.2	284.4
Inventories	903.4	968.9
Deferred income taxes	172.0	245.0
Other current assets	280.2	167.1
TOTAL CURRENT ASSETS	4,410.3	3,962.3
OTHER ASSETS		
Prepaid retirement	417.2	411.9
Investments	513.2	464.1
Goodwill and other intangibles, net of allowances for amortization of $390.4 (1995) and $326.2 (1994)	4,352.6	4,411.5
Sundry	936.3	846.1
	6,219.3	6,133.6
PROPERTY AND EQUIPMENT		
Land, buildings, equipment, and construction-in-progress	7,221.3	7,026.4
Less allowances for depreciation	2,753.7	2,614.9
	4,467.6	4,411.5
	$15,097.2	$14,507.4
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	$3,169.2	$2,724.4
Accounts payable	874.1	878.2
Employee compensation	271.0	304.6
Dividends payable	-	188.8
Other liabilities	892.9	1,065.1
Income taxes payable	446.0	508.4
TOTAL CURRENT LIABILITIES	5,653.2	5,669.5
LONG-TERM DEBT	2,102.1	2,125.8
DEFERRED INCOME TAXES	226.4	188.9
RETIREE MEDICAL BENEFIT OBLIGATION	166.6	170.5
OTHER NONCURRENT LIABILITIES	975.1	997.1
COMMITMENTS AND CONTINGENCIES	-	-
SHAREHOLDERS' EQUITY		
Common stock	183.0	183.0
Additional paid-in capital	406.6	421.7
Retained earnings	5,614.3	5,062.1
Deferred costs-ESOP	(210.7)	(218.2)
Currency translation adjustments	46.7	(38.0)
	6,039.9	5,410.6
Less cost of common stock in treasury	66.1	55.0
	5,973.8	5,355.6

$15,097.2	$14,507.4

See Notes to Consolidated Condensed Financial Statements.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

Eli Lilly and Company and Subsidiaries

	Six Months Ended June 30,	
	1995	1994
	(Millions)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$720.3	$677.3
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:		
Changes in operating assets and liabilities	(252.6)	(405.7)
Change in deferred taxes	105.1	93.6
Depreciation and amortization	279.3	206.6
Special charges	-	13.8
Other items, net	(105.3)	(98.3)
NET CASH FLOWS FROM OPERATING ACTIVITIES	746.8	487.3
CASH FLOWS FROM INVESTING ACTIVITIES		
Net additions to property and equipment	(245.7)	(251.1)
Additions to sundry assets and intangibles	(8.9)	(47.6)
Reduction of investments	229.6	645.7
Additions to investments	(203.3)	(801.0)
Acquisitions	(48.4)	-
NET CASH USED FOR INVESTING ACTIVITIES	(276.7)	(454.0)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(373.4)	(361.7)
Purchase of common stock and other capital transactions	(65.0)	(29.2)
Net additions (reductions) to short-term borrowings	(105.7)	157.2
Net additions to long-term debt	486.3	342.3
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	(57.8)	108.6
Effect of Exchange Rate Changes on Cash	40.5	25.3
NET INCREASE IN CASH AND CASH EQUIVALENTS	452.8	167.2
Cash and cash equivalents at January 1	536.9	539.6
CASH AND CASH EQUIVALENTS AT JUNE 30	$ 989.7	$706.8

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 reflect a fair presentation of the results for the periods shown. Certain 1994 amounts have been reclassified to conform to the 1995 presentation of discontinued operations.

As presented herein, sales include sales of the Company's life-sciences products and service revenue from 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 recoverables is based on existing deductibles, coverage limits, and the existing and projected future level of insolvencies among its insurance carriers.

The Company is a party to various patent litigation matters involving Humatrope(R), Humulin(R), and various products of the discontinued operations. Based upon historical and industry data, the Company has accrued for the anticipated cost of resolution of the claims.

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 those costs. The Company has asserted its right to coverage for defense costs in certain environmental proceedings and has reserved its right to pursue claims for insurance with respect to certain environmental liabilities. However, because of uncertainties with respect to the timing and ultimate realization of those claims, the Company has not recorded any environmental insurance recoverables.

The product, patent, and environmental liabilities have been reflected in the Company's consolidated balance sheets at their gross, undiscounted amounts

(approximately $374 million at June 30, 1995). Estimated insurance recoverables appear as assets in the consolidated balance sheets (approximately $147 million at June 30, 1995).

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 nearly all U.S. retail pharmacies alleging an industrywide agreement to deny favorable prices to retail pharmacies. Other related suits, brought by several thousand pharmacies, involve claims of price discrimination or claims under other pricing laws. These suits are presently in discovery.

While it is not possible to predict or determine the outcome of the patent, product liability, antitrust, or other legal actions brought against the Company, or the ultimate cost of environmental matters, the Company believes 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.

SPECIAL CHARGES

During the first six months of 1994, the company incurred $66 million of pre-tax charges associated with the March 31 voluntary recall of three of the Company's liquid oral antibiotics. The recall, which was initiated by the Company after consultation with the FDA, was made after four instances were reported of small plastic caps being found in the antibiotics. Shipments of these products were resumed during 1994.

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

DISCONTINUED OPERATIONS:

The Company is proceeding with its plan to complete the divestiture of the Medical Devices and Diagnostics (MDD) Division businesses by December 31, 1995, including the distribution of its remaining 80 percent interest in Guidant Corporation (Guidant) through a split-off (an exchange offer pursuant to which Lilly shareholders will be given the opportunity to exchange some or all their Lilly shares for Guidant shares) and the sale of Hybritech Incorporated.

As a consequence of the divestiture plan, the operating results of the MDD companies have been reflected as "discontinued operations" in the Company's financial statements and have been excluded from consolidated sales and expenses reflected therein. The Company expects to recognize a net gain on the completion of the divestiture.

OPERATING RESULTS OF CONTINUING OPERATIONS:

The Company's sales for the second quarter of 1995 increased 20 percent from the second quarter of 1994. Overall, sales inside and outside the United States increased 11 percent and 32 percent, respectively. Compared with the second quarter of 1994, volume increased sales 15 percent, while foreign exchange rates and selling prices increased sales 3 percent and 2 percent, respectively.

The Company's sales for the first six months of 1995 increased 25 percent when compared with the same period in 1994. Sales outside the United States increased 30 percent, while sales in the United States increased 22 percent. Compared with the first six months of 1994, volume increased sales 22 percent and foreign exchange rates and selling prices contributed 3 percent and 1 percent, respectively.

Worldwide sales of pharmaceutical products increased 20 percent and 26 percent for the second quarter and six months, respectively, as compared with the same periods of 1994. Prozac, Vancocin(R), and Humatrope were the major contributors to the second-quarter growth. Prozac sales for the quarter were $513.4 million, an increase of 25 percent. The Company expects continued growth for Prozac sales through 1995, but at a lower rate, with total sales for the year currently expected to exceed $2.0 billion. Pharmaceutical sales increased both inside and outside the United States. International sales growth of 34 percent for the quarter was driven primarily by volume increases resulting from the Company's continued efforts to expand globally, particularly in emerging markets. Anti-infective sales in international markets, especially cefaclor (up 30 percent to $115.8 million), led the sales increase for the quarter. Pharmaceutical sales in the United States grew 11 percent in the quarter despite the negative effects of the introduction of generic cefaclor by competitors (as discussed below) and the growth in product discounts and rebates associated with the Company's increased participation in managed-care programs. Also contributing to the U.S. sales increase for the second quarter were service revenues generated by PCS (acquired in November 1994) of $59 million.

In May 1995, two companies began marketing generic forms of cefaclor capsules in the United States. Primarily as a result of this new competition, U.S. cefaclor sales declined 55% to $37.7 million in the second quarter. The Company filed suit against those companies in Federal district court in Indianapolis asserting infringement of certain United States process patents

in the manufacture of cefaclor. On August 4, 1995, the district court denied the Company's motion for a preliminary injunction against the sale of the product made by the infringed process. The patents at issue expire in July 1996. There can be no assurance that the Company will be successful in this litigation.

Worldwide sales of animal health products increased 15 percent in both the second quarter and six months compared with the same periods in 1994. These increases resulted from increased performance across the entire product line in both the United States and international markets.

Cost of sales in the second quarter was 28.4 percent of sales, as compared to 28.6 percent in the second quarter of 1994. This decrease is primarily attributable to increased production to meet larger product demands partially offset by the inclusion of PCS, sales mix and fluctuating foreign exchange rates. During the first six months, manufacturing costs increased to 29.2 percent of sales compared with 28.9 percent for the same period of 1994. The increase for the six months results primarily from the inclusion of PCS, sales mix and the effect of foreign exchange rates which were somewhat negated by higher production levels.

Operating expenses increased 28 percent for the second quarter and 27 percent for the six months compared to the same periods in 1994. Research and development grew 29 percent and 31 percent for the second quarter and six months, respectively, over the same periods in 1994. 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. The increase in the marketing and administrative expenses (32 percent for the second quarter and 38 percent for the six months compared with the same periods in 1994) was caused primarily by the inclusion of PCS, the efforts to expand the Company's products globally, particularly in emerging markets, and increased compensation accruals resulting from the Company's performance-based bonus programs. Special charges of $10 million and $66 million were incurred in the second quarter and first six months of 1994, respectively, relating to the Company's voluntary recall of three of its liquid oral antibiotics. The rate of growth of 1995 operating expenses as compared with 1994 would have been greater if the special charges were not included in the comparisons.

For the second quarter and first six months of 1995, interest expense was $72.3 million and $138.5 million, respectively, compared to $18.7 million and $35.4 million for the same periods in 1994. The higher level of interest expense in 1995 reflects the additional borrowings associated with the purchase of PCS. Net other income of $50.3 million for the second quarter and $83.5 million for the six months was $10.7 million lower and $13.3 million lower than the same periods in 1994. Both the second quarter and six months of 1995 were negatively affected by the amortization of goodwill related to PCS acquisition (approximately $25.0 million per quarter). The goodwill amortization in the second quarter was partially offset by foreign exchange gains and income from a marketing agreement. For the six months, the amortization was offset in part by non-recurring income received under a development contract, foreign exchange gains, the sale of the United States marketing rights to methadone and a marketing agreement.

The Company's estimated tax rate for both the second quarter and six months of 1995 was 29 percent compared to 30.7 percent and 30.6 percent for the same periods in 1994. The decline is primarily the result of increased earnings outside the United States where tax rates are lower, particularly in Ireland, and the effectiveness of various tax strategies.

For the second quarter of 1995, the growth in sales and the reduced estimated tax rate was offset by the growth in operating expenses, including PCS and the impact of the PCS acquisition-related expenses, resulting in a 3 percent decrease in both income from continuing operations and earnings per share to $310.0 million and $1.07, respectively, compared to the same period of 1994. For the six months, income from continuing operations grew 10 percent to $684.8 million and earnings per share increased 11 percent to $2.37 over the same period in 1994 as a result of the strong sales growth, particularly in the first quarter of 1995.

FINANCIAL CONDITION:

As of June 30, 1995, cash, cash equivalents and short-term investments totaled $1,198.3 million as compared with $746.7 million at December 31, 1994. Total debt at June 30, 1995, was $5,271.3, an increase of $421.1 million from December 31, 1995. The additional borrowings were necessary to fund normal seasonal operating needs. The short-term debt is primarily in the form of commercial paper.

In June 1995, the Company replaced $500 million of commercial paper with thirty-year, 7.125 percent notes. The notes were issued under a $1 billion shelf registration filed with the Securities and Exchange Commission (SEC) in the second quarter of 1995. In the first quarter of 1995, approximately $473 million of Guidant debt, which is due January 8, 1996, was reclassified from long-term to short-term. Therefore, the balance of long-term debt remained relatively unchanged from December 31, 1994, to June 30, 1995.

The company believes that cash generated from operations will be sufficient to fund operating needs, including debt service, capital expenditures, and dividends. The Company anticipates 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.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to the discussion of the antitrust litigation brought by retail pharmacies against the Company and numerous other U.S. prescription pharmaceutical manufacturers, contained in the Company's 1994 Annual Report on Form 10-K under Part I, Item 3, "Legal Proceedings" as supplemented by Part II, Item 1 of the Company's Report on Form 10-Q for the quarter ended March 31, 1995. An additional related state court case has now been filed in New York on behalf of certain retail pharmacies in that state. In California, the state court has certified a class of retail pharmacy plaintiffs and a class of consumer plaintiffs.

On June 15, 1995, an action was filed in the Northern District of California against the Company and PCS Health Systems, Inc. (PCS). The action, brought by a California retail pharmacy, alleges that the Company's acquisition of PCS violates federal antitrust laws and seeks divestiture of PCS by the Company. The Company believes the claim is without merit and will vigorously defend this action.

Item 4. Submission of Matters to a Vote of Security Holders

The Company held its annual meeting of shareholders on April 17, 1995. The following is a summary of the matters voted on at the meeting.

(a) Election of Directors to serve the terms indicated:

Nominee	Term Ending at Annual Meeting of	For	Withhold Vote
Steven C. Beering	1998	259,921,606	1,561,371
James W. Cozad	1998	259,832,202	1,650,775
Alfred G. Gilman	1996	260,079,886	1,403,091
Franklyn G. Prendergast	1998	260,027,311	1,455,666
Kathi P. Seifert	1998	260,051,989	1,430,988
Randall L. Tobias	1998	260,089,848	1,393,129

(b) Ratification of appointment of Ernst & Young LLP as the Company's principal independent auditors:

For:	260,246,757
Against:	626,990
Abstain:	609,230

Item 6. Exhibits and Reports on Form 8-K

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

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. Attachment to Form 10-Q: Contingent Payment Obligation Units

(b) Reports on Form 8-K. On June 12, 1995, the Company filed a Form 8-K in order to file as exhibits certain documents required for the Company to issue its 7.125 percent, 30-year notes under its Registration Statement on Form S-3 (Reg. No. 33-58977).

SIGNATURES

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

ELI LILLY AND COMPANY
(Registrant)

Date August 7, 1995

s/Daniel P. Carmichael

Daniel P. Carmichael
Secretary and Deputy
General Counsel

Date August 7, 1995

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

Eli Lilly and Company and Subsidiaries

	Three Months Ended June 30,		Six Months Ended June 30,	
	1995	1994	1995	1994
	(Dollars in millions except per-share data) (Shares in thousands)			
PRIMARY:				
Net income	$327.1	$346.6	$720.3	$ 677.3
Average number of common shares outstanding	289,284	289,259	289,173	289,336
Add incremental shares: Stock plans and contingent payments	3,901	2,352	3,739	2,030
Adjusted average shares	293,185	291,611	292,912	291,366
Primary earnings per share	$1.12	$1.19	$2.46	$2.32
FULLY DILUTED:				
Net income	$327.1	$346.8	$720.3	$677.3
Average number of common shares outstanding	289,284	289,259	289,173	289,336
Add incremental shares: Stock plans and contingent payments	4,385	2,840	4,922	2,593
Adjusted average shares	293,669	292,099	294,095	291,929
Fully diluted earnings per share	$1.11	$1.19	$2.45	$2.32

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)

	Six Months Ended June 30,	Years Ended December 31,				
	1995	1994	1993	1992	1991	1990
Consolidated Pretax Income from Continuing Operations before Accounting Changes	$964.5	$1698.6	$662.8	$1193.5	$1626.3	$1418.1
Interest from Continuing Operations	158.2	129.2	96.1	108.4	87.1	94.7
Less Interest Capitalized during the Period from Continuing Operations	(19.7)	(25.4)	(25.5)	(35.2)	(48.1)	(27.3)
Earnings	$1103.0	$1802.4	$733.4	$1266.7	$1665.3	$1485.5
Fixed Charges:						
Interest Expense from Continuing Operations	$158.2	$ 129.2	$ 96.1	$ 108.4	$ 87.1	$ 94.7
Ratio of Earnings to Fixed Charges	7.0	14.0	7.6	11.7	19.1	15.7

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FINANCIAL DATA SCHEDULE
(Dollars in thousands, except per-share data)
(Unaudited)

1,000

6-MOS	
DEC-31-1995	
JUN-30-1995	
	989,729
	208,603
	1,606,203
	57,019
	903,369
	4,410,255
	7,221,292
	2,753,690
	15,097,238
	5,653,173
	2,102,124
	183,005
	0
	0
	5,790,751
	15,097,238
	3,210,433
	3,332,121
	899,238
	971,916
	1,340,645
	0
	138,568
	964,494
	279,703
	684,791
	35,478
	0
	0
	720,269
	2.46
	2.45

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

EXHIBIT 99. ATTACHMENT TO FORM 10-Q: CONTINGENT PAYMENT OBLIGATION UNITS

In connection with the acquisition of Hybritech Incorporated by the Company on March 18, 1986, the Company issued Contingent Payment Obligation Units (CPUs). The following information is provided relative to the CPUs.

Hybritech Sales and Gross Profits (Unaudited)

	SECOND QUARTER			FIRST HALF		
	1995	1994	1993	1995	1994	1993
	(Millions)			(Millions)		
Sales	$24.8	$32.7	$40.1	$50.3	$65.1	$80.3
Gross profits	$13.2	$17.0	$22.5	$26.9	$32.2	$44.2

Sales for the second quarter were $24.8 million compared with $32.7 million during the same period in 1994, a decrease of 24 percent. Sales declines were experienced in both domestic and international markets as the Company's prostate cancer test, TandemR Prostate Specific Antigen (PSA) continues to experience increased competition.

Gross profits for the second quarter were $13.2 million compared with $17.0 million in the same period last year.

In addition, the previously announced sale of Pacific Biotech Inc. in January 1995 contributed to the decline in sales and gross profits.

Computation of Contingent Payment Obligation Unit Payment

CPU holders are entitled to receive cash payments based upon the annual sales and gross profits of Hybritech over the period ending December 31, 1995 if certain performance criteria are achieved. The total amount payable for each year will equal the sum of 6 percent of Hybritech's sales and 20 percent of Hybritech's gross profits for that year, less a deductible amount. Sales is defined in the Indenture governing the CPUs to include net sales of products and royalties but to exclude contract revenues. Gross profits are the excess of sales over costs of products sold and do not represent the net income of Hybritech. The deductible amount was $11 million for 1986 and increases by 35 percent in each subsequent year. The deductible for 1995 is $163.8 million. The total amount payable, if any, is then divided by 12,933,894 to determine the payment per CPU. The maximum payment that may be made on each CPU if the criteria are achieved cannot, however, exceed $22. No payments have been made to date.