
Eli Lilly and Company

Second Quarter Financial Review

July 21, 2006

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The Lilly logo is written in a red, cursive script font.

Answers That Matter.

Key Events in the Last Three Months

Business Development

- Signed an agreement with Alcon to co-promote Arxxant in the U.S. and P.R.

Advancing the Pipeline

- Gemzar was approved in the U.S. for the treatment of recurrent ovarian cancer in combination with carboplatin
- Submitted Arxxant for diabetic retinopathy in the EU
- Submitted a supplemental NDA for Cymbalta for the treatment of GAD in the U.S.
- Initiated a Phase III clinical trial of enzastaurin for Non-Hodgkin's Lymphoma

Productivity

- Announced proposals to close three European facilities

Patient Assistance

- Announced the extension of LillyAnswers through the end of this year

Q2 Income Statement **(Adjusted)**

\$ Millions, except per share data

	<u>Q2</u>	<u>Growth*</u>	<u>YTD</u>	<u>Growth*</u>
Net Sales	\$3,867	5%	\$7,582	6%
Gross Margin	77.7%	1.5 pp	78.0%	2.1 pp
Total Operating Expense	2,013	5%	3,896	5%
Operating Income	994	12%	2,018	16%
Other Income/(Deductions)	47		79	
<i>Effective Tax Rate</i>	<i>21.0%</i>		<i>21.0%</i>	
Net Income	<u>\$ 822</u>	13%	<u>\$ 1,657</u>	13%
Diluted EPS*	\$ 0.76	13%	\$ 1.53	14%

*** Notes:**

- Q2 2005: Normalized for product liability charge.
- For complete reconciliation to reported earnings, please see earnings press release.

Q2 Income Statement (Reported)

\$ Millions, except per share data

	Q2	Growth	YTD	Growth
Net Sales	\$3,867	5%	\$7,582	6%
Gross Margin	77.7%	1.5 pp	78.0%	2.1 pp
Total Operating Expense	2,013	(33%)	3,896	(18%)
Operating Income	994	N/M	2,018	N/M
Other Income/(Deductions)	47		79	
<i>Effective Tax Rate</i>	<i>21.0%</i>		<i>21.0%</i>	
Net Income	\$ 822	N/M	\$ 1,657	N/M
Diluted EPS	\$ 0.76	N/M	\$ 1.53	N/M

Q2 & YTD Normalization of Diluted EPS

	<u>Q2 2006</u>	<u>Q2 2005</u>	<u>% Growth</u>
EPS (as reported)	\$ 0.76	\$ (0.23)	NM
Product liability charge	-	0.90	
EPS (adjusted)	<u>\$ 0.76</u>	<u>\$ 0.67</u>	13%
	<u>YTD 2006</u>	<u>YTD 2005</u>	<u>% Growth</u>
EPS (as reported)	\$ 1.53	\$ 0.44	NM
Product liability charge	-	0.90	
EPS (adjusted)	<u>\$ 1.53</u>	<u>\$ 1.34</u>	14%

Effect of Price/Rate/Volume on Q2 Sales

Q2 2006

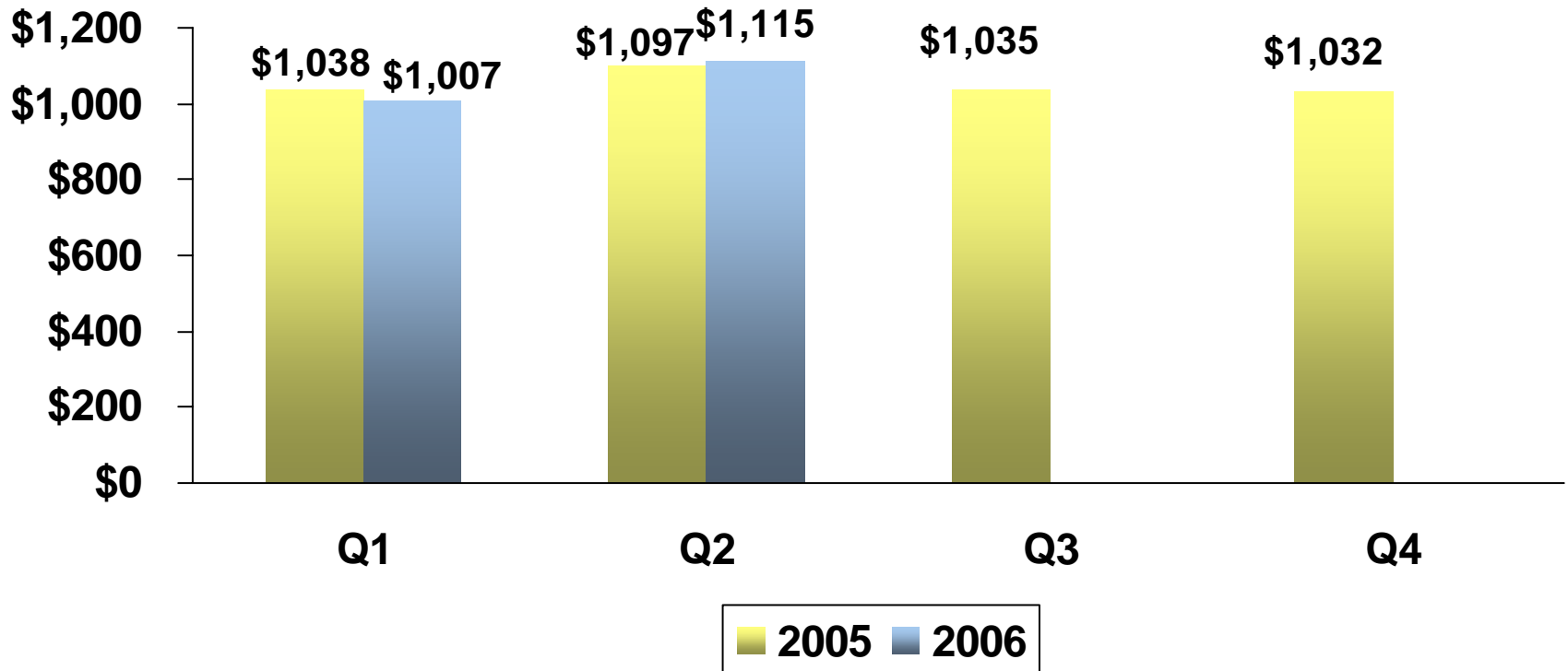
	<u>Price</u>	<u>Fx Rate</u>	<u>Volume</u>	<u>Total</u>
Pharmaceuticals				
U.S.	8%	N/A	0%	8%
Europe	(4%)	(3%)	9%	2%
Japan	(7%)	(7%)	14%	0%
ROW	1%	3%	2%	7%
Animal Health	0%	1%	0%	0%
Total Lilly	3%	(1%)	3%	5%

Note: Numbers may not add due to rounding.

Q2 Zyprexa[®] Sales Increased 2% to \$1.115 billion

US sales decreased 1% while International sales increased 5%

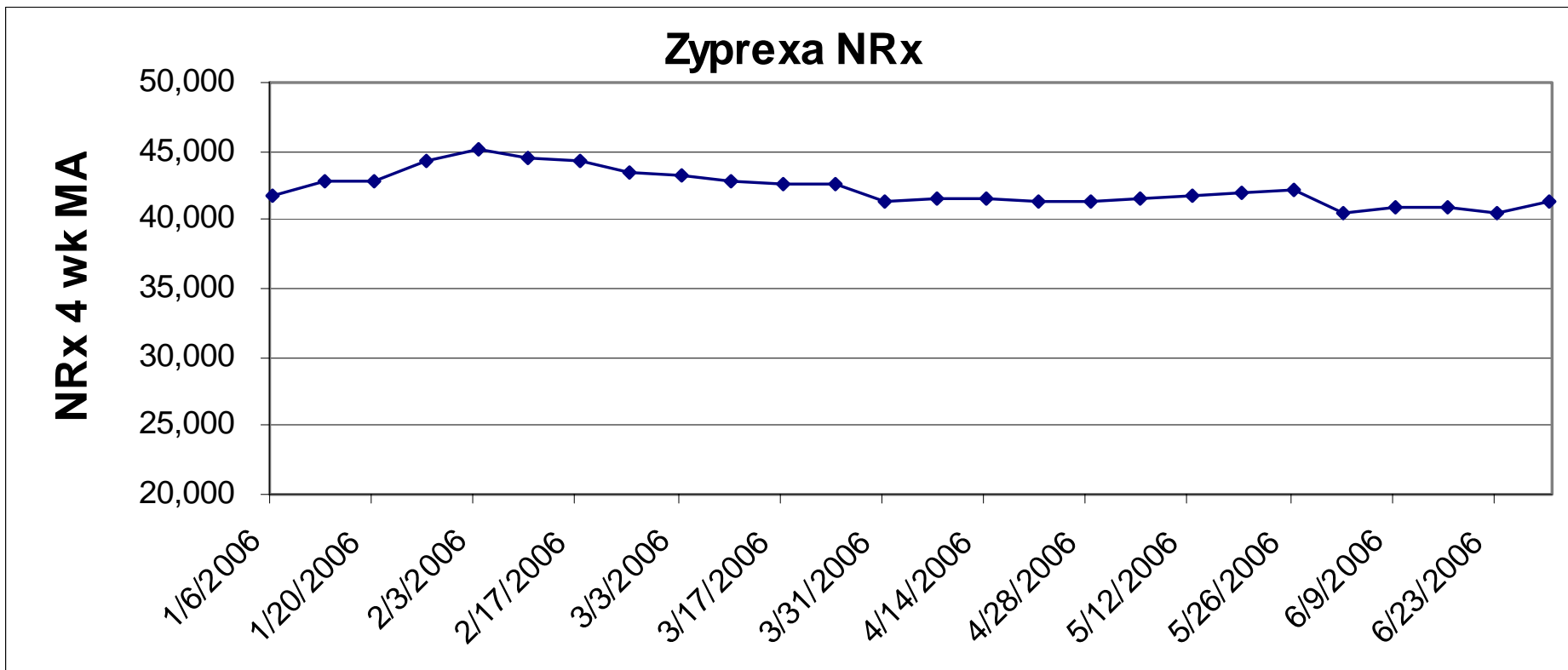
Millions



Note: Quarterly numbers may not add to year-to-date totals due to rounding

Zyprexa Showing Consistent Volumes in the US

US prescription volume has been consistent for the first six months of 2006

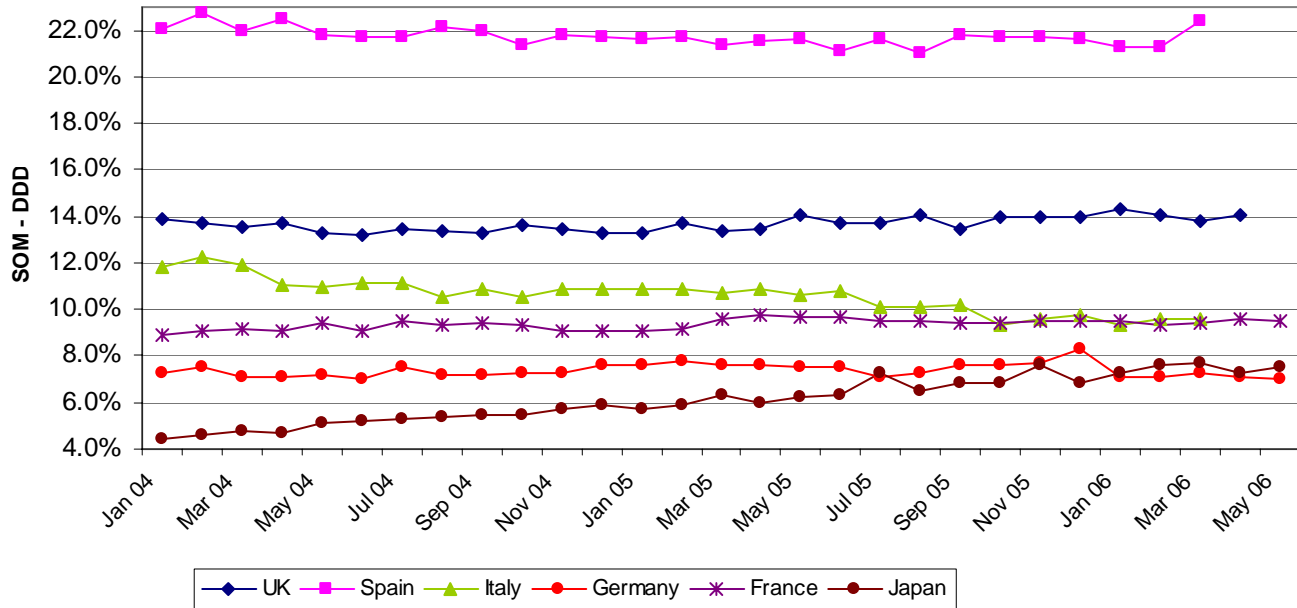


Source: IMS Health, National Prescription Audit™ Plus7, July 2006

Zyprexa Showing Consistency in Major OUS Markets

Share trends in Europe are stable and Japan shows growth

Zyprexa SOM - Major OUS



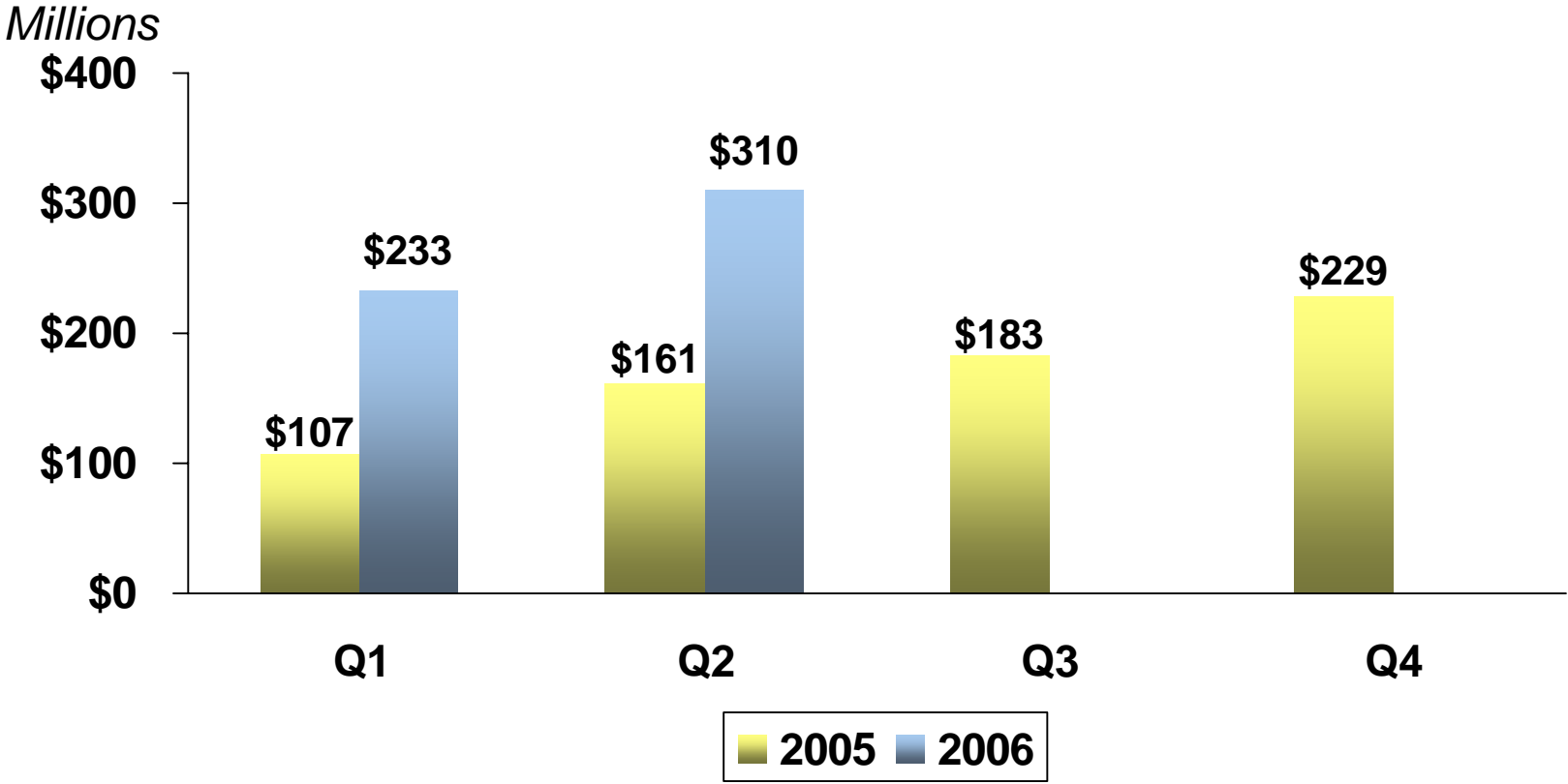
Zyprexa Volume Growth
June YTD '06 vs. YTD '05:

UK	12%
Spain	13%
Italy	1%
Germany	2%
France	7%
Japan	17%

Source: IMS Health, IMS MIDAS®, July 2006

Q2 Cymbalta® Sales \$310 Million Up 92%

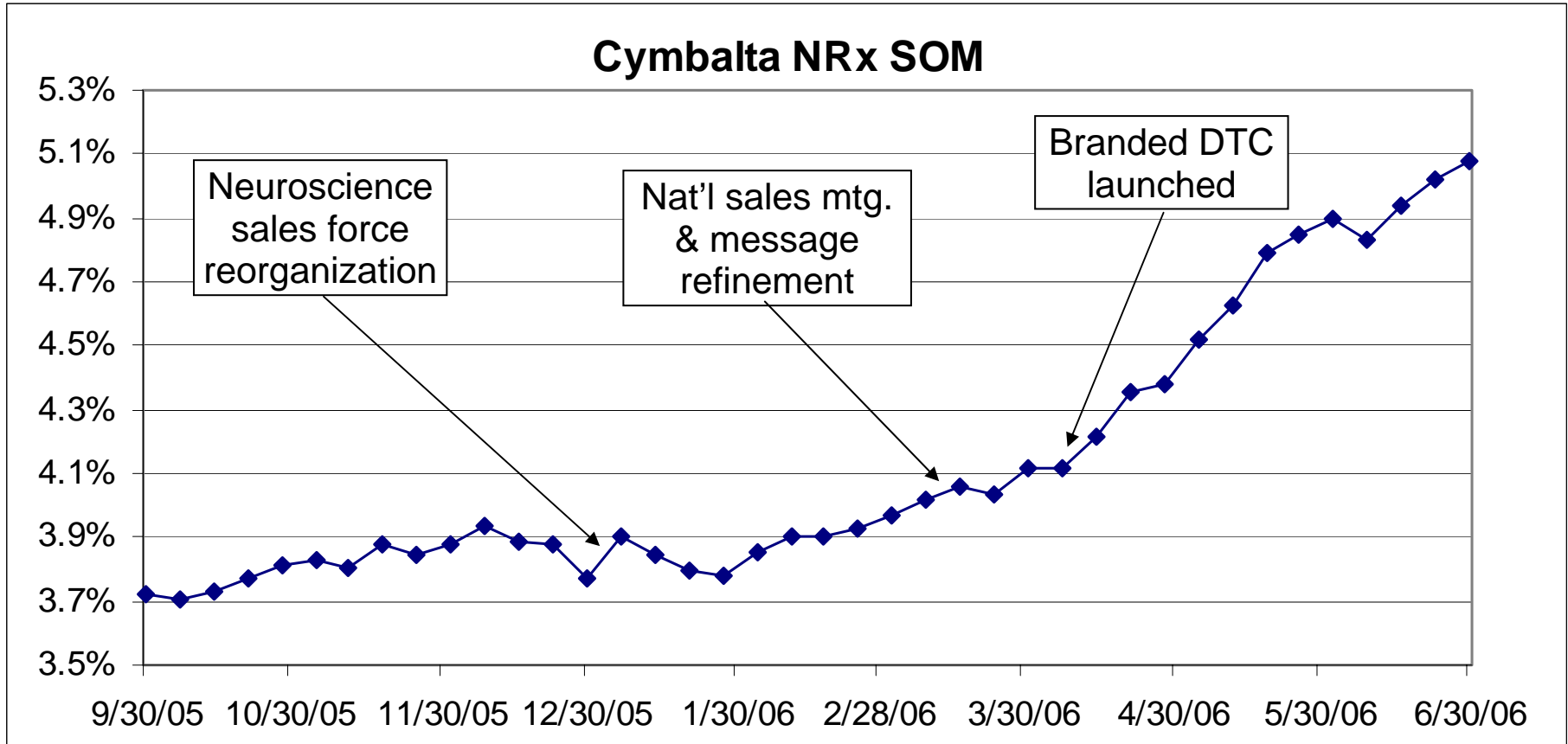
Sequential growth of 33% Q1 to Q2



Note: Quarterly numbers may not add to year-to-date totals due to rounding

Cymbalta US Script Volume is Positive

In Q2, Cymbalta gained twice as much share as in the previous six months

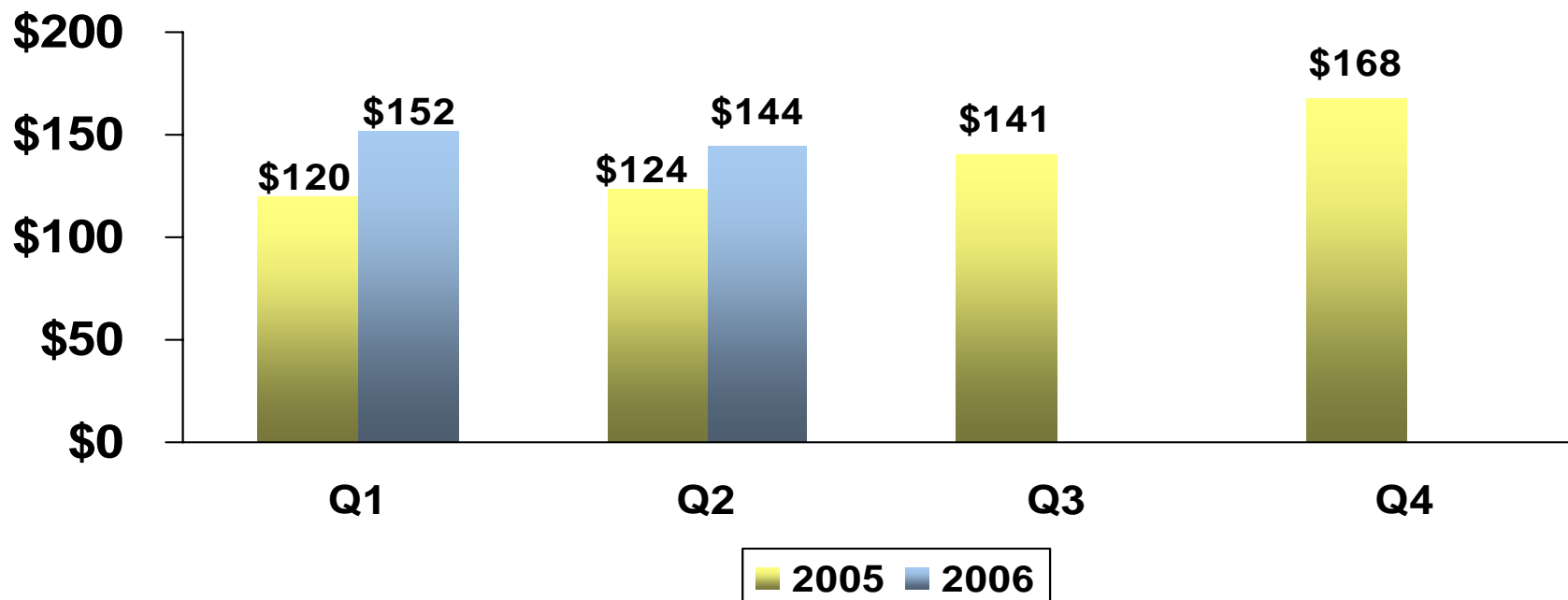


Source: IMS Health, National Prescription Audit™ Plus7, July 2006

Q2 Strattera[®] Sales Increased 17%

Comparison benefits from wholesaler destocking in Q2 2005

Millions

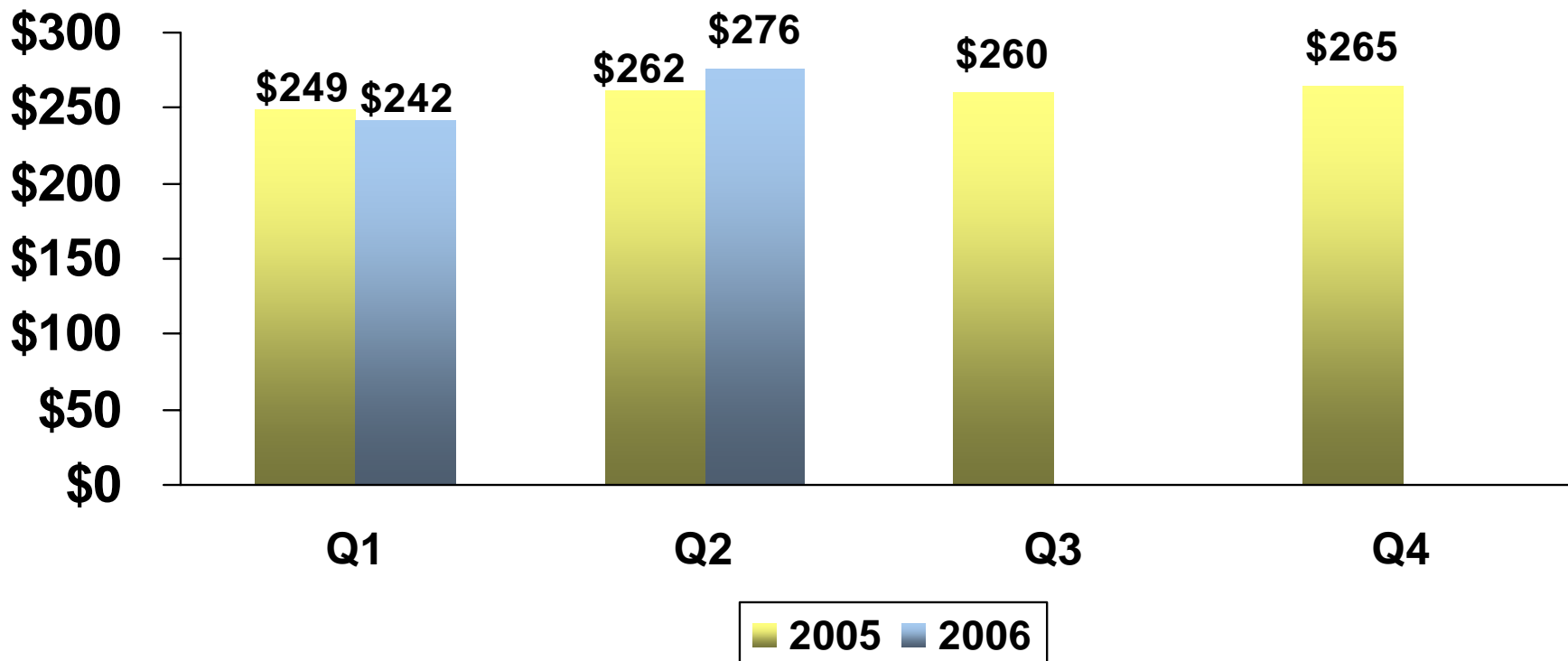


Note: Quarterly numbers may not add to year-to-date totals due to rounding

Q2 Evista[®] Sales Increased 5%

U.S. sales increased 7%
Sales outside the U.S. increased 2%

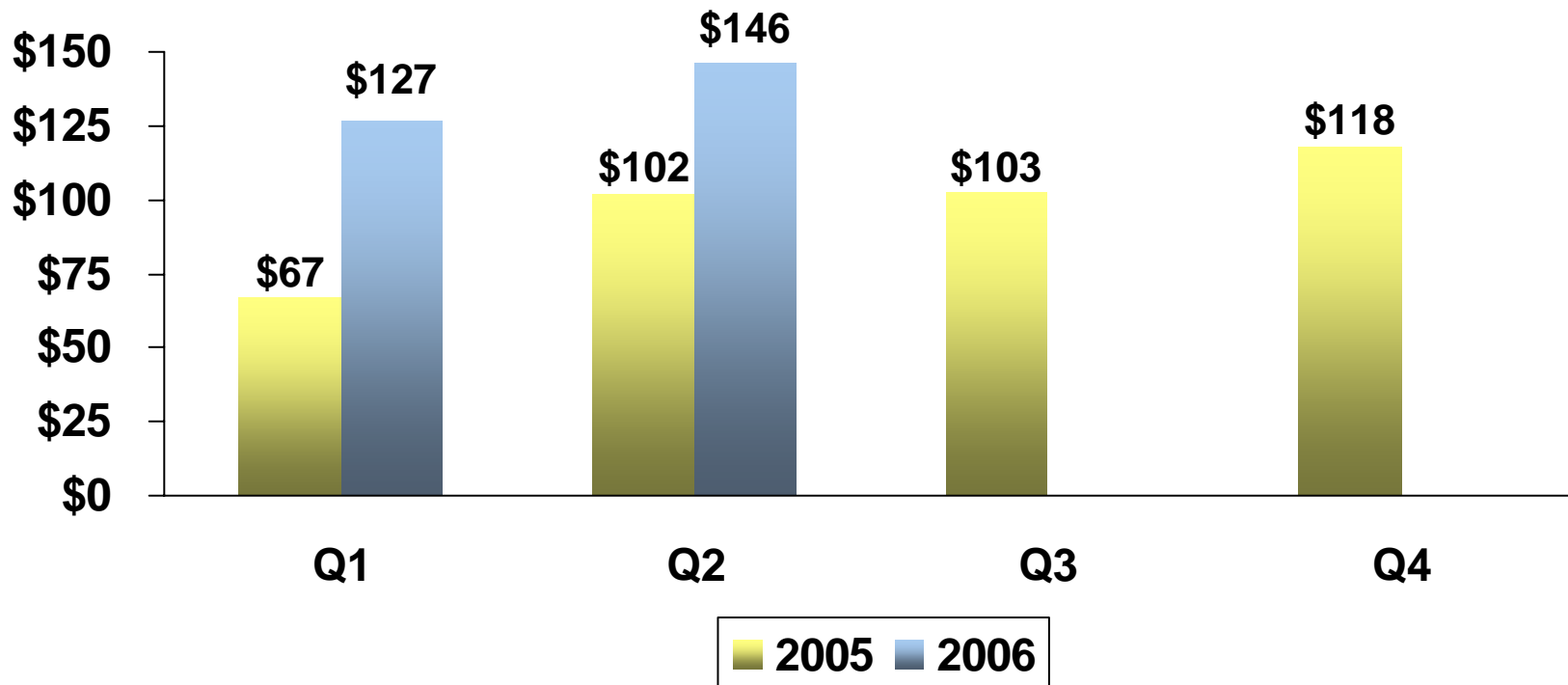
Millions



Note: Quarterly numbers may not add to year-to-date totals due to rounding

Q2 Forteo[®] Sales Up 43%

Millions

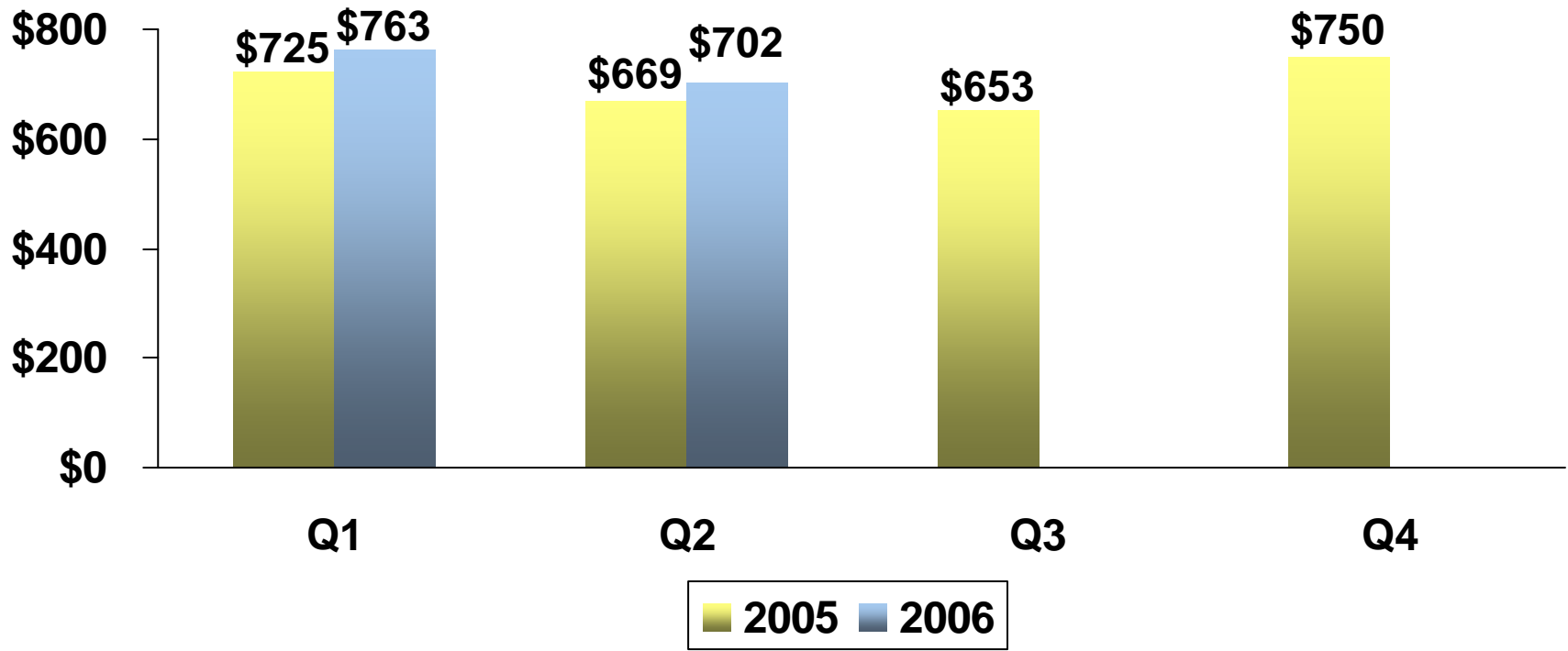


Note: Quarterly numbers may not add to year-to-date totals due to rounding

Q2 Diabetes Care Sales Increased 5%

**Humalog[®] sales up 8%; Humulin[®] sales down 12%;
Actos[®] revenue decreased 12%; Lilly Byetta revenue of \$52 million**

Millions

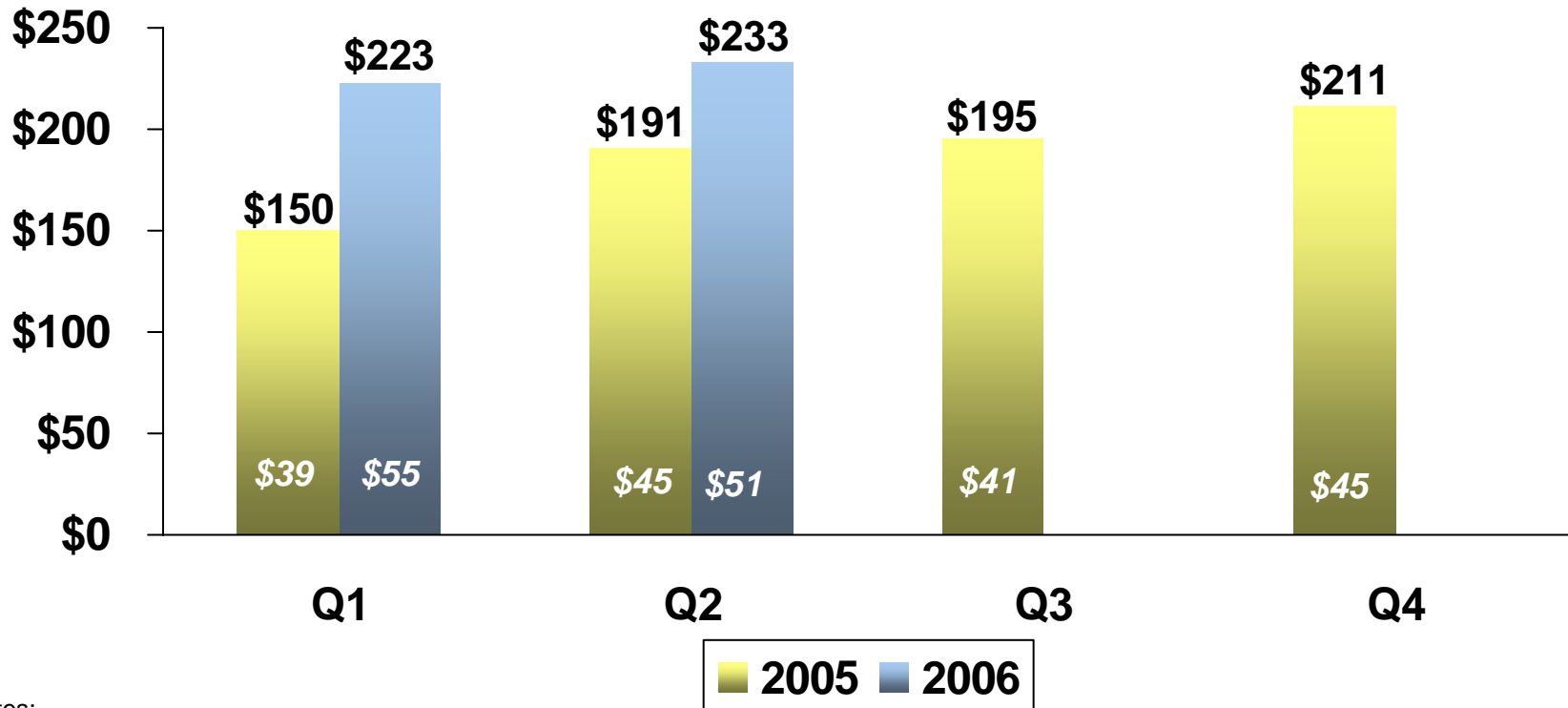


Note: Quarterly numbers may not add to year-to-date totals due to rounding

Q2 Global Cialis® Sales Up 22%

**Q2 total global sales were \$233 million
(Lilly territories were \$51 million)**

Millions



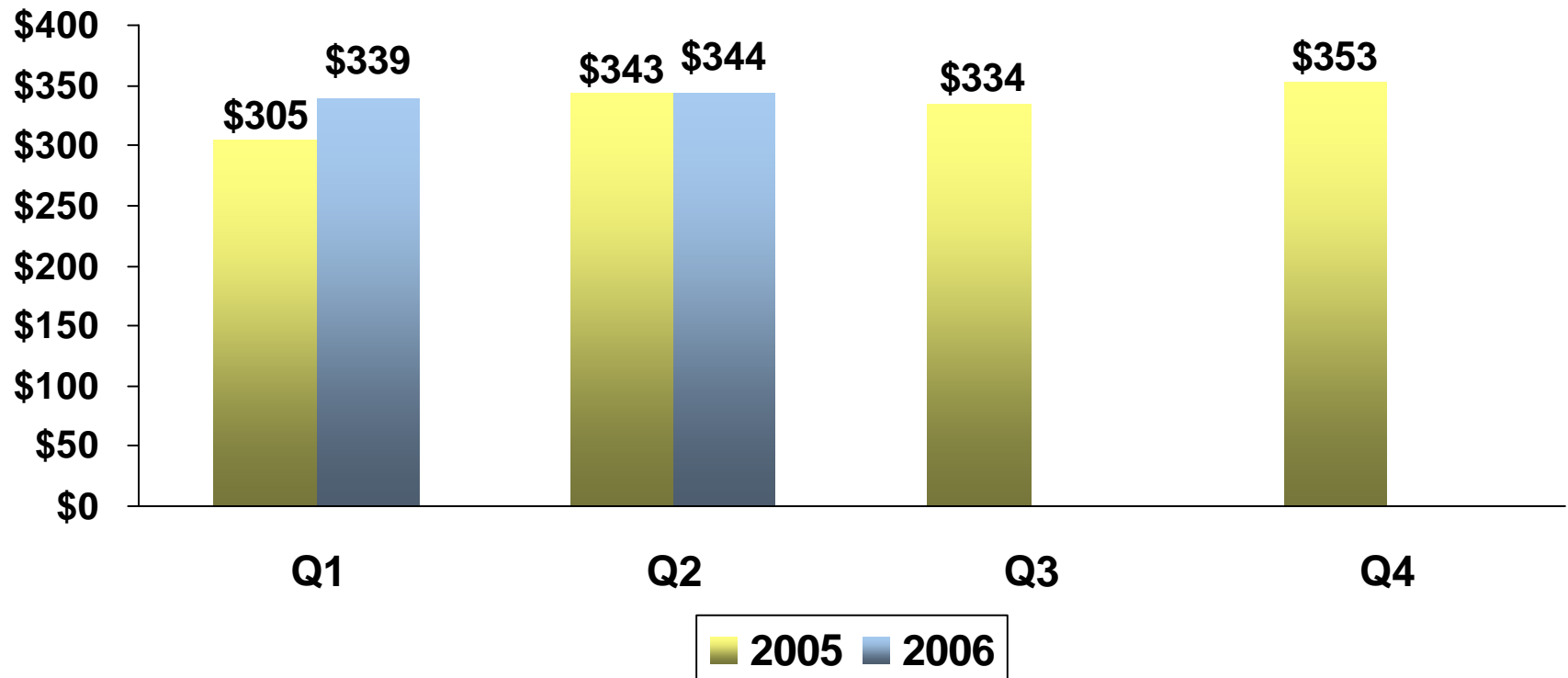
Notes:

- Sales in the Lilly territories are reported as revenue on Lilly's income statement. All sales in the JV territories (North America and Europe) are part of the Lilly ICOS Joint Venture gain (loss) reported in Other Income and Deductions.
- Quarterly numbers may not add to year-to-date totals due to rounding
- Numbers at the bottom of the columns represent Lilly territory sales only and are included in the totals at the top of each column.

Q2 Gemzar[®] Sales 344 Million

U.S. sales decreased 3%, International sales up 3%

Millions

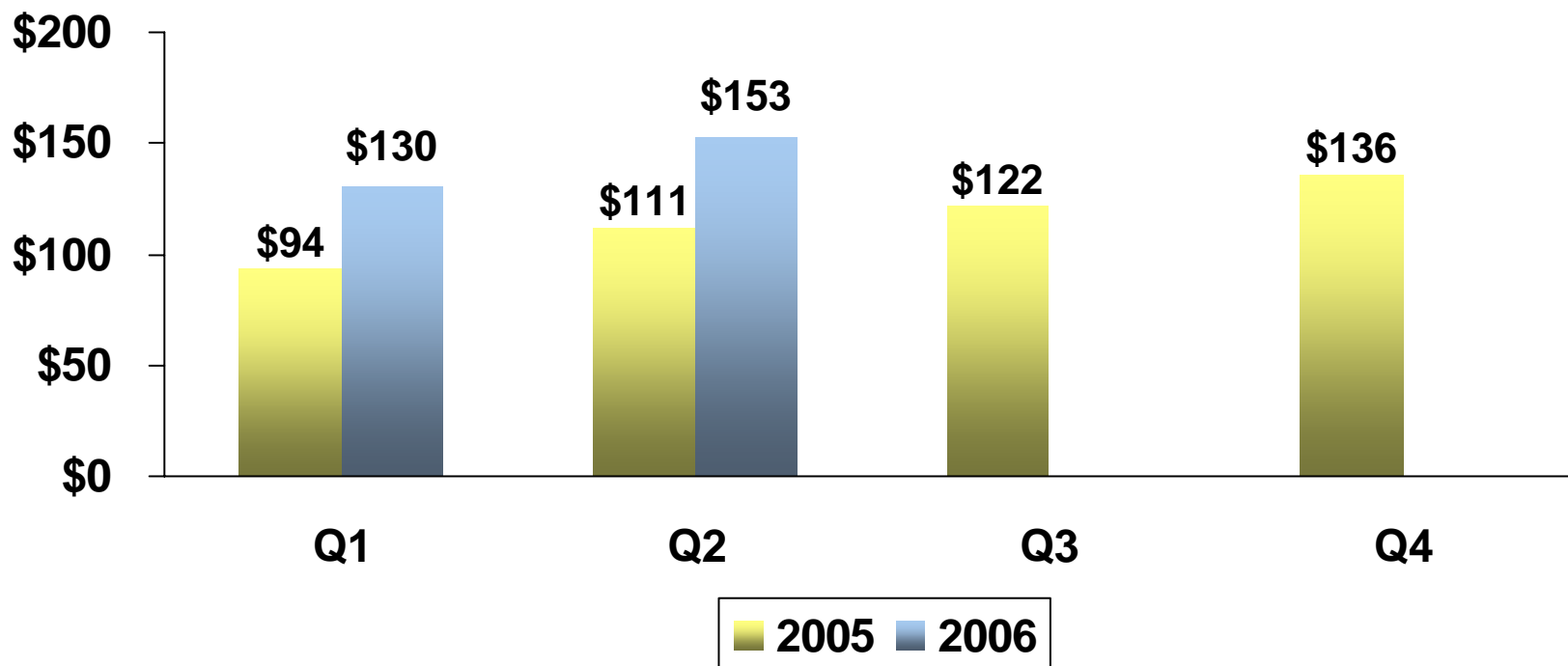


Note: Quarterly numbers may not add to year-to-date totals due to rounding

Q2 Alimta[®] Sales \$153 Million

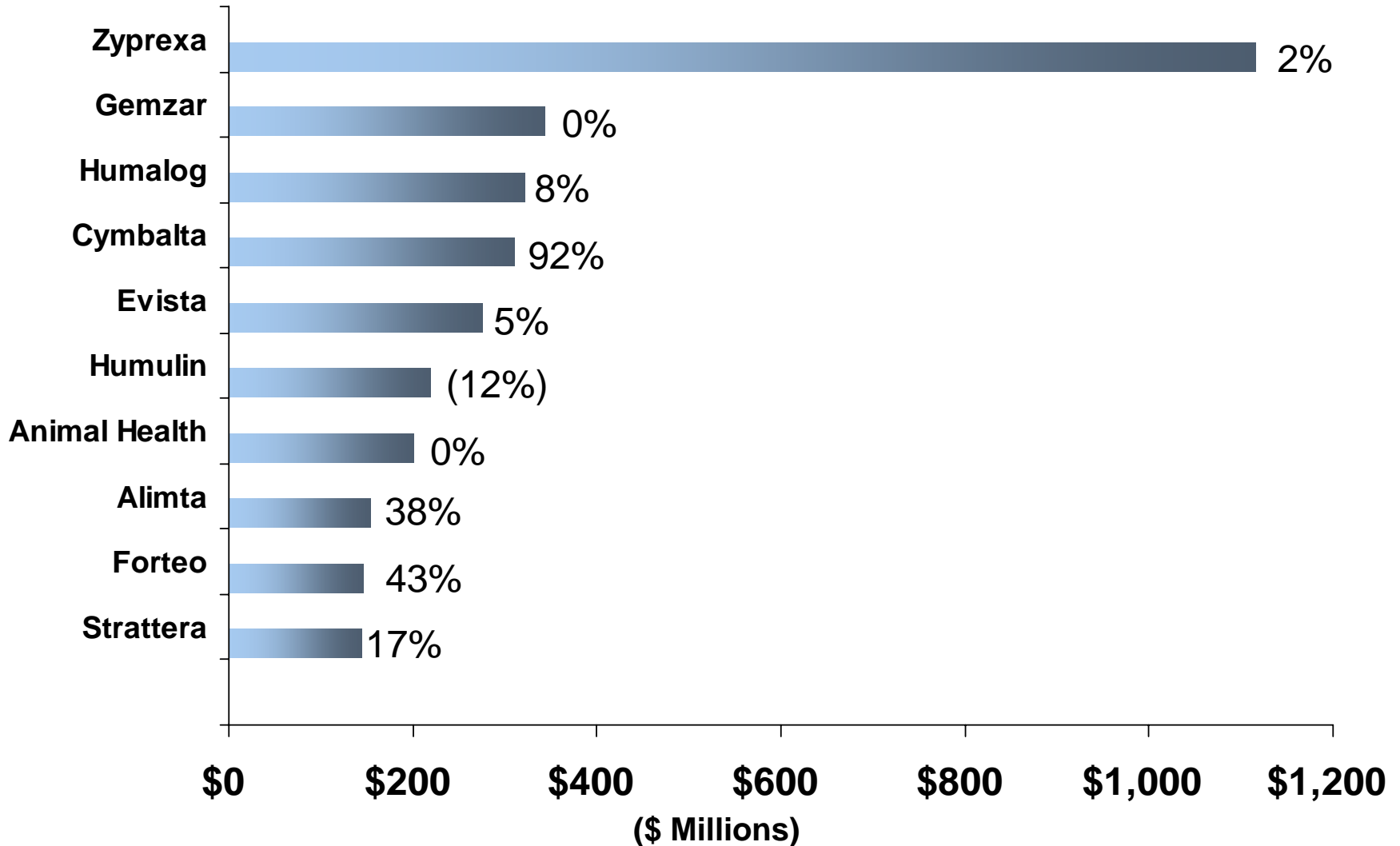
U.S. sales were \$88 million,
International sales were \$65 million

Millions

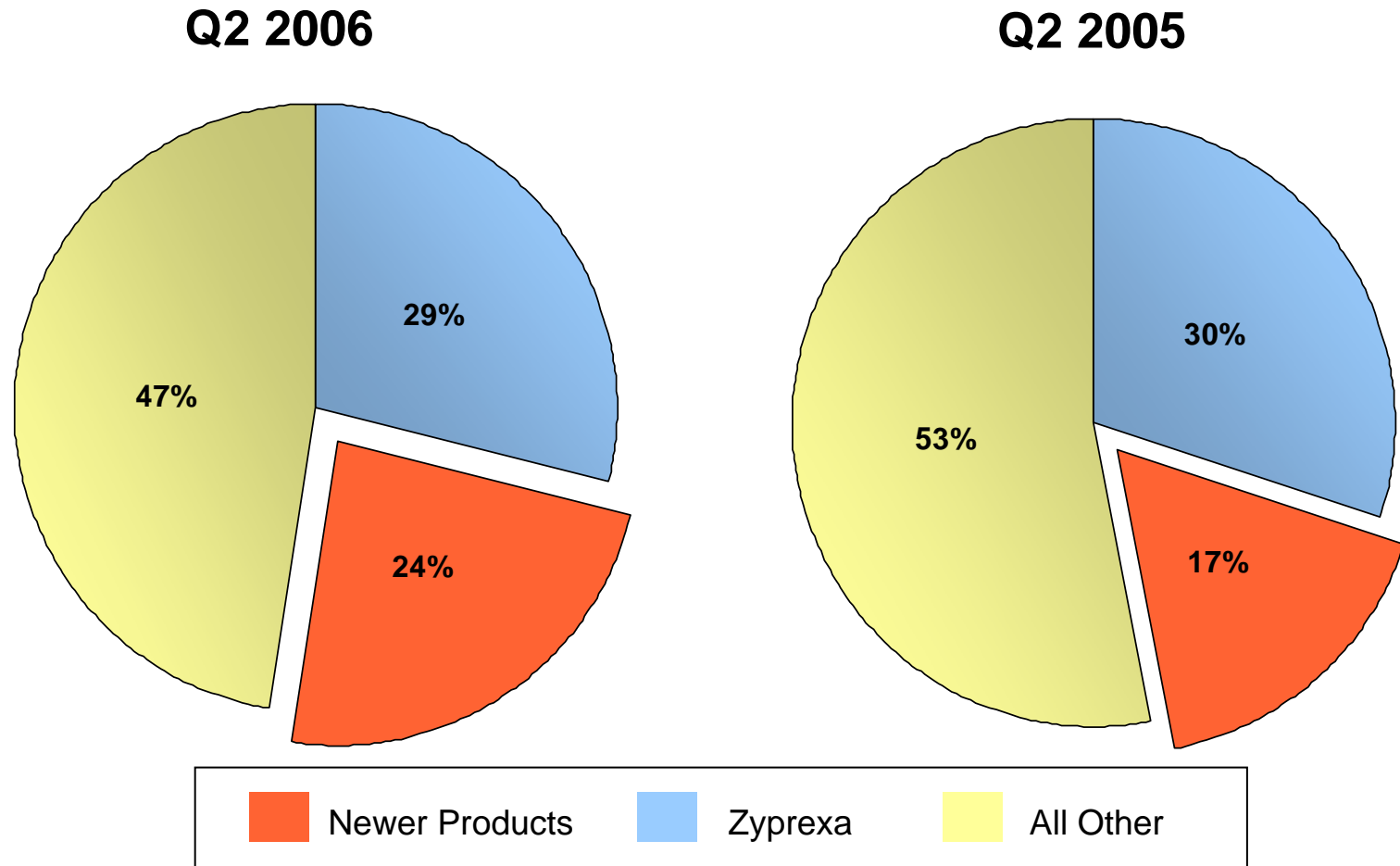


Note: Quarterly numbers may not add to year-to-date totals due to rounding

Q2 Sales of Leading Products

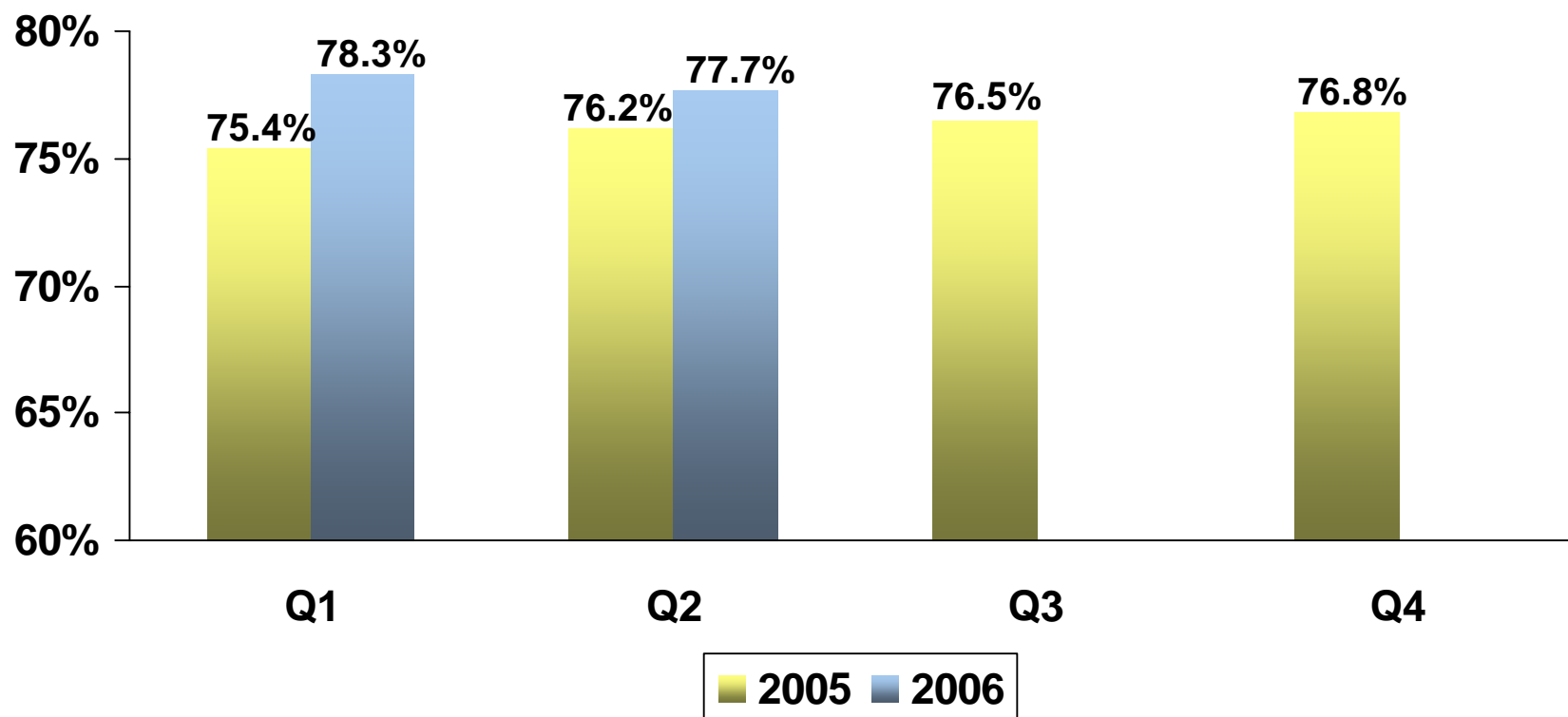


Newer Products Contributed \$920 Million in Sales in Q2 2006



Note: Newer products include Alimta, Byetta, Cialis, Cymbalta, Forteo, Strattera, Symbyax[®], Xigris[®] and Yentreve[®].

Q2 Gross Margin Increased to 77.7%

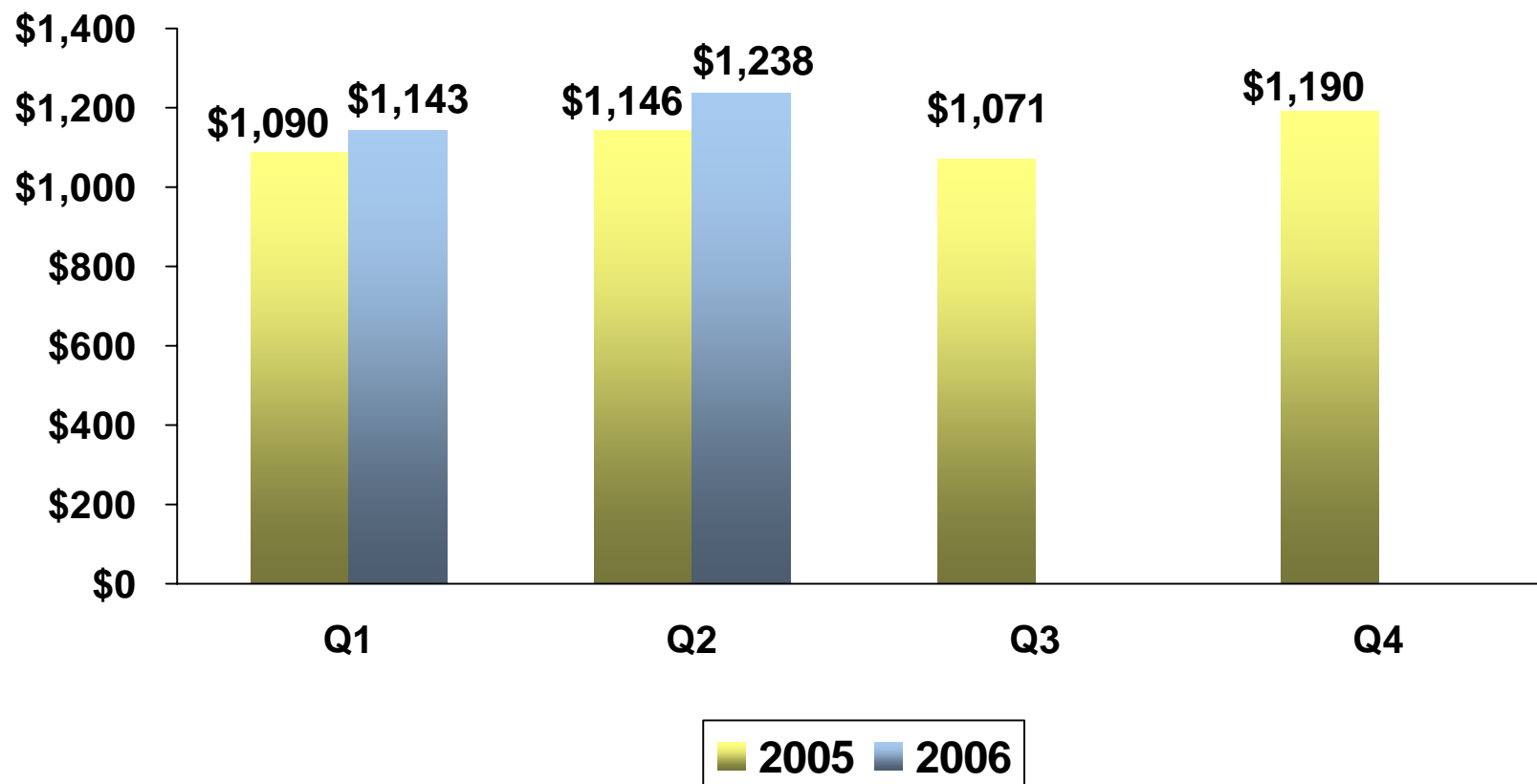


Note: Quarterly numbers may not add to year-to-date totals due to rounding

Q2 SG&A Increased 8%

Increase due to marketing expense in support of new products

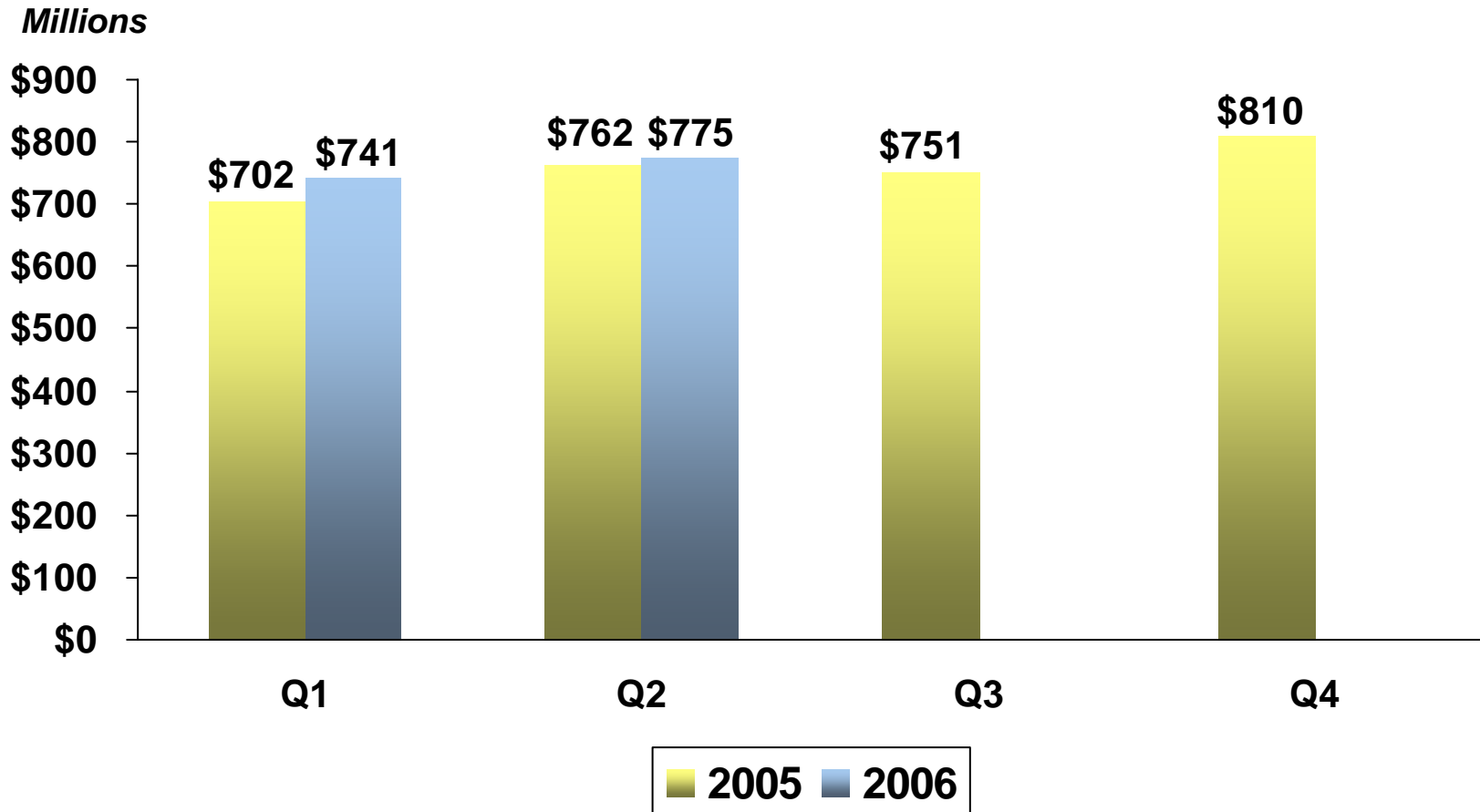
Millions



Note: Quarterly numbers may not add to year-to-date totals due to rounding

Q2 R&D Increased 2%

Q2 R&D investment was 20% of sales



Note: Quarterly numbers may not add to year-to-date totals due to rounding

Q2 Other Income/(Deductions)

<i>\$ Millions</i>	<u>2Q06</u>	<u>2Q05</u>
- Interest Expense	(\$66)	(\$12)
- Interest Income	68	46
Interest, Net	<u>3</u>	<u>34</u>
Lilly ICOS JV Gains / (Losses)	23	(1)
- Outlicense of Marketed Products	1	10
- Outlicense of Development Stage Compounds	16	13
- Partnered Products	1	2
- Miscellaneous Income	4	(13)
Other Income, Net	<u>22</u>	<u>12</u>
Net Other Income	<u>47</u>	<u>45</u>

Note: Numbers may not add due to rounding and certain reclassifications have been made to prior year to conform to current year presentation.

YTD Other Income/(Deductions)

<i>\$ Millions</i>	<u>YTD 06</u>	<u>YTD 05</u>
- Interest Expense	(\$131)	(\$37)
- Interest Income	128	93
Interest, Net	<u>(3)</u>	<u>56</u>
Lilly ICOS JV Gains / (Losses)	42	(13)
- Outlicense of Marketed Products	2	23
- Outlicense of Development Stage Compounds	24	53
- Partnered Products	2	5
- Miscellaneous Income	12	20
Other Income, Net	<u>40</u>	<u>101</u>
Net Other Income	<u>79</u>	<u>144</u>

Note: Numbers may not add due to rounding and certain reclassifications have been made to prior year to conform to current year presentation.

Other Income/(Deductions) Categories

Outlicense of Marketed Products: sale of legacy trademarks and market authorization primarily in markets outside the U.S.

Outlicense of Development Stage Products: income from outlicensing deals of compounds in the development stage

Partnered Products: upfront and milestone income from partnerships

Lilly ICOS JV Gains/(Losses): Lilly's portion of the profit or loss (net of marginal state and federal taxes) from the joint venture*

Miscellaneous Income/(Expense): gains and losses from our transactional hedging program, miscellaneous license fee income and various other items

* See Lilly ICOS LLC financial results press release for full reporting of the joint venture operating results

Q2 Summary (Adjusted)

Q2 2006

Sales

↑ 5%

Gross Margin

↑ 1.5 pps

OPEX

↑ 5%

EPS

↑ 13%

For complete reconciliation to reported earnings, please see earnings press release.

Comparative EPS Summary 2005/2006

	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006
Adjusted	.68	.67	.73	.80	2.87	.77	.76			
Reported	.68	(.23)	.73	.64	1.81	.77	.76			

For complete reconciliation to reported earnings, please see earnings press release.

Safe Harbor Provision

Forward-looking statements in this presentation reflect management's views at the time they are made but are subject to risks and uncertainties. Actual results may differ materially. For more information on those risk factors, see Lilly's most recent 10-K and 10-Q filings with the Securities and Exchange Commission. Lilly assumes no duty to update these statements.