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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

Current Report
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 16, 2006

ELI LILLY AND COMPANY

(Exact name of registrant as specified in its charter)

Indiana	**001-06351**	**35-0470950**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)
Lilly Corporate Center **Indianapolis, Indiana** (Address of Principal Executive Offices)		**46285** (Zip Code)

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

No Change
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 1.01. Entry into a Material Definitive Agreement

1. Acquisition of ICOS Corporation

On October 17, 2006, Eli Lilly and Company, an Indiana corporation (the "company" or "we" or "our"), issued a press release announcing that it has entered into an Agreement and Plan of Merger, dated as of October 16, 2006, by and among the company, ICOS Corporation, a Washington corporation ("ICOS") and Tour Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of the company ("Merger Sub"), whereby the company will acquire ICOS through the merger of Merger Sub with and into ICOS, after which ICOS will be the surviving corporation and a wholly-owned subsidiary of the company (the "Merger"). Under the merger agreement, the company will acquire all outstanding shares of ICOS common stock at a price of $32.00 per share in cash, for an aggregate purchase price of approximately $2.1 billion.

Consummation of the Merger is subject to certain customary conditions, including (i) approval of the transaction by the shareholders of ICOS, (ii) the absence of any material adverse effect on ICOS' business and (iii) applicable regulatory approvals, including the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

A copy of the press release is included as exhibit 99.1 to this report and is included herein by reference.

2. Change in Control Severance Pay Plan Amendment

The company has two change in control severance pay plans that together cover most employees of the company. In the event of certain terminations of employment of an eligible employee within two years following a change in control, the plans provide the terminated employee a lump sum severance payment, continuation of other employee benefits for a specified period, and a guarantee of the payment of other accrued compensation and benefits.

On October 16, 2006, the board of directors voted to amend certain terms of the company's plan that covers executives. The plan is currently divided into two tiers, with the executive officers of the company (currently 10 executives) in Tier I and other executive-level employees in Tier II. The amendments will eliminate the tiers, thereby reducing the benefits for the executive officers to the same levels as the other executives. As a result:

- The lump-sum severance benefit for executive officers will be reduced from three times to two times annual base salary plus cash bonus;
- The continuation period for employee benefits for the executive officers will be reduced from three to two years following termination of employment; and

- The pension supplement for defined benefit pension plan calculations for the executive officers will be reduced from three to two years of age credit and from three to two years of service credit.

These amendments have been included in the company's 2007 Change in Control Severance Pay Plan for Select Employees (2007 Plan) and will be effective, assuming necessary employee consents are obtained, when the 2007 Plan becomes effective on March 1, 2007.

Item 2.02. Results of Operations and Financial Condition

On October 19, 2006, we issued a press release announcing our results of operations for the quarter and nine-month period ended September 30, 2006, including, among other things, an income statement for those periods. In addition, on the same day we are holding a teleconference for analysts and media to discuss those results. The teleconference will be web cast on our web site. The press release and related financial statements are attached to this Form 8-K as Exhibit 99.2.

We use non-GAAP financial measures, such as adjusted net income and adjusted diluted earnings per share, that differ from financial statements reported in conformity to U.S. generally accepted accounting principles ("GAAP"). In the press release attached as Exhibit 99.2, we used non-GAAP financial measures in comparing the financial results for the first nine months of 2006 with the same periods of 2005. Those measures include operating income, income before taxes, income taxes, net income, and earnings per share adjusted to exclude the effect of a charge for product liability matters in the second quarter of 2005. That charge is described in more detail in our Form 8-K dated July 21, 2005.

In the press release attached as Exhibit 99.2, we also provided financial expectations for the full year 2006. In addition to providing earnings per share expectations on a GAAP basis, we provided earnings per share expectations on an adjusted basis. In order to provide a more meaningful earnings-per-share growth comparison between 2005 results and projected 2006 results, we made the following adjustments to 2005 earnings per share:

- We excluded the second quarter 2005 product liability charge discussed above
- We excluded the following charges recognized in the fourth quarter of 2005 (described in more detail in our Form 8-K dated January 26, 2006):
  - Asset impairment, restructuring and other special charges
  - The cumulative effect of an accounting change due to the adoption of new accounting rule (FIN 47) for conditional asset retirement obligations.

The items that we exclude are typically highly variable, difficult to predict, and of a size that could have a substantial impact on our reported operations for a period. We believe that these non-GAAP measures provide useful information to investors. Among other things, they may help investors evaluate our ongoing operations. They can assist in making meaningful period-over-period comparisons and in identifying operating trends that would otherwise be masked or distorted by the items subject to the adjustments. Management uses these non-GAAP measures

internally to evaluate the performance of the business, including to allocate resources and to evaluate results relative to incentive compensation targets.

Investors should consider these non-GAAP measures in addition to, not as a substitute for or superior to, measures of financial performance prepared in accordance with GAAP. For the reasons described above for use of non-GAAP measures, our prospective earnings guidance is subject to adjustment for certain future matters, similar to those identified above, as to which prospective quantification generally is not feasible. For example, in our press release we note that our earnings guidance for 2006 does not include the impact of future material, unusual items such as the expected IPR&D charge related to the ICOS acquisition (if the transaction closes in 2006), and any charges related to the potential sale or closure of three European sites (as discussed under Items 2.05 and 2.06 below).

The information in this Item 2.02 and the press release attached as Exhibit 99.2 are considered furnished to the Commission and are not deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Item 2.05 Costs Associated with Exit or Disposal Activities
and
Item 2.06 Material Impairments

As announced in June 2006, the company has been considering the future of three European facilities, which include the R&D facilities in Mont St. Guibert, Belgium and Hamburg, Germany, and the dry products manufacturing facility in Basingstoke, England. On October 16, 2006, the board of directors took the following actions with respect to Hamburg and Basingstoke:

- Hamburg, Germany

  The board of directors approved a plan to close the site and also approved a social package, including severance payments, that was negotiated with the site works council. Under the agreement, operations will decrease during the rest of 2006 and into the first half of 2007, with the official closing anticipated for June 30, 2007.

  Restructuring charges of approximately $40-50 million will occur primarily in the fourth quarter of 2006, composed of $35-40 million in severance related charges and lease termination costs, substantially all of which is expected to be in cash, and $5-10 million in non-cash asset impairment charges.

- Basingstoke, UK

  The company has been considering closure of the Basingstoke plant as well as sale of the plant as an ongoing operation.

  Several companies have expressed interest in potentially purchasing the Basingstoke site as an ongoing operation, and management intends to diligently pursue the sale option and make a decision by year end. If no viable sale option has been identified by that time, the

board has authorized management to proceed with the closure of the facility and implementation of a severance package negotiated between the company and the employee representatives.

Because the company cannot predict whether negotiations for the sale of the Basingstoke site will be successful, at this time we cannot make a good faith determination of an estimate of the costs, or range of costs, of any exit or disposal activities or asset impairments.

Item 8.01. Other Events.

The board of directors of the company has voted to submit a binding proposal to the shareholders in April 2007 to amend the company's articles of incorporation to declassify the board of directors.

The company's current articles of incorporation divide the directors into three classes, with directors elected to staggered three-year terms. If the new proposal is approved by a vote of 80 percent of the outstanding shares, then following the expiration of his or her then-current term, each director would stand for election to a one-year term at each annual meeting of shareholders, beginning with the company's April 2008 meeting. The proposed amendments would not shorten the term of any director elected prior to the effectiveness of the amendments to the articles of incorporation.

A non-binding shareholder proposal seeking declassification of the board received a majority of shares voted at the company's 2006 annual meeting. The board believes that submitting a binding declassification proposal to the shareholders is an appropriate response to that vote and is in keeping with the company's commitment to good corporate governance.

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)

By: /s/ Derica W. Rice
Name: Derica W. Rice
Title: Senior Vice President and Chief Financial Officer

Dated: October 19, 2006

EXHIBIT INDEX

Exhibit Number	Exhibit
99.1	Press release dated October 17, 2006.
99.2	Press release dated October 19, 2006, together with related attachments.

Exhibit 99.1

Eli Lilly and Company
Lilly Corporate Center
Indianapolis, Indiana 46285
U.S.A.

www.lilly.com
Date: October 17, 2006

For Release: IMMEDIATELY
Refer to: (317) 276-2506 – Phil Belt

Lilly Announces Acquisition of ICOS Corporation

$2.1 Billion Purchase Expected to be Accretive to Earnings Beginning in 2008;
Deal Provides Lilly with Full Ownership of Cialis

Eli Lilly and Company (NYSE: LLY) today announced that it has signed a definitive merger agreement to acquire ICOS Corporation (NASDAQ: ICOS), based in Bothell, Washington, in a cash transaction. Under the terms of the agreement, Lilly will acquire all of the outstanding shares of ICOS common stock at a price of $32 per share, for a total of approximately $2.1 billion.

Since 1998, Lilly and ICOS have been partners in Lilly ICOS LLC, the joint venture that manufactures, markets and sells Cialis® (tadalafil). Successfully launched in 2003, Cialis is an oral PDE-5 inhibitor for the treatment of erectile dysfunction that is available in more than 100 countries. It is the sales leader in many of them, including France and Brazil, and has captured more than 25 percent of the erectile dysfunction market in the U.S. Cialis generated worldwide sales of $456 million in the first six months of 2006, representing growth of 34 percent over the first half of 2005.

“We are pleased to bring the full value of Cialis to Lilly and to continue providing the benefits of Cialis to men suffering from erectile dysfunction,” said Sidney Taurel, Lilly chairman and chief executive officer. “We have had a very successful and productive relationship with our partners at ICOS and are looking forward to taking this next step. With full ownership of Cialis, we will be able to realize operational efficiencies in the further development, marketing and selling of this important product. We expect this acquisition will increase the company’s earnings and earnings growth rate beginning in 2008 and, after a significant addition to sales in 2007, will modestly accelerate the company’s sales growth rate thereafter.”

Added Taurel, “This transaction provides financial and operational benefits to Lilly while providing substantial value to both Lilly and ICOS shareholders. We also look forward to further developing the commercial potential of tadalafil through the pursuit of new indications. Our longstanding relationship will allow for a smooth integration of operations that will be mindful of the needs of patients, employees and the impacted business operations.”

Paul Clark, ICOS chairman, president and chief executive officer, stated, “Our talented people grew ICOS, over sixteen short years, into one of the top-tier biotech companies in the U.S. Along the way, they collaborated to create and commercialize one of the few blockbuster drugs to come from biotech. The acquisition by Lilly, our close partner for nearly a decade, provides a compelling financial outcome for our shareholders.”

The board of directors of ICOS voted unanimously to approve the merger agreement and to recommend that its shareholders approve the transaction. The transaction is expected to close in late 2006 or early 2007. Closing is contingent upon approval by ICOS shareholders, clearance under the Hart-Scott-Rodino Anti-Trust Improvements Act and certain other closing conditions.

Upon the closing of the transaction, Lilly will incur a one-time charge to earnings for acquired in-process research and development, but it is premature to estimate what that charge will be. In addition, the company expects the impact of including the operations of ICOS in its financial results to be modestly dilutive to earnings in 2007. Starting in 2008, however, the company expects the acquisition to be accretive to earnings and to generate positive cash flow.

Webcast of Conference Call

Investors and the general public can access a live webcast of a conference call hosted by Lilly to discuss this announcement. This webcast can be accessed via a link on Lilly’s website (www.lilly.com). The conference call will be held today at 9:00 a.m. Eastern Daylight Saving Time (EDT).

Lilly, a leading innovation-driven corporation, is developing a growing portfolio of first-in-class and best-in-class pharmaceutical products by applying the latest research from its own worldwide laboratories and from collaborations with eminent scientific organizations. Headquartered in Indianapolis, Ind., Lilly provides answers – through medicines and information –

for some of the world's most urgent medical needs. Additional information about Lilly is available at www.lilly.com. C-LLY

This press release contains forward-looking statements that are based on management's current expectations; however, they are subject to significant risks and uncertainties. Actual results may differ materially and will depend on, among other things, realization of anticipated operational efficiencies following the merger with ICOS; the continuing growth of the company's currently marketed products; developments with competitive products; the timing and scope of regulatory approvals and the success of new product launches; asset impairments, restructurings, and acquisitions of compounds under development resulting in acquired-in-process research and development charges; foreign exchange rates; wholesaler inventory changes; the outcome of the Zyprexa® patent appeal; other regulatory developments, government investigations, patent disputes, and litigation involving current and future products; changes in tax law; and the impact of governmental actions regarding pricing, importation, and reimbursement for pharmaceuticals. For additional information about the factors that affect the company's business, please see the company's latest Form 10-Q filed August 2006. The company undertakes no duty to update forward-looking statements.

# # #

Cialis® (tadalafil, ICOS), Lilly ICOS LLC
Zyprexa® (olanzapine, Lilly)

Exhibit 99.2

Eli Lilly and Company
Lilly Corporate Center
Indianapolis, Indiana 46285
U.S.A.

www.lilly.com
Date: October 19, 2006

For Release: Immediately
Refer to: (317) 276-5795 – Terra Fox

Lilly Reports 7% Sales Growth, 10% Earnings Growth and $.80 EPS for Third Quarter

Newer Products Grew 45% to One-Fourth of Sales

Eli Lilly and Company (NYSE: LLY) announced financial results for the third quarter of 2006.

Third-Quarter Highlights

- Sales increased 7 percent, to $3.864 billion. The sales increase was driven by Cymbalta® and several of the company's other newer products as well as Zyprexa®.
- Newer products – Alimta®, Byetta®, Cialis®, Cymbalta, Forteo®, Strattera®, Symbyax®, Xigris® and Yentreve® – collectively grew 45 percent, to $959.7 million, and accounted for 25 percent of total sales, up from 18 percent of total sales in the third quarter of 2005.
- Net income and earnings per share increased 10 percent, to $873.6 million and $.80, respectively. The earnings growth was driven primarily by improved gross margins.

Pharmaceutical Product Sales Highlights

(Dollars in millions)	Third Quarter 2006	Third Quarter 2005	% Change Over/(Under) 2005	Year-to-Date 2006	Year-to-Date 2005	% Change Over/(Under) 2005
Zyprexa	$1,084.7	$1,035.1	5%	$3,207.1	$3,170.1	1%
Diabetes Care Products	712.4	652.8	9%	2,177.5	2,046.5	6%
Gemzar ®	354.6	334.3	6%	1,036.9	981.9	6%
Cymbalta	348.6	182.8	91%	892.3	450.9	98%
Evista ®	257.9	260.3	(1)%	775.0	770.8	1%
Alimta	157.2	122.3	29%	440.4	327.4	35%
Strattera	126.4	140.9	(10)%	422.7	384.1	10%
Forteo	149.1	102.6	45%	422.2	271.3	56%

Significant Events Over the Last Three Months

- Lilly announced its acquisition of ICOS Corporation for approximately $2.1 billion in cash. The acquisition brings the full value of Cialis to Lilly and enables the company to realize operational efficiencies in the further development, marketing and selling of this product. Lilly expects this acquisition will increase the company's earnings and earnings growth rate beginning in 2008 and, after a significant addition to sales in 2007, will modestly accelerate the company's sales growth rate thereafter. Upon the closing of the transaction, which is expected in late 2006 or early 2007, Lilly will incur a one-time charge to earnings for acquired in-process research and development (IPR&D), but it is premature to estimate what that charge will be. In addition, the company expects the impact of including the operations of ICOS in its financial results will be modestly dilutive to earnings in 2007.
- Lilly received an approvable letter from the U.S. Food and Drug Administration (FDA) for Arxxant™ for the treatment of diabetic retinopathy. The FDA has indicated it will require efficacy data from an additional Phase 3 study before it will consider approving the molecule. Lilly has decided to appeal the FDA's decision and has recently begun discussions with the agency. Lilly reached this decision by considering the significance of the unmet medical need that diabetic retinopathy represents, the efficacy demonstrated in the completed clinical studies and the robust safety profile shown in more than 3,300 patient years of clinical trial exposure.
- The Committee for Medicinal Products for Human Use of the European Medicines Evaluation Agency issued a positive opinion recommending approval of Byetta for the treatment of type 2 diabetes. Marketing authorization by the European Commission is expected later this year. Byetta is already approved in the U.S. for this indication.
- Lilly submitted data to the FDA for consideration of a new treatment-resistant depression (TRD) indication for Symbyax, available as a range of fixed combinations of Zyprexa and Prozac®, as well as for Zyprexa used in combination with Prozac. Currently, there is no FDA-approved medication for treatment-resistant depression, a condition in which some people with major depressive disorder fail to sustain or achieve remission despite adequate antidepressant therapy. Symbyax is already approved in the U.S. for the treatment of bipolar depression.
- The Health and Human Services Office of Inspector General (OIG) granted Lilly approval of LillyMedicareAnswers, an "Outside Part D" Medicare Part D Patient Assistance Program. OIG approval of LillyMedicareAnswers paves the way for the full implementation of the

program, which will provide Zyprexa, Forteo and Humatrope® to low-income seniors who are experiencing gaps in coverage under Medicare Part D.

“Our third quarter delivered accelerating top-line growth and strong bottom-line results,” said Sidney Taurel, Lilly chairman and chief executive officer. “Notably, Cymbalta sales continued to grow robustly and U.S. Zyprexa prescriptions remained stable. Our sales interventions and productivity initiatives are enabling us to accelerate performance and invest appropriately in key products while delivering solid earnings growth.”

Third-Quarter Results

Worldwide sales for the quarter increased 7 percent, to $3.864 billion, driven by Cymbalta and several of the company’s other newer products as well as Zyprexa. Worldwide sales volume increased 1 percent, selling prices increased sales 5 percent and exchange rates increased sales by 1 percent.

Gross margins as a percent of sales improved by 1.2 percentage points, to 77.7 percent. This increase was primarily due to increased product prices and increased production volume, partially offset by higher manufacturing expenses.

Overall, marketing and administrative expenses increased 12 percent, to $1.198 billion. This increase was driven by increased marketing expenses in support of key products, primarily Cymbalta. Research and development expenses increased 1 percent, to $755.7 million, and represented 20 percent of sales.

Other income decreased $29.0 million, to $56.0 million, due to decreased net interest income and decreased miscellaneous net other income, offset partially by increased Lilly ICOS joint-venture income.

Income tax expense increased 4 percent, to $232.2 million. The effective tax rate was 21 percent, down from 22 percent in the third quarter of 2005.

Net income and earnings per share increased 10 percent, to $873.6 million and $.80, respectively. The earnings growth was driven by sales increasing at a faster rate than cost of

products sold and research and development expenses, offset partially by higher marketing and administrative expenses and decreased other income.

Zyprexa

In the third quarter of 2006, Zyprexa sales totaled $1.085 billion, a 5 percent increase. U.S. sales of Zyprexa increased 3 percent, to $519.0 million, due to increased prices, offset partially by lower demand compared with the third quarter of 2005. However, Zyprexa's U.S. prescription volume has held steady during the first nine months of 2006. Zyprexa sales in international markets increased 6 percent, to $565.7 million, due to increased demand and the favorable impact of exchange rates, offset partially by lower prices.

Diabetes Care Products

Diabetes care revenue, composed primarily of Humalog®, Humulin®, Actos® and Byetta, increased 9 percent, to $712.4 million, compared with the third quarter of 2005. Diabetes care revenue increased 14 percent in the U.S., to $408.6 million, while diabetes care revenue outside the U.S. increased 3 percent, to $303.8 million.

Worldwide Humalog sales increased 5 percent, to $322.2 million, due to higher U.S. prices and increased demand outside the U.S., partially offset by a decline in demand in the U.S. Worldwide Humulin sales decreased 8 percent, to $230.0 million, driven primarily by a decline in demand due to continued competitive pressures.

Actos generated $77.0 million of revenue for Lilly, an increase of 20 percent compared with the third quarter of 2005. As previously disclosed, Lilly's U.S. marketing rights with respect to Actos expired in September 2006; however, Lilly will continue receiving royalties from Takeda Pharmaceuticals North America at a declining rate through September 2009. The arrangement outside the U.S. continues.

Total sales of Byetta were $126.4 million, a 28 percent increase, compared with second quarter of 2006. Lilly reports as revenue its 50 percent share of Byetta's gross margins and its sales of Byetta pen delivery devices to Amylin Pharmaceuticals; for the third quarter, this revenue totaled $62.1 million, representing a 19 percent sequential increase compared with the second quarter of 2006.

Gemzar

Gemzar had sales totaling $354.6 million, which increased 6 percent, compared with the third quarter of 2005. Sales in the U.S. increased 2 percent, to $153.0 million, due to higher prices, offset partially by lower demand due to competitive pressures. Gemzar sales outside the U.S. increased 9 percent, to $201.6 million, due to increased demand and the favorable impact of exchange rates, offset partially by lower prices.

Cymbalta

Cymbalta generated $348.6 million in sales, up 91 percent, compared with the third quarter of 2005. U.S. sales of Cymbalta increased 80 percent, to $306.5 million, due to strong demand. Sales outside the U.S. were $42.1 million, reflecting international launches.

Evista

Evista sales were $257.9 million, a 1 percent decrease, compared with the third quarter of 2005. U.S. sales of Evista increased 1 percent, to $162.8 million, due to higher prices, offset by a decline in demand. Evista sales outside the United States decreased 4 percent, to $95.1 million, due primarily to lower prices.

Alimta

Alimta sales increased 29 percent, to $157.2 million, compared with the third quarter of 2005, due to increased U.S. and international demand. U.S. sales of Alimta increased 17 percent, to $89.9 million, while sales outside the U.S. increased 48 percent, to $67.3 million.

Strattera

Strattera sales were $126.4 million, a 10 percent decrease, compared with the third quarter of 2005. The sales decrease was primarily due to a decline in U.S. demand, offset partially by higher U.S. prices.

Forteo

Sales of Forteo were $149.1 million, a 45 percent increase compared with the third quarter of 2005. U.S. sales of Forteo increased 48 percent, to $104.2 million, while sales outside the U.S. grew 39 percent, to $44.9 million. In addition to increased demand, U.S. Forteo sales

significantly benefited from access to medical coverage through the Medicare Part D program and decreased utilization of the company's U.S. patient assistance program, LillyAnswers.

Cialis

Total worldwide sales of Cialis were $245.6 million, a 26 percent increase compared with third-quarter 2005 worldwide sales. Worldwide Cialis sales are composed of $55.0 million of sales in Lilly territories and $190.6 million of sales in the Lilly ICOS LLC joint-venture territories. Within the joint-venture territories, the U.S. sales of Cialis were $94.9 million, a 23 percent increase. Cialis sales in Lilly territories are reported in Lilly's revenue, while Lilly's 50 percent share of the joint-venture net income is reported in Lilly's other income. Cialis sales growth reflects both gains in market share and growth of the erectile dysfunction market during the quarter.

Animal Health

Worldwide sales of animal health products of $216.2 million were flat compared with the third quarter of 2005.

Year-to-Date Results

For the first nine months of the year, worldwide sales increased 6 percent, to $11.446 billion, compared with sales for the same period in 2005. Net income and earnings per share were $2.530 billion and $2.33, respectively.

Excluding the 2005 product liability charge, the net income and earnings per share for the first nine months of 2006 would have increased 12 percent and 13 percent, respectively. This adjusted earnings growth was driven primarily by increased sales and decreased cost of sales, offset partially by decreased other income.

	Year-to-Date		
Earnings per Share Reconciliation	2006	2005	% Growth
E.P.S. – reported	**$ 2.33**	**$ 1.17**	**N/M**
Exclude product liability charge (a)	—	.90	
E.P.S. – adjusted	**$ 2.33**	**$ 2.07**	**13%**

N/M – not meaningful

(a) Refer to “Operating Results – Adjusted” later in this press release for further description.

Refer to “Operating Results” and “Operating Results – Adjusted” later in this press release for a summary of reported and adjusted operating income (loss) and net income (loss).

2006 Financial Guidance

For full-year 2006, the company continues to expect sales growth at approximately the low end of 7 percent to 9 percent growth range. In addition, the company expects gross margins as a percent of sales to improve, operating expenses to grow in the mid-single digits and other income to contribute approximately $175 million to $250 million. Excluding the tax associated with the potential charges discussed below, the company continues to anticipate the effective tax rate to be approximately 21 percent. In terms of cash flow, the company expects capital expenditures to be about $1.2 billion in 2006.

The company continues to expect full-year 2006 adjusted earnings per share in the range of $3.10 to $3.20. This guidance excludes future, material unusual items, such as the IPR&D charge related to the ICOS acquisition, if the transaction closes in 2006, and any charges related to the potential sale or closure of the three European sites previously disclosed. Lilly has reached a final decision related to one of these sites. Specifically, the research and development facility in Hamburg, Germany, will be closed, resulting in a fourth-quarter restructuring and asset impairment charge of $40 million to $50 million (pretax), or $.02 to $.03 per share (after-tax). Consequently, Lilly’s reported full-year 2006 earnings per share is expected to be in the range of $3.07 to $3.18. Additional fourth-quarter charges may occur if further decisions are reached related to the other two sites.

The full-year 2006 adjusted earnings per share guidance compares to adjusted 2005 earnings per share of $2.87, representing 8 percent to 11 percent adjusted growth. Reported full-year 2005 earnings per share was $1.81. The 2005 adjusted earnings per share excludes the $.90 per share second-quarter product liability charge, the $.14 per share fourth-quarter asset impairment charge and the $.02 per share fourth-quarter charge for the cumulative effect of an accounting change due to adoption of new accounting rule (FIN 47) for conditional asset retirement obligations.

Webcast of Conference Call

As previously announced, investors and the general public can access a live webcast of the third-quarter 2006 financial results conference call through a link on Lilly's website at www.lilly.com. The conference call will be held today from 8:00 a.m. to 9:00 a.m. EDT and will be available for replay via the website through November 17, 2006.

Lilly, a leading innovation-driven corporation, is developing a growing portfolio of first-in-class and best-in-class pharmaceutical products by applying the latest research from its own worldwide laboratories and from collaborations with eminent scientific organizations. Headquartered in Indianapolis, Ind., Lilly provides answers – through medicines and information – for some of the world's most urgent medical needs. Additional information about Lilly is available at www.lilly.com. F-LLY

This press release contains forward-looking statements that are based on management's current expectations; however, they are subject to significant risks and uncertainties. Actual results may differ materially and will depend on, among other things, the continuing growth of the company's currently marketed products; developments with competitive products; the timing and scope of regulatory approvals and the success of the company's new product launches; asset impairments, restructurings, and acquisitions of compounds under development resulting in acquired in-process research and development charges; foreign exchange rates; wholesaler inventory changes; the outcome of the Zyprexa patent appeal; other regulatory developments, government investigations, patent disputes and litigation involving current and future products; changes in tax law; and the impact of governmental actions regarding pricing, importation, and reimbursement for pharmaceuticals. For additional information about the factors that affect the company's business, please see the company's latest Form 10-Q filed August 2006. The company undertakes no duty to update forward-looking statements.

# # #

Actos® (pioglitazone hydrochloride, Takeda), Takeda
Alimta® (pemetrexed, Lilly)
Arxxantä (ruboxistaurin mesylate, Lilly)
Byetta® (exenatide injection, Amylin Pharmaceuticals)
Cialis® (tadalafil, ICOS), Lilly ICOS LLC
Cymbalta® (duloxetine hydrochloride, Lilly)
Evista® (raloxifene hydrochloride, Lilly)
Forteo® (teriparatide of recombinant DNA origin injection, Lilly)
Gemzar® (gemcitabine hydrochloride, Lilly)
Humalog® (insulin lispro injection of recombinant DNA origin, Lilly)
Humatrope® (somatropin of recombinant DNA origin, Lilly)
Humulin® (human insulin of recombinant DNA origin, Lilly)
Prozac® (fluoxetine hydrochloride, Lilly)
Strattera® (atomoxetine hydrochloride, Lilly)
Symbyax® (olanzapine fluoxetine combination, or OFC, Lilly)
Xigris® (drotrecogin alfa (activated), Lilly)
Yentreve® (duloxetine hydrochloride, Lilly)
Zyprexa® (olanzapine, Lilly)

Eli Lilly and Company
Operating Results (Unaudited)
(Dollars in millions, except per share data)

	Three Months Ended September 30			Nine Months Ended September 30		
	2006	2005	% Chg.	2006	2005	% Chg.
Net sales	$ 3,864.1	$ 3,601.1	7%	$ 11,445.7	$ 10,766.2	6%
Cost of sales	860.4	845.7	2%	2,527.5	2,576.0	(2)%
Research and development	755.7	751.0	1%	2,271.3	2,215.6	3%
Marketing and administrative	1,198.2	1,070.9	12%	3,579.0	3,307.4	8%
Asset impairments, restructuring and other special charges	—	—	N/M	—	1,073.4	N/M
Operating income (loss)	1,049.8	933.5	12%	3,067.9	1,593.8	N/M
Net interest (expense) income	4.8	27.6		2.1	83.3	
Joint venture income (loss)	23.8	5.8		66.1	(7.3)	
Net other income	27.4	51.6		66.9	153.0	
Other income	56.0	85.0		135.1	229.0	
Income (loss) before income taxes	1,105.8	1,018.5	9%	3,203.0	1,822.8	N/M
Income taxes	232.2	224.1	4%	672.6	543.8	N/M
Net income (loss)	$ 873.6	$ 794.4	10%	$ 2,530.4	$ 1,279.0	N/M
Earnings (loss) per share – basic	$ 0.80	$ 0.73	10%	$ 2.33	$ 1.18	N/M
Earnings (loss) per share – diluted	$ 0.80	$ 0.73	10%	$ 2.33	$ 1.17	N/M
Dividends paid per share	$ 0.40	$ 0.38	5%	$ 1.20	$ 1.14	5%
Weighted-average shares outstanding (thousands) – basic	1,085,603	1,088,936		1,085,441	1,087,786	
Weighted-average shares outstanding (thousands) – diluted	1,086,412	1,091,362		1,086,449	1,091,093	

N/M – not meaningful

Eli Lilly and Company
Operating Results (Unaudited) – ADJUSTED
(Dollars in millions, except per share data)

	Three Months Ended September 30			Nine Months Ended September 30		
	2006	2005	% Chg.	2006	2005 (a)	% Chg.
Net sales	$ 3,864.1	$ 3,601.1	7%	$ 11,445.7	$ 10,766.2	6%
Cost of sales	860.4	845.7	2%	2,527.5	2,576.0	(2)%
Research and development	755.7	751.0	1%	2,271.3	2,215.6	3%
Marketing and administrative	1,198.2	1,070.9	12%	3,579.0	3,307.4	8%
Operating income	1,049.8	933.5	12%	3,067.9	2,667.2	15%
Net interest (expense) income	4.8	27.6		2.1	83.3	
Joint venture income (loss)	23.8	5.8		66.1	(7.3)	
Net other income	27.4	51.6		66.9	153.0	
Other income	56.0	85.0		135.1	229.0	
Income before income taxes	1,105.8	1,018.5	9%	3,203.0	2,896.2	11%
Income taxes	232.2	224.1	4%	672.6	637.2	6%
Net income	$ 873.6	$ 794.4	10%	$ 2,530.4	$ 2,259.0	12%
Earnings per share – basic	$ 0.80	$ 0.73	10%	$ 2.33	$ 2.08	12%
Earnings per share – diluted	$ 0.80	$ 0.73	10%	$ 2.33	$ 2.07	13%
Dividends paid per share	$ 0.40	$ 0.38	5%	$ 1.20	$ 1.14	5%
Weighted-average shares outstanding (thousands) – basic	1,085,603	1,088,936		1,085,441	1,087,786	
Weighted-average shares outstanding (thousands) – diluted	1,086,412	1,091,362		1,086,449	1,091,093	

(a) The 2005 year-to-date amounts are adjusted to exclude the $1.073 billion (pretax), or $.90 per share (after-tax), second-quarter product liability charge, which includes the $690 million for the previously announced Zyprexa product liability settlement under the agreement in principle as well as reserves, primarily related to Zyprexa, for estimated product liability exposure and defense costs. These charges have been offset by estimated recoveries from the company's insurance coverage.

Eli Lilly and Company
Major Pharmaceutical Product Sales and Revenues (Unaudited)
(Dollars in millions)

	Three Months Ended September 30		% Change Over/(Under)	Nine Months Ended September 30		% Change Over/(Under)
	2006	2005	2005	2006	2005	2005
Zyprexa	$1,084.7	$1,035.1	5%	$3,207.1	$3,170.1	1%
Gemzar	354.6	334.3	6%	1,036.9	981.9	6%
Humalog	322.2	306.2	5%	947.3	888.6	7%
Cymbalta	348.6	182.8	91%	892.3	450.9	98%
Evista	257.9	260.3	(1)%	775.0	770.8	1%
Humulin	230.0	250.9	(8)%	668.3	757.5	(12)%
Alimta	157.2	122.3	29%	440.4	327.4	35%
Strattera	126.4	140.9	(10)%	422.7	384.1	10%
Forteo	149.1	102.6	45%	422.2	271.3	56%
Actos	77.0	64.3	20%	358.7	338.0	6%

Eli Lilly and Company
Employment Information

	September 30, 2006	December 31, 2005
Worldwide Employees	41,600	42,600