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 MARCH 31, 1997

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 April 30, 1997:

Class	Number of Shares Outstanding
Common	555,388,595

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Unaudited)

Eli Lilly and Company and Subsidiaries

	Three Months Ended March 31, 1997	1996
	(Dollars in millions except per-share data)	
Net sales	$1,953.0	$1,783.3
Cost of sales	541.3	518.0
Research and development	301.2	276.0
Marketing and administrative	471.7	460.0
Interest expense	60.6	69.9
Other (income) expense - net	1.4	(64.4)
	1,376.2	1,259.5
Income before income taxes	576.8	523.8
Income taxes	144.2	134.6
Net income	$ 432.6	$ 389.2
Earnings per share	$ .79	$ .71
Dividends paid per share	$ .36	$ .3425

See Notes to Consolidated Condensed Financial Statements.

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

	March 31, 1997	December 31, 1996
	(Millions)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,042.1	$ 813.7
Short-term investments	75.4	141.4
Accounts receivable, net of allowances for doubtful accounts of $66.3 (1997) and $82.4 (1996)	1,554.1	1,474.6
Other receivables	240.7	262.5
Inventories	876.3	881.4
Deferred income taxes	312.9	145.2
Prepaid expenses	174.2	172.5
TOTAL CURRENT ASSETS	4,275.7	3,891.3
OTHER ASSETS		
Prepaid retirement	517.2	512.9
Investments	408.2	443.5
Goodwill and other intangibles, net of allowances for amortization of $341.4 (1997) and $311.0 (1996)	3,995.0	4,028.2
Sundry	1,123.2	1,124.3
	6,043.6	6,108.9
PROPERTY AND EQUIPMENT		
Land, buildings, equipment, and construction-in-progress	7,002.5	7,096.4
Less allowances for depreciation	2,808.2	2,789.4
	4,194.3	4,307.0
	$14,513.6	$14,307.2
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	$ 1,333.6	$ 1,212.9
Accounts payable	694.8	829.3
Employee compensation	236.4	388.4
Dividends payable	-	198.8
Income taxes payable	965.5	691.8
Other liabilities	831.4	901.0
TOTAL CURRENT LIABILITIES	4,061.7	4,222.2
LONG-TERM DEBT	2,509.6	2,516.5
DEFERRED INCOME TAXES	375.4	376.0
RETIREE MEDICAL BENEFIT OBLIGATION	126.7	136.4
OTHER NONCURRENT LIABILITIES	870.7	956.0
	3,882.4	3,984.9
COMMITMENTS AND CONTINGENCIES	-	-
SHAREHOLDERS' EQUITY		
Common stock	355.6	355.6
Additional paid-in capital	-	67.4
Retained earnings	7,629.3	7,207.3
Deferred costs-ESOP	(171.4)	(176.9)
Currency translation adjustments	(169.7)	(57.4)
	7,643.8	7,396.0
Less cost of common stock in treasury	1,074.3	1,295.9
	6,569.5	6,100.1
	$14,513.6	$14,307.2

See Notes to Consolidated Condensed Financial Statements.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

Eli Lilly and Company and Subsidiaries

	Three Months Ended March 31,	
	1997	1996
	(Millions)	
OPERATING ACTIVITIES		
Net income	$432.6	$389.2
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:		
Changes in operating assets and liabilities	(121.8)	(395.4)
Change in deferred taxes	(153.4)	157.2
Depreciation and amortization	139.0	132.7
Other items, net	7.3	(62.7)
NET CASH FLOWS FROM OPERATING ACTIVITIES	303.7	221.0
INVESTING ACTIVITIES		
Net additions to property and equipment	(58.7)	(101.1)
Additions to sundry assets and intangibles	(16.1)	(9.6)
Reduction of investments	137.4	55.5
Additions to investments	(60.2)	(75.7)
Acquisitions	(0.2)	(86.0)
NET CASH FROM (USED FOR) INVESTING ACTIVITIES	2.2	(216.9)
FINANCING ACTIVITIES		
Dividends paid	(197.9)	(187.6)
Purchase of common stock and other capital transactions	53.0	(7.8)
Net additions to short-term borrowings	114.9	109.6
Net additions (reductions) to long-term debt	7.6	(0.4)
NET CASH USED FOR FINANCING ACTIVITIES	(22.4)	(86.2)
Effect of exchange rate changes on cash	(55.1)	(19.0)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	228.4	(101.1)
Cash and cash equivalents at January 1	813.7	999.5
CASH AND CASH EQUIVALENTS AT MARCH 31	$1,042.1	$898.4

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 for a fair statement of the results for the periods shown. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

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

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 and the anticipated settlement was accrued in the fourth quarter of 1995.

The settlement has been approved by the U.S. District Court but an appeal of that decision is pending. Other related suits, brought in federal and state courts by several thousand pharmacies, involve claims of price discrimination or claims

under other pricing laws. Additional cases have been brought on behalf of consumers in several states.

The environmental liabilities and litigation accruals have been reflected in the Company's consolidated balance sheet at the gross amount of approximately $398 million at March 31, 1997. Estimated insurance recoverables of approximately $254 million have been reflected as assets in the consolidated balance sheet at March 31, 1997.

Barr Laboratories, Inc. (Barr) has submitted an Abbreviated New Drug Application (ANDA) seeking FDA approval to market a generic form of Prozac several years before expiration of the company's patents. The ANDA asserts that Lilly's U.S. patents covering Prozac are invalid and unenforceable. Lilly has filed suit in federal court in Indianapolis seeking a ruling that Barr's challenge to Lilly's patents is without merit. While the Company believes Barr's claims are without merit, there can be no assurance that the Company will prevail. An unfavorable outcome of this claim could have a material adverse effect on the Company's consolidated financial position, liquidity, or results of operations.

While it is not possible to predict or determine the outcome of the product liability, 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 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.

ACCOUNTING CHANGES

Effective January 1, 1997, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". This statement requires that each party to a transfer analyze the components of financial asset transfers and recognize only assets it controls and liabilities it has incurred, derecognize assets only when control has been

surrendered and derecognize liabilities only when they have been extinguished. Adoption of this statement did not have a material impact on the Company's consolidated results of operations or financial position.

In February 1997, SFAS No. 128, ``Earnings per Share'', was issued. The statement must be adopted by the Company on December 31, 1997 for the fourth quarter and the year then ended. Under provisions of this statement, the Company will be required to change the method currently used to compute earnings per share as presented on the income statement and Exhibit 11 to the Form 10-Q and present both "basic" and "diluted" earnings per share on the income statement. As a consequence of this change, earnings per share for previously reported periods will be restated. Implementation of this standard is not expected to materially impact earnings per share as reported by the Company.

SUBSEQUENT EVENT

The Company has reached an agreement with The Dow Chemical Company (Dow) whereby Dow will acquire the Company's 40 percent interest in DowElanco. The purchase price will be approximately $1.2 billion resulting in a gain, net of tax, of approximately $310 to $340 million. The transaction is expected to close by June 30, 1997, subject to necessary governmental approvals.

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

OPERATING RESULTS:

The Company's sales for the first quarter increased 10 percent as compared with the first quarter of 1996. Sales inside the United States increased 20 percent while sales outside of the United States decreased 5 percent. Compared with the first quarter of 1996, worldwide sales volume growth of 12 percent and a 1 percent increase in selling prices were partially offset by unfavorable exchange rate comparisons of 3 percent.

Worldwide pharmaceutical sales increased 10 percent in the first quarter compared with the same period last year. Worldwide sales of three of the Company's newer products contributed $163.4 million to this increase. Zyprexa(TM), launched in the fourth quarter of 1996, had first quarter sales of $105.4 million, Gemzar(R) sales grew to $33.1 million, an increase of $29.1 million, and ReoPro(R) sales of $51.7 million reflected an increase in the quarter of $28.9 million. Prozac sales in the first quarter of 1997 were $563.4 million, a decrease of 3 percent from the first quarter of 1996. U.S. sales of Prozac increased 3 percent, but were more than offset by declines in international sales. The Company expects moderate growth in Prozac sales for the full year of 1997. Among other major products, Humulin(R) increased 1 percent to $209.8 million and Axid(R) increased 9 percent to $163.6 million. Health-care-management revenues, primarily in the U.S., were $117.7 million for the quarter, an increase of 52 percent. Worldwide anti-infective sales decreased $42.2 million (11 percent) in the first quarter, due in part to continued generic competition in certain markets and unfavorable exchange rates. The primary contributor to the decline was Ceclor(R), which decreased 11 percent to $140.3 million. The Company anticipates that 1997 sales of anti-infectives will be slightly below 1996 levels due largely to continued pricing pressures.

U.S. pharmaceutical sales and services growth of 21 percent during the quarter was primarily due to increased volume. The sales increase was driven by Zyprexa, ReoPro, and Gemzar. Prozac sales increased 3 percent to $435.7 million in the first quarter, despite the negative effect of U.S. wholesaler purchasing patterns. First quarter 1997 Prozac sales were slowed as a result of wholesaler stocking at the end of 1996. In addition, sales comparisons were adversely affected by wholesaler stocking that occurred in the first quarter of 1996. Axid sales increased to $138.0 million (up 19 percent) in the first quarter, partly due to the positive effect of wholesaler stocking patterns. These increases were offset, in part, by a slight decline in anti-infective sales (3 percent) and decreased Humulin sales (3 percent).

International pharmaceutical sales decreased 5 percent in the first quarter with volume growth of 6 percent being more than offset by an 8 percent unfavorable exchange rate impact and a 3 percent reduction in selling prices. Prozac experienced a 17 percent decline in sales due to continuing generic competition in Canada and Australia, unfavorable exchange rates, and competitive pressures in France. Anti-infective sales decreased 14 percent in the quarter due in part to unfavorable exchange rates and a mild flu season in Europe. These decreases were offset somewhat by increased sales of Humulin, Zyprexa, Gemzar, and ReoPro.

Worldwide sales of animal health products increased 1 percent over the first quarter of 1996 driven by volume growth of 4 percent.

Cost of sales decreased in the first quarter to 27.7 percent of sales from 29.0 percent of sales in the same quarter of 1996. This decrease is primarily the result of continued productivity improvements, enhanced plant utilization, and favorable changes in product mix. 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 increase slightly from 1996 levels as reductions in costs as a percent of sales for the core pharmaceutical business

will likely be more than offset by increases in revenues from health-care-management services.

Operating expenses increased 5 percent in the first quarter compared with the same period in 1996. The increase reflects a 9 percent growth in research and development due to clinical trial expenditures and increased activity under research collaborations. Marketing and administrative expenses increased only 3 percent from the first quarter of 1996, largely as a result of cost-containment and expense-management programs put in place in the last half of 1996. The Company expects additional growth in marketing and administrative expenses in 1997 primarily to support the global sales of its newer products and anticipated future product launches.

Compared to the first quarter of 1996, interest expense decreased $9.3 million (13 percent) due to a decline in the Company's short-term borrowings.

Net other expense for the quarter was $66 million higher than the first quarter of 1996. This increase results from a $24 million one-time charge in the first quarter of 1997 related to the discontinuance of a research collaboration with Somatogen, Inc. and reduced income from licensing agreements in comparison with the first quarter of 1996.

The Company's estimated tax rate was 25.0 percent in the first quarter of 1997 versus a tax rate of 25.7 percent in the first quarter of 1996. The estimated effective tax rate for the first quarter of 1997 essentially equals the annual 1996 rate of 25 percent. The decline from the first quarter of 1996 is primarily the result of changes in the mix of earnings between jurisdictions having differing tax rates and the effectiveness of various tax planning strategies. The Company expects current tax strategies will allow its 1997 effective tax rate to remain approximately the same as the 1996 annual rate.

As a consequence of the growth in sales-related gross margins and the reduced estimated tax rate, partially offset by modest operating expense growth and increased other expenses, net income of $432.6 million and earnings per share of $0.79 both reflected an 11 percent increase compared to the first quarter of 1996. Without the one-time charge related to Somatogen, earnings per share would have been $0.82, a 15 percent increase.

FINANCIAL CONDITION

As of March 31, 1997, cash, cash equivalents, and short term investments totaled $1.1 billion as compared with $955 million at December 31, 1996. Total debt at March 31, 1997, was $3.8 billion, an increase of approximately $100 million from December 31, 1996. The increase primarily reflects additional borrowings necessary to fund normal seasonal operating needs. Short-term debt aggregating $1.3 billion is primarily in the form of commercial paper.

The Company believes that cash generated from operations, along with available cash and cash equivalents, will be sufficient to fund essentially all the Company's operating needs, including debt service, capital expenditures, and dividends for the remainder of 1997. The Company believes that amounts available through existing commercial paper programs should be adequate to fund maturities of short-term borrowings. The outstanding commercial paper is also backed by committed bank credit facilities.

The Company continues to evaluate the recoverability of PCS Health Systems, Inc.'s (PCS) long-lived assets, including intangibles, pursuant to Statement of Financial Accounting Standards (SFAS) No. 121. In performing its past review under SFAS No. 121, the Company compared expected undiscounted cash flows to the carrying value of PCS'long-lived assets, which aggregate to approximately $3.8 billion. Past estimates of the undiscounted cash flows from PCS indicated that PCS' carrying value was expected to be recovered over the remaining life of the assets. While revenues and profits are growing and new capabilities are being developed, the rapidly changing, competitive and highly regulated nature of PCS' business environment has prevented the Company from significantly increasing PCS' operating profits from levels prior to the

acquisition. Further, the Company has been unable to attract suitable

pharmaceutical co-investors that could benefit from and further expand the capabilities of PCS. The Company is continuing to update its assessment as additional information becomes available. Accordingly, it is reasonably possible that the Company's estimate of PCS' undiscounted cash flows could change in the near term. If the estimated cash flows fall below the carrying amount of the assets, an impairment loss would be recognized. The Company would be required to reduce the carrying value of PCS to current fair value which would be significantly less than the current carrying value.

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995:

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

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Pricing Litigation. Reference is made to the discussion of In re Brand Name Prescription Drugs Antitrust Litigation (MDL No. 997) and related cases contained in the Company's Form 10-K for the year ended December 31, 1996, under Part I, Item 3, "Legal Proceedings". Certain of the class plaintiffs in the Federal Class Action have brought a separate suit in federal court in the Northern District of Illinois against the Company and other defendants who were part of the settlement of the Federal Class Action. The suit alleges that the defendants conspired to delay implementation of certain non-monetary commitments of the settlement agreement. These plaintiffs are seeking a preliminary injunction compelling the defendants to comply with certain portions of the settlement agreement notwithstanding that it is subject to an appeal. The Company and other defendants have sought a stay of the matter pending a ruling by the Seventh Circuit on the appeal of the settlement agreement.

There have also been developments in some of the related state court cases. Among the consumer cases, the Florida and Tennessee cases now include consumer protection law claims under state unfair trade practices statutes. The Tennessee consumer case has been removed to federal court. Plaintiffs have sought to remand the case to state court and defendants have petitioned to transfer the case to the MDL court in Chicago. In the Alabama retailer case, a trial date has been set for October, 1997. In the Alabama consumer case, pending in federal court in Chicago, the Seventh Circuit Court of Appeals recently agreed to review the propriety of federal jurisdiction over the lawsuit.

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 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 first quarter of 1997.

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 May 15, 1997

S/Daniel P. Carmichael
Daniel P. Carmichael
Secretary and Deputy General Counsel

Date May 15, 1997

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

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

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 March 31,	
	1997	1996
	(Dollars in millions except per-share data) (Shares in thousands)	
PRIMARY:		
Net income	$432.6	$389.2
Preferred stock dividends	(.6)	-
Adjusted net income	432.0	389.2
Average number of common shares outstanding	549,468	546,314
Incremental shares - stock plans and contingent payments	16,797	13,908
Adjusted average shares	566,265	560,222
Primary earnings per share	$ .76	$ .69
FULLY DILUTED:		
Net income	$432.6	$389.2
Preferred stock dividends	(.6)	-
Adjusted net income	432.0	389.2
Average number of common shares outstanding	549,468	546,314
Incremental shares - stock plans and contingent payments	16,797	16,043
Adjusted average shares	566,265	562,357
Fully diluted earnings per share	$ .76	$ .69

Common stock equivalents are not materially dilutive and, accordingly, have not been considered in the computation of reported net earnings per common share.

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)

	Three Months Ended March 31,	Years Ended December 31,				
	1997	1996	1995	1994	1993	1992
Consolidated Pretax Income from Continuing Operations before Accounting Changes...	$576.8	$2,031.3	$1,765.	$1,698.6	$662.8	$1,193.5
Interest from Continuing Operations.....	68.5	324.9	324.6	129.2	96.1	108.4
Interest Capitalized during the Period from Continuing Operations.....	(7.9)	(36.1)	(38.3)	(25.4)	(25.5)	(35.2)
Earnings.....	$637.4	$2,320.1	$2,051.9	$1,802.4	$733.4	$1,266.7
Fixed Charges(1).....	$ 69.4	$ 329.6	$ 324.6	$ 129.2	$ 96.1	$ 108.4
Ratio of Earnings to Fixed Charges.....	9.2	7.0	6.3	14.0	7.6	11.7

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

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3-MOS	
DEC-31-1997	
MAR-31-1997	
1,042,119	
75,361	
1,620,415	
66,336	
876,264	
4,275,747	
7,002,555	
2,808,226	
14,513,618	
4,061,749	
2,509,649	
0	
0	
355,564	
6,213,909	
14,513,618	
1,833,779	
1,953,000	
449,151	
541,345	
772,856	
0	
60,631	
576,829	
144,213	
432,616	
0	
0	
0	
432,616	
.76	
.76	

Amounts include research and development, marketing 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 and foreign currency exchange rates.

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

- Governmental factors including laws and regulations and judicial decisions at the state and federal level related to Medicare, Medicaid and healthcare reform; and laws and regulations affecting international 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 because of efficacy or safety concerns, inability to obtain necessary regulatory approvals, difficulty or excessive costs to manufacture, or infringement of the patents or intellectual property rights of others.

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

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

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

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

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

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

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